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Spectre of What?

THE preliminary round of the Sino-Soviet confrontations on the great ideological issues will have begun as these lines appear in print. Whether the factors which have strained relations between the two governments (and parties) are strictly ideological or not, is of course open to question. It may be maintained that what is involved is a clash between two sets of national chauvinism, between two oppressing wills, between two prides — the pride of brash and young over-confidence hurtling itself against the pride of successful attainment. Alternatively, one may even try to summarise the confrontations as symptomatic of the acute dialogue of crisis between the Communist Parties of developed Europe and the Parties of Asia and the other under-developed continents, with the Indian party hopelessly caught in the middle.

Whatever the precise reasons for the rift, it is much more than just an intra-mural quarrel. It will not do to push aside the issue by merely wishing that the Communists stew in their own dialectical juice. What happens at the Moscow parley has significance all around the globe, for this parley involves two out of to-day's three mightiest nations. Given the inextricable interdependency of nations — big and small, committed and uncommitted — in this nuclear age, the manner the Sino-Soviet dialogue is resolved or not resolved will affect, and at least partially determine, the shape of events for the next several years in many countries.

To illustrate, if it so happens that the current bout of discussions shows that the two Communist movements will not converge but will continue on separate planes, re-thinking will be called for not only with respect to established tenets of socialism and communism, but also regarding the nature of polarity within the so-called capitalist societies. The moment Communism ceases to be monolithic, the chances are that the enforced conformism which the Western alliance represents will also immediately give way. For all one knows, even as Russia, despite her institutional outlandishness, is being welcomed back into European fold, France may all of a sudden discover that maximisation of national aims would demand that she ventures out into hitherto-taboo coalitions: it is tantalizing to speculate whether the other partner in such coalitions would be China — or Japan — or Indonesia.

The cold war mould, by now seventeen years old, would break down, and that would indeed be good riddance: a rupture in the relations between the Soviet Union and China could bring about at least this positive achievement. This is, however, taking an altogether limited view of the prospective developments. What might happen to the several adjuncts of the revolutionary-proletarian movements in the different countries of Asia and Latin America if the Chinese Communist Party, along with its followers and admirers, sets up a Fifth International or something which is similar in intent, should also be taken into account.

A concomitant question would then be whether such a development would hasten the pace of China's march towards nuclear self-sufficiency. Any number of bizzare political possibilities would be conceivable once the breach between the two Communist giants is publicly declared.

JL
Xmas, 1963 DN 49.15

What cannot be answered categorically is whether the ensuing upheaval would do humanity much good in the net, even in the short run. If one lowers one's sights and wants to prognosticate on the effects on only the economically under-developed section of the human race, even then any categorical assertion would be ridiculous. If the Soviet Union reaches an over-all political accord with the United States, would that lessen, or replenish, the flow of economic assistance to the less developed countries? Would a formal declaration of war between the 'bourgeois' Communist Parties of Europe and the 'proletarian' Parties of the poorer continents greatly weaken the forces of the Left everywhere? If the answer to the latter question turns out to be in the affirmative, would that still do any good to the capitalist countries? For has not the case of Cuba shown that even if the organised left is visibly weak, the dictators of the right could be trusted to bring about their own disaster?

That the answers to so many questions and issues are dependent on the results of this ideological dialogue testifies to the fearful nature of the responsibility which the Communist leaders of either line have taken upon themselves. Despite our immediate preoccupation with China and problems of national defence — or perhaps because of it — we could do worse than try to identify carefully the nuances of the ideological battle as they are unfolded in Moscow in this and the following weeks. It is but one example of the paradoxes which beset a structurally inter-dependent world that, despite the current irrelevance of the Indian Communist Party, the issues of communism — be they philosophical or tactical — have become of acute relevance from the point of view of both the nation's survival and its economic progress.

Shadow over Panvel

PUBLIC sector projects long planned and long promised, seem to be dropping out one by one. A fortnight ago came the news that the phytochemical project in Kerala has been abandoned. Reports are now current that the same fate awaits the big project for organic intermediates and chemicals at Panvel in Maharashtra. About the phytochemicals, the reason given for abandoning the project was that tea waste and prunings, the raw materials for phytochemicals, were not available at economic prices. It does not enhance people's faith in the planning system when a project is dropped after two full years, because raw materials are not available. Is not the availability of raw materials at a reasonable cost one of the first things to be considered while planning production of anything? The project for the manufacture of organic intermediates and chemicals is supposed to have gone off so well that the possibility of a sudden abandonment comes as a shock. A Government company, the Hindustan Organic Chemicals, had been floated for handling this Rs 12-crore project and collaboration secured of a big West German consortium consisting of some of the world's best known firms in this field — Bayers, Hoechst, BASF and Fedrick Uhde. The construction work was started and already more than a crore has been spent on the factory site.

The idea of setting up a plant of this kind was taken in hand early in the Second Plan. On the request of the National Industrial Development Corporation, a team of experts from Montecatini undertook a survey in 1956 to estimate the demand for intermediates derived from the anticipated demand for dye-stuffs and other organic chemicals in the country by 1965. Similar studies were also made independently by Imperial Chemical Industries and the West German consortium in the Second Plan period. An offer of foreign exchange credit was made by the German manufacturers in 1958 and the Government of India decided to go ahead with the collaboration of this group. Accordingly, an agreement was signed in August 1960 between the Government of India and the West German firms and it was given out at the time that the project would come into production by the middle of 1963.

It is now reported that even a year ago the representatives of the consortium had communicated their inability to proceed with the project as they did not consider it to be viable any more. The reason given, so goes the report, was that Hindustan Organic, they had been given to understand, would be more or less monopoly producers of the intermediates. But licenses had been issued to so many firms for these intermediates that the scope for the project had been considerably curtailed as a result and the demand projections on which the earlier estimates had been made had become invalid.

The Panvel project for organic intermediates, it may be recalled, was based on raw materials derived from coal carbonisation and coal tar distillation. This itself raised doubts about the choice of the location since the basic raw materials for the plant would have to be transported all the way from Bihar or Bengal. That way, of course, the situation has not changed. What has is, first, of course, indiscriminate licensing and then, striking developments in technology in the last few years which must have influenced the final decision of the members of the consortium. Coal tar distillates and coke-oven products are now being increasingly replaced by petro-chemicals as the basic material for the manufacture of the group of organic intermediates the production of which was to have been taken up at Panvel. This has made substantial cost reductions possible and prices of these products have come down sharply both in U S and West Germany. Petro-chemicals have made such a powerful impact on chemical technology as to alter radically the basic pattern of many chemical industries, the most productive of them being organic chemicals.

In fact the reason why the consortium is reluctant to proceed with the Panvel project may not therefore be far to seek. One of the members of this consortium, Hoechst Chemicals, are currently engaged in negotiating a collaboration agreement with the Mafatlals for the manufacture of petro-chemicals near Bombay from refinery gases and naphtha cracking units to be set up here. The development thus projected adds fresh emphasis, if any were needed, to the urgency of developing petro-chemical industries but not in a haphazard manner. But such development should not mean the abandonment of Panvel. On the contrary, it would strengthen the viability of the project and enhance its importance. The project can readily switch over to organic intermediates using petro-chemical raw materials instead of the by-products of coal on which it had been planned earlier.

The manner in which public sector industrial projects are being dropped one by one, however, raises questions quite different from those about the feasibility of particular projects. If it is chemical intermediates after phytochemicals, which would it be next? Would it be the synthetic drug and intermediates project at Hyderabad and antibiotics at Rishikesh?

Race Riots in British Guiana

WITH the cancellation of air-flights and the partial suspension of overseas communication services, the isolation of British Guiana is virtually complete. News of the political turmoil in the country trickles through in driblets to the outside world, but even the scrappy reports appearing in the press reveal the racial twist which has been given to the agitation against Cheddi Jagan's Government.

Opposition to Cheddi Jagan, whose People's Progressive Party has won a majority in every election since 1953 including the last held in August 1961, is directed against his socialist economic policies. The opposition parties, the People's National Congress, led by the African leader Forbes Burnham, and a group of extreme rightists known as the United Force, have sought to dub Cheddi Jagan a communist and spread the fear that once the country is independent the Government would not hesitate to nationalise the major industries.

In the agitation against the Government, the opposition's most potent weapon is its control of the trade unions. The Manpower Citizens' Organisation, the biggest trade union, as well as the Trade Union Council are controlled by Richard Ishmael, a bitter opponent of Jagan, and draw their inspiration from the American-sponsored International Confederation of Free Trade Unions. The general strike which followed Jagan's "austerity budget" last year was an excellent instance of the opposition's use of its control over the trade unions. Actually, none of the fiscal measures directly affected the workers and the budget proposals were merely used as a pretext to try to overthrow the Government.

The current phase of agitation against Cheddi Jagan was sparked off by the Government's Labour Relations Bill seeking to set up a Labour Relations Board to settle disputes over recognition of unions, etc. The TUC alleged that the Bill was an attempt by the Government to control the trade unions. But though the Government subsequently dropped all the controversial clauses in the Bill, the strike continues over other issues.

With Burnham's break-away from the People's Progressive Party to form his own People's National Congress, politics in British Guiana has assumed a steadily darkening racial tinge. The Progressive Party, like Cheddi Jagan's Government, is multi-racial. But the National Congress has been trying to wean away the Africans from it by depicting it as exclusively a party of the Indians. Burnham's propaganda has had its effect on the mass of the African population and the results we see in the current race riots.

But the sharpening of racial antagonisms has not been all to the benefit of Jagan's opponents. One inevitable result of Burnham's militancy has been to drive a section of well-to-do Indians, who are sceptical of Jagan's economic policies, to support the Progressive Party which at the same time retains the allegiance of a minority of Africans who have not been swayed by Burnham's demagogy. In any case, Indians make up roughly half the island's population while the Africans constitute only one-third of it. Not surprisingly, therefore, the racial polarisation has emboldened Jagan to offer to hold fresh elections on condition that Britain would grant the country independence without further delay if his party won once again.

The independence talks held in 1962 had broken down because, among other things, the Progressive Party was not prepared to agree to the opposition's demand that fresh elections should be held before independence. However, now that Jagan has offered to hold elections, the opposition does not appear to be anxious to take up the challenge. Instead it seems to be intent on forcibly overthrowing the Government by inciting the African population to violence and disrupting the economy through strikes.

Special Number

The next Special Number of *The Economic Weekly* will be out on July 20, 1963. It will be a 180-page issue, bound in art cover and will be priced at Rs 3. Registration and postage charges will be Re 1.

The Special Number will be supplied free to subscribers. Non-subscribers and agents are requested to place their orders in advance.

In view of the Special Number, there will be no issues on July 13 and 27.

A FERNANDES
Business Manager

Weekly Notes

Intellectuals' Convention

Our Calcutta Correspondent writes :

ATTENDING the Indian Thinkers' Convention which the Prime Minister inaugurated on Monday was a disgusting and humiliating experience. One has come to accept that in the topsy-turvy India of today, most such gatherings are *tamashas* rigged up largely for the greater glory of the sponsors, but this one really took the cake. It is a shocking depreciation of national values that some people should have had the effrontery to call this circus a thinkers' convention. The whole thing was completely *bogus*, the organisers did not even make an attempt to keep up appearance.

West Bengal's intellectual life has long been dominated by elements which are outside the Congress, if not actively hostile to it. Atulya Ghosh, permanent president of West Bengal Congress, finds this galling. For some years, he has been trying to rope in the big names but his success so far has been limited despite the patronage he has to offer. The gravitational pull of a Mahalanobis or a Satyen Bose has so far been much stronger than all Atulya Ghosh's blandishments.

The convention was a continuation of Atulya Ghosh's effort to enlarge the Congress base. And since Atulya Ghosh was Chairman of the reception committee, there was no dearth of funds nor of party support. What else could have brought Pandit Nehru to the inauguration and Shrimati Vijayalakshmi Pandit to address a session on the role of women? But neither Pandit Nehru's stature nor Vijayalakshmi's charm nor even Birla's cash could give the convention the slightest air of intellectuality.

Everything about it was of the standard of a *mandal* Congress conference. In the front row sat a number of luminaries including a jute magnate whose firm is facing serious charges of under-invoicing and a one-time film actress once again in the lime-light because of her recent friendship with an eminent Congress personage. When Kaka Kalelkar came in looking for a seat, there was none left and no one bothered to find him one until a Union Minister (that too, a woman) got up to make room for him. Only then did Atulya Ghosh's lieutenants milling around the place realise that the old man with a flowing white beard was someone to be taken notice of.

When Nehru arrived at last—he was late because he called *en route* on Atulya Ghosh in his sickbed — the scene on the dais was one of utter chaos. Seating was *deshi* style on the floor, and there were scores of people jostling for space to park themselves (particularly as close to Nehru as possible to have the best chance of being included in newspaper photographs). And the influx continued long after the proceedings had begun — one of the last to arrive was a generously proportioned printer with copies of a conference souvenir which he promptly started to distribute, calmly ignoring the attempts to restrain him. What a subject for a cartoonist! Others would have muscled in their way, too, after the printer, had the Prime Minister's security aides not taken the situation in hand.

One felt sorry for poor Nehru, hunched over a bolster amidst all this confusion. Despite all the money the organisers had at their disposal, there were just two pedestal fans on the vast and stuffy dais. Vijayalakshmi who sat next to the Prime Minister at the start found herself pushed back almost to the back drop at the far end. But Nehru had brought all this upon himself by accepting the invitation in the first place.

What transpired at the inauguration is difficult for your correspondent to say. By the time the Secretary had made a tiresome report and the President, Dr S K Mitra, a few inane remarks, he had had as much as he could take. One had expected better from Dr Mitra, a national professor and a man of reputation as a physicist, but his inanity on this occasion was all of a piece.

When Nehru took the floor, the press gallery saw promise of explosive anger in his growling look. But we were disappointed — he did his duty by the sponsors by holding forth for 40 minutes. Yet he at least had the decency to wonder aloud what the thinkers' convention was about. Thinking, he reminded, could not be done en masse; least of all in a crowd of 5,000 jampacked into a stuffy hall. Having entered this caveat (was it a gesture to satisfy his own conscience?) he proceeded to spout cliches steadily for far longer than good form really demanded. Was it a compulsive behaviour pattern at work which Nehru — the best performer in the Congress circus — cannot avoid even when he wishes to?

Supervision of Tarapur

THE Government of India's decision to accept International General Electric's offer to build a 380 mW atomic power station at Tarapur was made public in September last year. However, before an agreement could be concluded with I G E, a loan had to be secured from the U S Government to cover the foreign exchange cost of the project, estimated approximately at Rs 38 crores. Further, since I G E's offer was to set up two water cooled reactors using enriched uranium as fuel, arrangements had also to be made for supply of enriched uranium from the U S. This involved the question of safeguards to satisfy the U S that the fuel supplied by it was used only to produce power and was not diverted to non-peaceful uses. Negotiations with the U S on these questions have taken the best part of a year and it was only last week that the U S loan for Tarapur was announced.

Before the Government of India accepted I G E's offer in preference to a number of competing bids, the U S had already been sounded and had expressed its willingness to finance the foreign exchange cost of the project and also to meet its enriched fuel requirements. But the negotiations with the U S Government were stretched because of our unwillingness to submit the operation of the Tarapur project to supervision by the International Atomic Energy Agency, which the U S could not but insist on as a condition for supply of enriched uranium considering that it is the sponsor of the system of I A E A supervision. We were prepared to accept supervision by the U S but not by the I A E A, on the ostensible ground that U S supervision was likely to be less onerous than the I A E A's.

According to a joint Indo-U S press release issued in Washington on Tuesday, though supervision of the project is to be in U S hands initially, it is to be transferred to the I A E A once the international agency develops a satisfactory system of control to supervise large reactors of the Tarapur type. It thus appears that we have climbed down all the way and accepted international control which, along with the Soviet group, we had stoutly opposed. This is not surprising, for our earlier stand accepting U S but not I A E A control made little sense. There is nothing in the bilateral agreements concluded by the U S with other countries to whom it has supplied nuclear fuel to substantiate the contention that U S control would be less stringent than the I A E A's (*The Economic Weekly*, September 29, 1962). Our position on the question of controls, it would appear, was mainly a face-saving one, intended to be consistent with our stand in the I A E A opposing international supervision.

Power from Thorium

THE question of supervision arose from the Government's decision to go in for the enriched fuel reactors offered by the American firm. Tarapur was originally intended to be of the natural uranium type. Since we have no facilities for enriching uranium, in the development of nuclear power in India reactors using enriched fuel can be considered only after sufficient quantities of plutonium have first been produced in reactors using natural uranium. And the long-term objective has to be to make use of thorium, which alone we have in abundance. The *Bulletin* of the International Atomic Energy Agency in its April 1963 issue has this to say about the possibilities of using thorium as the basis of a nuclear power programme:

> "A country with large supplies of thorium may be able to sustain a power programme by operating reactors on the thorium/uranium-233 cycle. Once enough uranium-233 has been produced by the irradiation of thorium by neutrons released in the fission of uranium-235 or plutonium, the reactor will need no fresh supplies of fissionable material; as more and more thorium is fed into the reactor it will go on producing its own fuel in the form of uranium-233."

But reactors using thorium are yet to be developed. At present thorium is used as a fertile material (i e material from which nuclear fuel can be produced) in a few power reactors in the U S and U K. All these reactors are, however, "*basically* experimental and intended to provide information on many unknown aspects of the thorium/uranium breeder technology. It will be sometime before such reactors are developed for operation on an industrial scale".

But since plutonium can be produced from uranium-238 in natural uranium reactors it is possible to start a nuclear power programme with natural uranium reactors and produce enough plutonium over a period of time to go on to plutonium/uranium reactors. Even the enriched uranium using reactors to be set up at Tarapur will produce plutonium as by-product but this plutonium will have to be used in these reactors themselves under the terms of the proposed agreement with the U S.

While the capital cost of the enriched uranium plant offered by the I G E is substantially lower than that of a natural uranium plant of like capacity, it will depend for its operation on imported fuel. Thus the joint press note referred to above states that "the Tarapur station will be operated *only* on enriched uranium supplied by the U S or plutonium produced therefrom". It is estimated that in addition to the initial fuel charge which would cost somewhat over Rs 7 crores, imports of fuel from the U S would be of the value of Rs 2 crores annually. These imports may be reduced somewhat insofar as the plutonium produced as by-product in the reactors can be substituted for enriched uranium.

It may be pointed out that the U S is now neither the only source of supply of enriched uranium nor even perhaps the cheapest. In Britain, for instance, the cut-back in military and civil nuclear programmes has rendered huge enrichment plants set up at great cost partially idle and the British Atomic Energy Agency recently decided to offer the enrichment facilities at its Capenhurst plant for hire. This has opened up an alternative source of supply of enriched nuclear fuel which countries embarking on nuclear power programmes will find attractive not only because it is said to be cheaper but also because the conditions attaching to supply of enriched uranium from the U S will not presumably be insisted on. Of course, in the case of Tarapur with American plant and American credit there was really no choice as to the source of supply of fuel.

The Economic Weekly

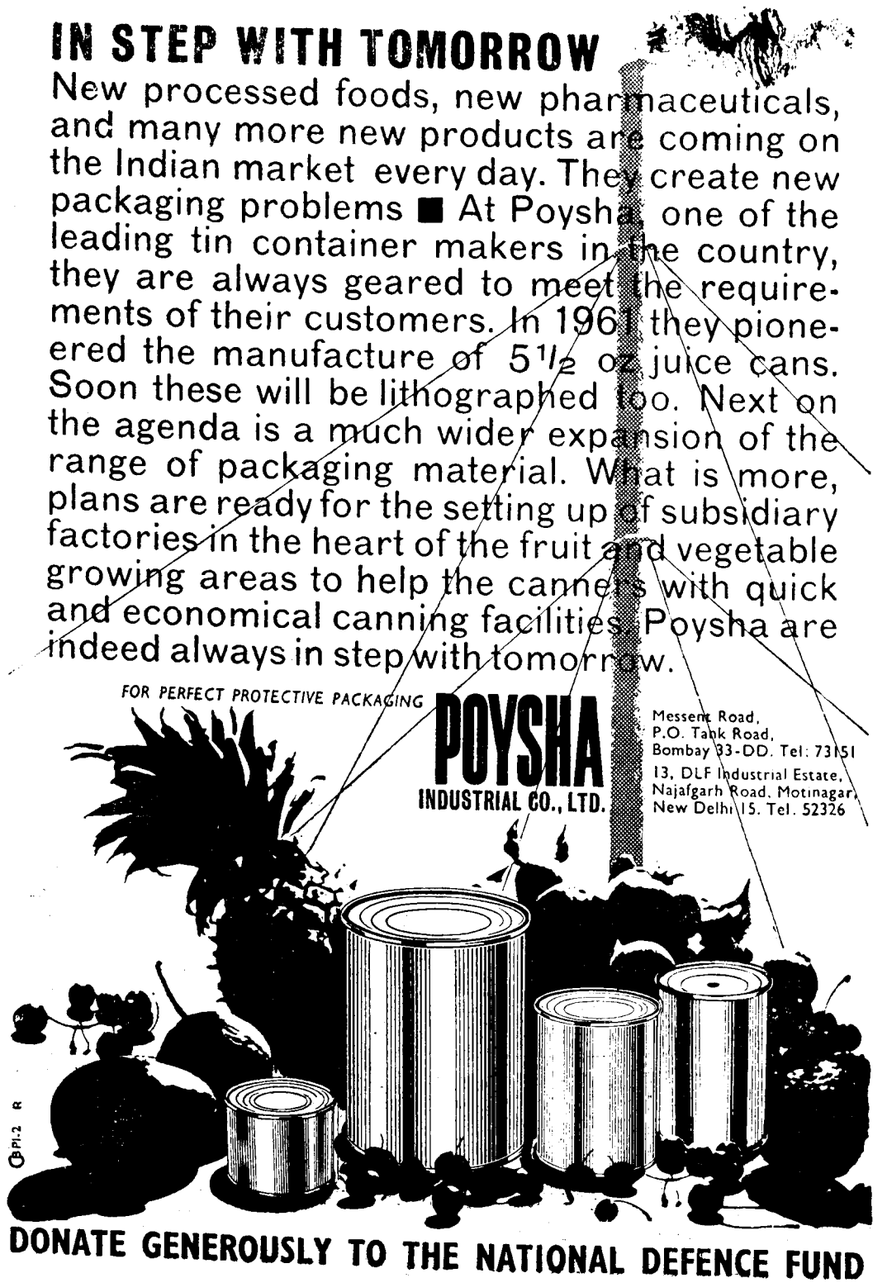
Foreign Subscription Rate

Due to increase in foreign postal rates it has been found necessary to revise our foreign subscription rate. With effect from July 1963, the annual foreign subscription will be Rs 34, 50s or $ 7.

A FERNANDES
Business Manager

Cost of C D S

THOSE who are to pay the compulsory deposits may be expected to grumble, but what about those at the receiving end, like the post offices, for instance? One detects an under-current of uneasy dismay, if not despair, at the magnitude of the task facing them. Being officials they cannot speak out and the Director General of Post and Telegraphs put on an air of cheerful optimism when he told the press that he was not quite sure whether the number of accounts the post offices will have to handle was nine million or five



million, but he had been given the latter figure to proceed on, and he was doing his best.

The problems faced by the Postal Department, not by any means a model of efficiency, in opening such a large number of accounts at short notice can be easily imagined. They have been summarised and neatly classified under "accommodation", "recruitment and training of staff" and "forms and stationery" in a press note issued by the P I B, rather bravely entitled "Post Offices Prepare for the Compulsory Deposit Scheme".

Forms and stationery can be printed and staff recruited, though not with the required despatch, and the CDS may even give an opportunity to postal employees to pick up some extra rupees working after office hours, but what about the problem of finding so much accommodation? Of course, depositors have been requested not to crowd in at the busy post offices or on the first few days of the month and post offices, for their part, will send out their employees to collect deposits from the big employers in the locality. But how far all this will help remains to be seen. Those who are aware of the disorder and congestion which is normal in post offices can only keep their fingers crossed.

The lack of fore-thought and preparation with which the CDS has been launched has also resulted in a certain amount of wasted effort, the magnitude of which is, of course, not known. One instance may, however, be quoted here. At first it had been announced that employers who made deposits on behalf of their employees would be required to get the latter to fill in a form (Form A) individually and the accounts were also to be opened separately. Now with the modification of the scheme which makes it unnecessary to open a separate account for every employee, Form A has also become unnecessary. In the meanwhile, according to the press note referred to above, the postal department had already printed and distributed nearly half the total number of forms required and the balance was also being got ready!

It is not the post offices alone who will be the victims of the CDS. An onerous burden will also fall on the employers who are obliged to collect the deposits from employees who do not pay income tax, and, at their discretion, from the tax-paying category as well. The matter does not, however, end with making the necessary deduction every month from the employee's salarly and depositing it in the post office or bank account. The modified version of the CDS exempts non-income tax paying employees who already pay not less than 11 per cent of their salary income as life insurance premia, contributions to provident funds and deposits in 10 and 15-year cumulative time deposit accounts with post offices. At the beginning of the year the employer is expected to secure from every employee in this category a declaration of the amounts he would be paying in the course of the year, verify that these payments are in fact made and, in cases where the amount paid falls short of 11 per cent of salary, collect the full amount of compulsory deposit payable by the employee. Further, the employer is obliged to ensure that when deposits are made on behalf of an employee, the appropriate entries are made in the pass book issued in the name of the employee. These pass books are to be kept by the employers but are to be made available to employees on request "at all reasonable times".

Morarji had taken a rather cavalier-like attitude to the administrative problems involved, declaring that the machinery to collect the deposits already existed in the case of all categories of income-earners covered by the scheme. The C D S Bill introduced in Parliament stated that "on the basis of an annual deposit of Rs 65 to Rs 70 crores, the additional cost on strengthening the existing administrative machinery is approximately estimated at Rs 25 lakhs non-recurring and Rs 50 lakhs per annum recurring and Rs 2 to Rs 3 crores per annum on account of interest charges". The dismay and apparent lack of preparedness with which Government departments are now facing the the scheme leads one to doubt whether these estimates of costs were at all serious. In any case, they do not include the cost in terms of the countless number of man-hours spent by the public on the manifold chores imposed by the CDS.

The Separated Wings of MIG

THE claims of regionalism it may not be always possible to brush aside but has it necessarily to be completely divorced from commonsense ? Like Pakistan, the M I G project is going to have two wings —one in Orissa for the manufacture of the engines and the other in Maharashtra for the frames. Even if the two cannot be combined in the same location for some obscure but unavoidable reasons, can't the location of the two wings be decided with some consideration to the more obvious economic factors such as supply of power, transport, housing and raw materials ?

Koraput came into limelight some time ago as the district with the highest record of Gramdan. It seems to have gone into the shadows with the stagnation, if not collapse, of the Bhoodan Movement. What particular industrial potential the district may have, no one knows.

But even if the two wings are to be separated, need they be as widely separated as the two wings of Pakistan ? And if the air frames have to be built in Maharashtra, what particular merit does Nasik have as a suitable location ? Shri P K Ghosh, an aircraft engineer, has suggested in a letter to the *Times of India*, June 29, that it would be better to build these factories where most of the facilities are already available and that the Department of Civil Aviation, in consultation with the Indian Air Force, should be able to suggest a suitable aerodrome as a factory site. Nagpur aerodrome, perhaps, would be the most suitable for this purpose. It is large enough to accommodate both these factories, it is centrally situated and well served by roads and railways. Moreover there is hardly any air traffic at Nagpur except for the night airmail service and this alone should give it a decided advantage over the other aerodromes which one could think of.

There would be the problem of transporting engines all the way from Koraput to Nasik by rail. The

scale of production at present contemplated being only a few engines in a year, this may not be much of a problem in itself but in Nasik, too, it will also largely be a question of building up a separate township, construction of air-strips and a control tower. A more rational choice of site could cut out much of this time-consuming and wholly unnecessary investment.

Support for Capital Market

THERE is no doubt that the capital market has been sluggish for nearly a year now. Investors had turned cautious even before the Chinese aggression. Since then there has been practically no activity at all. A recent study shows that two-thirds of the new shares issued since January 1959 are now quoted at or below par. Even those which command a premium have been marked down significantly. The situation is certainly gloomy. Market centres are asking for a relaxation of bank advances against shares and for larger and concerted support from L I C, I F C and I C I C I. The suggestions may be accepted in some measure at least but whether they can dispel the gloom is a different matter.

The prolonged state of inactivity in the market is not the result of what are generally described as market factors, which are amenable to institutional control. The worsening foreign exchange situation has made industrial expansion difficult and hazardous. There is a genuine fear that defence imports will cut into development and maintenance requirements. This factor is of far greater importance than the possible liability to super profits tax which is expected to affect only a few companies in a big way; it is also a factor which is beyond Government control. Besides, cost inflation is eating into profits and many new projects have run into difficulties, some managerial. These problems can hardly be remedied by institutional support to the market.

There are also limitations to institutional support. Banks can raise their advances against shares if the Reserve Bank withdraws its order which places a ceiling on such advances, but banks themselves are not that flush with funds. L I C purchases, as in 1957 and 1958, can only reduce the load of floating stock; they cannot revitalise the market. And I F C and I C I C I can help only marginally, for they are interested primarily in loans, not in shares; at best they can speed up disbursement of foreign exchange and extend their underwriting. So, where do we go from here?

Obviously, one cannot get back to the boom of 1960-62. There was, as has often been pointed out, little justification for the official pre-occupation and concern with the boom then; correspondingly, one need not be too pessimistic about the present situation. The basic remedy, as before, lies elsewhere, not in the market. Mercurial changes of market sentiment apart, the market can improve only when the over-all economic situation clears up.

Capital View

Assessments, Evaluations and Work-outs

Romesh Thapar

THE Prime Minister returned from Kashmir bursting with energy, but refused to be drawn into a discussion on Cabinet purges and reshuffles. He is now busy exhausting himself in 'meeting the people'. As for his colleagues, they hardly spend any time in Delhi these days. It's hot and sticky — and there are so many trips and tours possible within the country and outside that it seems a shame to pretend to be working on vital matters of State when everything awaits the Prime Minister's 'revelations' about the future.

It now appears more or less certain that, in the absence of any serious and sustained study by our own policy-makers, the 'revelations' will be conditioned by the developing split within the communist world and the almost parallel moves being made to ease tensions between the U S A and the U S S R. Of course, these trends could be dismissed as 'seasonal' judging from the mercurial behaviour patterns adopted by the leading statesmen of the opposed power blocs. But, for the first time, the evidence is contrary in a solid sense.

Chinese Letter

Officials at the Ministry of External affairs are poring over the turgid prose of the letter of the Central Committee of the Communist Party of China to the Central Committee of the Communist Party of the Soviet Union dated June 14. For the first time, the differences are frankly stated and it is clear that there can be no reconciliation; indeed, a call for struggle against the present Soviet leadership is implied. Interest in the letter has increased following the Chinese demonstrations at the Women's Congress in Moscow and the expulsion of certain Chinese diplomats and citizens from the Soviet Union. The conviction grows that India's job of isolating the Chinese is going to become easier.

However, this assessment should not create the impression that the Chinese have been defeated ideologically within the communist world and among communist and pro-communist parties. Indeed, it would not be an exaggeration to say that, despite the demonstrations of ideological unity by a majority of communist parties behind the Khrushchov line, not a single communist party is without its active and vocal Maoist group. To dismiss these elements as the agents of Peking would be tantamount to surrendering the initiative in the fight against communist dogmas, for Peking is moving skilfully and will not be defeated by generalised denunciations.

India's policy-makers have to take serious note of these debates which affect the balance of power upon which we plan to preserve our national interests. The old idea that the only persons involved in these things are the local communists will have to be abandoned if we are to manoeuvre effectively in a debate whose repercussions will be felt throughout the world, and particularly among the 'oppressed peoples and nations of the world' in Asia and Africa. It is their support that Communist China seeks, the support of the Black, the Brown and the Yellow against the White communists. Yes, it would be idle to ignore the fact that the Maoists intend to assert their leading role in the communist movement by adopting racial and colour divisions which happen to coincide broadly with the economic divisions of our world.

The 'theoretical' trappings with which Communist China adorns her nationalistic, big-power postures can confuse opinion in the underdeveloped world unless a conscious effort is made to expose these sophisticated strategems of the Maoists. India, placed as she is geographically, politically and economically, must be in the forefront of this ideological battle. This is the truth that our policy-makers, and particularly the leaders of our political parties, will have to face in the coming months.

Unprepared Politicians

That we are nowhere near prepared to play this role can be seen from the state of the organisation most equipped for the confrontation — the Communist Party of India. It continues to divide, dullard-like, on the basis of Khrushchovist and Maoist positions with an occasional Togliattism thrown in. No voice rises to assert the interests of India in a fast-changing international situation. If the communists are incapable of perceiving the trends which are discussed in a jargon with which they are familiar, then who can blame the politicians and bureaucrats for their aimless meanderings. They only note the noises of the daily newspapers, absorb an occasional copy of a cheap 'digest' or 'compilation' or relax with 'Profumoised pulp'!

A dispassionate, thoroughly researched and balanced work-out of our national interests and how these are to be preserved or defended in the world community is long overdue. This is not a plea for unthinking chauvinism but for hard-headed assessments. Only then can we hope to build the superstructure. Every nation, particularly those who lead events, performs in this fashion. When will we imbibe this basic lession? It is a question which is being widely asked in the Capital, a question which cuts across party lines and labels. And it is an encouraging sign.

Internal Challenges

Naturally, national interests are not confined to foreign policy alone. They are rooted in the internal challenges too. But, surveying the controversy on planning which is again being joined, it looks very much as if few of the protagonists on either side have bothered to apply their minds to locating the national interests. One such knowledgeable observer summed up the crisis when he suggested the other day that perhaps it would be a healthy development if political parties dissolved and reformed on the basis of support to varying rates of economic growth! What a lovely thought, to cut out a lot of the mumbo-jumbo which parades as political ideology and reduce programmes to rational, comprehensible — and revealing — dimensions.

As in foreign policy, so too in economic affairs, we are devotees of the pragmatic approach or, what the bureaucrats call in their jargon, judging each plan and project on individual merits. Needless to say, this judging is done by non-technical men who do not possess the rudiments of an evaluation system — something without which even the most primitive private entrepreneur would refuse to operate. Our bureaucrats are different. They rightly surmise that evaluation systems, punched card systems and computer systems will destroy *their* system of patronage and power. They, therefore, oppose the introduction of these vital aids and take recourse to a pyramid-like structure of committees which blunt responsibility, cause incredible delays in decision-making and generally waste our limited resources.

Unless this structure of committees is broken, there seems no hope of a take-of in any direction. We shall remain paralysed. The only significant fact is that pressure is mounting from all our foreign friends, 'capitalist' and 'communist', to do something drastic about the self-defeating ways of the Indian bureaucracy. But what? The system of patronage and power has taken deep roots, roots upon which so many feed and fatten. Perhaps, to start with, punched card and computer systems should be demonstrated in the Development Wing. The result would be startling, according to the experts, who claim that a handful of men would soon be processing rapidly and efficiently the flood of applications for industrial licenses and such matters. This 'pilot project' would soon sound the death knell of the vicious committee system and 'free the files'.

Fatalistic Attitudes

But enough of this diversion. We were discussing the need for hard-headed foreign policy assessments, and these cannot be done by punched card and computer systems. Trained men will have to be found to apply their minds to fast-changing in the world today. This cadre is not easily mobilised. The vacancy caused by V K Krishna Menon's exit from the G O I is sought to be partially filled by Shrimati Vijayalakshmi's appointment as leader of the Indian delegation to the United Nations. Apparently the Prime Minister is of the opinion that for the moment it would be best to let his sister do part-time work at the UN with her usual diplomatic charm. He forgets, however, that a very much more positive intervention is expected of India — and this, despite the loss of face following the Chinese invasion.

Our close friends in the United Nations, together with the other non-aligned among the Asian and African States, expect us to move boldly to counter the mischievous campaigns launched by China to discredit us. If we are content in these troubled days to put on our best party manners and refuse to say or do anything which might offend, then we might as well stay at home. No one has any respect any more for the smooth and dull performance. Is the Prime Minister unaware of these moods or is he merely playing for time?

Move at any level in the Capital and you will come up against an

its traditional interests in Peru, also owns large concessions in the Canadian Arctic. Lobitos distributes oil products in Ireland and controls the Manchester oil refinery.

The main interests of Burmah Oil are summarised below. It will be recalled that the company's association with Burma itself was brought to an end last year:

(a) *U K and Eire*: Two refineries (250,000 tons and 155,000 tons); oil product marketing facilities, mainly in the industrial lubricating and speciality fields; mechanical seals manufacturing.

(b) *India*: Refining and production, partly with Government; refining and marketing in association with Shell.

(c) *Pakistan*: Refining, and oil and natural gas production with Government; marketing in association with shell.

(d) *Australia*: Exploration with Murphy and others.

(e) *Canada*: Exploration, partly in association with Murphy.

(f) *Peru*: Production with Standard Oil (New Jersey).

(g) *Ecuador*: Production and refining.

(h) *U S A*: Exploration with Murphy.

Although compared to the other oil giants Burmah's installations are small, they would fit neatly with the world-wide operations of both British Petroleum and Shell. The Royal Dutch Shell Group have a very substantial stake in the Western Hemisphere, while BP has also begun to expand there in the post-war years, particularly since the Persian interests were reduced after the Abadan crisis. The deal would also provide BP with more diversification. It is understood that British Petroleum is particularly interested in Burmah's Canadian exploration companies which they believe they can make better use of than Burmah.

British Petroleum — Chief Beneficiary

It looks as though the initiative in this deal may well have come from British Petroleum which stands to gain more than Shell, in that it gets rid of a holder of 24½ per cent of its equity — and a holder vulnerable to a bid, probably from America — and replaces it with a large number of small holders. Because of the new BP shares to be issued, Government holdings will fall from 52 per cent to 48 per cent and BP will, therefore, no longer technically be Government-controlled. This means that it will be free to operate in some countries, particularly in South America, which were previously closed to it because of Government ownership of a majority of the shares. On the operating side, both Shell and BP will get assets almost entirely in marketing and refining.

The Board of Burmah Oil has advised holders to sit tight until their decision is announced on July 4. On an analysis it does not appear that the £90 million cash offer represents an attractive price. Burmah Oil's trading assets include a 50 per cent holding in Oil India which is growing into a £55 million company owning a 720-mile oil pipeline across North East India. Again, the share of refining in Bombay and Pakistan is probably worth another £15 million. Great Plains, even taken at cost, adds another £3 million; £35 million must be added for the cost of Lobitos, and a nominal value of £7 million for the Indian and Pakistan marketing companies. This nearly covers BP-Shell's £90 million offer, still leaving out of account the production interests in Pakistan, the US off-shore project, and the underlying value of the marketing companies. It is unlikely that the bid will go through in its present form, since if the Burmah Oil Company wants to fight, it certainly has the resources to do so, including trade investments which provided £4.8 million last year.

Government of India

4 Per Cent Loan 1969 — Issue Price Rs 99.50 Per Rs 100 (Nominal) Repayable on 8th May 1969.

4¼ Per Cent Loan 1973—Issue Price Rs 100.00 Per Rs 100 (Nominal) Repayable on 22nd July 1973.

Subscriptions to the above loans will be received simultaneously and will be limited to a total of Rs 225 crores (approximately). Subscriptions may be in the form of (i) cash/cheque or (ii) securities of 2½ per cent Hyderabad Loan 1953–63, 4 per cent State Development Loans 1963 of Hyderabad, Bihar, Bombay, Madhya Bharat, Madhya Pradesh, Mysore, Saurashtra, Travancore–Cochin and Uttar Pradesh, 4 per cent Loan 1963 of Madras and West Bengal or Mysore Government 4 per cent Conversion Loan 1953–63. All loans other than 2½ per cent Hyderabad Loan 1953–63 will be accepted for conversion at par. 2½ per cent Hyderabad Loan 1953–63 will, however, be accepted for conversion at Rs 85.00 per Rs 85.71 (O.S. Rs 100).

Interest on the 2½ per cent Hyderabad Loan 1953–63, 4 per cent. Hyderabad State Development Loan 1963 and Mysore Government 4 per cent Conversion Loan 1953–63 tendered for conversion will be paid at the respective rates upto 21st July 1963. On the other loans offered for conversion, interest will be paid at the rate of 4 per cent per annum upto 14th July 1963 and for the period 15th to 21st July 1963, at the rate applicable to the new loan as applied for.

Interest on the new loans, which will be subject to tax under the Income–tax Act, 1961, will accrue from 22nd July 1963. Interest on 4 per cent Loan 1969 will be paid on 8th November 1963 for the period 22nd July to 7th November 1963 and thereafter at half–yearly intervals. Interest on 4¼ per cent Loan 1973 will be paid half–yearly on 22nd January and 22nd July.

Subscription lists will open on 22nd July 1963 and close on 27th July 1963 or earlier without notice.

Applications for the loans will be received at :—

(a) Offices of the Reserve Bank of India at Bangalore, Bombay, Calcutta, Madras, Nagpur and New Delhi;

(b) Branches of the subsidiary banks of the State Bank of India conducting Government treasury work; and

(c) Branches of the State Bank of India at other places in India.

For full particulars apply to any of these offices or branches.

A Calcutta Diary

Howrah : "Better and Better"

IT is not true that nobody goes to Howrah except to catch a train. The whole world goes there to catch cholera, according to India's Health Minister who once said that a quarter square mile in Howrah bred all the cholera germs. (Do not ask me what she has done about it.) But one does not begin to understand Calcutta without having a close look at Howrah across the Hooghly, even as much of the famous American way of life is incomprehensible without some knowledge of Chicago. Bearing in mind the difference in scale, Howrah does remind one more of Chicago than of any other place in the world; and the phenomenon is of tremendous relevance to Calcutta. Whether or not Bengal once thought today what India thought tomorrow, Howrah today provides a horrifying glimpse of what Calcutta may be tomorrow.

In 1923, when the work of Representative Andrew J Volstead of Minnesota was in its full glory in the U S A, some Chicagoans adapted the Coue formula and chanted: "Day by day in every way Chicago is getting better and better". If the Howrah municipality had a particle of American enterprise, such would have been its claim. And there is no prohibition in Howrah; only a dry day in the week, Thursday, which James Joyce used to call, with prophetic prescience, Thirstday. Yes, illicit distillation is Howrah's main industry. Its crime rate is among the highest in India. It is ugly, incredibly congested. An excise inspector was rubbed out here some years ago. Rubber-out undetected. Here it is more profitable to pay the local protection racket than to inform the police. The pity is that it was not ever so.

Priced Out

Part of the situation was inherent in India's haphazard industrial development of which Howrah, with its many natural advantages, had more than its share. Factories grew like mushrooms. Labour came mainly from the neighbouring States; men without women, so the women came. Speakeasies flourished because the excise duty was high. But proximity to Jamshedpur and Burnpur made it possible for Howrah to get steel cheap; and on either side of the Grand Trunk Road sprang up India's largest conglomeration of auxiliary industries. So it was until the Government of India decided that the price advantage was unfair to the rest of the country. Few of those 400 units now function and the thousands they employed had to find some alternative occupation. Some years ago there was a survey of Howrah's industrial growth; it showed how this small town was contributing in a big way to larger industries for whom it was uneconomic to produce under their own roofs every single component.

The New Class

Whether New Delhi's regional justice has enriched the country as a whole or not, it has in recent years completety transformed Howrah. An astonishingly large number of people have no ostensible means of living. The proportion of non-Bengali labour has always been high in Bengal; but here in Howrah many Bengalis had primary skills; and, with cheaper steel, they were doing well. Deprived of the advantage, fair or otherwise, many drifted into all manner of racketeering. And rackets, as we all know, have a habit of growing into an organised industry. In Howrah they are organised, integrated and coordinated as almost nothing else in Bengal today. Gang warfares are rarely reported; they happen just the same and often. People engage in affairs one would have considered, even a decade or so ago, as thoroughly un-Bengali activity.

What has emerged in Howrah is a new class, which may be called a criminal proletariat. It is free from all the virtues, and vices, traditionally associated with the Bengali middle class, the archetypal *bhadralog* chewing his pan and working, none too fast, as a clerk in a British managing agency house. The "image" is, so far as Howrah is concerned, thoroughly out of date. The dominant section of its population is no longer middle-class, although its origin is unmistakably middle-class. To put it differently, the Bengali middle class in Howrah now lives a way of life which is neither Bengali nor middle-class. The brakes are off; all inhibitions gone. Nothing is too low. You will find a Howrah youth, literate still, pimping not far from the huge railway station. During the day he sends hooch in such unlikely containers as cycle tubes to the innumerable bustees in Calcutta. As often as not he will "fix" somebody at a price. Enterprise is not what he lacks.

Perhaps all this has something to do with his initial un-Bengali activity : working with his hands. It changed his outlook. He became unsentimental, rootless and ruthless, adventurous. Steel gone, he remained steely; and he no longer makes knives but uses them. He no longer makes locks; he has turned a wagon-breaker, trained in a regular school of wagon-breaking. He used to make bells for the cycle industry; today he is better at stealing cycles. It is perhaps unfair and incorrect to attribute all this depravity to the equalisation of steel prices; but that may well have been the beginning.

Out of Control

Where Howrah, fast getting beyond control, is significant is that it shows the direction in which an initially decent society will move when it is deprived of its economic opportunities. It is just not true that there are certain things Bengalis will never do, what with their culture and all that. During the Bengal famine of 1943 Bengalis showed how indifferent they could be to deaths at their doorstep. In the Great Calcutta Killing they showed they could, at a pinch, be every bit as beastly as the Punjabis they have nothing but contempt for. In Howrah they are demonstrating every day they are just as good as anyone else in criminal pursuits. To dismiss all these instances as temporary aberrations is purely illusory.



Yet it all seems out of tune with the familiar norms of Bengali thought and behaviour. Howrah, one still likes to think, is untypical and unrepresentative of West Bengal. In fact all Bengal seems unrepresentative of Bengal. One is not trying to be clever in inventing such paradoxical statements. Even the virtually total elimination of the Bengali from Bengal's economic life is un-Bengali. Dwarkanath Tagore was one of India's first industrialists. One of his sons lost all in shipping. One district in Bengal, now in East Pakistan, produced more banks and bankers than any other in India. It is not true that the founders of the Bengali renaissance never thought of giving it an economic base. What went wrong ? When? Why? How? Somebody should study Howrah; and it does not necessarily have to be the Ford Foundation.

—Flibbertigibbet

Letter from South

Sanjeeva Reddy Triumphs

THE tour of Congress President Sanjeevaiah and his new ally, Raghuramaiah, through the Telangana area of Andhra had led many to surmise that the days of the Andhra Chief Minister were numbered. Many political commentators were rather surprised that Sanjeeva Reddy was keeping so quiet in the face of all this hectic campaigning by his rivals.

His rivals' claim had always been that while the Chief Minister had a secure grip over his legislature party, matters would be quite different should he attempt a trial of strength in the Andhra Pradesh Congress Committee. On June 22 this is exactly what Sanjeeva Reddy did. And he triumphed — by a margin which surprised even the most sanguine of his supporters. A resolution praising his Ministry for its work generally and specifically for its decisions on highly controversial issues was passed by 203 votes to 36. His candidate Kota Punnaiah, who being a MP had been compelled to resign from the post of general secretary of the APCC by Sanjeevaiah, was elected to the executive committee by 203 votes to 73.

Sweeping Support

To grasp fully the nature and extent of Sanjeeva Reddy's victory, it is necessary to quote some extracts from the resolution which was passed. It notes "with appreciation the constructive manner in which the Government have been functioning since the General Elections in solving the problems facing the State, such as the river water dispute, the Upper Sileru Hydro Electric Project, etc, and in improving the efficiency and morale of the administration, bringing political and financial stability to the State". It sharply assails the criticism of "some party members—some of them highly placed" and considers their conduct as "most objectionable" and draws the attention of the working committee to this matter.

Nehru Did Not Oblige Sanjeevaiah

Thus the humiliation of Sanjeevaiah and his group is complete and no amount of walk-outs and air-dashes to New Delhi will be of any avail. Above all, the image of a seething mass revolt among Congressmen against the present administration has been destroyed. Unless Sanjeeva Reddy commits some exceptional folly, it will be quite some time before he is challenged again.

What are the factors responsible for this triumph?

Sanjeeva Reddy was able to live down the rumour that New Delhi, and especially the Prime Minister, frowned upon him. He *had* talked rather irresponsibly about the need to liberate Tibet, which statement the Prime Minister publicly called nonsense; he *had* also been rather tactless about the lack of frankness in the higher echelons of the Congress party in New Delhi. But these outbursts did not really matter. He had very vigorously defended non-alignment in the legislature at a time when powerful voices had been raised against it. And during the collections for the National Defence Fund he had lashed out at the miserliness of the wealthy and contrasted it to the way in which the less affluent section had responded.

As a result, Pandit Nehru must have seen in him the very embodiment of the mixed India about which he spoke in his last press conference. Sanjeeva Reddy is a mixed and a mixed-up personality typifying the general run of Congressmen. Both opportunity and danger lie in this mixture. The average Congressman might go either Left or Right, depending on the mass mood and the directives of a powerful leadership. Pandit Nehru can swing the Congress further left, provided the left outside the Congress is simultaneously powerful and friendly.

Some indications of Nehru's refusal to commit himself to the anti-Sanjeeva Reddy group percolated through to Andhra. It was finally confirmed by the letter from Pahalgam, written before the crucial vote. Nevertheless, the supporters of the Chief Minister felt it necessary to come out with an open and unequivocal statement in favour of the Prime Minister and his policies. The resolution passed at the APCC meeting also exhorts the people of Andhra "to continue to stand firmly by the policies — national and international — so well laid down by the Congress and so often emphasised by our beloved leader, Pandit Jawaharlal Nehru". With this as the opening salvo, the opposition to the resolution looked very silly inded.

Caste Appeal Boomerangs

What further weakened the opposition group was that it had absolutely no alternative platform or policy to place before the rank and file of the party. It had campaigned against what it called the Reddy stranglehold and appealed to the Harijans and Khammas, forgetting that neither of these two castes are now the most active in the Congress here. By raising the anti-Reddy slogan, it not only roused the Reddys into action — and the Reddys are still the most powerful group in Andhra — but also brought upon itself the odium of dragging caste into politics. The Chief Minister's group quickly rallied its Harijans and Khammas

(Kota Pumaiah is no true-blue Reddy).

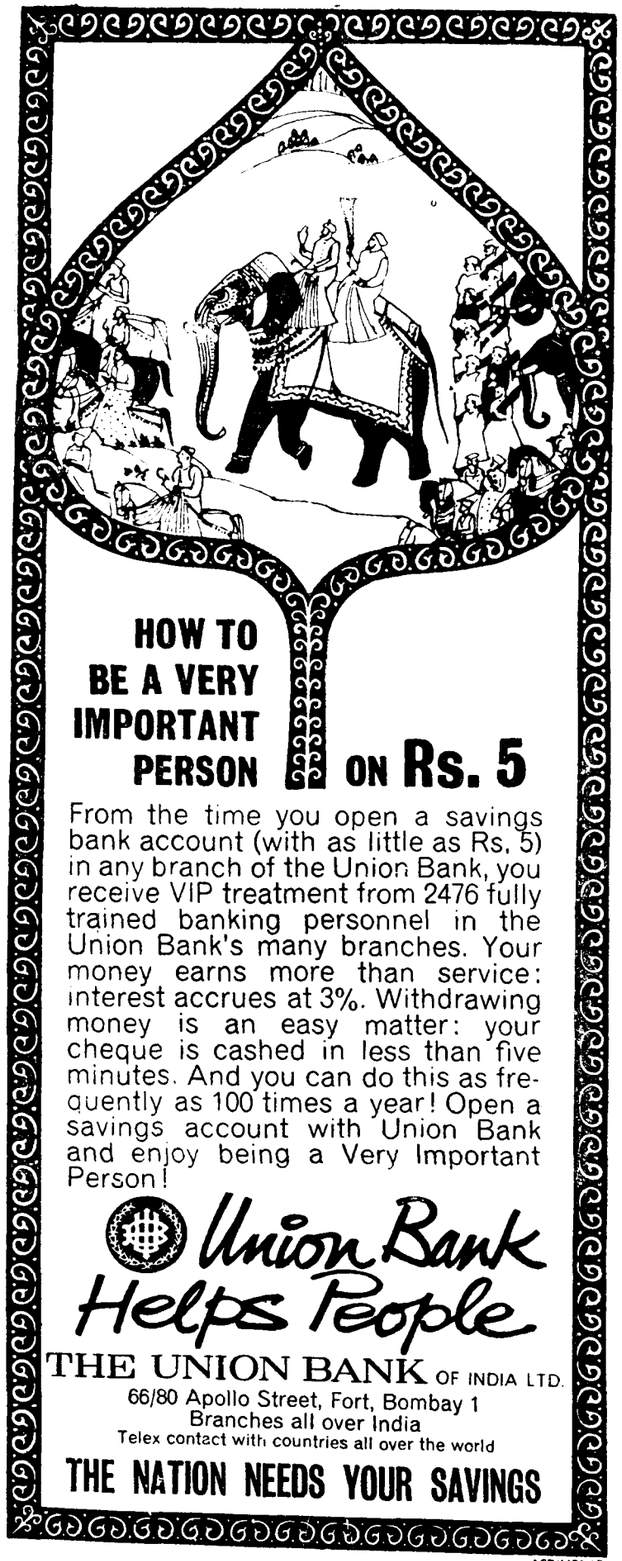
Sanjeevaiah tried to inject some "progressionism" into the controversy by declaring that the real enemy of the Congress was not the Left but the Right. But the Chief Minister never responded to this by playing up the Communist "danger". He remained perfectly neutral on the issue and lamented in the Assembly that Sundarayya was in jail, thus taking the wind out of the sails of the Communist benches. It was actually the Chief spokesman of the Sanjeevaiah group who raised the Communist bogey. Alluri Satyanarayana Raju criticised the resolution "for making no mention of the recent speech of the Communist Party Chairman, S A Dange, in Hyderabad, calling upon the working classes not to contribute to the National Defence Fund. The Communist Party was the main enemy of the Congress and, therefore, they could not but take note of the speeches and actions of the Communists. However, the P C C meets and gives no thought to it".

A Vote against Change

This did not cut any ice and swung not a single vote. There is quite a good chunk of Congressmen who would welcome it if the Communist petition campaign against the new taxes met with partial success. This would help it to convince the High Command of the need to make some relaxations to preserve mass backing for the Congress, above all, in the rural areas. Nanda's recent note has quite a few supporters here.

It would be quite wrong however, to depict the Chief Minister's triumph as a victory for the Congress left or as giving any mandate to push ahead with radical policies. Nothing of the kind. It indicates that the *status quo* is powerfully entrenched in the State and even a change of the ruling faction is not to be countenanced for quite some time.

The victory will increase Sanjeeva Reddy's self-confidence and it is his arrogance that is his worst enemy. The wide margin of victory could add to his pride and, thus, lose him supporters. Another liability his sweeping success imposes on him is that for any failure to push Andhra forward he cannot blame instability.



Book Review

Prospero and Caliban

The Middle Passage by V S Naipaul, Andre Deutsh, London, 1962; pp 232.

IT was indeed a happy thought on the part of Dr Eric Williams, Prime Minister of Trinidad and Tobago, to suggest to V S Naipaul, the distinguished West Indian novelist, that he "should write a non-fiction book about the West Indies", the publication of which would be supported by the Trinidad Government. It was a fine gesture to a son of the scil following a generous scholarship which enabled Naipaul to revisit the country of his birth and the locale of his novels. It was a welcome throwback to what is now, alas, an almost extinct tradition — of making it possible for men of letters to voyage leisurely, to look, absorb and pen their musings. One is reminded of the type of endowment that took Lowes Dickinson on his travels to the Orient. Yet, "it is in no way, however, an 'official' book. It is not political, it sells nothing; its opinions and attitudes are only those of the writer". But what more could one ask of so discerning an observer of the West Indian scene and an accomplished artist in words? The result is a sheer delight which puts it in the same genre as Graham Greene's 'Journey without Maps', Isherwood's 'Condor and the Cows', or Lawrence Durrell's 'Bitter Lemons'. Perhaps there is something in a talented novelist which gives him advantages as a travel writer.

Here, then, are Naipaul's impressions of five societies in the West Indies and South America — British (Trinidad, Jamaica, British Guiana), Dutch (Surinam), French (Martinique) —which between them are variations on the Prospero and Caliban theme as it were. Basically, this is a poignant tragedy of geographical expressions, without an identity or soul, of the pettinesses, frustrations, bafflements and restlessness of inbred nondescript societies hag-ridden by the not-quite-dead incubus of a historic past of slavery, indentured labour and the latifundia and commerce of metropolitan planters and bucaneers. It resolves round the lack of history, tradition and creativity of any sort and the obsession with colour and race. "The history of the islands can never be satisfactorily told. Brutality is not the only difficulty. History is built around achievement and creation; and nothing was created in the West Indies". It is a recurring theme which is elaborated in varying degress throughout the book. Naipaul is at his best when diagnosing his native Trinidad which he left at the age of eighteen. "I had never wanted to stay in Trinidad . . . I had never examined this fear of Trinidad, I had never wished to . . . and it is only now that I am able to attempt to examine it. I knew Trinidad to be unimportant, uncreative, cynical . . . we lived in a society which denied itself heroes . . It was also a place where a recurring word of abuse was 'conceited', an expression of the resentment felt of anyone who posssessed unusual skills. Such skills were not required by a society which produced nothing, never had to prove its worth, and was never called upon to be efficient". Admittedly steel bands and calypsos do not add up to an indigenous culture and the author's delicacy precludes even a passing reference on the vigorous Caribbean group of novelist.

Racism, but No Nationalism

One of the many puzzlements of the West Indies, at least to an outsider, is the virtual absence of anything like nationalism. "There was no profound anti-imperialist feeling; indeed it was only our Britishness, our belonging to the British Empire which gave us any identity". There is, too, nothing like revivalism for there is no past to turn to. The only exception is the bizarre Ras Tafari movement of the Jamaican negro with its messianic overtones and its worship of Ras Tafari, the Emperor Haile Selassie of Ethiopia, and advocacy of a return of the black man in the Indies to his African homeland! It is an extraordinary manifestation of black racism. "God is, after all, black; and the black race is his chosen race, the true Israelites; the Jews have been punished by God for their imposture".

Naipul is superb while analysing the complexities of race and colour. Racial prejudice is no monopoly of the white, not even of the poor white, of which the most pathetic specimens are the Saintois of the Isle of Saints, who originally hailed from Brittany in France. The brown, the black, the white, the yellow and the mixed are all tarred with the same brush. It all boils down to who is 'in' and who is 'out', the great divide between 'we' and 'them'. The rest is merely a matter of fitting the despised group in the appropriate mental pigeon-hole. Thus in Jamaica today, "race — in the sense of black against brown, yellow and white in that order — is the most important issue. The hypocrisy which permitted the middle class brown Jamaican to speak of racial harmony while carefully maintaining the shade distinctions that preserved his privilege is at last provoking anger and creating a thoroughly negative black racism which could conceivably turn the island into another Haiti". The folks who are so offended by English attitudes towards coloured immigrants are gently reminded that "the attitudes to immigrants are the same the world over — the stories about West Indians in England ('twenty four to a room') are exactly matched by the stories about Grenadians and others in Trinidad". The West Indies is the perfect laboratory for the student of race and cultural relations in a plural society — the clash of black, brown, white, yellow, mulatto, with numerous creeds, from Hinduism and Islam to all brands of Christianity including the inevitable Jehovah's Witnesses and Gideons battling for their yet undiscovered souls. Afro-Asians in their more self-righteous moments should read, mark and digest Naipaul's passages on this common burden of the human species. Was it not Toynbee who, on being heckled over "apartheid" by an undergraduate audience in India, re-

marked that it was no more than the Dutch for caste?

But Naipaul is no tedious moraliser and nor does he belong to the international stage-army of the do-gooders. He is essentially the civilised traveller, a literary artist sensitive to every delicate nuance of thought, feeling and experience, yet human enough to love the creature comforts whether in the bar of the crowded immigrant boat in which he set out for the Indies or when he looks longingly at the cellophaned snacks of his American travelling companion in British Guiana. He has an uncanny instinct for counter-pointing.

Memorable Vignettes

The book abounds in superb vignettes of men, matters and places. There is the Negro with the ruined face on board the ship and the usual motley collection of immigrants; the Jagans are there with all their faith and works and so is Burnham ('the finest public speaker I have heard'). We are taken into the wilds of Guiana, the garish neon-lit streets of Trinidad, the primness of Dutch Surinam, into feudal Francophilic Martinique with its miserable remnant of an almost forgotten East Indian community still speaking a variety of corrupt Tamil. The finale is at a Sybaritic establishment in tourist-ridden Jamaica (a thousand pounds for two a month, caviare at breakfast and champagne every hour) but not before savouring the graciousness of its middle-class world and a fleeting but vivid glimpse of the doll house slums of Kingston.

Yet the book has an overhanging sadness. "For seven months I had been travelling through territories which, unimportant except to themselves and faced with every sort of problem, were exhausting their energies in petty power squabbles ....the process of forgetting has begun. And the West Indies, pre-occupied with its internal squabbles, hardly knows it". There is plenty of food here for social scientists, even the slide-rule and computer fiends, and for the planners and developers who will doubtless descend on the decolonised societies.

Sydenham College Golden Jubilee

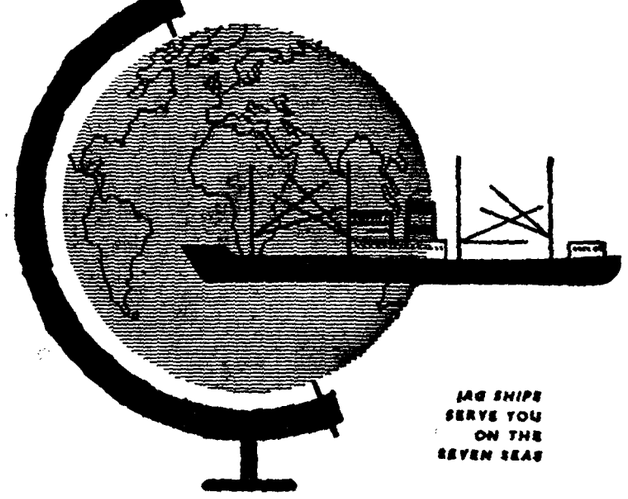
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Regional Over-Supply of Labour and the 'Protectionist' Argument

Amitava Sen

A common feature of the process of economic development of all industrialised countries is the concentration of economic growth at certain starting points, where resources, both material and human, are increasingly poured in from the lagged regions. This in spite of deliberate attempts by the planners to achieve decentralisation through regional distribution of public investment.

A O Hirschman has drawn particular attention to the impact of this process on the lagged regions in his book, "The Strategy of Economic Development". In his view, the trickling down of economic progress of the growing points in the form of a growing market and increasingly favourable terms of trade for the lagged region will ultimately over-compensate the denuding of these regions of the key technicians and enterprising business talents and similar other polarization effects.

In this paper I propose to establish that:

(i) The importation from the lagged regions even in the form of unskilled labour might impose some sacrifice on them in an underdeveloped economy like India.

(ii) Such sacrifice brings no corresponding benefit to the growing points to which such labour is exported, if they are already burdened with an unnecessarily high overhead cost of labour.

(iii) The measures commonly suggested to correct this anomaly of importation of labour in an over-congested region are either inadequate, being based on a wrong diagnosis of the case, or they altogether neglect the long-run considerations.

INDIA, the lagged regions in particular, is faced with the problem of bringing up too many children, many of whom do not survive to take their place in the labour force. By exporting labourers to the growing points, the exporting regions are deprived of enjoying the fruits of the productive efforts of a part of the population, while bearing the burden of rearing these persons till they attain the working age. But the emigration of labour implies that there is no comparable opportunity for profitable employment of this surplus labour within the region. Insofar as such emigration resolves these regions of the pressure on land and other natural resources, this must be counted among the 'trickling down' effects.

But a significant part of the earnings of the labourers employed abroad is transmitted to their sources of origin. At first sight, this appears like a drain on the resources of the growing points. But what the labourers transfer is usually money income, or only a command over goods and services while their productive efforts augment the real supply of goods and services elsewhere. On the basis of the National Sample Survey data, it has been found that the range of rural consumption contains a surprisingly high content of locally produced goods and only a small proportion of rural expenditure crosses the urban-rural borders. (W Malenbaum, "Prospects for Indian Development", p 184). If the production of these locally produced goods is limited by only a lack of market then the transmission of money income to such regions would be definitely advantageous. But a high proportion of such demand is for agricultural commodities (specially higher-priced food categories). The supply of these goods being more or less inelastic, their prices may be expected to rise and to that extent money income transferred to this region is neutralised by price rises. The strain on natural resources of this region is, therefore, not much relieved by the export of surplus labour. The price rise in this region may be checked somewhat by the import of goods from a nearby (rural) region, in which case the inflow of purchasing power would be cancelled by a corresponding outflow from this region.

Impact on Backward Region

Cannot the extra purchasing power transmitted to this region be used for productive investment? Now, the productive resources of this region are not augmented automatically by the inflow of net purchasing power. If then a portion of this extra purchasing power is used for productive investment, the productive factors employed in such investment will have to be diverted from their previous use, presumably in the production of goods and services for current consumption. So far as we assume that the region has a surplus labour population, the price of labour may not rise, while the price of land, and other fixed natural resources will be raised by the bidding process. Moreover, a large part of the transferred money income is likely to be employed directly in the competitive bidding up of the price of land. As purchase of land involves only a transfer payment and is not a productive investment, it does not help to absorb a part of the surplus purchasing power, nor does it help to increase the productive capacity of this region, as would be the case if this surplus were invested productively.

On the other hand, if a part of the surplus purchasing power be invested productively, an equal amount of forced saving would be generated in this region by the rise in price of goods for current consumption, which in turn would release productive resources to be used in the productive investment. If this region imports goods and services or even productive resour-

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ces from nearby lagged region, all these effects are transmitted to these regions. Besides, the opportunity cost of exported labour is seldom likely to be near zero. There are reasons to believe that the labour that is siphoned off is only seasonally surplus, i e, the labourers are required at the exporting points during the peak time of agricultural activity when they come back to these regions temporarily. This is pinpointed by the migratory character of industrial labour. The consequence is the neglect of agriculture and perhaps less intensive farming than would have been possible if agriculture was accepted as a whole time occupation by these labourers. This also leads to absentee land-management, insofar as the exported labourers own agricultural land in these exporting regions. All these make the utilisation of the surplus purchasing power in productive investment further difficult. Thus, though at first sight, the community of the exporting region seems to gain by escaping the cost of maintenance of a part of its surplus labour, it creates a number of problems which make the economic development of this region more difficult. Lastly, we cannot ignore the social cost (in terms of the adverse effects on family and social life) of the two way mobility of these labourers.

Use of Imported Labour

Suppose the growing points, by pursuing a vigorous population control policy, can perfectly regulate the supply of locally available labour. Then, on economic grounds, the substitution of local labour by imported labour would be doubly advantageous to the growing regions: by shifting the burden of rearing the labourers until they attain maturity and by partly mopping up the purchasing power generated in the production process through the transfer of money income to distant regions. Both have the ultimate effect of releasing productive resources for uses other than for meeting the current consumption needs of the labourers employed.

For a more detailed analysis of the second point, however, we have to know the composition of increased expenditure in this region, in terms of goods and services. It can be assumed, *a priori*, that a part of this increasd spending will be on agricultural commodities, necessitating their increased imports and involving perhaps a worsening of the terms of trade of this region. However, N S S data again show that urban consumption at high levels tends to be distributed on goods produced in the urban areas. If the increased demand is for commodities the production of which is limited only by a lack of demand and not by inelastic supply of productive factors, then we can say that the growing points have gained by the substitution of local labour by imported labour. But where such excess productive capacity exists, the Government can realise such capacity by injecting more purchasing power into this region. It may be mentioned here that the more distant the areas to which a portion of the money income earned in this region is transferred, the less is the likelihood that such potential purchasing power would spill over to its source of origin in the form of demand for goods and services.

Costs of Substitution

Now, a minimum expenditure has to be incurred on the maintenance of the labourer's health and working capacity and if this is not forthcoming the community suffers a deterioration in its working power. On the other hand, if the working capacity of the labourer is properly maintained, but the labourer is not employed productively, then also the cost of maintenance is wasted. J M Clark in "The Economics of Overhead Costs" shows that a part of this overhead cost of labour ultimately falls on the industry in the shape of reduced productive power or damaged morale. But the way in which wage-contracts are generally made, the employers can escape a large part of such costs. But to the extent the maintenance of the superfluous population is an inescapable burden to be borne by a particular region, the employment of such labour may be socially desirable even at a higher cost (either because of higher wage or low productivity in relation to imported labour).

From the above it is seen that the community of the growing region should discourage immigration of labour if it is already faced with an oversupply of local labour which can be employed even at some extra cost. There is an obvious scope for this in state or public undertakings, where the profit consideration does not reign supreme. But it would not be realistic to assume that private employers could be persuaded to employ locally available labour on unfavourable terms.

Conditions of Substitution

Even if locally available labour is as efficient as imported labour and is willing to accept employment at equal or even lower terms, non-economic considerations may prevent their employment in place of imported labour.

But leaving aside non-economic factors, why should the industrial centres require labourers from abroad when they are already overcongested? There may be two explanations:

(a) There may be shortage of the particular type of labour that is imported.

(b) Imported labour may be cheaper than locally available labour. This, in turn, may be due to:

(i) Unwillingness of local labourers to accept the terms offered to imported labour. This is then not very different from (a), if by shortage of labour we mean shortage of labour at given terms of employment.

(ii) Lower efficiency of local labour in the jobs given to imported labour. Unlike the case (a), the sub-case (ii) affects the supply of employment to local labour rather than the demand for employment by the local population.

So long as we confine our analysis to purely unskilled labour the case (a), seems less likely to arise unless there be some institutional or psychological barriers against the local labourers accepting such employment. The best policy under such circumstances would be to create the proper atmosphere so that local labourers accept the jobs the community can

offer. Even in jobs requiring no skill, a labourer may attain comparatively higher efficiency as he gets more and more experienced in it. In all this, we have a perfect parallel of the 'infant industry' argument. If we can protect the labour-market of growing points for a limited time period, local labourers would be employed and since efficiency is function of experience, their efficiency would rise.

Protection and Wages

There is a snag in this argument if the employers in the growing points resent the reduction of 'the area of control' of management over the labour force. They may then resort to more labour-saving devices, repatriate their capital to other growing regions, and the entry of new managerial and capital resources may also be checked to some extent.

These long-run considerations are given added significance if protection offered to the growing points leads to a rise in the price of labour. This may then offer prospects of employment for labour coming under the head 2(i) above. But unless the rise in the wage level in these limited enclaves is followed by at least a compensating rise in labour-productivity, the magnetic force of other economic factors like nearer access to the sources of raw materials, cheap power, transport, etc, to attract investment projects to these points would be weakened. Such uncompensated rise in the price of labour would also eat into the surplus generated in these regions for reinvestment in new projects or in the expansion of the existing projects. Besides, the fact that a major portion of capital and managerial resources employed in the growing points is imported from abroad gives them greater mobility than would be the case otherwise. The trend towards automation may also be given an impetus by such a rise in wage-level. All these factors may help to maintain the industrial reserve army in these regions, though mostly on non-Marxian grounds.

But closing the door to the entry of outside labour does not make the rise in the price of labour inevitable. For example, the growing point may suddenly face an over-supply of locally available labour owing to extraneous factors (e g influx of refugees) or structural changes in the economy (e g abolition of land-intermediaries). If before this sudden rise in labour supply, the region was facing an acute shortage of labour force, then the institutional arrangements for import of labour may be well established already. At this point, even if the import of fresh migrants is stopped, the percentage of outsiders in the labour population may be higher than their percentage in the total population. This anomaly cannot be corrected by stopping further immigration of labour. It would require a long process of adjustment, unless a policy of retrenchment of outside labour is pursued. But that would be a too drastic step and would create a lot of difficulties.

Wages and Real Costs

On the other hand, if the import of fresh migrants is not stopped and employers depend on their usual channels for the recruitment of labour, the problem of regional oversupply would be accentuated further. Perhaps, to explain why fresh migrants are recruited when the region suffers from an excess of labour supply we have to bring in non-economic considerations as well which we have neglected so far. But the explanation may lie partly in the suspicion (whether well-founded or not) in the minds of the employers that though the wage of local labour is the same, its real cost (in terms of output) is higher in relation to imported labour. Under such circumstances, of course, 'protectionist' arrangements may prove helpful at least for a limited period either by dispelling the unfounded doubts of the employers or by giving the local labour an opportunity to gather experience and thereby to increase their efficiency and improve their competitive strength in relation to outside labour.

It thus appears that when a region suffers from over-supply of labour, the proper way to solve the problem would be, first of all, to probe the factors underlying the situation. Under some circumstances, the solution may require no more than to just wait for the natural forces to make the necessary adjustments. Under other circumstances even attempts towards protecting the regional labour market may be justified on social grounds. But in some cases such a policy would create more long-term problems than it would solve. Besides 'protectionist' arrangements may not be practicable except in an indirect manner, such as, by

(1) expanding the sphere of activities of the public sector and increasingly absorbing the local labour population in public sector projects;

(2) giving special concessions to employers who are prepared to engage local labour even at a cost to them; such subsidies should be given only for a short-period;

(3) evolving methods of recruitment of labour under which local labour gets a better chance of employment;

(4) providing training facilities, etc. for improving the efficiency of the local labour.

Lastly, measures may be taken to increase the employment opportunities in the lagged regions, for instance, by providing facilities for double-cropping, etc.

In conclusion, it needs to be emphasised that the social issues raised by regional over-supply of labour are too many to be covered within the narrow periphery of economic logic. But an economic exposition may help to clarify the issues involved and to reveal clearly the consequences of alternative courses of action.

Factories and Farms as Important as Arms For National Defence

Need for Subsidy to Agriculture - II

L Merzer

The failure to understand the economic contradiction between the necessity of producing foodstuffs and the impossibility of producing them on a profitable basis has been a stumbling block in the way of many social, economic and political reforms.

This contradiction was elucidated in a previous article (December 8, 1962). Here we shall show how this contradiction manifests itself in different countries.

IN the USA before the world war I, agricultural and industrial wealth grew at the same rate as the population, whose growth was fed primarily by immigration. The latter being regulated by economic opportunities, serious economic crises were avoided until the population reached a stage of saturation, a decade after World War I. The country was not encumbered by long-standing customs or traditions, or by antiquated industries and so could immediately apply the most advanced methods in industry and agriculture. The crisis of 1930 was mainly due to unbalanced distribution of wealth. Agriculture found itself involved in the impossible position of producing an excess of foodstuff which could not be sold because of lack of purchasing power among the masses of the population. The Government intervened by buying up the produce from farmers to save them from bankruptcy. But the consumers derived no benefit from this policy, because instead of selling it to them at a reduced price, the Government preferred to destroy it in order to maintain high market prices. Later the surplus was stored with a view to using it as a political weapon in foreign countries in need of food.

This one-sided subsidy makes little impact in time of full employment, because the consumer, though needing to buy fresh food constantly, can afford to do it at high prices. But in the smallest crisis the problem becomes acute, because the dole does not suffice to buy food at such a price. Then the problem worsens, because the farmer cannot sell and the Government has to support him even more.

The European Common Market countries follow this same pattern. A common fund exists to compensate the farmer, but basically he depends on prices obtained in the open market. It does not prevent perennial crises in agriculture. For example, in France every summer the French farmers agitate because of surplus produce, whereas in winter prices rise, and instead of subsidising the consumer the Government is compelled to raise the salaries in proportion to the rising cost of living. In general the cost of living in these countries is fairly high, much higher than in United Kingdom, where the Government's intervention helps the farmer to produce on a profitable basis by subsidising him and so allowing his crops to be sold at a price accessible to the lowest income bracket. This subsidy is unavoidable in spite of the fact that English agriculture is the most mechanised in the world. The accession of the United Kingdom to the E E C might have been to the advantage of industry, but would have been difinitely a retrograde step for agriculture. Unfortunately, political reasons do complicate this case.

Soviet Mistake

West Germany prospered after defeat in the second World War because the partition of Germany removed the burden of the main agricultural area of the country (East Germany). So that while West Germany has been able to absorb refugees from East Germany, pay reparations, compete with other western countries in industrial production, the other side has to struggle to maintain itself economically, because it is primarily agricultural.

In Russia agriculture has suffered from a long-drawn chronic sickness. The leaders of the 1918 revolution believed that the main cause of poverty was faulty distribution of the national wealth and income. Yet having obtained power, they realised that the income of the ruling classes was insignificant and that the main cause of poverty was industrial backwardness. Stalin consequently proceeded to industrialise Russia in an effective though ruthless way, with the result that by now this country is close to the USA in its industrial potential. Whether this ruthlessness was necessary or not is a purely academic question; the fact remains that the result has been achieved in a relatively short time and against many adversities. But this solution of industrial problem produced, beside the working class, a powerful and coherent ruling middle class made up of technicians and administrators. When it came to agriculture, Stalin' policy was a total failure. It was of no avail to persecute and deport the "kulaks" *en mass* to Siberia, to organise collective or state farms, to mechanise farm operations (and how much hope was put into that!). The approach to the problem seemed to be more emotional than rational. Nobody thought of the fact that food production is deficitary and has to be treated as such to achieve success.

Even now one reads in the press of dismissals of regional managers because of inefficiency or dishonesty. They are probably driven to it by the contradiction of having to fulfil the required norm of production and show a profit. The recourse left to them is often a falsified report. This, of course, does not fill the larders. In final result the leaders have had to revert to the old and despised remedy of rationing the people's food according to ability to pay.

And yet they solved the shortage of technically educated workers and managers by opening schools and colleges free to all able to benefit from such education and obtaining rewards by their skilled

work. At one time there was talk of introducing free transport and housing. Yet it never occured to the rulers to subsidise food.

And India? This is a country with an enormous future, provided it does not commit the mistake of putting the impossible burden on food producers of being a source of national wealth. India's population of about 450 million people presents a producer and consumer potential surpassed only by that of China and much bigger than those of USSR and USA.

All this potential can be realised, and in the near future, provided the planners do not tie the millstone of "profitable" agriculture round their necks. They must from the start consider food production as a social service, similar to health, education or defence and handle it on a sound subsidy basis, so as to allow the farmer to survive and produce economically. Hence mechanisation, fertilisers, scientific management, pest controls and so on must all be encouraged by subsidies, while prices are simultaneously controlled so that plentiful food is available at prices within the reach of the poorest.

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The Agricultural Refinance Corporation

M D Sharma

The Agricultural Refinance Corporation was inaugurated by the Finance Minister this week. Its establishment is a vital addition to the structure of agricultural credit institutions.

Public investment in agriculture and irrigation at an annual rate of about Rs 350 crores as envisaged in the Third Plan will necessitate a correspondingly high level of investment by agriculturists themselves. Unless private investment is stepped up, the facilities created by public investment will remain unutilised. The Agricultural Refinance Corporation could play a decisive role in increasing the quantum of long-term credit for private investment in agriculture.

An attempt is made in this article to examine the constitution and functions of the Corporation and to suggest where modifications are called for to make it more effective.

THE annual requirements of short, medium and long-term credit of the agricultural sector are today probably of the order of Rs 1,000–1,100 crores, as estimated broadly in the light of the All-India Rural Credit Survey's estimate for 1951-52 and the increase in agricultural production since then. If credit needs of large-scale plantations such as tea, coffee and rubber are added, then the aggregate credit requirements may go up to Rs 1,300–1,400 crores in 1965-66. There was, therefore, an imperative need for an organisation to link agriculture to the money market. An independent statutory corporation to work as a development bank for agriculture and to act as a catalyst for investment in agriculture was, therefore, an urgent necessity.

The formation of an independent corporation for agricultural term finance had also become necessary because other institutions, like the National Cooperative Development Board and the Central Warehousing Corporation, could not cater to all the needs of agriculturists. The Reserve Bank of India has played a commendable part in strengthening agricultural credit agencies, but no bank can function as an agricultural development bank at the cost of its other functions. The inability of the established agencies, such as the apex cooperative and land mortgage banks to finance development projects in agriculture, either because the amounts involved are very large or because the period for which credit is necessary is long, has added urgency to the need for a new independent corporation. It is to fulfil this need that during its last session, Parliament passed the Agricultural Re-finance Corporation Act providing for the establishment of a corporation to grant medium and long-term credit for development of agriculture.

Long-term Credit Needs

The Third Plan set a modest target of Rs 150 crores (in terms of loans outstanding) for long-term cooperative credit for 1965-66. The attainment of even this modest target was dependent on certain conditions being fulfilled. These conditions were that institutional investors would support the debentures of central land mortgage banks and that an agricultural development finance corporation would be set up. The Third Plan elaborates the functions of the Corporation as follows:

> "The corporation will purchase debentures floated by central land mortgage banks in the normal course and will also provide funds for schemes for increasing agricultural production which are remunerative in character, but involve considerable investment or long periods of waiting, such as rubber, coffee, cashewnut and arecanut plantation, irrigation, contour bunding and soil conservation, and development of orchards and fruit gardens."

The Central Government, in consultation with the Reserve Bank of India, had under consideration for some time the question of setting up an Agricultural Refinance Corporation. Details of the proposal were worked out by the Reserve Bank and forwarded to the Central Government for examination. The Bill to set up the Corporation was introduced in the Lok Sabha on December 5, 1962 and finally passed on March 14, 1963.

Refinance *plus* Finance

The main object of the Corporation is to augment the available supply of medium and long-term funds for agriculture. It is intended to augment the resources available to cooperative and other financing agencies to make long-term advances for special schemes of agricultural development. It would assist such agricultural projects as cannot ordinarily be financed by established financial agencies. The scope of its operation would also include the development of animal husbandry, dairy-farming, pisciculture, poultry farming and stock breeding.

The main functions of the Corporation would be two, First, as indicated by its name, the Corporation is a re-financing body, providing necessary resources by way of refinance, to the primary lenders making long-term loans for agricultural development. Second, the Corporation will grant credit other than by way of refinance up to a maximum period of 25 years to eligible institutions — namely, central land mortgage banks, state cooperative banks, such scheduled banks as are shareholders of the Corporation, and cooperative societies approved by the Reserve Bank.

The Corporation is authorised to subscribe to long-term debentures for a maximum period of 25 years issued by a central land mortgage bank or a state cooperative bank or a scheduled bank, in case they are share-holders of the Corporation. Necessarily these debentures need to be guaranteed by the Government.

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tion is permitted to guarantee deferred payments due from eligible cooperative societies or any other person and guaranteed to the Corporation by one of the eligible institutions, in connection with the purchase of capital equipment from foreign countries.

A ceiling of Rs 50 lakhs is fixed in respect of assistance granted by the Corporation in connection with any individual transaction. The loans of the Corporation to the institutions which are assisted by it will be guaranteed by the State Governments.

The Corporation is an autonomous body with its headquarters in Bombay. It may also establish offices or agencies in other places in India with the consent of the Reserve Bank.

The management of the Corporation is vested in a Board of nine directors with a Deputy Governor of the Reserve Bank of India as the Chairman. Three nominees of the Central Government, one nominee of the Reserve Bank of India, three elected directors, each representing respectively the state cooperative banks, the central land mortgage banks, and all the other financial institutions such as the Life Insurance Corporation, commercial banks and the others who are share-holders. The latter three would be ordinary directors. A Managing Director will be appointed with the approval of the Reserve Bank. The Central Government may give directions to the Corporation regarding matters of policy involving public interest.

Sources of Funds

To attain the objects of its establishment, the Corporation would start with an authorised capital of Rs 25 crores divided into 25,000 fully paid-up shares, each of Rs 10,000.

To start with, it has an initial paid-up capital of Rs 5 crores (5,000 shares) or 20 per cent of its authorised capital. Of the 5,000 shares initially issued, the Reserve Bank of India is allotted 2,500 shares, the central land mortgage banks and state cooperative banks up to a maximum of 1,500 shares, and the Life Insurance Corporation, scheduled banks, insurance and investment companies and such other financial institutions as may be notified by the Government up to a maximum of 1,000 shares.

Shares which are not taken up by the institutions for which they are intended will be subscribed to by the Reserve Bank in addition to its quota. Such shares may be transferred by the Reserve Bank at a later stage to the institutions which are eligible to become shareholders of the Corporation.

It is provided that no individual institution should hold more than 10 per cent of the shares reserved for the class of institutions to which it belongs.

The shares of the Corporation are guaranteed by the Central Government as to the repayment of the principal and payment of a minimum annual dividend at a rate determined by Government. The shares of the Corporation shall be deemed to be trustee securities or approved securities.

Besides the share capital, the corporation can get working funds from the Central Government. The Central Government shall make to the Corporation an *interest-free* loan of Rs 5 crores, re-payable in 15 equal annual instalments commencing on the expiry of a period of 15 years from the date of the receipt of the loan. This period can be extended at the option of the Government. It is intended that the investment income on this amount should be available to the Corporation for enabling it to meet its expenses during this period.

The Corporation has been empowered under the Bill to borrow money by issuing bonds and debentures carrying Government guarantee.

To further augment its resources, the Corporation has been empowered to borrow money from the Reserve Bank against trustee securities for a period not exceeding 18 months. It can also borrow money from the Central Government and institutions approved by the Government.

The Corporation is also empowered to accept deposits for fixed periods of 12 months or more from the Central and the State Governments, local authorities, cooperative institutions, scheduled banks etc.

The Corporation may, with the previous consent of the Central Government, borrow foreign currency against the guarantee of the Central Government for purposes of granting loans and advances to eligible institutions.

The Reserve Bank will place on deposit with the Corporation the dividends on its shareholding in the Corporation, without interest, for a period of 15 years.

The aggregate amount borrowed by the Corporation in the form of loans and deposits is not to exceed 20 times the paid-up capital and reserves. Thus the maximum lending capacity of the Corporation in its initial year can be Rs 100 crores.

Why Leave Out Non-Scheduled Banks ?

It can be said that the establishment of the Agricultural Refinance Corporation may give a new shape to agricultural credit. It will be a useful link between the organised money market and agriculture.

A salient feature of the Corporation is that it has taken in association commercial banks, the Life Insurance Corporation and other financial institutions including the general insurance companies and investment companies. The association of the Life Insurance Corporation in the development of the agricultural sector, wherefrom the Corporation draws an important part of its total insurance business, is a step in the right direction. However, the Life Insurance Corporation can subscribe to a maximum of 100 shares amounting to only Rs 10 lakhs which is a paltry sum considering the Life Funds of the Corporation.

The association of commercial banks with the corporation will encourage the banks to take a little more interest in the problems of agricultural credit. The share of banks in the capital of the Corporation amounts to indirect participation by the banks in long-term agricultural credit. Commercial banks today play a very insignificant part in the financing of agriculture. They provide no medium and long-term finance to agriculture. In Australia* long and medium term accommodation is provided by the banks for agriculture. In Latin American countries also the commercial banks are an important source of agricultural credit.

* M D Sharma : "Banking System in Australian Economy" *The Banker*, May, 1960.

The association of commercial banks with the Corporation has another important aspect. We have two categories of commercial banks —the scheduled banks and the non-scheduled banks. Though the State Bank of India is included among the scheduled banks, yet because of its unique role in agricultural finance, it can be put in an independent category. Only scheduled banks have been associated with the Corporation. Non-scheduled banks have not been taken into association, although they do have a role to play in financing agriculture.

Statistics show that the advances of scheduled banks to the agricultural sector accounted for 2.3 per cent of their total advances in 1950, 2.2 per cent in 1951 and only 0.6 per cent in 1960. Thus they show a declining tendency. The proportion of advances of non-scheduled banks, on the other hand, has gone up from 5.3 per cent in 1950 to 7.0 per cent in 1960. Thus, in relative terms, non-scheduled banks are taking greater interest in agricultural finance. Further, these banks are more local than scheduled banks and can easily switch over to the business of providing finance, even term finance to agriculture. All this makes out a case for inclusion of non-scheduled banks also among the constituents of the proposed corporation.

Further, the State Bank has played an important role in agricultural credit. But, this bank has also not been specifically associated with the Corporation, though it can subscribe to the share capital of the Corporation like any other scheduled bank does. It is suggested, therefore, that the State Bank should be specifically associated with the Corporation and one nominee of this bank be placed on the Board of Directors. It would be desirable on the part of the State Bank also to re-orientate its policy of agricultural credit in view of the establishment of this Corporation.

Loans for Rehabilitation

The Corporation would provide finance for schemes increasing agricultural production which are remunerative in character, but involve considerable investments or long periods of waiting, such as development of plantations and of orchards and fruit gardens. Since agriculture is a State subject, the State Governments should draw up such schemes in anticipation, so that the Corporation's activities might not be hampered due to the non-availability of suitable schemes for financing. Similarly, the eligible institutions should also find their place and equip themselves to play their part in the successful operation of the Corporation.

The Corporation should also chalk out a five year plan of its operation, with due attention to regional development. If possible regional plans of financing agricultural development should be chalked out. Agricultural commodities may be divided into various groups, such as plantations, industrial materials, food, etc, and an advisory committee for each group be set-up to guide and suggest the Corporation in respect of their financing. It is presumed that the activities of the Corporation would not over-lap those of other financial institutions including the Reserve Bank of India.

The Corporation is allowed to provide credit for agricultural development only. But, occasionally, credit is required for purposes of relief and rehabilitation also. Not infrequently crops are destroyed due to natural calamities. To meet this situation 'distress credit' is required which may fall under the category of both short-term as well as long-term, as it has to cover relief as well as rehabilitation. Even if short-term distress credit for relief is kept out of the scope of the operations of this Corporation, the provision of medium-term and long-term credit for rehabilitation should be included in the functions of the Corporation.

In view of the expansion of the scope of the operations of the Corporation suggested above the Corporation may be renamed the Agricultural Development Bank.

In conclusion it may be said that the setting up of the Agricultural Refinance Corporation is a highly laudable step. The Corporation, it is expected, will enable the co-operatives and land mortgage banks to secure the targets for agricultural credit set in the Third Plan. Further, public investment in agriculture and irrigation at an annual average of about Rs 350 crores as envisaged in the Plan will involve a correspondingly high level of investment by the agriculturists themselves. Unless private investment is stepped up, the facilities created by public investment will not be fully utilised. The Corporation could be a vital factor in increasing the quantum of long-term credit for private investment in agriculture.

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General Manager

Slackening Economic Activity in Kashmir

Balraj Puri

WITH an almost five-fold increase in its revenue receipts in a decade — from Rs 524 lakhs in 1953-54 to Rs 2.552 lakhs in 1963-64 — Kashmir's per capita revenue of Rs 73 for the 1963-64 budget year, is more than double the average of all other States, which is estimated to be Rs 31.46. The last decade in the case of Kashmir also marks a succession of revenue surpluses, with only one exception.

The main factors that account for this impressive fiscal performance are Central devolutions and revenue from forests. The Central grant-in-aid for the State is budgetted at Rs 439 lakhs in 1963-64. The State budget also takes credit for recoveries of Rs 17.64 lakhs under Police, Rs 71 lakhs under Public Works, Rs 147 lakhs under Militia and Rs 4 lakhs under Miscellaneous heads from the Government of India. The Plan budget of the State deducts a further sum of Rs 73.28 lakhs as the Central share.

Sizeable recoveries are also mentioned under other heads but their source is not indicated. The Central budget too does not reveal it. For, from this year, it has given up the practice of the State-wise break up of grants. However, it provides for *inter alia*, the full cost of the establishment in Ladakh and 90 per cent of the cost of its development. The provision for Ladakh in the State budget is Rs 95 lakhs, presumably mainly financed by the Centre.

The total Central aid to Kashmir — what is specifically provided — would thus be Rs 842 lakhs, i e almost one third of the revenue receipts of the State. Including the State's share in the divisible pool of Central taxes of Rs 321.64 lakhs, the transfers from the Centre to the State amount to over Rs 1,163 lakhs, which is only slightly less than half of the total revenue of the State.

An even larger portion of the capital budget of the State is financed by Central loans which in the budget year are expected to amount to Rs 933.33 lakhs. Thus while total disbursements of the State under the heads revenue, capital and debts, are estimated at Rs 3,643 lakhs, total receipts from the Centre, as grants, share in central taxes and loans, amount to Rs 2,097 lakhs. In other words almost 60 percent of the total disbursements of the State are met by transfers from the Centre.

Forests, which are expected to contribute Rs 500 lakhs in the budget year, comprise 36 per cent of the revenue of the State from its own sources. The proportionate share of forests is much larger in terms of net contribution. The revenue from industries, for instance, is budgetted at Rs 234 lakhs, but the expenditure on them exceeds the revenue by Rs 15 lakhs. The other major sources of revenue are public works and transport schemes, expected to yield Rs 204 lakhs and Rs 246 lakhs respectively. The corresponding estimates of expenditure on them are Rs 101 lakhs and Rs 160 lakhs. But while the revenue for the former includes a transfer of Rs 10 lakhs from the Central Road Fund, the expenditure excludes a recovery of Rs 71 lakhs from the same source. The net contribution of public works to the revenues of the State would thus be Rs 22 lakhs and of the state transport service Rs 86 lakhs against the net contribution of over Rs 400 lakhs from forests (deducting all expenditure on them).

The yield from forests is in reality even larger than this. The arrears from forest leasees to date, for instance, exceed the estimates of net revenue in the budget. Likewise, washing of timber worth a crore of rupees to Pakistan-held territory through Chenab every year is also a direct loss to the exchequer. Again, prevalence of such practices as grant of lease to lower bidders, discretionary rebates to leasees, supplementary marking of trees (without tenders) and illicit felling indicate a further large gap between potential and actual revenues.

If all the leaks were plugged, the forest revenue of the State would reach a very high figure. Already it has increased seven times in about a decade. How is it that the forests of Kashmir started producing so much gold? Rise in timber prices is only a partial answer. For the cost of transportation has risen more than proportionately following the partition of the country which denied the State cheap river transport.

That the Kashmir Government is augmenting its revenue by cutting more and more trees is fairly obvious. From 1956-57 to 1962-63, the amount of timber extracted per year increased from 16.2 lakh c ft to 25.2 lakh c ft, i e, more than 50 per cent. The other day the Forest Minister of the State gave an idea of the safe limit of timber extraction. According to him one lakh c ft of timber could be removed from an area of 27 miles in a year. Now, the total demarcated forest area of the State is said to be 700 square miles, of this at least 150 square miles is either completely inaccessible or only partially exploitable. The maximum limit of exploitation in a year on this calculation would be 20 lakh c ft of timber. In 1962-63, even this danger point was crossed by more than 25 per cent. When an account is taken of illicit felling, the enormity of drain on the forest wealth of the State would become more obvious.

The mounting forest revenues are thus not an unmixed gain from a long term view. Dependence of the State's revenues and economy on one main source is not healthy. The attempts to tap and develop other sources have been extremely tardy. Whatever efforts were made by the State in the past years to develop industries based on forest products or other materials, too, are coming to an abrupt end with the decision of the State Government to abandon them.

The economic rationale of this decision is not easy to follow, particularly when the balance sheets of the State-owned industries are not added to the budget papers as is customary with the Central and many State budgets. Nor did the Government wait till the decision of the Committee it had set up to

examine the economics of these industries.

The industries, some of which were running for over two decades, admittedly suffered from some weaknesses, which were never admitted by the Government earlier though attention was often drawn to them. But why were these weaknesses not properly enquired into and efforts made to find if they were curable? What adds to the mystery of the Government decision is the fact that in 1962-63 the returns from industries had, in fact, sharply risen. According to the budget figures, the earning of the drug industry rose from Rs 12.56 lakhs in 1961-62 to Rs 23.57 lakhs in 1962-63 (RE), of the tanneries from Rs 2.13 lakhs to Rs 13 lakhs, of the joinery mill from Rs 10 lakhs to Rs 14.50 lakhs, of the brick and tile industry from Rs 1.62 lakhs to Rs 2.78 lakhs.

What would happen to the assets and capital blocked up in these undertakings and the workers drawing their livelihood from them? No answers have so far been given to such questions.

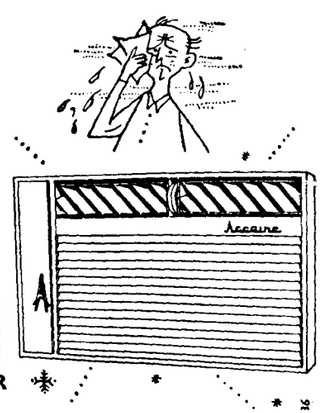
It is not only in the industrial field where the 1963-64 budget beats a retreat, it marks a slowing down of effort in other fields as well. While the expenditure on administrative services in the budget year rises by Rs 19 lakhs over the revised estimates for 1962-63 (from Rs 223.47 to Rs 242.57 lakhs), the expenditure on social and developmental services remains stationary; on community development, it actually declines from Rs 118 to Rs 78 lakhs. On electricity schemes the decline is from Rs 53 lakhs to Rs 49 lakhs and on public works from Rs 118 to Rs 101 lakhs.

The capital budget maintains this trend. Capital outlay on public health falls from Rs 63 lakhs in 1962-63 (RE) to Rs 48 lakhs in the budget year. The fall in the case of industrial development (capital outlay) is from Rs 211.83 lakhs to Rs 150 lakhs. In the case of public works, it is from Rs 432.48 lakhs to Rs 383 lakhs. The only instance of stepping up of capital outlay is that of electricity schemes from Rs 224 lakhs to Rs 385 lakhs. This is mainly because of a provision of Rs 90 lakhs for the thermal plant at Kalakote and of Rs 10 lakhs for the Centrally-financed scheme at Leh.

As a short-fall in the targetted figures of expenditure on both refenue and capital schemes is likely, the decline in economic activity would in reality be steeper than indicated above. As compared to the estimated Plan expenditure of Rs 1,681 lakhs for 1962-63 the estimates for 1963-64 amount to Rs 1,605 lakhs. The smaller size of the Plan is sought to be explained by the Finance Minister on the grounds of the emergency. But what precisely is the impact of the emergency and in what manner the State proposes to contribute to the defence effort is nowhere indicated in the speech of the Finance Minister or the budget papers; except a paltry sum of Rs 1.98 lakhs as "Expenditure connected with National Emergency" which is to be wholly spent on creating 10 new jobs, including those of 4 orderlies!

Kashmir — the most strategic State of the country — seems to have responded tardily to the challenge of the emergency in the economic field by closing down industries, cutting down the size of the Plan and stepping up administrative expenses.

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From the Chair

Shree Digvijay Cement Company Ltd

Speech of the Chairman, Shri G L Bangur

THE following are extracts from the speech of Shri G L Bangur, the Chairman, delivered in his absence by Shri B D Somani at the Eighteenth Annual General Meeting held at Sikka on Friday, the 28th June 1963.

Gentlemen,

Operating Results

As mentioned in the Directors' Report, the working results of your Company show a slight progress over the previous year. There has been an improvement in output and gross profits. It must, however, be admitted that in spite of improvement in output the overall profits have not come upto expectations. The cement price recommended for your unit by the Tariff Commission during its last investigation was considerably pruned off by the Government. The cost of production has also gone up in quick succession due to subsequent increases in Railway Freight, pit-head price of coal, cost of raw materials and other items including increase in rates of Royalty on raw materials, increase in electricity duty etc. All these factors have obviously had an adverse effect on the working results of the Company, notwithstanding the economies achieved due to increase in production.

Retention Price-Ex-Sewree

Another handicap which specifically affects your Company is the unremunerative price fixed for the Cement sold out from the Clinker Grinding Unit at Sewree. The Tariff Commission has suggested that the State Trading Corporation should reimburse for the actual freight and other incidental expenses for transporting clinker from Sikka to Bombay. The Ex-Works price for Sewree Unit fixed by the Government as from November 1961 did not compensate the Company for the actual freight and the transport expenses. Besides, the steamer freight on clinker has been increased by Rs 3.50 per tonne with effect from June 1962. The Company has been continuously representing to the Government to revise selling price ex-Sewree to set right the original low price and to give effect to the increase in steamer freight. It is surprising that whereas increase in steamer freight on transport of Cement is automatically payable by the State Trading Corporation, such adjustment in respect of increase in steamer freight on clinker, which should have been likewise automatic, has not been allowed to your unit. The matter is still being pursued with the Government and it is hoped that a fair view will be taken in the matter without further straining the resources of the Company.

Price Revision

The Government has announced for the Cement Industry a general rise of Rs 2.75 in the retention price with effect from 1st June 1963. As there have been increases in the cost of the various items of production immediately after the last announcement in price, it is unfair not to give retrospective effect to the revised prices. It is in this context equally necessary that the Government announce a specific formula to provide for automatic escalation in respect of increases in cost of fuel and power and increases due to other factors on account of Governmental measures.

Packing Charges

You might be aware that the Government has been fixing charges for packing every quarter. The said charges were fixed in the past on the basis of average price of new gunny bags prevalent during the previous nine months. However, the Government has changed the basis of fixing packing charges effective from fourth quarter of 1962 and packing charges since the said quarter are being fixed on the assumption of 50 per cent packing in new bags. Further, the cost of old gunny bags has been taken for purposes of paying the packing charges at 65 per cent of the market price of new bags, whereas the actual cost to the industry as represented by the Cement Manufacturers Association, is around 85 per cent of the cost of new bags. Let us hope that the representation of the industry will be favourably considered without putting the industry into further difficulties by fixing the packing charges on the basis of 'no profit no loss.'

Coal Subsidy

The question of subsidy on coal received by sea-route has not yet been attended to the satisfaction of the consumers as per the assurances held out by the Government while introducing the system of alternate means of transport.

Asbestos Products Factory

I am glad to inform that the Asbestos Products factory of your Company went into production from November 1962. The teething experienced during trial operations have been overcome and the plant is now steadily gearing towards production according to rated capacity. The output of Asbestos Pressure pipes and Asbestos Sheets turned out by your Asbestos factory has been well received in the market and it is hoped that endeavours to maintain the momentum already achieved would improve the earning prospects of your Company.

Messrs Johns Manville Corporation of U S A, the Collaborators for the Asbestos Project, have applied for and have been alloted 15,000 Equity Shares of the Company at a premium of Rs 50 per share as decided in the Shareholders' Meetings held on 27th August, 1962 and 25th March, 1963.

Switchover to Oil Firing

Your Company has decided to switch over to oil firing in place of coal firing and arrangements have been made to effect the complete change over from coal firing to oil firing by 1964.

Note:—This does not purport to be the proceedings of the annual general meeting.

The Elphinstone Spg & Wvg Mills Co Ltd

Speech of the Chairman, Shri N K Jalan

THE following is the speech delivered by the Chairman Shri N K Jalan at the Annual General Meeting of The Elphinstone Spg. & Wvg. Mills Co. Ltd. on the 27th June, 1963 at Bombay.

Gentlemen,

It gives me great pleasure to welcome you all to this Fortyfourth Annual General Meeting of your Company. The Directors' Report and the Audited Statement of Accounts have been with you for some time now and with your permission, I shall take them as read.

In the year under review, the gross trading profit was Rs 35,24,501/-. I hope you will consider the working results of the year quite satisfactory especially in the face of a number of adverse circumstances in the working caused by the very difficult availability of cotton and the consequent high prices that had to be paid for cotton, increased labour charges, increased cost of stores, electricity etc. although the price of cloth remained the same on account of voluntary price control.

Taxable dividend on Ordinary Shares has, therefore, been reduced to 18% from last year's 22%.

The year under review was marked by lower output mainly on account of paucity of cotton and generally slack demand. A very grave situation arose with cotton mills out of the malaise of accumulation of stocks which started from the month of May, 1962 and, steadily deteriorating month by month, reached a crisis at the close of the year. The long drawn-out crisis during the last quarter of the year was mainly a crisis of confidence generated by war psychosis, which was also responsible for panicky trading conditions during this period.

At the same time, the production cost went up considerably on various counts. There was an acute shortage of cotton supplies during the year resulting in runaway prices. The Government increased the ceiling prices of Indian cotton by Rs 125/- per candy of the cotton crop of 1962-63 season and most of the varieties of Indian cotton were ruling around their ceilings. Excise duties on several chemicals and dyes had been imposed in the year. Losses had to be incurred on account of the obligatory export scheme voluntarily accepted by the industry as a result of heavy undercutting of prices by the mills selling for export. A surcharge of 10.5% was levied on power bills with effect from July, 1962. Basic wages were increased by a flat rate of Rs. 2/- per month per worker from January, 1962. Average dearness allowance payable to workers reached the highest figure of Rs 95.76 nP for 26 working days. Employer's contribution under the Employees' State Insurance Scheme was doubled from 1¼% to 2½% with effect from the 1st April, 1962.

Bonus

It will be noticed from the Report and Accounts that a sum of Rs 6,50,000/- has had to be transferred from General Reserve to enable your Directors to pay the dividends as recommended. This transfer was effected mainly on account of heavy inroads made into the profits of the year by the additional provision that had to be made for bonus to employees for a sum of Rs. 12,76,359/- in respect of the years, 1959, 1960 and 1961 under an Award issued consequent on the decision given by Shri Y B Chavan, the former Chief Minister of the State of Maharashtra who had been appointed as the mediator in the disputes for bonus for these years.

It is a matter of serious consideration whether such extraordinary disbursements by way of bonus to the employees are really justified at a time when the needs of the industry to plough back profits are high for the purpose of modernisation of its plant and equipments.

It is also urged, for the consideration of the Bonus Commission appointed by the Government, whether in the case of composite companies owning factories belonging to different industries like yours, bonus payable to workers should not be assessed in respect of each factory, although the Balance Sheet of the company is one covering the working of the factories together. The profits and the prior charges can be allocated between the different factories of the same company and the assessment of bonus payable to workers of different factories should not be difficult.

Cloth Exports

In spite of the fact that the industry volunteered to bind itself to a minimum export performance, results achieved so far have not been satisfactory. India's export of cloth during the year 1962 stood at 508 million yards worth Rs. 40 crores as compared to 572 million yards worth Rs. 46 crores in 1961, 690 million yards worth Rs. 54 crores in 1960 and 810 million yards valued at Rs. 55 crores in 1959, evidencing a steady decline in the country's exports in the last few years. Your Mills could maintain its export at the preceding year's level of about 14% of the production of the year.

Although quality control, diversification of products and market research as part of a three-phased programme of expansion of exports might help in the export drive, one has to go to the root of the problem by studying the practical difficulties being faced for correcting the present unfavourable trends. One of the primary needs of the industry has been rationalisation and modernisation of plant and equipment. The competitive ability of the industry in the international market has to be bolstered up by reduction in prices and by economising cost with the help of modern machines and judicious employment of labour.

Besides, the steady increase in the cost of raw materials has also proved highly unfavourable in successfully tackling the export problem. It will be increasingly difficult for the industry to sell in export markets if it cannot procure raw materials at economic prices.

It is also unfortunate that under the last budget the benefit of rebate has not been extended to the cotton textile industry if its manufactures are not directly exported by the producers themselves.

Cotton

It is ironical for our country where the problem of cotton supplies is so acute that this is the fifth successive year in which world production has risen to a new record with the help of the exceptionally high world yield of 285 lbs. of lint per acre as compared to the poor Indian record of 112 lbs. per acre. The yield per acre during 1962-63 in the U.S.A., Egypt and Pakistan is 455 lbs., 583 lbs. and 219 lbs. respectively. In our country, on account of low productivity, we are constrained to live a hand-to-mouth existence with regard to the requirements of cotton. It is only to be hoped that with the establishment of a permanent organisation of cotton research as proposed by the Bangalore Session of the International Cotton Advisory Committee, the level of productivity will increase and we will be able to attain self-sufficiency in this essential raw material in due course especially when the area under cotton cultivation in India is the highest in the world.

Besides, the prices payable for cotton continue to remain at a high level. Either there is a failure of crop and the prices payable by the mills are very high as for the season 1961-62, or there is a good cotton crop but the prices payable are all the same very high on account of the Government raising the ceiling prices as in the case of the crop of the current season. It is keenly felt that it should serve the purpose of the country better, if instead of the farmer being encouraged to develop a sort of vested interest in the low level of his production, serious efforts are made to tackle the problem of increasing the productivity. The prices of Indian cotton varieties are at present above the world parity and the advantage of relative cheapness which obtained to the Indian Cotton Textile Industry in the past is now almost entirely lost much to the detriment of export promotion.

Leather Cloth Division

As mentioned in my speech last year, the working of this division was not as satisfactory during the year under review as that in the preceding year, mainly on account of drastic cuts effected by the Government in the import licences for the essential raw materials required in the manufacture of leather cloth. Owing to very much restricted imports, the raw materials had to be purchased from indigenous manufacturers at prohibitive prices with the result that the profitability of this division was very much affected.

On account of drastic cut in the import of P.V.C. raw material and the highly irregular policy adopted in regard to distribution of Plasticizer by the only manufacturer, working of our plant was stopped for about three months.

I consider it my duty to refer to another serious handicap that is militating against our economic growth. Ours being a composite company, we have to pay textile wages to the workers of Leather Division also, whereas other concerns manufacturing exclusively Leather Cloth are not bound by such imposition and hence we have to work under such handicap.

Expansion

After the purchase of the block of Moon Mills was completed as referred to in the last year's Report, negotiations were started with the National Industrial Development Corporation Ltd. for a loan from them for equipping this newly acquired unit with the latest types of spinning and other required machinery. The negotiations are still in progress.

High Cost Structure

You will naturally expect me to give some idea about the current working and the future prospects. In this connection, I am constrained to say that while the prices of cloth have remained the same as a result of the voluntary price control in force from September 1960, the cost of production of this industry has only been steadily increasing. Apart from the heavy incidence of new financial burdens on the industry effected in and from the year under review as mentioned in the foregoing paragraphs, several other measures have contributed to a much steeper cost of production in the current year which are more or less of a permanent nature. Duties on several important items of stores have been increased. Machinery will cost more on account of customs duty on capital goods. Import duty on raw cotton has been reimposed. Freights and Inter-State sales-tax have been increased. The Power Supply company effected a further increase of about 26% in their tariffs from last May in addition to a surcharge of 10.5% imposed in July 1962. The financial commitments involved in the Emergency Risks Insurance Scheme which was brought into force from the beginning of the current year will also make sizeable cuts into the profits of the company. Several tax measures have been introduced by the State Government inclusive of increase in sales tax on cotton and certain important items of mills stores, chemicals etc. The cost of borrowings has increased as a result of the increase in the Advance Rates of Banks.

In order to help the Government in holding the price line, the mill industry has so far pegged down its prices to the level of those prevailing at the end of 1960. With all these additional burdens since 1961, however, it is difficult to say how the mills will be able to run economically if the Government does not allow an upward revision in the prices of cloth.

Modernisation and Renovation

In spite of several handicaps, the management has been continuously modernising your mills with a view to be able to hold its own even in the most difficult times.

During the year under review, machineries worth about Rs. 20.45 lakhs have been further installed and put into commission. These include one Mercerised Plant, 48 Textima Automatic Looms, 3 High Speed Drawing Frames, 1 Cockers High Speed Slasher Sizing Machine, 1 Polymerising Machine, 1 Warp Tying Machine and 5 N. M. M. Ring Frames. Further, after the close of the year, 2 High Speed Drawing Frames, 1 Chemic Machine, 1 Comber, 1 Acid Ager and 11 Constant Card Strippers have already been received and installed.

We further expect early delivery of 4 OM/RKI Ring Frames and 1 Dornamat Continuous coating Plant.

As for the spinning Section, I am glad to inform you that your Company was granted permission last year to install 3088 additional spindles for balancing purposes in addi-

tion to 3200 spindles granted in the previous year. Orders for indigenous ring frames have been placed but deliveries have been rather disappointing and we could complete the installation of only 2240 new spindles. We have also applied for a licence to put in 6087 additional spindles for balancing purposes.

In view of the difficult position of supply of new Ring Frames, the Company continued during the past year its programme of converting its existing Ring Frames to longer lifts and to the latest systems of High Drafting and equipping them with Pneumafil. Simultaneously the Company also carried out the conversion of some of the existing speed Frames to High Drafting and Can-Feed on experimental basis. The Company succeeded in obtaining Import Licence for 2 Simplex Frames of the latest model from Japan and applied for import of further 4 machines of the same type. Subject to the availability of import licences the company has a programme to change its entire old Blow Room machineries, Draw Frames and Speed Frames in course of time.

The installation of 5 New High Speed Draw Frames was in useful replacement of old machines and it was completed during the year under review. In the year 1960, the Company installed 4 High Speed Combers to enhance the combing capacity for the production of goods of superior quality. The combing capacity has now been further supplemented by one more High Speed Comber of the latest type installed this year.

An experimental Super High Draft Frame of indigenous make was also installed during the year under review and further orders for 4 Super High Draft Ring Frames were placed for delivery this year. The Company already has a Super High Draft Plant of 8000 spindles working since 1956 and additions of Super High Draft spindles are now being made, with a view to effecting further economies in the working of the Company.

In the Weaving Preparatory Department, one High Speed Sizing machine was installed in addition to one machine installed in the previous year. The Barber Colman Spooler & Warper which were installed and put into commission in the year 1961 have modernised about half the Winding and Warping Sections. With a view to completing the modernisation of this Department, the Company is now considering the installation of the latest Automatic High Speed Winding & Warping machinery incorporating revolutionary changes in Winding technique. One Automatic Warp Tying machine was received last year and orders for further such automatic machines are under consideration.

In the Weaving Shed, 48 Automatic Looms were installed in replacement of old plain looms and installation of further 96 Automatic Looms is under consideration. The company could not finalise order of further imported Automatic Looms last year and is now considering the purchase of indigenous looms which are being made with foreign collaboration and are now available.

In the Processing Section, the Company made the extension of this department for improving the layout and reducing the labour cost in handling. The Mercerising machine was installed last year and the Screen Printing Section was also put into commission. These two additions have increased the saleability of the Company's products which are now made in greater variety and finish to meet the demand of the market.

It is, however, paradoxical to note that we have to modernise our mills with so-called new machineries which are in fact out-dated. You will be interested to learn that rapid scientific improvements such as continuous Automatic Spinning Equipments, Jet Looms etc. are being introduced in other progressive countries whereas we have to remain content with out-dated 8" Lift Spinning Frame and old type of Automatic Looms.

Unfortunately, the Government is placing limitations in regard to replacement of ordinary looms with Automatic Looms. For instance, the condition of compulsory export against installation of Automatic Looms is so drastic that Mills are finding it difficult to replace ordinary looms with Automatic Looms. It is imperative that the cost of production should be brought down so that our products may compete in the world markets against many other advanced countries. Further, the cloth must be of superior standard and one of the prerequisites for the production of quality cloth is to have Automatic Looms.

For the Leather Cloth Division, we have ordered out one of the most modern and up-to-date equipments with the object of producing Leather cloth of international standard and we have also arranged for availing the services of foreign technical consultants to advise us on the latest techniques in the field of Leather Cloth manufacture. With the arrival of the new equipment, we also hope to compete successfully in the export markets of this product.

In conclusion, I have to sincerely thank my colleagues on the Board and to express my appreciation to the executives, staff and workers of the Company for the valued co-operation extended by them during the year.

Thank you,

N.B. This does not purport to be the proceedings of the annual general meeting.

Andhra Bank

THE Andhra Bank, Masulipatnam, (Estd in 1923) has made a satisfactory progress during the year 1962. Deposits have increased from Rs 15.78 crores to Rs 18.17 crores showing a rise of 15.2 p.c. Advances have risen from Rs 9.09 crores to Rs 10.25 crores i e by 12.7 p.c. Investments have gone up from Rs 6.60 crores to Rs 7.19 crores. The total income earned from all sources has amounted to Rs 128.94 lakhs being 16 p c higher than Rs 110.46 in the previous year. But the net profit has declined, as in the case of many banks, from Rs 10.97 lakhs to Rs 8.34 lakhs i e by 24 p.c. The lower profit is stated to be the result of a sudden and large fall in advances against gold, owing to the control measures initiated by Government, higher emoluments to staff and deposit insurance premium. After transferring Rs 2.10 lakhs to the Reserve Fund which is now raised to Rs 22 lakhs and providing Rs 3 lakhs for taxation, the Directors have declared a dividend of 8 p c (subject to tax).

Jyoti Limited, Baroda

Speech of the Chairman, Shri Nanu B Amin

THE following is the speech of the Chairman, Shri Nanu B. Amin at the 20th Annual General Meeting of Jyoti Limited, held on June 19, 1963:

Friends,

I am happy to welcome you to this Twentieth Annual General Meeting of your Company.

The Directors' Report and Audited Balance Sheet and Profit and Loss Account for the period ended 31st December 1962 have been in your hands for some time and with your permission I shall take them as read.

You must have noticed from the accounts that the Sales during the year under review reached a level of Rs 2,04,40,787/- which when compared with that of the previous year indicates an increase of about 18.5%. This increase in sales is an outcome of our expanding activities and the efforts made by all concerned to step up the production and sales. Although the total net profit of your Company is slightly more than that of the last year, the available amount for distribution to Shareholders is less because of increased incidence of taxation.

Super Profits Tax

The recent fiscal and economic measures adopted by the Government have hardly provided any incentives. Instead, they have created problems, which I am afraid, tend to discourage industrial progress in the country. I would like to refer to the Super Profits Tax. The very concept of Super Profits Tax is arbitrary and irrational. Profits are the outcome of numerous factors. Apart from the sound economic principle that risk and return should go together, good planning, organization and administrative efficiency contribute vitally to the profits earned by an Industry. I think, it is unfair to deprive an Industry of the legitimate fruits of its efficiency by arbitrarily defining the Super Profits Tax as the one which is in excess of 6% of the Paid up capital. It is high time that authorities realised that the burden of Defence and Development can be borne by the Industry only if it is instilled with a confidence that efficiency would be allowed to blossom and will be at a premium and not at a discount. This can be done only if Government takes a pragmatic view of economic problems of the country.

Since we met last, a great upheaval has taken place in this country. Chinese invasion of India has created a national emergency. This means that we are all called upon to meet this Chinese challenge on economic and military fronts. Your Company will give its best in emergency as it did in normal times. The situation created by Chinese invasion requires mobilisation of all productive resources and I am sure, we will not lag behind in contributing our mite towards this. Our only fear is that owing to recent Government policies, all the efforts we make might not prove as effective as they otherwise would.

Steady Progress

Even in the rather difficult prevailing conditions, I am glad to state that your Company has been pursuing its manufacturing activities satisfactorily and maintaining a steady progress. We are at present covering a very wide range of products. You must have noticed from the Directors' Report that the present need of the Company is to consolidate various development projects taken up over past few years and rationalise its production programme. From the modest beginning which your Company had made some twenty years back, it has now reached a stage when it is acknowledged as one of the leading manufacturers of large Pumps and large Electric Motors. We are also one of the few contributors in the production of Low Tension and High Tension Switchgears and Switchboards. Besides this, our new line viz., the manufacture of Hydro-Electric Generators and Turbines is expected to contribute materially towards the generation of electricity in this country.

Highly advanced countries like France and Germany are increasing hydro-electric power generation by installing micro-sets i.e. sets between 3 kW and 1000 kW in large numbers. In West Germany, in a small province of Bavaria alone, there are more than 760 small hydro-electric generating stations producing a little over 200,000 kW of power. In our country also, these small sets can contribute quite substantially in the field of electric power generation.

You must have observed from the Directors' Report that your Company has obtained a licence for the manufacture of Extra High Tension Circuit Breakers and very shortly it expects to get a licence for the manufacture of Alternators up to 3000 kW. These are highly prospective lines, which are expected to contribute substantially to the economic growth of our country.

Export Incentives Inadequate

When we met last year, I had informed you that your Company is making every effort to popularize its products abroad. These efforts continued unabated during the year 1962. This is, however, only a beginning and much remains to to be done in the field of exports. Our national economy demands that every one makes great effort in exporting as much as possible. In addition to the countries of East Africa, Pakistan, Egypt, Burma, Bahrain, Cyprus, Iran, etc. we have been successful in tapping newer markets in centres like Viet Nam and Kuwait. Besides this, we are exploring possibilities of establishing markets for our pumps in advanced countries like U.S.A., U.S.S.R. and Australia.

As you know, establishing and maintaining export markets is a very expensive business. Of course, the import entitlement, income-tax relief and such other concessions offered by the Government to the exporters provide some relief. This is, however, not adequate. In the face of severe competition abroad and inflated cost structure at home, more liberal

incentives have become essential. The production cost in this country is constantly rising and one of the major contributory factors towards this is the taxation policy of our Government. Corporation Tax, Excise duties, Sales Tax, Emergency Insurance and Customs duties are constantly being raised by the Government. The effect of some of these taxes is multiple, because each raw material gets taxed in various forms at various stages before it reaches the final manufacturing unit. In the circumstances, it has now become increasingly difficult to compete in the world market. This is one of the reasons why exports of non-traditional items call for greater measure of incentives than provided at the present moment.

Increased production and full utilization of the existing plant is the need of the hour. There are many factors which are beyond our control in achieving this. Inadequate transport facilities, insufficient quota of controlled materials, scarcity of electric power, etc. tend to nullify efforts at fuller utilization of existing equipment and facilities.

Before I conclude, I take this opportunity of thanking my colleagues on the Board and the staff and the workers of the Company for their unstinted co-operation. I now commend the Annual Accounts and the Directors' Report for your consideration.

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

Around Bombay Markets

The Rot Ends

Thursday, Morning

WHILE confidence might take time to return to the stock market, the rot appears to have ended. It is not that the market has staged any spectacular recovery from the previous week's panicky lows but the market revival of inquiry for the hitherto completely neglected cash scrips, particularly the new shares, is indicative of a significant turn in market psychology. The rise in prices of many of the new shares like Zenith Steel, Hindustan Aluminium, South India Viscose, Dr Paul Lohman, Pyrotenax, Madras Rubber, Synthetics and Chemicals and Colour Chem over the past few days has indeed been impressive. The performance of the speculative counters has not been striking, though certain shares like Shivrajpur, Tata Oil and Tata Steel have recorded very handsome gains.

The turn in sentiment reflects the market's growing belief that the Government is now feeling deeply concerned over the depressed conditions in the investment market especially the new issue market. The Finance Minister Desai's discussions last week with the heads of top financial institutions of the various measures for toning up the investment market have had a significant effect on the general market psychology. What the authorities might do to boost the market's morale remains to be seen but the need for restoring confidence can scarcely be overemphasised. Nearly two-thirds of the new shares issued since January 1959 are now being quoted at or below par. And it is no secret that very recently, even in the case of some first rate issues, the underwriters have had to take up quite a big load themselves. If the conditions obtaining in the capital market at present are allowed to persist for long, new issue activity is bound to receive a further serious setback.

Last week's discussions between the Union Finance Minister and the representatives of the financial institutions are said to have covered a wide field, including bank credit, capital issues control, the margin system enforced in stock exchanges and the Government's proposal to set up an investment trust. The awareness on the part of the authorities of the 'crisis' in the investment market holds out the hope that something will be done to tone up the market. This should check any further deterioration in the market sentiment, but the recovery will depend on the remedial measures that the authorities will actually undertake.

Cotton

Bulls Uneasy

THE cotton market last week developed further weakness and the decline in prices was more pronounced in ready than in futures which recovered most of the lost ground near the week-end due mainly to short covering induced by technical considerations. The August contract which had seen a high of Rs 709 in the preceding week dropped to a new low of Rs 687.50. Later it rallied to Rs 694.50 and at its Wednesday's closing of Rs 693.50 the contract showed a net loss of only Rs 2.25 per 3 quintals over the week. The week-end rally was essentially technical, the preceding fall had been steep enough to tempt bears to cash their profits and induce modest replacement buying. The underlying sentiment continues to be bearish. And not without good many reasons.

Stray demand for selected lots of quality cotton by a few needy mills is about all that spot houses had to report for the week. That the spinner inquiry should be extremely restricted is not the least surprising. Despite the fairly comfortable supply position of cotton, mill consumption is running below the previous season's level — the total for eight months — September to April — amounts to 37.40 lakh bales against 37.93 lakh bales. And the April-end stocks with mills total 18.95 lakh bales against 15.62 lakh bales at the end of April 1962. These stocks are sufficient to last for four months on the basis of the current consumption. What is more, the weather news has continued to be very encouraging. Almost all the cotton producing areas seem to be well satisfied with the progress of the monsoon. Of course, it is much too early to talk about the new crop and the sceptics might well say that rarely has the country had two good successive harvests. The deterioration in market sentiment last week was in no small measure due to the likely import of 3 lakh bales (500 lbs each) of US cotton in exchange for manganese ore, ferro-manganese and some other minerals under a special barter agreement. If the country is lucky enough to have another good crop — lucky, because everything depends on the weather — the cotton trade can look forward to another year of profitable activity. The Government will not perhaps need to enforce the supervisory system of marketing cotton which has nothing to commend when kept well within the statutory ceiling.

Oilseeds

Firm Tendency Persists

THE oilseeds market continues to display a firm tendency. The weather news has not been unencouraging, though the important groundnut producing area of Saurashtra is not fully satisfied with the progress of the monsoon. But that is not the only reason or even the main reason for the remarkable strength in groundnuts which continue to set the tone for the rest of the market. After keeping slgihtly subdued early in the week due to corrective profit-taking, groundnut futures quickly recovered the lost ground and closed higher over the week. The maturing July contract was unofficially quoted above the ceiling of Rs 236 at the week-end. And the distant September contract which had eased from Rs 230.62 to Rs 227.75 moved up to Rs 231.87 on anxious bear covering and scattered bull support. The strength in the spot material has been more marked than in futures and the tenderable bold variety is quoted around Rs 241 per 250 kgs. Vanaspati manufacturers have not ceased to be aggressive buyers after securing a further rise in the ceiling prices of their product. And according to informed sources, the revised prices of vanaspati are high enough to permit the manufacturers purchase their raw material — groundnut/groundnut oil — at still higher prices and yet make reasonable profits. Apart from the keen demand from vanaspati manufacturers, the strength in groundnuts is also attributable to the substantial export business in groundnut oil and groundnut extractions this season.

Other oilseeds have merely been following groundnuts. Linseed futures (September contract) which had eased from Rs 38.31 to Rs 37.25 (per 50 kgs) earlier in the week improved later to around Rs 38.69. Business was restricted as usual. Overseas interest in linseed oil remains virtually absent, the export incentives notwithstanding, but the domestic industrial demand is reported to be running at a high level. Trading in castor futures was a dull affair; the September contract drifted idly between Rs 163 and Rs 164.75 and closed unchang-



Have you tried balancing your budget?

I have—often!

It is no longer a case of balancing—it's just plain juggling!...Pay the milkman in full this month and the grocer on account so that the vegetable seller can be paid in part —the tailor will have to wait...and just when it seems to be working out—there are fees, doctor's bills and insurance premiums, not to mention taxes and compulsory deposits.

All of which remind me that I must somehow keep my insurance policy going—and take some more, if possible. I look at it like this: if I, with my regular income, can barely make both ends meet, how will my poor wife manage should the worst happen to me?

I must cut down on clothes? Perhaps. Less travelling, less entertainments, less parties, less festival expenses? Must talk to the wife.

ASP/LIC-E-33

ed over the week at Rs 161.62 (per 250 kgs).

Groundnut extractions continued to be in good demand and overseas prices showed a distinctly hardening tendency, presumably because of the tremendous rise in soya bean prices following apprehensions about damage to the standing crops in Canada and the U S due to draught conditions. Export houses reported further good business in groundnut extractions with Japan. The U K buyers also took fair quantities. The latest U K prices were mentioned around £ 31-12½ per ton for July shipment, £ 35 for August and £ 35-5 for September. Groundnut oil prices recorded an increase of about £ 4 per ton, from £ 102 to £ 106 for crude and from £ 108 to £ 112 for refined oil, but the trade did not report any fresh business. Though overseas prices for castor oil were reported to be slightly higher, export business put through during the week was negligible. Overseas interest in linseed cake and cottonseed cake was also limited but fair business — about 700 tons — was reported in copra cake with the Continent and the price realised was mentioned around £ 28 per ton.

Business Notes

Tata Group of Mills

AMONG those units of the textile industry which suffered a set-back during the year 1962 compared with the previous year, are those of the Tata group also. The annual reports and accounts of the three Mills, Svadeshi, Tata and Ahmedabad Advance, for the year ended December 31, 1962, disclose a drop in the gross profits although sales have been fairly well maintained. Svadeshi's sales turnover showed a small improvement of 3 p.c. at Rs 523.55 lakhs; sales of Ahmedabad Advance were up by 1 p.c. at Rs 308.38 lakhs, while Tata's sales declined by a mere 0.2 p.c. at Rs 504.63 lakhs. Svadeshi's gross profits fell from Rs 77 lakhs to Rs 59 lakhs i.e. by 23 p.c.; Ahmedabad Advance's profits declined by 38 p.c. from Rs 37 lakhs to Rs 23 lakhs, while Tata's profits shrank by 45 p.c. from Rs 70 to Rs 38 lakhs. The profit margin receded from 15.2 p.c. to 11.3 in the case of Svadeshi, from 12.2 p.c. to 7.5 p.c. in Ahmedabad Advance and from 13.8 p.c. to 7.4 p.c. in Tata Mills. After allocations to depreciation, development rebate reserve and provisions for income-tax, the net profit of Svadeshi showed a decline of 33 p.c. at Rs 17.09 lakhs, that of Ahmedabad Advance fell by 50 p.c. at Rs 13.38 lakhs while Tata Mills' net profit recorded a greater fall by 63 p.c. at Rs 13.81 lakhs.

As a result of lower profits, all the units have to cut down their equity dividends. Svadeshi's dividend is reduced from Rs 19 to Rs 17 per share of Rs 100. Ahmedabad Advance's dividend from Rs 12 to Rs 11 per share of Rs 100 and Tata Mills' dividend from Rs 5.50 to Rs 5 per share of Rs 25. Earning per equity share in Ahmedabad Advance which in 1961 worked out to Rs 65.3 has come down to Rs 29.8 in 1962; Svadeshi's earning per equity share is reduced from Rs 24.50 to Rs 16.01 while Tata's has dropped from Rs 14.4 to Rs 5.2. A satisfactory feature, however, of these mills is that they have all built up over years some substantial reserves which should put them in good stead in lean years; for instance against a paid up capital of Rs 115 lakhs, Svadeshi's reserve amounts to Rs 142.90 lakhs, Ahmedabad Advance has a reserve of Rs 87.81 lakhs against its capital of Rs 60 lakhs. Tata Mills whose paid-up capital is 65.58 lakhs has accumulated a reserve of Rs 112.85 lakhs.

The fall in profits is attributed by the Directors to adverse trading conditions for a part of the year, higher cotton prices, unremunerative compulsory exports and a rise in the overall cost of production without a corresponding increase in selling prices. Svadehi's exports formed 8.25 p c of its total sales, Tata Mills' exports accounted for 11 p c of its sales, while the value of exports of Ahmedabad Advance was merely 2½ p.c. of its aggregate sales. In the statements circulated with the Reports, Mr Naval Tata, the Chairman has expressed his doubts about the fulfilment of the industry's export aspirations. He has also drawn attention to the fact that if the price-line is not held, the distributors who are independent of the industrialists often profiteer. Referring to the proposal of Government to import staple fibre to fill up the gap between demand and supply of cotton, Mr Naval Tata opines that it is extremely difficult to blend staple fibre with cotton. Dealing with the future of the industry, the Chairman has warned the shareholders that because of the defence-orientation of the industry and the uncontrollable increase in the cost of production resulting from a variety of factors and also the pegging of cloth prices the future of the industry is unpredictable. Thus the outlook for 1963 remains bleak.

Colour-Chem

THE Accounts of Colour-Chem for the year ended March 31, 1963, show that the Company's sales during the year increased from Rs 2.36 crores to Rs 2.75 crores i e by 16 p. c. The net profit has risen from Rs 45.87 lakhs to Rs 47.30 lakhs i e by 3.1 p c. The profit is arrived after providing Rs 10.79 lakhs (Rs 8.49 lakhs) for depreciation and Rs 64.29 lakhs (Rs 41.50 lakhs) for taxation including a provision of Rs 14.78 lakhs for SPT. Out of the disposable profits, the Directors have transferred Rs 15.93 lakhs to a 'Special Reserve' as it is expected to be exempt from under sec 84 of the Income-tax Act, and from the Special Reserve, they have transferred Rs 15 lakhs to the Dividend Reserve. Utilizing the dividend reserve a dividend of Rs 12 per share (free of tax) is proposed which will absorb Rs 15 lakhs. Among other allocations, General Reserve gets Rs 26 lakhs and stands at Rs 67.75 lakhs at the end of the year. Dividend equalisation Fund is raised to Rs 12 lakhs by the addition of Rs 6 lakhs during the year.

The Directors state that the Company's production increased during the year within the limits of availability of raw materials. Only two-thirds of the installed capacity has been utilized. However the demand for the Company's production is stated to be good. The current year's sales so far are reported to be higher by 25 pc. The Company is planning to diversify its production for which details are being worked out at present.

Straw Products

TO the disappointment of its Shareholders, Straw Products (a J K concern) has skipped the dividend for the year 1962. The Company was once a small and progressive concern paying handsome dividends. But ever since its expansion, it ceased to be in the dividend paying list and this is the third year that the Company passed over the dividend.

Sales turnover increased during the year from Rs 1.06 crores Rs 1.40 crores. Net profit without providing for depreciation has declined from Rs 18.45 lakhs to Rs 16.97 lakhs owing to substantial increases in costs allround. Out of the profits, a sum of Rs 11 lakhs is transferred to General Reserve and Rs 6.15 lakhs to depreciation, but no provision has been made for taxation as against Rs 8.90 lakhs in the previous year. The Directors state that due to inadequacy of profits no depreciation or development rebate have been provided for the paper mills and the surplus is transferred to General Reserve to conserve funds for future liabilities.

During the year, the Board factory at Bhopal worked satisfactorily yielding higher production and recoding increased sales. But the excise duty, according to the Directors was the single biggest element in the sale price of boards accounting for roughly 23 p.c. of the price. The Company paid excise duty to the extent of Rs 28.75 lakhs as against Rs 18.21 lakhs in the previous year representing an increase of 60 p c. The increase in excise duty on straw boards from 15 nP per kg to 42 nP per kg (by 180 p c) by the Finance Act of 1963-64 will mean that on a price of 55 nP per kg of straw board, the increased excise duty works out to 76 p.c. The high price of straw board will not only tell on public consumption, but will have its effect on the requirements of textile industry, and book-binding and box-making industries as well, which are the main consumers of straw boards. The Directors feel that the slab system in the levy of excise duty is placing many major producers of straw boards at a highly disadvantageous position.

J K Paper Mills at Orissa was commissioned in October 1962 and the production is on sale in the market. The cost of production of paper has gone up considerably owing to increase in excise duties, railway freight, taxation, war risks insurance, increased cost of chemicals, stores, coal, etc. As the selling price of paper is not adequately revised upwards, the Directors feel that the increased costs have affected the paper industry, making it run uneconomically

Jaipur Metals & Electricals

THE profits of Jaipur Metals and Electricals for the year ended December 31, 1962 after providing for depreciation have amounted to Rs 14.93 lakhs showing a rise of 37.5 p.c. over the previous year's profit of Rs 10.86 lakhs. The higher profits have followed a substantial improvement in the sales during the year by 43.8 p.c. from Rs 160.12 lakhs to Rs 230.20 lakhs. But the pre-tax profit margin has slightly declined from 6.8 p.c. to 6.5 p.c. Taxes provided amount to Rs 6.85 lakhs (Rs 3.91 lakhs) which include Rs 52.000 for SPT. The net earnings after

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B/C/133A

tax are higher at Rs 8.08 lakhs (Rs 6.95 lakhs). But again the net profit margin has come down from 4.4 p.c. to 3.5 p.c.

Allocations from net earnings are: Development rebate reserve Rs 3.50 lakhs (Rs 3.05 lakhs); General Reserve Rs 1.22 lakhs (nil); and preference dividend at 6.66 p.c. Rs 40,000 (Rs 42,640). The ordinary dividend at 6 p.c. which is payable on increased ordinary share capital raised from Rs 25 lakhs to Rs 49.95 lakhs during the year, absorbs Rs 3 lakhs as against Rs 2.50 lakhs at the rate of 10 p.c. No dividend has been declared on deferred shares which got 40 p.c. last year. The net earning per preference share works out to Rs 101 and that for the ordinary share Rs 15.1.

The Directors state that the production of 'Jaipur' house service meters reached a record level of 211,240 nos as against 176,020 nos in the previous year. The metal division produced 1,817 metric tonnes of material compared with 1,717 metric tonnes in the previous year. The major part of the machinery required for the Company's expansion plans has arrived. The industrial Finance Corporation of India has approved a further loan of Rs 65.26 lakhs to the Company for implementing its schemes of diversification and expansion of production.

Money Market

Thursday, morning

CONDITIONS in the money market remained easy during the week with call money down to 1½ per cent. Demand for funds slackened and inflow continued to increase. While bank credit fell by Rs 16.49 crores, bank deposits were up by Rs 10.82 crores as on June 21. The banks' balances with the Reserve Bank were also up by Rs 5.60 crores. Although their cash balances were slightly lower by Rs 1.42 crores, their investments showed a substantial increase by Rs 10.38 crores. It is not surprising that scheduled banks' borrowings from Reserve Bank should fall by Rs 6.51 crores to a mere Rs 1.36 crores, as mentioned last week.

The Reserve Bank Returns on June 28 reflect a continuation of easy money conditions. Scheduled banks' deposits are up again by Rs 9.76 crores while their borrowings from Reserve Bank have further declined to Rs 1.17 crores compared with Rs 1.57 crores a year ago. The above features together with a contraction in notes in circulation by Rs 15.69 crores indicate a further advance of the slack season. Both Central and State Governments' deposits with the Reserve Bank have increased during the week by Rs 16.16 crores while their borrowings show a decline of Rs 9.28 crores, which indicate larger revenue inflow.

Foreign assets, however, have again been depleted from Rs 112.62 crores to Rs 106.34 crores (Rs 117.42 crores a month ago and Rs 97.32 crores a year ago), the foreign securities in the Issue Department being less by Rs 5.75 crores.

As was expected, the Central Government announced its second instalment of loan for 1963-64 on Monday last. Two loans will be issued for a total amount of Rs 225 crores on July 22. One is a 4 per cent 1969 loan at Rs 99.50 per Rs 100 nominal — a further tranche of the existing 4 per cent 1969 loan issued in May last repayable on May 8, 1969; another is a 4½ per cent 1973 loan at par repayable on July 22, 1973. These loans are a cash-cum-conversion offers giving an option for the conversion of the 13 maturing State loans.

The market had expected a long-dated issue also. There is a demand for long-dated issue not only from institutional investors but also from those who had liquidated their holdings in anticipation of a general fall in the prices of long-dated loans as a result of dearer money, financial requirements, more favourable terms for new loans, etc. Accruing cash surpluses from time to time were seeking refuge so far mostly in short dated and maturing State loans. Banks whose investments were also rising, were marking time for better opportunities. The issue of short and medium-dated loans has therefore caused a surprise. The absence of a long-term issue is definitely having a tonic effect on the whole gilt-edged section, and this is reflected in a rise of the long-dated and many other loans immediately following the announcement. The Reserve Bank's resumption of sale of 4½ per cent 1986 loan at par, which were suspended on June 24, may however go some way towards satisfying market needs and may cover in part the short-fall in the Government borrowing from the budgeted figure of Rs 393 crores.

Further, a ten-year loan would definitely fulfil the needs of those who hold and/or generally prefer medium dated high yielding securities like the State loans. The short-dateds are always very popular with the banks.

The issue prices and interest rates appear to be quite in line with the prevailing price and yield patterns. The yields of 4.10 per cent and 4.25 per cent on the 6-year and 10-year loans compare favourably with the existing Central loans of 1969 and also with the Central and State loans of 1972. As a result, several loans were marked up in order to bring them in line with the new issues and this has been helped by the scarcity of offering in the market.

The terms of the new issues are satisfactory in the prevailing easy money conditions and the response to them should be quite adequate. In fact since the banks and institutional investors have to find suitable outlets for their surplus funds on hand and, since under the existing pattern of control they are free to utilise their funds in other ways than prescribed, their demand should be large enough to absorb the total amounts offered. As the banks have to readjust their gilt-edged portfolios to conform to the requirement of the new liquidity ratio coming into effect from September next year, their demand for the new loans would be far greater than experienced heretofore. The gilt-edged market may be expected therefore to continue to rule steady to firm for some time ahead.

A Correction

The figures of "Foreign Trade of India" given under "Current Statistics" last week, were for Principal Imports and not Principal Exports, as was wrongly printed. The error is regretted.

CURRENT STATISTICS

Foreign Trade of India

PRINCIPAL EXPORTS

(Rs lakhs)

	April '62 -Mar '63	April '61 -Mar 62	Mar '63	Mar '62
Food	**235,24.1**	**214,00.3**	**19,90.9**	**15,31.3**
of which				
Meat and meat preparations	1,68.4	1,18.4	15.8	12.0
Fish and fish preparations	4,08.1	3,87.9	50.0	38.9
Fish: fresh or simply preserved	3,18.9	3,36.7	39.7	31.6
Fish and fish preparations, canned or not	89.2	51.2	10.3	7.4
Cereals and cereal preparations	25.2	10.6	2.2	0.9
Wheat and spelt (including meslin), unmilled	14.8	0.2	1.5	—
Cereal preparations	10.4	10.4	0.7	0.9
Fruits and vegetables	26,89.7	25,38.2	2,84.9	2,28.6
Fruits and nuts, fresh	21,40.5	20,27.1	2,19.2	1,74.3
Dried fruits	22.4	15.7	5.4	1.9
Vegetables, fresh and dry	4,53.0	4,12.0	53.9	46.8
Vegetables preserved	61.5	72.9	6.0	4.9
Sugar and sugar preparations	18,04.4	15,33.7	2,57.7	25.5
Sugar	18,03.3	15,33.7	2,57.7	25.5
Coffee, tea, cocoa, spices and manufactures thereof	150,74.2	148,80.1	9,60.0	9,75.1
Coffee	7,61.2	9,01.8	37.3	40.4
Tea and mate	129,18.8	122,26.3	7,81.3	7,23.6
Spices	18,36.9	17,50.8	1,41.3	2,10.5
Feeding stuff for animals	33,30.1	18,86.0	4,18.4	2,48.1
Beverages and tobacco	**18,87.0**	**14,97.3**	**3,23.8**	**3,92.6**
Tobacco and tobacco manufactures	18,86.8	14,97.0	3,23.8	3,92.6
Tobacco unmanufactured	17,99.5	14,05.5	3,20.4	3,87.7
Tobacco manufactures	87.3	91.5	3.4	5.0
Crude materials, inedible, except fuels	**111,67.2**	**118,29.5**	**11,00.2**	**11,76.6**
Hides, skins and fur skins, undressed	11,01.2	8,79.0	1,24.5	97.4
Hides and skins, undressed	10,84.4	8,21.6	1,20.9	87.8
Fur skins, undressed	16.8	57.4	3.6	9.6
Oil-seeds, oil nuts and oil kernels	4,34.9	4,52.2	45.0	1,24.3
Wood, lumber and cork	3,26.6	2,82.5	40.9	24.2
Wood in the round or roughly squared	3,23.7	2,75.7	40.7	23.5
Textile fibres and waste	29,08.3	33,14.5	2,83.4	3,10.5
Silk	60.9	53.8	1.9	5.1
Wool and other animal hair	6,63.7	9,18.9	19.5	56.1
Cotton	17,07.2	20,34.9	1,82.4	2,16.9
Jute, including jute cuttings and waste	1,29.9	4.8	38.6	0.3
Vegetable fibres, except cotton and jute	2,79.3	2,50.6	33.9	27.3
Synthetic fibres	10.8	11.3	—	—
Waste material from textile fabrics, including rags	56.4	40.0	6.2	4.2
Crude fertilisers and crude minerals, excluding coal, petroleum and precious stones	13,28.9	12,18.7	1,09.1	1,18.5
Fertilisers, crude	12.5	22.3	7.8	62.4
Crude minerals	13,16.4	11,96.5	1,09.0	1,17.9
Metalli ferrous ores and metal scrap	31,75.1	35,56.4	3,20.1	2,96.9
Iron ore and concentration	19,81.6	17,40.6	1,95.0	1,60.8
Iron and steel scrap	1,98.6	6,24.7	32.9	32.8
Ores of non-ferrous base metals and concentrates	9,90.3	12,80.5	91.4	1,02.3
Animal and vegetable crude materials, inedible, n e s	18,90.8	20,14.6	1,77.0	2,04.7
Crude animal materials, inedible n e s	5,30.1	4,78.5	51.9	46.8
Crude vegetable materials, inedible n e s	13,60.8	15,36.1	1,25.0	1,57.8
Mineral fuels, lubricant and related materials	**6,93.8**	**5,90.3**	**88.3**	**28.6**
Coal, coke and briquettes	2,80.6	2,41.9	22.7	17.6
Petroleum products	4,13.3	3,48.4	65.6	11.0
Animal and vegetable oils and fats	**13,73.0**	**6,49.0**	**2,37.6**	**50.2**
Vegetable oils	13,17.1	5,81.7	2,34.1	41.2
Oils and fats processed, and waxes of vegetable or animal origin	55.3	66.3	3.5	9.0
Chemicals	**7,85.6**	**7,79.6**	**73.6**	**47.7**
Chemical elements and compounds	1,33.7	1,29.2	13.8	8.1
Inorganic chemicals	43.8	24.9	3.7	2.5
Organic chemicals	89.9	1,04.3	10.1	5.6
Mineral tar and crude chemicals from coal, petroleum and natural gas	11.2	11.8	5.8	0.2
Dyeing, tanning and colouring materials	33.2	31.6	3.3	3.3
Pigments, paints, varnishes and related materials	21.0	16.2	2.3	2.1
Medicinal and pharmaceutical products	1,06.7	98.2	8.3	7.3
Essential oils and perfume materials, toilets, polishing and cleansing operations	4,73.6	4,93.4	43.9	21.3



RELAXED AND COMFORTABLE IN

MAFATLAL GROUP

SHIRTINGS

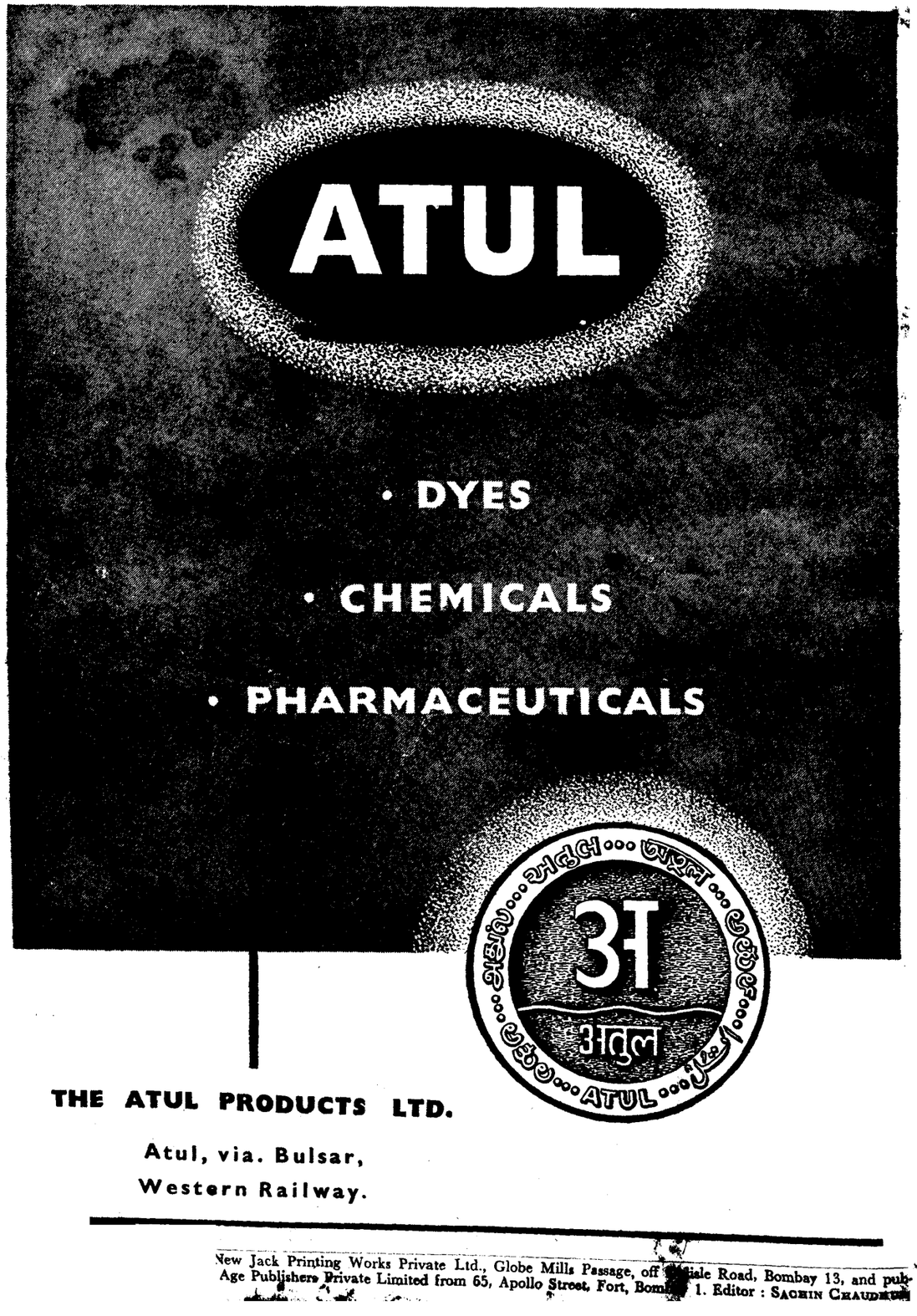
NEW SHORROCK (SHORROCK), Ahmadabad * NEW SHORROCK, Nadiad * STANDARD, Bombay STANDARD (NEW CHINA), Bombay STANDARD, Dewas * SASSOON, Bombay * SASSOON (NEW UNION), Bombay * SURAT COTTON, Surat MAFATLAL FINE, Navsari

Aiyars 289 M.C.

Essential oils, perfume and flavour materials	4,30.4	4,50.8	36.8	24.7
Perfumery, cosmetics, soaps and cleansing and polishing preparations	43.2	42.5	3.0	2.6
Explosives and miscellaneous chemical materials and products	27.3	15.4	2.5	1.6
Miscellaneous chemical materials and products	26.5	15.2	1.8	1.6
Manufactured goods classified chiefly by material	**272,17.5**	**269,33.4**	**26,70.5**	**22,38.7**
Paper and paper board	67.9	63.7	2.0	3.5
Articles made of pulp, paper, or paper board	10.5	11.4	0.6	1.2
Textile yarn, fabrics, made-up articles and related products	240,32.0	226,51.8	24,00.6	19,37.7
Textile yarn and thread	15,22.1	13,95.1	1,41.2	1,40.2
Cotton fabrics of standard type	46,53.5	48,24.5	4,66.4	3,55.2
Textile fabrics of standard type, other than cotton fabrics	110,56.5	87,5[illegible]7	10,69.1	9,12.6
Tulle, lace, embroidery, ribbons, trimmings and other small wares	1,38.6	96.4	9.2	7.8
Special textile fabrics and related products	1,48.4	1,96.0	11.3	20.5
Made-up articles wholly or chiefly of textile materials n e s (other than clothing and footwear)	58,56.2	65,47.9	6,22.8	4,33.3
Floor coverings and tapestries	8,56.7	8,41.2	80.5	68.1
Non-metallic mineral manufactures	1,18.6	2,80.1	8.5	24.0
Lime, cement and fabricated building materials, except glass and clay materials	51.5	1,12.2	1.7	3.8
Clay construction materials and refractory construction materials	18.3	32.3	1.7	5.1
Mineral manufactures, n e s	23.8	1,08.9	2.4	12.9
Glassware	22.2	22.7	2.5	2.0
Silver, platinum, gems and jewellery	1,23.0	1,29.7	5.2	8.3
Precious and semi-precious stones and pearls, unworked and worked	16.3	22.9	2.0	1.0
Jewellery and goldsmiths' and silversmiths' wares	1,05.7	1,06.6	2.8	7.4
Base metals	2,40.2	9,85.0	8.1	10.2
Iron and steel	2,26.9	9,67.7	6.1	8.7
Copper	10.8	9.2	1.8	1.1
Manufactures of metals	2,68.4	2,15.5	23.4	25.9
Machinery and transport equipment	**4,40.8**	**3,90.5**	**62.3**	**42.7**
Machinery other than electric	2,41.0	2,38.5	22.6	24.0
Power generating machinery	53.7	54.5	3.6	5.3
Mining, construction and other industrial machinery	1,73.3	1,67.1	18.6	17.7
Electric machinery, apparatus and appliances	1,38.2	1,01.8	36.5	14.7
Transport equipment	61.5	50.2	3.2	4.0
Road motor vehicles	15.2	7.1	1.2	1.0
Road vehicles other than motor vehicles	10.8	19.8	1.3	0.9
Aircraft	30.5	18.9	—	—
Miscellaneous manufactured articles	**11,13.6**	**10,11.7**	**1,07.0**	**86.3**
Prefabricated buildings; sanitary, plumbing, heating and lighting fixtures and fittings	22.3	14.8	1.6	1.1
Furniture and fixtures	21.4	27.3	2.5	3.4
Travel goods, handbags and similar articles	34.1	37.0	3.0	2.2
Clothing	1,08.3	72.8	13.5	5.9
Footwear	2,70.4	2,39.5	30.4	25.1
Professional, scientific and controlling instruments; photographic and optical goods, watches and clocks	1.62.7	1.71.4	14.2	12.9
Scientific, medical, optical, measuring and controlling instruments and apparatus	16.4	9.5	1.2	0.8
Exposed cinematographic films, whether developed or not	145.7	1,60.9	13.1	12.0
Miscellaneous manufactured articles, n.e.s.	4.94.4	4,48.9	42.0	35.6
Musical instruments, phonographs and phonographic records	18.4	17.1	1.9	1.9
Printed matter	93.2	1,06.1	6.7	7.7
Manufactured articles, n e s	3,82.8	3,25.7	33.4	25.9
Miscellaneous transactions and commodities; n e s	**4,32.8**	**4,35.4**	**13.2**	**57.4**
Postal packages, not classified according to kind	3,18.9	2,45.6	5.5	20.3
Live animals not for food	63.8	79.6	3.8	6.8
Returned goods and special transactions	50.1	1,10.2	3.9	30.3
GRAND TOTAL	**686,36.0**	**655,17.1**	**66,68.0**	**56,52.0**

Source: Department of Commercial Intelligence and Statistics, Government of Indi[illegible]

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No Time for Sophistry

SINCE the National Development Council is due to meet in September, it is legitimate to assume that the Planning Commission will have completed its mid-term appraisal of the Third Five-Year Plan by then. It is also likely that this appraisal will be accompanied by the Commission's preliminary judgements on the Fourth Plan. In prospect, therefore, the next meeting of the National Development Council ought to be a crucial one — if, that is to say, the Council applies itself to its appointed task with a greater sense of seriousness than in the past. Considering its past performance, one has reason to doubt if the National Development Council will really rise to the occasion. There is no evidence of this august body having succeeded in knitting the policies of the Central and State Governments in the field of economic development into a consistent national programme of action. More often than not, the National Development Council has been satisfied with approving whatever has been placed before it by the Planning Commission, without giving serious thought to the contents or the consequential obligations to be fulfilled by the Chief Ministers of States or Ministers of the Union Government.

Whether the National Development Council will in fact be able to initiate a major transformation in the national scene depends in the final analysis on two factors. It depends, firstly, on the Planning Commission coming up with concrete proposals for more effective mobilisation of our resources for development and for an equitable sharing of the burdens of defence and development. It will depend, in the second place, on the commitment to a national purpose which the State and Central Ministers are prepared to accept and honour. To be sure, the latter requires a change in the attitude of the States towards

the Centre and *vice versa*. But, in essence, the possibility of the Council functioning as a team bent on a common purpose will be determined by what the Planning Commission asks the National Development Council to decide upon.

This is a point which the Planning Commission has to keep firmly in mind while working out the tasks for the rest of the Third Plan period and later. The appraisal that it is now engaged upon should not be conceived in terms solely of relating the trends in the past two years to the targets envisaged in the Third Five-Year Plan at the time of its formulation. Done mechanically, this degenerates into trivial extrapolation. It helps nobody, least of all the National Development Council, to be told that in many sectors the achievement of the Third Plan targets will mean compressing into a three-year period what was expected to be done over a five-year period. It helps even less to be told that the task is an administrative impossibility and therefore the targets should be scaled down on grounds of realism. If it has to have any meaning at all, the mid-term appraisal by the Planning Commission should concentrate on the elements that have prevented us from achieving what we set out to do and on outlining the policies which in the Commission's judgement we have now to adopt for realising the Plan objectives.

What then are the main areas in which the Commission should speak with a clear voice even at the risk of causing displeasure to some and being accused of lack of flexibility ? First and foremost is obviously agricultural production. Enough is known even now about what is wrong with our programmes of agricultural development and the Planning Commission would be failing in its duty if it did not specify the weaknesses which should be ruthlessly removed. This is not an easy task because, in the final analysis, the precise responsibilities of the Centre and the States in regard not merely to agricultural production but also to the pricing and distribution policies in respect of agricultural commodities have to be defined. As things stand now, there is no connection between the failure of the administrative machinery on the production side in a particular State and the price and distribution problems that such a failure engenders. These are, as it were, two different compartments so that an increase in foodgrains prices in, say, West Bengal has little or no effect on the State Government's programme for increasing food output.

Prices, in other words, are taken as a Central responsibility; and in the devising of policy there is no effective interaction between those centering on prices and those centering on production. In the event there is no way of deciding whether the basic approach to agriculture requires an organisational pattern different from what we have now, if one follows the logical connections between production, prices and demand for agricultural commodities. There is a jungle here to be cleared and it cannot be cleared without uprooting a number of trees that have deep roots in one or the other of the Ministries, both at the Centre and in the States. Without doubt, a big increase in our agricultural output will require sizeable increases in irrigation, fertilisers, improved seeds, better implements and so forth. In some parts of the country even now it is obvious that, with proper application of these inputs, yields per acre can be substantially increased. What we have to find out is why this is not happening in other parts of the country. If it is a question of inadequate supplies of fertilisers, and so forth, it should form part of our planning that these supplies are augmented. If it is a question of the administrative machinery failing to create the proper responses in the agricultural sector for larger and better use of these materials, the action should obviously be directed to reforming the organisation in charge of these activities. To continue on the assumption that whatever machinery has been set up should be preserved is to give up all prospect of realising the potential that there is in the agricultural sector.

The second main area in which the Planning Commission should take a position is the elimination of procedural or organisational bottlenecks in the field of industrial development. There can be no excuse for not carrying out a project on time once the real resources and the foreign exchange for it have been found to be available. If the delays in implementation are traceable to the manner in which we are doing things, it is the duty of the Planning Commission to recommend the measures that will speed up the operation of the executive agency. All this is well known but none of these is tackled with that degree of determination which is essential for accelerated growth. If we cut out ruthlessly all procedures and prejudices coming in the way of speedier implementation, not only will past investment yield larger fruit but there will at the same time be greater scope for a big increase in the new investment that can be undertaken in these areas. What is more, it will be possible to determine the total investment over the Plan period with a greater degree of firmness and a reasonable certainty of keeping to the schedule. Once the programmes are fixed, there should be a sense of commitment about it. And, any implications they have on the financial or physical side should be accepted as inevitable and the area of adjustment limited accordingly.

Finally, the Planning Commission and the Government should clear their minds on whether or not they will operate physical and financial controls that may logically be implied in a programme of large-scale investment in industry, agriculture, social services and so forth. This is essential both in order to conserve the administrative resources which may be scarce and to prevent popular discontent. The point at which this comes up most forcibly is prices. Government cannot obviously take the responsibility of holding all prices in the economy; some will have to be raised for reasons of financial mobilisation or for restraining consumption. At least the broad area in which the Government will use the price mechanism as an instrument for balancing real supplies and real demand should be specified, and where the logic of the development programme requires prices to be controlled, Government should let nothing come in the way of operating the necessary controls. Without such a clear-cut demarcation, there can be no effective price policy and no effective assessment of what has or what has not been achieved by the different sectors of the economy. As in the case of price policy, there would be other areas in which the Government's position will need to be clearly stated. This is true of the role envisaged for the public sector in development, of the attitude to the private sector or to foreign investment, of the extent of import substitution or export promotion. If on such matters the Planning Commission prefers sophisticated drafting to blunt proposals, it will have itself contributed materially to depressing the rate of growth of the economy in the coming years.

Rephasing the Third Plan

STRUCTURAL deficiencies in the formulation of projects as well as in the general pattern of priorities had already become apparent during the first year of the Third Plan. A reconstruction of the Plan, so that the major targets did not get lost in the *melee* was, therefore, clearly called for from the very beginning.

An assessment of its operation in the first two years and especially of the recent developments following the Chinese aggression in October last, will indicate broadly the direction in which the Plan needs to be re-phased. This is confirmed on the other hand by the many gaps in the industrial structure which are coming prominently into view. (See page 1281 in this issue). The developments currently projected for the remaining period of the Third Plan convey no assurance that the industrial structure is being adequately strengthened or even that the strategic sectors are being given due priority.

During the first two years of the Third Plan, national income increased at the annual rate of only 2 per cent as against the expected rate of 6 per cent. An increase of no more than 5 per cent per year is what is likely in the remaining three years. This would mean that national income over the Plan period would show an increase of only 20 per cent, and not 30 per cent, as posited in the Third Plan.

The external assistance that would be needed for the Third Plan was given out as Rs 2,600 crores (excluding P L 480 aid). What had made the Planning Commission put up this particular figure can only be imagined. Perhaps, it was considered prudent to put up a modest figure so as not to scare away the aid-givers. Even a cursory examination of the original physical targets from the data presented in the Plan itself made it abundantly clear that the assistance that would be required was much higher. The formulation of the projects has shown that the earlier estimates of external assistance required were unduly low. Added to this, it had also become clear that maintenance imports needed would be much greater than had been provided for in the Plan. It was indicated in the last Annual Number that the external assistance that would be needed for the fulfilment of the Plan targets would be of the order of Rs 4,856 crores ("Defence and the Plan", Annual Number 1963, page 104-vii, Table 2) of which only about Rs 2,400 crores — the amount we had then asked for — is now more or less assured. Of this Rs 4,856 crores, Rs 500 crores would be for projects which would be carried forward to the Fourth Plan, so that the external assistance that can be utilised in the Third Plan period will be of the order of Rs 4,356 crores. To this has now to be added the import content of the increased defence expenditure taken at around Rs 300 crores. Thus the total external aid that will be needed for fulfilling the Plan targets and building up a limited defence capability will be of the order of Rs 5,153 crores.

Is such an order of assistance even within the realm of possibility? What seems likely from the past trend is assistance of the order of about Rs 3,500 crores (excluding P L 480); of this, Rs 500 crores will not be available for use in the Third Plan as it is tied to the projects which will spill over into the Fourth Plan. Thus, at best, only Rs 3,000 crores worth of assistance can be reckoned on for the duration of the Third Plan.

Let us now try to outline the picture of the Third Plan in aggregative terms that emerges from these three basic assumptions: (a) an overall increase of 20 per cent in the national income over the Plan period; (b) external assistance of Rs 3,000 crores; and (c) additional defence expenditure of Rs 1,200 crores during the last three years of the Plan. (See Table 2). Total public sector Plan outlay (investment *plus* current expenditure) has been revised upwards to Rs 8,900 crores (for details, see the Annual Number, p 104-vi), estimated investment in the private sector remaining unchanged at Rs 4,100 crores, as in the Plan. To this would now have to be added the extra expenditure for defence of Rs 1,200 crores, so that the total public sector outlay would be Rs 10,100 crores against the Plan estimate of Rs 7,500 crores, and the total outlay, public *plus* private, would be Rs 14,200 crores.

For this outlay, assuming that Rs 3,000 crores of it is external assistance, the draft on domestic resources would have to increase from about 11 per cent during the first two years to about 19 per cent of national income in 1965-66, the last year of the Plan. This will mean that total consumption (including Government consumption) can increase by only 1.9 per cent per year during the last three years of the Plan; and that per capita consumption will have to be decreased by 0.1 per cent each year

Table 1: Agricultural Income, and Agricultural and Industrial Output, 1960-61 to 1962-63

	1960-61	1961-62	1962-63
Agricultural Income at 1948-49 Prices (*Rs crores*)	5910	5860 (—0.9)	5976* (—1.1)
Index of Agricultural Production (1950-51 = 100)	139.9	139.9	138.5 (—1.0)
Index of Industrial Production (1956 = 100)	129.8	139.3 (+7.3)	149.5 (+7.3)

* Estimated.
Figures in brackets are rates of increase (per cent) over previous year.

if population grows at about 2 per cent per year, as assumed in the Plan. If population growth is higher than 2 per cent, as seems most likely, per capita consumption will have to be restricted still further. (As population has been growing at about 2.6 per cent, per capita consumption will decrease by 0.7 per cent each year!)

It is not inconceivable that a reduction in consumption of this order can be effected. In aggregative terms, it may even appear desirable that such an effort should be made. In reality, however, any attempt to curtail per capita consumption to this extent will inevitably generate considerable inflationary pressures, particularly in view of the known inelasticity of agricultural output and even the 0.1 per cent decline in per capita consumption per annum will mean, in practice, a substantial deterioration of the standard of living of more than 50 per cent of the population. Distribution of incomes has been changing in favour of business classes and to some extent, factory workers. If this trend continues, as it is bound to, even the expected increase of 1.9 per cent per year in total consumption, had it been realised, would have gone largely to these classes. If food prices are not kept stable, the real income of the lower and the salaried classes would be cut into further.

As a matter of practical politics, therefore, it is more likely that public sector outlay rather than consumption would be cut in order that per capita consumption can be increased at least at about 1 per cent a year. If consumption has to be kept up even at this modest level, public sector outlay over the Plan period (including the additional defence expenditure) may then have to be cut by Rs 3,000 crores to around Rs 7,100 crores. This is at 60-61 prices. As prices have already risen by 10 per cent and may rise more, the outlay may be much larger than this in money terms, even as large as Rs 8,900 crores at current prices. But in real terms it may not exceed the figure mentioned.

This raises the vital questions about Plan priorities. The aggregate outlay in the Plan, by itself, is not very meaningful. Its contribution to a cumulative and self-generating process of growth depends not so much on the aggregate magnitude of the Plan outlay as on its pattern. It is conceivable that a smaller outlay with an appropriate investment

Table 2: Saving, Plan Expenditure and National Income in Third Plan

(Rs crores at 1960-61 prices)

	1960-61	1961-62	1962-63	Total during first two years	1963-64	1964-65	1965-66	Total during last three years	Total during Third Plan	Annual average Rate of Growth 1961-62 to 1965-66 (Per cent)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
(1) National Income	14,200	14,498	14,788	29,286	16,249	16,925	17,040	50,214	79,500	
Per cent increase over previous year		+2.0	+2.0	(14,643)	+9.8	+4.1	+0.6	(16,738)		+4.0
(2) Public Sector and Private Sector Investment	1,925	1,824	2,110	3,934	2,566	3,022	3,478	9,066	13,000	
				(1,967)				(3,022)		
Per cent of national income	13.6	12.6	14.3	13.4	15.7	17.8	20.4	18.1	16.3	
Per cent increase over previous year	—	—5.3	+15.6	—	+21.6	+17.7	+15.1	—	—	+16.1
(3) (2)+Additional Defence Expenditure	—	—	—	—	2,766	3,422	4,078	10,266	14,200	
								(3,422)		
Per cent of national income	—	—	—	—	17.0	20.2	23.9	20.4	17.9	
(4) Draft on Domestic Resources (excluding from (2) till 1962-63 and from (3) for other years, the external assistance and draft on reserves)	1,431	1,483	1,679	3,162	2,178	2,679	3,181	8,038	11,200	
				(1,581)				(2,679)		
Per cent of national income	10.0	10.2	11.4	10.8	13.4	15.8	18.7	16.0	14.0	
Per cent increase over previous year	—	+3.6	+13.2	—	+29.7	+23.0	+18.7	—	—	+24.4
(5) Consumption (including Government Consumption) (1-4)	12,769	13,015	13,109	26,124	14,071	14,246	13,859	42,176	68,300	
				(13,062)				(14,059)		
Per cent of national income	90.0	89.7	88.6	89.2	86.5	84.1	81.3	84.0	86.0	
Per cent increase over previous year	—	+1.9	+0.7		+7.3	+1.2	—2.8			+1.7

Sources: (1) Central Statistical Organization, for national income during 1960-61 and 1961-62.

(2) Government of India and State Budget figures, for public sector outlay during 1960-61, 1961-62 and 1962-63.

(3) Reserve Bank of India, Reports on Currency and Finance, for External Assistance and Draft on Reserves, for 1960-61, 1961-62 and 1962-63.

Figures in respect of the above for the other years are estimated; also, figures in respect of Private Sector Investment and Consumption, are estimated for all the years.

Figures in brackets under columns 4 and 8 are annual averages.

pattern may contribute more to this basic objective than outlay at the present level.

The broad strategy of the Plan, however, need not conflict with the requirements of defence. With the export constraint which India has to face, the emphasis on basic and heavy producer and capital goods industry is unavoidable and must be maintained. But along with this emphasis on basic heavy industry, the Plan also visualised a substantial increase in agricultural productivity and expansion of household and hand industries for meeting the demand for consumption goods, creating adequate employment and supporting in general the basic industrial structure. To these household and hand industries can be added rural works programmes for various projects of capital construction for augmenting agricultural productivity.

This was indeed the broad strategy of the Draft Plan-frame of the Second Plan which laid the foundations of heavy industry in the Indian economy by articulating its rationale. That rationale has been vulgarised and distorted in the process of implementation. The basic industrial projects require proper formulation; for their implementation, negotiations have to be carried out with various parties, including the aid-giving agencies. Aid is given on an annual basis but the actual amount as also the timing of aid remains uncertain; even after firm commitment has been made for aid, it takes several months before the aid can be actually drawn. This inevitably causes delay. Apart from this lag in the receipt of external assistance, there are administrative delays, which can be avoided if projects are properly formulated and implementation is balanced. There are basic projects which have been delayed not on account of a holdup of external aid but because of inadequacies of planning and implementation.

To mention only a few, for the expansion of public sector steel plants, as originally formulated, orders for imports were to be placed before March 1961 for Bhilai and before March 1962 for Durgapur and Rourkela. The orders for Bhilai have been placed only recently, and the orders for the other two are still to be placed. The Alloy and Special Steels Plant, it is now certain, will not go into production during the Third Plan. For so basic a project as the Heavy Plate and Vessel or Heavy Structural Works, even the scope is still not defined. Other basic public sector projects which are still uncertain are Organic Intermediate Chemical Plant and Ophthalmic Glass Project. All these projects are basic both for defence and development, and it is not lack of external assistance which is holding them up.

In agriculture, the picture is even more dismal. Many things can be done, agricultural productivity can be substantially increased by irrigation, fertilisers and good seeds. Irrigation projects are not completed in time and even of the projects which are, utilisation of the irrigation potential is woefully small. The fertiliser projects are in the dumps and their production targets have no chance of being fulfilled. Rural works programmes for putting idle labour to work with non-scarce materials to add to national income have been much talked about but who is going to organise them, how soon and on what scale?

The upshot of all this is that even though the overall magnitudes of outlay conform to the Plan, the really basic schemes of strategic importance will not be necessarily implemented. Yet outlays, which are not important either from the point of view of growth or defence, may still be made and may also overreach their targets. Adding to the inflationary pressures and the drain on foreign exchange, they may even hold back the Government from pushing ahead with really worthwhile projects. All this has to be drastically changed.

What is necessary is a radical revision of Plan priorities. For both defence and development, the basic producer and capital goods should get a high priority. Through organisational changes rather than increased investment, agricultural productivity can be and will have to be substantially raised and the idle man-power put to effective use both in agriculture and other traditional industries as well as productive services. The prices of basic consumption goods must not be allowed to rise and action has to be taken both on the production and distribution fronts.

For the vast majority of the people, income is related to employment and unless employment increases, the Plan would produce no impact on their lives. In most cases, however, the extent of increase in per capita income that is possible through wider employment opportunities is limited; but this can be offset if they are given the opportunity to improve their own condition. The one basic item of collective consumption or investment which the State can and should provide on a large scale is education. This would give an opportunity to a large number of people to improve their productivity and would add to national income many times more than the initial investment. Educational policy for providing equal opportunity to all as well as for meeting the demand for the skilled and technical working force is an aspect both of an income policy as well as the basic Plan policy. Reduction of inequalities has so far remained merely a slogan. Employment and educational policies are, in fact, the most effective ways of achieving it.

The priority, which exports should have been given, has been assigned only to the export targets. It has to be properly integrated into the Plan and worked into its investment and production pattern.

These are the broad directions in which the Plan priorities have to be changed. Defence is a net burden. It is no use deluding ourselves in the belief that defence and development do not conflict. They do, and resources which could have been used for development will now be sucked up by defence.

Nevertheless, defence must come first, but can it have precedence over everything else? The emergency has snapped whatever tenuous link there was between the Defence Ministry and the Planning Commission. This link has to be established and strengthened. A defence programme which pushes the country onwards to economic disaster will not hold back the enemy for long. Can there be a more serious warning for the re-phasing of the Plan?

Cracks in the Blocs

THE last few months have witnessed the coming to surface of developments in world politics hitherto submerged. There can be little doubt that by the time these developments work themselves out, a profound change will have come over the world divided into two monolithic camps, in active hostility to each other. Relations between the blocs as well as within them will change.

Following the crisis over Cuba in November last year, the United States and the Soviet Union have moved towards a *detente*. In Cuba the frontal confrontation between the two powers brought the world to the brink of a nuclear explosion as never before in the cold war era. The compromises which resolved the crisis appear to have had a lasting impact on the adversaries. They inevitably involved some loss of face but this was accepted as preferable to the disastrous consequences of rigid postures.

The mood of compromise has conditioned U S-Soviet relations since. And currently representatives of the two nations, along with that of the United Kingdom, are engaged in Moscow in perhaps the most purposive attempt so far to devise a test-ban treaty. The test-ban that is being sought is a partial one; it will not cover underground tests which raise the vexed question of safeguards, on which there is yet no agreement. But even if the present meeting produces only a partial test-ban, it will be a big step forward and there are grounds for optimism that this may be achieved.

Of course, the greater readiness to end nuclear tests does not all spring from the improved relations between the U S and the Soviet Union. Partly it is the result of technical developments. Both powers have now developed enough nuclear firepower to destroy each other and the whole world many times over. The relative advantage to be gained from perfecting more powerful weapons is, therefore, greatly reduced. The emphasis has shifted to more efficient ways of delivering nuclear weapons to their targets and fool-proof devices for interception. Development of longer range and more accurate missiles is closely connected with space research, on which both countries are expending vast resources. The other factor impelling the nuclear powers towards a test-ban is the growing ability and desire of certain non-nuclear countries to develop independent nuclear force in order to be able to play a more decisive role in world affairs. The nuclear powers have a common interest in checking the spread of nuclear weapons. They hope to bring greater pressure on countries with nuclear aspirations to abandon their plans through a test-ban treaty among themselves.

But is this hope likely to be realised ?

It is ironic that just when the big two appear to be in the frame of mind to take steps of great moment to the future of mankind, their ability to ensure that other countries, even those belonging to their respective blocs, will follow them has waned visibly. The split in the communist bloc was dramatically advertised by the publication by the Chinese of their letter of July 14 to the Central Committee of the Soviet Communist Party. The letter which listed 25 points which the Chinese wished to be discussed at the meeting between representatives of the Communist Parties of the two countries at Moscow, was a violent indictment of Soviet policies and a direct challenge to the Soviet Union's claim to lead the world communist movement.

Ideology and power are, of course, mixed up in the Sino-Soviet conflict. It cannot but be so. For, once China questions the Soviet Union's ideology, it *ipso facto* questions the Soviet Union's leadership of the communist camp. By demanding equality for all countries within the communist group and by seeming to fight "big power chauvinism", the Chinese are directing their appeal to the poorer countries of Asia, Africa and Latin America. It is not at all inconceivable that the split among the communists may crystallise in the organisation of a new International of the Communist Parties of these countries with the Chinese Party as its spiritual leader. The relations between it and the 'orthodox' International of the Soviet Union, the countries of Eastern Europe and the Communist Parties of the developed capitalist countries cannot, of course, be predicted, but it can be taken for granted that the Soviet Union can never hope to exercise over China the kind of influence it has had over its Eastern European allies.

The centrifugal tendencies in the capitalist camp are no less strong for their being more incipient. De Gaulle's designs of building a European 'third force' with an independent nuclear defence system and owing at best formal allegiance to the Atlantic Alliance have been considered sufficiently serious for the United States to launch a counter-campaign, of which President Kennedy's recent visit to Europe was a part, to buttress the loyalty of its European allies. For the time being it may succeed, among other things, by appearing to give a greater voice to its allies in such matters as nuclear strategy — for instance, through a multilateral nuclear force within the NATO. But there are limits to how far it can go. To develop a truly European NATO deterrent, the U S will have to give up its veto over NATO's nuclear forces. This is inconceivable in the light of past U S attitudes and policies.

The two developments discussed above — the US-Soviet *detente* and the deepening splits within the communist and capitalist camps — are not without their repercussions on each other. The allies of both the U S and the Soviet Union are deeply suspicious of the two arriving at settlements above their heads and possibly to their detriment. The desire to hold their allies together may, therefore, lead the U S and the Soviet Union to slacken their efforts to find a solution for cold war problems. The Soviet Union's decision to go ahead with the test-ban talks concurrently with the ideological parleys with the Chinese in spite of the latter's open opposition to the talks is, however, a hopeful portent. For the U S, the no-war pact offered by Premier Khrushchev is a test case. Will President Kennedy be able to respond favourably in spite of West Germany's opposition to any formal contact between NATO and Warsaw Pact countries since it would involve recognition of East Germany? It will not be an easy decision to take considering that the principal objective of U S diplomacy in Europe right now is to prevent West Germany from succumbing to de Gaulle's blandishments.

Perspective for Development

—A Mid-Term Appraisal

Pragmatist

WILL India hold together? Will not the constituent States, of which the Indian Union is composed, tend to fall apart when the present leadership under the towering personality of Pandit Nehru, on whom has fallen the mantle of Gandhiji, comes to be replaced by warring provincial satraps or their puny nominees? The leadership which took over from the British was made up of stalwarts who were all-India figures in their own right. India has not produced a single all-India political leader after those days when the country was fighting the British. From the time of Independence the character of politics began to change. The men who have come up since have stuck to their home States. People in the other parts of India rarely see them or hear them speak. Few of them even aspire to appear on the all-India stage; it is only those who fail to make good in their home States who think of the second best and care to seek their fortunes on that stage.

Over the years, of course, the men who ran the Government at the Centre have changed, but so long as Nehru is there, Delhi's prescriptive right to rule India and lay down blue-prints for the economic plan for the whole of India has never been seriously challenged.

Rumblings are being heard, however; voices not only of disgruntled old men but also those of angry youth are being raised that the time has come to write off or close the Nehru era. It is too early perhaps to write an epitaph to that era — that epitaph may be sung by the Voice of America relayed from a million watt transmitter in Calcutta— but not too early to consider seriously that the present hold of the Centre cannot be taken for granted for long; that India may not break up, but that Delhi will have to share more and more its authority and power with the States which are increasingly becoming conscious of their strength, nursing their own aspirations, and feeling the urge to grow and develop. They will increasingly have their own say in the blue-prints that Delhi may draw up for them all.

The question is insistently asked, "Will India hold together when the present set up is gone and the States get into their stride?". Indian unity has been in the past spiritual and cultural, but that alone is never enough to uphold and maintain the political and administrative cohesion of a unified political structure. The divisive forces may be too many unless the Central Government is sufficiently powerful. A partial answer to the heterogeneity of the Indian people is the federal form of constitution which India has adopted and worked successfully. What strengthens that federal structure so powerfully and may even make it enduring is central planning, which has successfully gone through two five-year plans and is in the middle of the Third Plan. The current year, in fact, is the mid-point in the country's long-term plan of development that spans the third quarter of the century, the end point of which is seen today as the stage of self-reliant growth to be reached by 1975.

A simple answer is possible to the question, whether India will hold together or not. It will, if people want economic development. For economic development cannot be achieved quickly enough or assured in any other way. If the people of India are prepared to go back to a self-sufficient village economy and turn their faces resolutely against economic development, then perhaps the answer will not be so clear and unequivocal.

That is not to say, however, that the Centre would continue to hold the same power and exercise the same control which it is in a position to do today. That is why the time of the mid-term assessment is also the time for hard decisions, decisions that taken today can set the country firmly on the path of self-reliant growth by the Fifth Plan. For the essential political pre-condition for giving primacy to the creation of the growth potential of the economy over maximisation of current income or employment is a stable Government at the Centre which is also strong and therefore capable of taking hard, unpopular decisions.

No economic strategy can be built on the assumption that the political stability of the last 12½ years will continue over the next 12½ years. In fact, if any hard decisions are to be taken, the time for it is now. They can be taken only during the life of the present Government and if the present Government is returned to power at the next general elections in the following two years. There is a marked periodicity in the pattern of behaviour of elected Governments, at least in this country. The election year is for marking time. In the first year after the elections the Government waits for politics to stabilise a little, to know the mood and judge the temper of the newly-elected members of Parliament. It is only then in the second year that the Government can usually risk unpopular measures and impose burdens. The time for hard decisions may thus be put at four or five years from now. After that, will follow a period when it may be difficult, if not impossible, for any government in this country to lead the people up the hard and narrow path to the stage of self-sufficient growth.

If one assesses the achievement of Indian planning over the last twelve and a half years, one comes to the conclusion that although its results

have been rather disappointing compared with the targets, especially of national income, it has not been so in terms of the growth potential created — the infra-structure, the industrial milieu, technical and entrepreneurial skills, etc. It is important to recognise clearly that what India is aiming at today is *not the maximum* possible rate of growth of *national income* in the immediate future. For in that case she could have concentrated on projects with low capital-output ratios and short gestation periods — light industries or minor irrigation. But she has also chosen a number of projects with a higher capital-output ratio and long gestation period—heavy industries, power, transport, major irrigation — partly because her continental type of economy left her no choice and partly because she felt that such a policy, even if less profitable from the short-term standpoint, was much more fruitful in the long *run*.

The choice which gave primacy to the creation of the growth potential over maximisation of current income or employment was essentially a hard one and could not, for obvious reasons, be expected to be popular with the mass of the people and such a choice can be made only by a government which is sufficiently strong and stable. And if a strong Centre and political stability cannot be taken for granted, is it not all the more reason that India should get as much of the key growth potential created as is possible while the favourable political conditions last? When the conditions for building up the country's growth potential tend to weaken and political pressures force the country to adopt softer policies which favour current consumption and employment *at the expense of* investment for future growth, the growth potential built up during the earlier years may see her through that period of political instability and dissolution.

This demands that in the Fourth Plan the main emphasis should be not so much on raising the standards of consumption as on the creation of the basic growth potential which can create the momentum that the economy will need to tide over the "period of trouble" which may follow in a few years. The highest priority, then, will have to be given to the "core" projects consisting of the basic and heavy industries (including those which will produce the inputs for maximising the growth of agriculture, e.g. fertilisers, pesticides, machines and implements), export industries, power, transport and training of technical personnel. The first charge on whatever resources, especially foreign exchange, that the country can mobilise should be to ensure the maximum that can be physically accomplished for the "core" during the Fourth Plan. To the "core" projects in the Fourth Plan suggested in the Third Plan have to be added some of the projects which had been left over for the Fifth Plan. For improving execution, the question of extending the Fourth Plan into a Seven Year, instead of


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a Five-Year Plan will also have to be seriously considered. As most of the projects included in the "core" are the ones which are required for defence, this policy will also serve the interest of defence best. If the resources which it has been possible to mobilise this year is any criterion, the limitation so far as this "core" is concerned would be physical and not financial. Provision should be made for other sectors only to the extent that resources, especially domestic resources, can be mobilised, the highest priority being given to agriculture, labour-intensive programmes, and education.

The average growth-rate in the Fourth Plan must reach a level higher than that actually reached in the Third Plan so as to counter, at least partially, a higher rate of population growth as also to avert the possibility of a *deceleration of the economy*. Every attempt should be made to raise it as much above that level as possible and from that standpoint, it may be desirable to fix a challenging enough target as, say, 3 per cent above the rate expected to be reached in the Third Plan. In formulating the Plan, a certain amount of flexibility will have, no doubt, to be allowed in the non-core part in view of possible fluctuations in agriculture, world trade or policies of aid-giving countries. A firm decision will have to be taken that such fluctuations should not interfere with the magnitude or interrupt the phasing of the "core" projects. And it would be necessary to supplement this basic decision by appropriate policy measures which would enable the country to mobilise its resources to the fullest extent and to even out the deficits of one year by the surpluses of another, and thus avoid the very disturbing effect of errors of over-pessimism and over-optimism which have been the bane of policy-making and programming in the past.

The more important of these measures should be obvious:

First, all the steps that are required to make our tax structure fully responsive to the growth of national income should be taken over the next couple of years, so that thereafter no more than marginal changes in taxes may be necessary. This would act as a built-in stabiliser in the "period of trouble" ahead.

Second, vigorous policies should be pursued for institutionalising savings in the country and bringing them under the control of public authorities. This would entail something more than a special drive for popularising the insurance habit and the banking habit among the people so that as savings grow, they automatically become available for investment. Nationalisation of insurance was a bold step but a very desirable one, judging in retrospect. It has been more than justified by results. A similar step in regard to banking seems now urgently needed. It is not only necessary for preventing the evasion of taxes and spreading the banking habit, but is also essential for gaining greater control over the economy which the type of planning suggested for the Fourth Plan will require.

Third, adequate provision should be made in the Plan for building up large enough buffer stocks of essential commodities under the control of public authorities with the twin objects of evening out seasonal fluctuations and enabling the Government to exert a strong counter-speculative pressure on the market.

For some time to come, it would be also necessary to have a number of physical controls which are unavoidable in any economy which faces serious scarcity or which seeks to step up development to a rate or in directions very much different from what they would be, left to the free operation of market forces. It is true that conrols lead to black-marketing and other malpractices. But to reject controls in certain situations is to legalise profiteering and anti-social activities. Once, however, Government is able to undertake buffer stock operations on a significant scale, the need for detailed physical controls of the type which are irksome to the people and most prone to give rise to malpractices will be progressively reduced.

Fourth, for the location of large-scale industries, especially basic and heavy industries, and in the pricing policy for their products, economic efficiency should be the sole criterion. Non-economic considerations should not be allowed to influence decision in these cases. If something special has to be done for the uplift of a backward area or a weak community, it should be through other types of assistance and through direct subsidies.

Fifth, when the above steps have been taken, it should be possible for the Government to adopt a more liberal policy than it is following at present in regard to private enterprise, Indian and foreign, vis-a-vis public enterprise, and also to do away with some of the detailed and irksome scrutiny that is now obligatory. This would help further growth and diversification of the country's entrepreneurial talent and attract more foreign capital and enterprise to the country.

If the above policies are accepted for the Fourth Plan, it will not only be possible to build up the requisite growth potential of the economy so long as the political climate remains favourable over the next few years but it will also be possible to relax controls and follow softer policies in subsequent Plan periods, when the political climate turns out to be not so favourable. Once the basic growth potential has been built up through the enforcement of these hard policies, a change-over to softer policies, favouring light and consumer goods industries and relaxation of controls should be feasible and in fact desirable at the next stage. In fact, relaxation at this later stage should actually give a sudden spurt to the growth rate, as it did in Yugoslavia, for example.

The principal task, and the most challenging one, before the country today is to prepare the ground for an eventual change-over from imperative to indicative planning. Even if political instability should follow, its effects would be countered by economic stability and sustained progress on the economic front that could be ensured when the growth potential of the economy is well developed. It is not without significance that France, which passed through extreme political instability over the last 15 years, has been able not only to keep her head above water but progress steadily, because French planning gave her economy unusual stability and momentum.

From this point of view, how-

ever, it is also imperative more than ever before that all sections of the people should have a sense of involvement and participation in planning. A plan which has been evolved by the participation of all sections of the people and which has been accepted by them cannot be easily discarded or even whittled down by a change of Ministers or Government. The greater the likelihood of political instability, the greater is the need that the planning process should be such that it is understood and accepted by the people. Some feeble and sporadic efforts have been made in fits and starts to get more people involved in the planning exercise but they have not gone very far. Moreover, sufficient educative propaganda has not yet been done about the basic objectives and strategy of Indian planning. People are told only of the nice things, of the employment that they will get or of the rise in per capita income. But it is also important to tell them about the hard decisions that are involved and their consequences. A man is used to curtailing his present consumption and saving up for his son's education or for building a house for his family. He knows that he has to take some hard decisions today in order to gain something desirable tomorrow. If the imperatives of the economic growth of the nation and the basic strategy of the Plan are put to him in clear terms, there is no reason why he would not appreciate the need for hard decisions in the national sphere in the same manner that he feels the need for hard decisions in his private life.

Our Calcutta Letter

What Happened to Advance Planning in Steel?

In spite of the long-recognised need for it, no central agency for steel planning has yet been created. As a result, it is still no one's responsibility to formulate an integrated plan for the preparatory work that should have already begun if we are serious about building a steel capacity of 18 or 19 million tons by 1970-71.

The responsibility for advance planning is borne by the Steel Ministry at one level and the Planning Commission at another. Neither of them, however, has the technical equipment to perform this function. It will be unfair, therefore, to expect them to provide anything more than administrative supervision, and that too rather superficial because of their preoccupation with immediate tasks.

The Planning Commission had at one time proposed setting up task forces of 200–300 men for working out detailed plans for the key sectors. This idea has presumably been shelved since nothing further has been heard about it.

As a result, not only in steel but also in other equally important fields, we are unable to move beyond fixing aggregative production targets.

Even where specific tasks of preparatory planning are discussed or taken up, it does not go very far because advance in any one direction must come to a stop if complementary moves are not made in other directions.

THAT Bokaro has been allowed to overshadow the future of steel development, it would be idle to deny. Bokaro is undoubtedly important, and not merely because it is expected to meet a sizable part of the aggregate deficit in steel. It is to supply the flat products on which will largely depend the diversification of the industrial base of the Indian economy. Even so, Bokaro is only one plant among many and it can contribute no more than a small proportion of the additional capacity required by the end of the Fourth Plan in 1970-71.

With only 32 months to go before the Third Plan comes to an end, it is by no means too early to concern ourselves with the beginnings that must be made soon thereafter. Leaving it till later will mean a repetition of the situation in which schemes of one plan period spill over into the next, negating the premises on which further advance should be based. This happened in the case of all the three new steel plants built during the Second Plan and is certain to happen again in the case of current expansion projects. Expansion being relatively less difficult than starting from scratch at a greenfield site, there will be far less justification for shortfalls this time. One can only conclude that delays do not necessarily have an objective basis but reflect a general failure to take the right decisions at the right times.

Setting a target is not the same thing as working out a coherent policy for develoment. The target — particularly an aggregate figure like total ingot capacity to be attained by a certain date — may provide a starting point but not very much more. For the Fourth Plan, a target of 18-19 m tons was proposed in the long-term projections contained in the Third Plan. The planning exercise could have been set in motion on this assumption. It is not clear, therefore, why we had to wait until June 1962 for the first move to be made, although even this belated beginning was nothing more than a formal gesture.

The steering group set up at the time may serve some purpose as a debating forum in which the private and public sectors score nice points off each other but it is hardly the agency to mark out the guidelines for future development. In over a year since it was constituted, the group has met just once. At this solitary meeting, there was, true to past form, animated discussion on the validity of the target but little else. Several sub-committees were set up to look into specific aspects like raw materials, transport and equipment manufacture. As far as is known, the sub-committees met twice in the first four months and have not been heard of since. A look at the notes prepared for these sub-committee meetings shows the amateurish level at which deliberations are conducted, an impression fully confirmed by the subsequent minutes. Getting people together for half-day committee sessions serves little purpose except to provide opportunity for reiterating well-known prejudices. In fairness to the committees, not much more can be expected if planning is to be conducted in a vacuum, as it were. There is no secretariat, technical or otherwise, to bring together the data on which opinions of members, some of them men of great experience in their fields, can be usefully elicited. Similarly, there is no organisation for carrying out any studies to follow up a committee's discussions.

This is not to suggest that future planning is going entirely by default. There are, for instance, the studies that the Ministry has commissioned from the HSL design group and Dastur Co on possible new plants in the Vishakapatnam region, Bailadilla in Madhya Pradesh and Goa. The Neyveli-Salem project is now in a more advanced stage since a detailed project report has been commissioned as a preliminary to starting construction. Likewise, some work on mineral development has been started using the resources of the Geological Survey, the Indian Bureau of Mines and the prospecting nucleus that HSL has recently acquired. But any connection between these activities and the steering group is quite accidental.

The need for a central agency for steel planning remains unfilled. It is no one's responsibility to formulate an integrated plan for the preparatory work that should have begun already if we are serious about a steel capacity of 18 m tons by 1970-71. In the absence of this agency, this responsibility is being carried by the Ministry in New Delhi at one level and the Planning Commission at another. Neither of them has, as at present constituted, the technical equipment to perform this funtion. It will be unfair, therefore, to expect them to provide anything more than administrative supervision and that too at a rather superficial level because of their preoccupation with more immediate tasks. The Planning Commission had at one time proposed task forces of 200-300 men for working out detailed plans for each of the key sectors. This idea has presumably been shelved since nothing has been heard about it for some months. The result is that, not only in steel but also in the other equally important fields, we are unable to move beyond the starting point of an overall target. Individual aspects of the work involved are discussed and tackled piecemeal but this cannot get us very far because advance in any one direction must come to a stop if complementary studies do not provide the data for concrete decisions or for further work.

Technical Issues Over-ridden by Political Decisions

In this sorry situation, most decisions must necessarily be taken *ad hoc*. This amounts to saying that the decisions must be political. Even when all the data for decision-making have been collected, the final choice may still have to be political, overriding economic or technical considerations. But that is entirely different from the present situations where the decision comes first — in most cases under pressure from regional or other interest groups — leaving the economic and technical issues to work themselves out. Not surprisingly, every decision of this nature gives rise to bitter controversy which at times goes right up to the Cabinet. The net result is that decisions on the financial and other aspects, without which no progress is possible, are held up.

This is, of course, a part of the general malaise afflicting New Delhi at the present time but the resulting indecisiveness is specially harmful in steel and other sectors with a long time-lag. In these the price of failure does not become known until long afterwards by when it is too late to hold anyone responsible. And the failures never come under public scrutiny except in rare cases where an outside agency reviews the preparations, or the lack of them, for a major project like Bokaro.

The difficulties over Bokaro should bring home the lesson that we can no longer rely upon muddling through. There is now no change to be got out of playing off the east against the west. Hard selling will be necessary before any new project wins the support of aid-givers. The decision will ultimately turn on the quality and depth of the preparatory work we do ourselves. If, for instance, a Japanese commitment is to be sought for a plant in the Goa region, as has been sometimes suggested, both the Japanese Government and equipment-suppliers will want to take a long and hard look at the state of the harbour, the transport links with raw materials sources and manpower availability before committing any funds.

Quite apart from satisfying aid-givers, we have to make sure that progress in these related spheres matches our plans for steel, if targets are not to remain just pious wishes. Time was when both steel and its major raw materials were looked after by the same omnibus Ministry of Steel, Mines and Fuel. With the bifurcation of the Ministry in the cabinet changes of 1962, the need for co-ordination is reinforced.

In raw materials, the physical dimensions of the task are awe-inspiring and the situation is made worse by the institutional and organisational difficulties. The quantities of ore and coal required to sustain 18-19 m tonnes of steel production — 17 m tonnes of iron ore and washed coal above the levels of 1962, ignoring for the moment the rising requirement for either export or other industries — simply cannot be raised except by fully mechanised, large-scale mines. Where new areas are available for exploitation, as in the case of iron ore in Bailadilla or non-coking coal in the Karapura field, the large-scale public enterprises can start from scratch without upsetting any vested interests. This is clearly not going to be possible in coking coal where practically all known deposits are already leased out, many of them to small producers. The latter do not have either the will or the resources to go in for large-scale development, but there is no dislodging them under the Government's present policies. This means that valuable reserves will continue

to remain untapped because property rights stand in the way of their full utilisations. There is the well-known case of the 2 m ton mine which the NCDC is developing with Polish assistance at Sudamdih, near Dhanbad, where a small owner's refusal to sell out his little patch has necessitated sinking two shafts in place of one that might have served. While NCDC goes ahead to get the most that Sudamdih can yield, the small owner will continue to operate his mine using bullock-powered haulage to raise only a fraction of the output that the reserves he is sitting on should yield.

The same sorry situation obtains in limestone where the best deposits in the steel belt have been cornered by small-time operators. There is reason to believe that good grades of limestone are finding their way into uses for which quality is not decisive as in steel production. All that New Delhi has been able to do so far is to restrict the issue of new mining leases by State Governments for areas known to contain high grade deposits but even in this it has not been too successful.

These issues of policy never get into focus, again because there is no central agency to plan for steel in depth. HSL, which may have been expected to urge the larger national viewpoint on New Delhi's policy-makers, has failed to do so, perhaps because planning for the future has not been made an identifiable responsibility in its headquarters organisation.

Apart from the needs of future plants, there are major problems to be resolved in plants already in operation. The deteriorating quality of coal is causing grave concern which has led to the search for new techniques to offset adverse effects on productivity. Tata Steel is experimenting with injections of fuel oil in blast furnaces, and may later take up oxygen injections. Other plants are also thinking on the same lines, Durgapur being already in the stage of discussing oil injection with the State-owned Indian Oil. It is far from clear, however, who is to take the ultimate decision since it is not a matter that can be left to individual plants in view of the foreign exhange cost of fuel oil. No one is quite sure whether planning for oil has taken into account the possibility of this additional demand for fuel oil, already in short supply.

Alternatives will also need to be considered before a decision on fuel oil can be taken. There is the possibility of injecting coke oven gas, a surplus of which can be deliberately created at a steel plant by installing additional batteries and selling the coke in the market to the famished foundry and other industries. Another idea on which work is currently in progress at the Central Fuel Research Institute is to use low ash, imported coal in a blend with domestic supplies. All these alternatives have to be evaluated and the final decision taken only after looking into all the relevant factors. The responsibility for the verdict falls on the Ministry but how is it to decide a complex issue like this without any independent technical advice available to it? It idle to expect a firm of consultants to pull the answer out of a hat unless the relevant techno-economic studies are first carried out in a properly coordinated manner.

Even an economic and administrative issue like the pattern of pricing has its technical aspects. Steel producers take the stand that orders below a certain tonnage are uneconomic but we have only their word for it. One consumers' association has cited international examples in support of its view that producers had been needlessly rigid. There is also the larger issue of rationalising the production programmes of the five producers on which there are wide differences between the private and public sector plants. Can we leave such matters to be decided by who shouts the loudest? As things stand, the Ministry can do little more than subject rival claims to routine scrutiny whereas it should be offering the correct lead backed by independent technical assessment of the merits of the question.



Defence: Conventions and Conflicts

Sharda Mukerjee

In a parliamentary democracy, civilian control over military administration can never be questioned. It is one of the basic tenets of any democratic government.

Yet, such control must never impinge on the authority of the commander within his Service, if he is to have the respect and obedience of his subordinates, so indispensable for maintaining the discipline and the morale of the fighting forces.

How is the authority of Military Command reconciled with civilian control (in day to day working)?

Civilian control is itself very subtle and the occasions for its exercise are reduced to the very minimum. And in establishing this subtle, yet unquestionable, control of the civil over military authority, convention and traditions play a vital part.

[The author is one of the few Members of Parliament who take a sustained interest on defence problems and have made a special study of them.]

IT is left to military experts to assess how far the Ladakh and NEFA Operations were the culmination of the so-called 'Forward Policy' of opening new posts, such as Galwan and Dhola. This happened some three months before the commencement of hostilities. While the country was recovering from the excitement of the recent General Election and arguing about the inadequacies of economic growth, the short-falls in planning, and other such matters, the rumblings of what may well have been a disastrous war had already started. On the distant frontiers of our country, cut off from normal communications, facing the rigours of inclement weather and physical hardships, a few soldiers clustered in small groups on high mountain posts, were trying to guard the safety and honour of their motherland. The question is: What brought about the opening of the Galwan and Dhola posts without the necessary logistic support of communications, supplies and manpower? Was this a decision taken on the recommendation of the Chiefs of Staff Committee or was it mainly a Government decision remains unanswered so far.

While the official statement on the findings of the NEFA Enquiry is still to be made, it is becoming evident that whereas even a brief explanation might have satisfied Parliament in the early critical days, now, with the time-lag of nearly ten months, the Government may be faced with a barrage of unpleasant criticism and interrogation.

The NEFA disaster saw the exit of three key men in the Defence Organisation: the Defence Minister, Krishna Menon; Gen Thapar, the Chief of Army Staff; and Lt Gen Kaul, the Commander of the Task Force in the NEFA. In keeping with military traditions that defeated armies do not follow defeated generals, the two generals could not continue as commanders. Confronted with opposition from Parliament and his own Party, the Prime Minister was compelled to accept the resignation of Shri Krishna Menon. Now in a comparatively calm atmosphere, one can question and assess, as far as it is possible under the circumstances, with the aid of such Government statements and papers as are presented to Parliament from time to time, the weaknesses in the present system of Defence organisation.

Human nature is ever the same. Therefore, I cannot agree that the change of personalities will bring anything but a temporary change in given situation unless adequate safeguards are provided. Faced with the same temptations of the glory of victory and success, there is no guarantee that the same mistakes will not be committed again. It is, therefore, essential that the decision-makers of our country should examine carefully the present system and correct its weaknesses so as to ensure our future national security.

Cabinet, Committees and Co-ordination

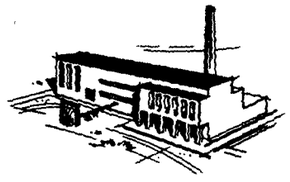
In a nascent democracy such as ours, the immediate problem is that of co-ordination and teamwork, to a greater or lesser degree, among several units, each performing specialised functions. In Defence, this problem assumes unusual proportions. On the one hand we have inherited a political legacy of pacifism and, it must be admitted, factionalism. We have to learn the meaning of teamwork. The military commanders who, by the very nature of their work, are accustomed to having

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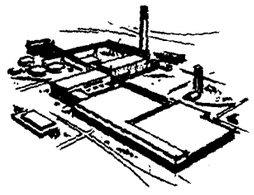
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their own way, are liable to be impatient with the methods and attitudes of politicians and civilians. Unlike England, where most politicians have had some experience of military service, and are, therefore, well able to understand and appreciate military problems, in India, there can be little in common between statesmen, civilians and soldiers. Yet men of such widely different educational and ideological backgrounds are required to work in close and constant co-operation with each other if any measure of success is to be achieved. It is understandable, therefore, that although we have adopted the British pattern of Defence by Committees, the results are not necessarily the same; for Britain has evolved a system to suit her particular requirements whereas, we have tried to transplant a ready-made system to which we hope to graduate in course of time. Convention and tradition play a vital role in establishing a subtle yet unquestionable civilian control over military administration. Nevertheless, such control must not impinge on the authority of the Commander within his service, if he is to have the respect and obedience of his subordinates, so indispensable to the maintenance of discipline.

The Emergency Committee of the Cabinet, earlier known as the Defence Committee of the Cabinet, functions under the chairmanship of the Prime Minister, with the three Chiefs of Staff as technical advisers and is in fact the highest policy-making Defence Committee today. Apart from the Prime Minister, its members consist of the Defence Minister, the Finance Minister and such other Cabinet Ministers as the Prime Minister invites. One hears that recently Biju Patnaik, the Chief Minister of Orissa, has been included in the Committee. Apart from this there is the National Defence Council which is a vast and amorphous body but which has no executive powers or functions.

The E C C corresponds to the British Defence Committee of the Cabinet. One would imagine that any major decisions regarding our Defence policy, which is inevitably closely linked with our foreign policy, would be taken by this committee. As the proceedings of this committee are necessarily highly secret, one cannot know of the decisions taken by it but certain anomalies remain unexplained. As far back as 1960, the Chinese threat was recognised by the military commanders while the Government continued to stress the importance of guarding the Pakistan border on the West and minimised the danger of possible Chinese aggression. In the meanwhile, the inadequate progress made in building roads by the Tusker Force in Assam was allowed to go unheeded. Did the Government fail to recognise the importance of roads in the NEFA in case of a Chinese invasion?

Gen. Thimayya, the Chief of Army Staff till two years ago, has stated in an article in the **Seminar** of July 1962:

> "..... we could never hope to match China in the foreseeable future. It must be left to the politicians and diplomats to ensure our security".

The military commanders made no secret of the fact that the strength of the army and the air forces was below the minimum required for the security of our country. In any case, one understands that the military estimate of the requirements for the defence of Assam was two divisions. It is well-known that the strength of forces deployed there was much less. Taking all these things into consideration, it is still a mystery why and how the Forward Policy was undertaken.

British System

The functions and powers of the Emergency Committee of the Cabinet are not known precisely. In the British Parliament, the White Paper presented by the Defence Minister gives an accurate report of the Defence Policy and an outline of the structure and plan of future development. Such not being the convention of our Parliament, one can have no authoritative knowledge about Defence matters.

While we have followed the British system of committees at various levels, we seem to have omitted the very important principle of Parliamentary control over the broad policies of the Defence Ministry. One has only to recall the debates in the British Parliament over the Polaris to understand the active participation of Parliament in Defence discussions. The affairs of the Defence Ministry are shrouded in deep mystery and the convenient answer to an inconvenient question is that it is 'not in the public interest' for the Minister to give the necessary information. This has had the effect of creating doubt and dissatisfaction in the country at large and of allowing the Ministry to escape the salutary check of Parliamentary criticism on its failures and shortfalls till it is too late to avoid serious damage. The Defence Debate in Parliament amply brought out the disappointment of the members over the inadequacy of the Defence Report.

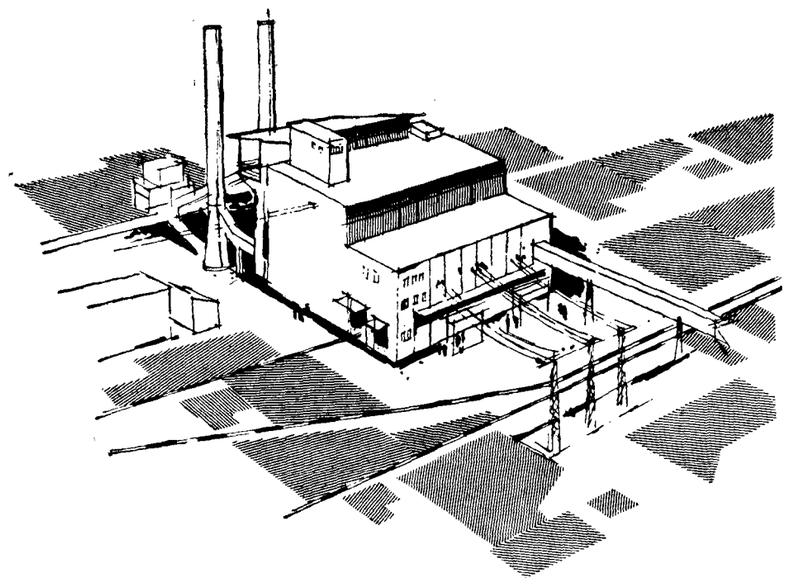
The insufficient supply of proper equipment and material to the NEFA forces has given rise to angry comments. Perhaps it is time Defence Production was made into a separate ministry — something on the lines of the Ministry of Supply in Britain — to detach it from the general atmosphere of secrecy which envelopes the Defence Ministry. One could then hope to have a reasonably independent approach from the Ministry of Defence Production to the procurement of equipment from foreign countries or the indigenous manufacture of such equipment in the public or private sector.

Rethinking on Defence Organisation

Recent events have proved beyond doubt that the organisation of defence requires to be re-examined and put right. Enlarging military manpower and the supply of proper and adequate equipment will be of little use if we are not able to utilise these resources advantageously. Accomplishment of results in Defence, as in all Departments, depends partially on the existence of co-ordination and of a suitable collaborative machinery. What should be done to tighten up and revitalise the prevailing system is a matter for the consideration of the decision makers of our country. Comparison with the Anglo-American system suggests some possible changes, all of which may not be feasible in India.

(1) The appointment of a Supreme Commander in overall charge of the three Services with the three Service Chiefs responsible to him. Without the long-established tradition of democracy and the force of public and Parliamentary control,

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the appointment of a Supreme Commander may well prove troublesome. Therefore, for the present at least, it would be inadvisable to follow the West in this respect. In England, Lord Mountbatten is the Chief of the Defence Staff. In America the same system prevails.

(2) A Defence Minister with wider executive powers. This rather depends on the Prime Minister and the current situation in the country together with the personality of the minister concerned.

(3) The appointment of effective Sub-Committees of the E C C to deal with matters like co-ordination, planning, operations and civil defence. At present these functions are left to the Services Headquarters. Such committees can be effective organs of inter-service coordination. It is suggested that some experienced, retired Armed Forces Officers should be included in these Committes — for example, Gen Thimayya and Gen Thorat both of whom are at present on the National Defence Council. These men are capable of rendering valuable service to the nation. The advantage of such sub-committees of the E C C would be that they would be directly responsible to the Prime Minister. In this respect, military intelligence and civil defence both of which are not entirely under the Defence Ministry, should have a prior place.

Capital View

The Politics of Amorphousness

Romesh Thapar

Can the Congress Party continue as an enveloping, conditioning force in Indian politics if it abandons the socialist pattern at home and non-alignment abroad?

Is democracy viable in an underdeveloped country without the espousal of a national minimum programme by the ruling party?

Does the very nature of the Indian State, with its marked regional and other pressures, dictate a non-partisan approach?

These are the crucial questions in the current debate on India's emerging future, questions which every politician in the country is beginning to ponder over, knowledgeably or otherwise, before he takes the plunge into the politics of polarisation or the politics of amorphousness.

AT the very moment when the international situation is undergoing the kind of deep and all-round change which permits India to re-assert her non-aligned position without endangering her essential defence needs, a strange story of our diplomatic bungling and incompetence is beginning to unfold. It looks as if certain partial military commitments, entered into during the confused and uncertain days of October, November and December of last year, have been allowed to condition subsequent negotiations on various matters and that we are to be confronted with this embarrassing evidence of our panic precisely when the situation in the communist world has taken a decisive shift in our favour and against our Chinese adversaries. So sinister is the timing of the leaks and disclosures that a psychopathic mind would be tempted to conclude that the Maoists have skilful allies every where!

Naturally, the foreign press corps has a fascination for air 'umbrellas' and 'parasols'. Newspapers 'back home' seem to think that the future of India is dependent on her attitude to these devices. But the policy-makers in the Capital would rather under-play the story. It is argued that we have to find some way of ensuring our air defence in an emergency until such time as we can produce the planes and the pilots ourselves, and that the negotiations with the West are bound to take a tortuous course because of Pakistani interference.

Providing A Base

Despite powerful proddings from interested quarters, the opinion still prevails that India would be foolhardy to permit the permanent stationing of foreign air-forces on her soil in any form. It is maintained that so long as India is able to build a network of fully serviced airfields, supported by the necessary radar systems, foreign air support from *any* quarter could move in at short notice. The theory that air exercises over possible theatres of war are essential is ridiculed and seen as a ruse to exploit India's predicament. The existence of a reliable base for air operations in a potential war theatre is seldom assured, for who can tell where the explosion will actually occur? And India is committed to preparing such a base.

Those who still bother to think out problems dispassionately recall that several years ago, when Marshal Zhukov of the U S S R visited India, some such plan to build 'reception centres' for a supporting air force was mooted. This was at a time when Pakistan, with U S support, was becoming belligerent. Marshal Zhukov, whether authorised or not, is believed to have suggested that little else was required. Indeed, if confusion is genuine today, what prevents the G O I from trying to obtain an independent assessment of these schemes for 'umbrellas' and 'parasols'? It would also help to liberate us from the obsession of those who seem to see salvation only in a panicky and embarrassing commitment.

Voice of America

The foreign press corps, or at least a large percentage of it which has yet to learn to understand events in the Indian context, is no

nearly so worked up about the extraordinary decision to permit the Voice of America to broadcast from Indian territory. This shameful decision — and it cannot be otherwise described — is sought to be presented as a kind of profitable barter deal by which India is able to get one of the world's most powerful transmitters in return for 3-hours daily broadcasting time for the VOA for a period of five years. In actual fact, it is the first tangible evidence of a drastic and naked violation of national policy, violation which is going to become the focus of heated controversy as soon as Parliament meets.

From what one can gather, the agreement between the GOI and the USA, authorising the VOA to use the one million watt transmitter to be installed in Calcutta, was approved on both sides over a month ago. The 'negotiators' knew what they were up to, for secrecy seldom associated even with military matters surrounded this violation of national policy. And, what is more, the approval of the Ministry of External Affairs and the assent of the Prime Minister was obtained without any difficulty. It would be most interesting to know why this was done. Surely not because there was a shortage of foreign exchange, as is being made out. Just one crore !

Anger Against Deal

The secrecy about the negotiations continues at a moronic level. The official spokesmen of the Ministry for External Affairs would have us address our queries to the Ministry of Information and Broadcasting — as if this matter is of no concern to them. Very soon the only comment forthcoming will be that the Prime Minister was misinformed about the implications! But what consolation does this provide? For whatever it is worth, there is a possibility that this agreement which infringes upon national sovereignty will be challenged in the Supreme Court as *ultra vires* of the Constitution which does not permit such 'barter deals' without proper constitutional processes.

While the mounting anger of the non-aligners in India is understandable, what persuaded the U S State Department to push through a scheme of this kind? A transmitter in Calcutta dose not in any way aid the communication of U S ideas to the regions of South-East Asia, for there is one already crooning its propaganda from Manila. Unless, of course, the idea is to cover South and West Asia! As for China, the whole effort is a waste of time. Was the scheme thrust upon an unwilling India when Pakistan and other 'allies' had made it quite clear that they were not prepared to offer facilities? Or were we persuaded on the plea that acceptance would steamroller opposition in the U S Congress on arms aid ?

New Discoveries

If this is the 'Nu-type' barter shop which we are setting up, we might as well pull down the signs which say that we are independent, non-aligned and socialist. Yes, and this will hold true even if we offer 'the other side' the same barter treatment. The world is getting tired of our pretentions and posturings, so tired in fact that in many quarters hitherto friendly, the false propaganda that we *are* the Voice of America is increasingly accepted.

May be, we are being a teeny weeny bit too sensitive about the meanderings of the GOI in these difficult days. May be, the amorphousness in our policies is a reflection of the amorphousness of our politics — the amorphousness which the Prime Minister now sees as the secret of India's ordered, gradual and democratic progress. May be, we are on the verge of a new 'discovery' — that through the politics of amorphousness we have prevented the explosion of the violence which is stored up in the massive structures of caste and community, that the unsettled situation all around us in Asia is due to the incapacity of other leaderships to grasp this vital lesson and to emulate it. May be .... May be .... but ....

Collapse of Fundamental Policies

I do not remember any time during the two years that I have been viewing the goings on in the Capital when so many independent, thinking people have had grave forebodings of the collapse of our fundamental domestic and foreign policies despite the propaganda to the contrary. This growing opinion which is informed and influential, also refuses now to treat the Prime Minister's responsibility for this state of affairs as something separate. The perceptible sharpening of reactions may well be due partially to the presence in the Capital of U S army personnel, who are now making their presence felt at restaurants and night clubs, but it would be dishonest to ignore the political content of this developing trend.

The plea that joint air exercises, VOA broadcasts from Calcutta, the presence of military 'advisers' and such things do not vitiate the non-aligned status of India is puerile. The political repercussions of all these are far-reaching and the sooner we realise this, the better. The threat of Chinese aggression does not convince, for there is the example of Nasser who gets what he wants from all sides but will not permit any outside meddling in his policies and programmes. What is possible for Nasser, it can be easily maintained, is possible for Nehru. What, then, prevents the break through ?

The Nehruists

'We can't do anything *with* him, and we can't do anything *without* him'. This angry, but pertinent, comment of a politician who has spent the best part of his life working the Nehru Line sums up the spiritual exhaustion of that sizeable body of opinion at the Centre and in the States which fully endorses the broad objectives of Congress policy, but is now unable to find the weapons with which to implement that policy. Not so long ago, Nehru had merely to snap his fingers and action followed. This is not so today.

The anger of the Nehruists can be quite easily explained. Year after year, and particularly since the death of Vallabhbhai Patel, they were able to assert their influence over a subcontinent through the incredible hold exercised by their leader. But during this period, the Nehruists refused to dirty their hands with the chores of political

organisation; they patterned themselves on their leader who looked disdainfully upon organisation men as the scavengers of politics. Today, the leader does not lead. He is surrounded by men who decry his policies, but he continues to tolerate them. Yet, he could get rid of them — and put the Nehruists in the saddle. Small wonder that the frustration becomes bitter when the few known Nehruists find themselves removed from the presence of their leader.

P M's Loud Thinking

There is irony in the situation. The Nehruists, in their manoeuvrings for power and position, have lost sight of the fundamentals of their position in regard to the attack on poverty and the assertion of India's national interests abroad. They criticise Jawaharlal Nehru not on ideological grounds, but for his refusal to act decisively in their support for fear of offending the dominant rightists in his Cabinet — a factional battle which he has always refused to join because it would reduce his status as a national leader who is above such petty squabbles. They fail to see that the very presence of Jawaharlal Nehru, even at the head of a paralysed government, gives them the opportunity to restore their roots in the party organisation and provides them the essential liberties without which they cannot hope to establish their ideological hegemony.

This grave failure has been rightly seized upon by the non-Nehruists to press for a watering down of policies, or what is called a realistic and practical adjustment. The Prime Minister, conscious that the major casualty of sixteen years of independence has been ideology, and aware only of the intense, unprincipled factional activity around him, attempts politically to philosophise on this unhappy situation. His loud thinking about India being a 'mixed' country is intended to project the theory that the amorphous approach is the only guarantee for the unity, cohesion and progress of some 450 millions, that any other approach would result in a sharp polarisation between the right, the left and the centre, that may lead to an explosion.

The proponents of this point of view claim that experience teaches that the stability of a gradualist socialist development in the backward regions of Asia is largely dependent on the effective functioning of movements which command overwhelming majorities because they embrace several competitive ideologies. Once these movements splinter, a serious deterioration in the political situation follows and can only be remedied by an authoritarian regime which can break through the confusion and chaos. Some such realisation, it is pointed out, is behind the campaigns launched by several prominent Asian and African leaders in support of what they call the single-party system.

The Indian National Congress is described by some enthusiasts as an advanced type of single party. It conditions the political life of the country, but while doing so, permits other groups to play a peripheral role. It has the sophistication and skill to absorb whole sections of the political and economic programmes of other groups when these win national popularity. It embraces a kind of national minimum programme which it elaborates or trims according to the play of the competitive ideological trends within its following. It abhors polarisation. It elevates the politics of amorphousness to the level of a political doctrine.

All this may sound like so much mumbo-jumbo to ears trained in Communist, Socialist and Swatantra schools, but the fact remains that the processes described have taken place and are taking place. On how many occasions, before and after Independence, has the Congress Party 'taken over' a communist or socialist slogan ? Would it not be true to say that even as the 'take-over' was ordered, the Congress leadership launched on the modifications, elaborations and trimmings of the slogan so as to reduce it to a sufficiently amorphous state ? And who would deny that similar adjustments did not take place even in the leading cadre of the Congress Party to reflect the dominant national mood ?

Even as I write, Gulzarilal Nanda has managed to persuade disgruntled and increasingly aggressive all-India trade union organisations to hold back the threatened strike move — this, at a time when prices are out of control. He could not have done it had he refused, mulishly, the right of the trade unions to campaign against those features of the Desai Budget which are unacceptable to them; this position was probably taken with the full knowledge that modifications in the tax proposals are in the offing. Of such stuff is the politics of amorphousness made.

Other Examples

Then again, the Communist Party works overtime to find a way of linking itself with the policies associated with the name of Jawaharlal Nehru, although the bulk of these policies stand either changed or abandoned. It indulges in this now fairly massive effort because deep down there is a feeling that this linkage to what looks like a national minimum programme is the only sure way to survive the present embarrassing challenges and ultimately to push forward to power. And this, when one-third of its leadership is in jail for alleged pro-China sentiments and activity !

Another interesting example is that of Ram Manohar Lohia. He employs a familiar gambit, but with startling new variations. Even as the Praja-Socialists begin their entry into the amorphous Congress, Lohia gives the call for another equally amorphous competitive organisation composed of the 'best' in every party, including the diametrically opposite Communists and Jan Sanghis. And he is taken seriously. His first impact is already noticeable on the ranks of the Jan Sangh; a large and influential section is responding to Lohia's neo-amorphousness !

Amorphousness through Clarity

Just in case too many of us are being carried away, consciously or unconsciously, by the theory that amorphousness itself helps build the viable single-party State — and this is not so difficult, considering that of late I have heard people say that like ancient Hinduism the modern Congress Party has become an amalgam of a multitude of trends — it is necessary to warn that the politics of amorphousness do not take birth or nourish in amorphous thinking. Clear attitudes on short and long term objectives and an extraordinary sensitivity to respond to

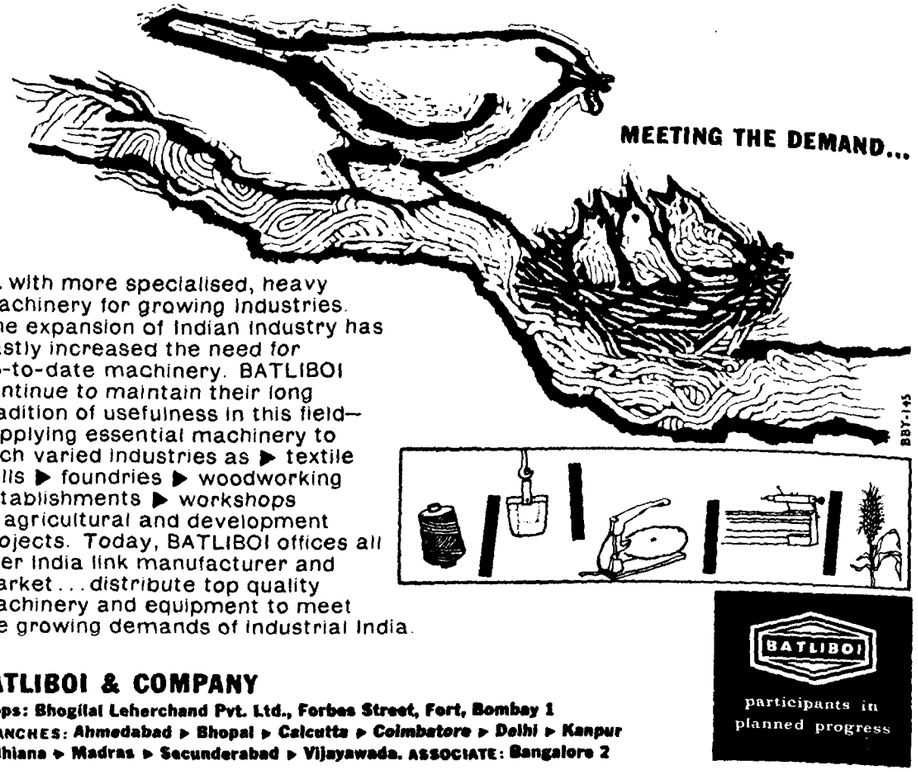
the mercurial moods of a sprawling complex nation, are demanded; the moment these are blunted, paralysing confusion follows.

Surveying the sixteen years of freedom, it is apparent that Jawaharlal Nehru symbolised in a remarkable way in his thought and action the politics of amorphousness. But, today, this is no longer true. The paralytic confusion at the Centre and in most of the States, together with the tragic inability of the leadership to evolve a coherent domestic and foreign policy in the present crisis, suggest that we are again about to witness the battle between those who believe in polarising the situation and those who would keep it amorphous. Both believe in confrontation but, judging from the trends, the polarisers appear to be fighting a losing battle —but only to the extent that there is a return to clear thinking, or what the word-coiners would call 'neo-Nehruism' within the Congress Party and its ruling elite. Anything short of this will only assist the polarisers — a lesson to be learned from the last six months.

Crucial Questions

Are there enough stalwarts in the Congress Party, particularly at State level, who realise the implications of the retreat from Nehruism? Can the Congress Party continue as an enveloping, conditioning force in Indian politics if it abandons the socialist pattern at home and the non-aligned confrontation abroad? Is democracy viable in an underdeveloped country without the espousal of a *national minimum* programme by the ruling party? Could the established secular, non-communal policies survive without such a programme? Does the very nature of the Indian State, with its marked regional and other pressures, dictate an apparent non-partisan appproach? Was it just propitious fate that threw up men possessing the vision of a Gandhi or a Nehru, men who in different stages of development became the image of the nation, or was this phenomenon the result of tangible, conditioning influences?

These are the crucial questions in the rather ramified debate on India's emerging future, questions which every politician in the country is beginning to ponder upon, knowledgeably or otherwise, before he takes the plunge towards the politics of polarisation or the politics of amorphousness. But the plunge either way will be motivated by a complex inter-twining of factors, domestic and foreign. The Nehruists and anti-Nehruists, the pro-Nehruists, the pseudo-Nehruists and the neo-Nehruists — for this is what political life has been reduced to— will have to re-think many of their shibboleths and dogmas before the fog, or smog, lifts.



South-East Asian Conversations

K Krishna Moorthy

"Few if any in the countries of South-East Asia are prepared any more to accept India's assertions of non-alignment at face value . . . As for our diplomats, their practice of non-alignment is on an unusual plane. They are not aligned to any general policy, but easily become aligned to the advocacy of policies of the countries to which they happen to be accredited".

This is how the author sums up his impressions of a three-and-half months' tour of South-East Asia and Australia. This is a second look at the "South Asian Image of India" (Special Number, July 1961) from the changed perspective of Chinese aggression on India.

[*The author is the New Delhi correspondent of* Far Eastern Economic Review, *Hongkong.*]

HE was a V I I P — short for Very Important Indonesian Personage — and the opening gambit in our conversation naturally was the proposal of the Colombo Conference to bring India and China to a position of willingness to talk to each other. I asked the V I I P:

"Would you agree with me your country is a full party to the proposals of the Colombo conference?" "Yes". "Would you agree with me that the Government of India has fully co-operated in the implementation of the proposals?" "Yes".

"Would you agree with me that the Government of China has not cooperated . . . . ?" "No".

If I were an Indian diplomat I suppose my next course of action should have been to say "Satyameva Jayate" (Truth alone prevails) an appropriate number of times, thank the V I I P and retreat.

But not being a diplomat, I asked him whether there was no difference between Delhi's total acceptance of the Colombo proposals and Peking's token acceptance in principle. The V I I P, whose training in the non-aligned approach is in a far more advanced stage than India's, evaded the question and asked politely whether I, "in your wisdom", could explain the difference.

India's Difficult Demands

Indonesian personages not so Very Important as he frankly talk of the difficulties in which the Indian position places them and other representatives of Asian nations, which are non-aligned. What Delhi and her diplomats ask for, in their opinion, is a firm declaration by them of being aligned with India in her issue with China. They think India's approach is emotional. China does not ask them to come out in support of her claims. All that China expects of them, in their opinion, is that they advocate talks between the two countries.

And what the Indonesian diplomats and others whisper in private is far different from the public poses of President Soekarno or of Foreign Minister, Subandrio. "Don't you know that we are fundamentally opposed to Chinese communists? We may have working arrangements with our local communists — they are a fact of our political life — but that does not mean we would let our country or our communists be forward patrols for Chinese communist expansion. Do you think honestly that all the arms we are now getting are to be directed against Malaya or Australia? We do not want to be caught defenceless like you were. If the time comes when we have to face an external communist threat, we want to ensure that we are strong enough to resist."

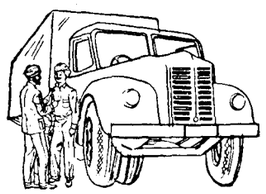
And from this they go on to their opposition to Malaysia as a "British appendage" adding that "it is only a truly nationalist State that can withstand communist or colonial powers, not weak-kneed adjustments with foreign interests." (Here the criticism is of Malava's Tengku Abdul Rehman's multi-racial approach which tolerates the Chinese community.)

The Indonesians, somewhat justifiably, claim they are shrewd operators in foreign policy. They are proud of the fact that they were able to tackle forcefully the question of people of Chinese origin. And in this they advertise how bold they were to face up to Peking and deal harshly with the problem. (Some Indonesian intellectuals sneeringly remark that there was, of course, the American Fleet which neutralised any physical threat from Peking.)

Dealing with Indonesians

Indonesians even at top levels do not take too much pains to hide their contempt for the other Colombo Conference nations. If at all anyone has the ear of the Chinese in Peking and anyone can arrange the coming together at the conference table of Indian and Chinese representatives, it is the Indonesians! This is a thesis which is also accepted by some Indian diplomats. These diplomats advocate the policy of maintaining friendship with Indonesia at any cost. They say that after all, Indonesia is the world's fifth biggest nation with 100 million population and the logical successor to the imperialist power in the region. According to these theorists, acceptance of Indonesian supremacy in the region would help Djakarta over the years to take an anti-Peking stand.

It would be foolish to assume that the emotional outbursts of Indonesia from time to time are accidental or signs of national immaturity as some arm-chair Indian civil servants condescendingly remark. Indonesian emotional explosions are often well-aimed, well-timed and purposeful. But Indian official and national response to Indonesian actions which have hurt us have been so Gandhian as to lead many Indonesians I have met to believe that India suffers from national sloth and that one can, therefore, take a lot of liberties with her. In dealing with Indonesia, it is necessary to understand the language which Djakarta understands.

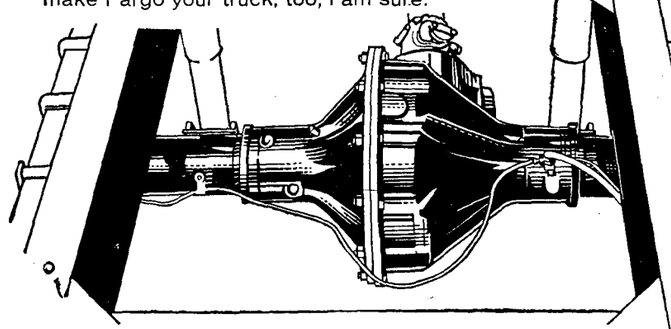


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There is a story current in Djakarta's diplomatic row of what happened when Indonesians harassed some French officials posted here. Because the Indonesians wanted the French to vacate some buildings, all of a sudden, the water and power supply to the buildings became irregular. The French were told that these buildings were old and such things were natural. The French did not make any official protest. But one day after the Indonesian Ambassador in Paris had gone into his Embassy or residence, the road outside the gates were dug up for some "public works". The French were sorry for the inconvenience caused to the Indonesian diplomats who could not take their cars out. The road in Paris was filled up after the French got back power and water in Djakarta. Whether this story is true or apocryphal is immaterial. It goes to illustrate the point that the effective language for Indonesians is not always diplomatic.

It is not only in official attitudes to Indonesia that we have been behaving sheepishly. At the Afro-Asian Journalists' Conference, for example, the Indian behaviour (and for that matter the Malayan) showed that we rightly deserve to be classified among the 'old established order'. (That is in contrast to Soekarno's definition of the New Emerging Forces). In the face of the humiliating decisions decreed by the Indonesians with the support of the Chinese, the Indians at the conference exhibited their lack of strength to stand up or even walk out in disgust.

There is another basic reason which makes many Indonesians think that Indonesians and Chinese communists are comrades in poverty. We throw statistical data in the face of Indonesians to show how much we have progressed as a result of wise unrevolutionary policies. The Chinese tell the Indonesians: "We are in the same soup, in the same sort of difficulties in trying to develop. The bad big ones, Western and Russian, the rich whites pour sneer upon sneer as problems overwhelm us." The Indonesian intellectuals often say that the Indians have deserted the Asian camp to join the sneerers from the West, and the West includes Russia in the Peking and Djkarta definition.

Or to quote an Indonesian military officer:

> "Your Nehru talks of the great political stability his government of compromise has given your country in the past sixteen years. What has he done with the stability? How has the stability been achieved?
>
> "You blame us for our craze for arming, but now you have found that you have to take distressing steps to make up for your earlier negligence. What has your stability meant? Packing your services with men moulded in the same pattern as in the days of colonialism?
>
> "Your people talk of your being non-aligned. As for me, it is not the international political non-aligned claims that alone count. Your internal system is completely aligned to the west. After all these years, you could find no way except to continue with English. A very West-aligned decision! I don't know whether the solution could be Hindi or something else. I don't see any reasons why Madras or Gujarat cannot make do with their regional languages, if Thailand with fewer than thirty million people can carry on its administration in Thai. . . Your leaders are full of alignment with foreign nations."

Two Ways of Facing Chinese

Among the other Colombo Conference nations in the region, Burma is legitimately proud of her record of having been the first to commit the Chinese to an international boundary agreement. The men in power in Burma do not meet foreign journalists freely but an editor put the Burmese attitude to India as follows: "There were two ways of dealing with the Chinese. One was to work for a compromise solution and the other to build up military strength, developing the capacity for a military solution. India has proved herself capable of neither".

In Cambodia, Prince Norodom Sihanouk, the head of State, was frank. My question to him was: "Many leaders in Asia seem to think that Nehru is no longer non-aligned. This was the impression I gained on my visits to various countries. What is the impression of your Highness?"

Prince Norodom's answer was: "My Indian friends assured me while I was in India recently, that they are still non-aligned. I believe them, I have trust in their assertions. I for one do not like at all to sit in judgment on others".

(This interview had an interesting sequel. The New China News Agency soon afterwards carried a report that the Prince had said that his Indian friends assured him that India was no longer non-aligned!)

Answering my question, the Prince said that the international guarantee on Laos had proved undependable. When I asked him why, the Prince replied: "We called for an international guarantee on the neutrality of Cambodia simply because we wanted to know what countries are friendly and what countries are not so friendly; we do not propose just to trust the guarantees". *India is among the countries which have not responded to the Prince's call by offering that guarantee.*

Some years ago perhaps India may have given that guarantee but today it is diplomatically impossible for India since the Prince's call is directed against his neighbours, Thailand and South Viet Nam.

The common interest against the Chinese has brought Delhi and Bangkok a little closer. To quote Thanat Khoman, Thailand's Foreign Minister:

> "I was the Thai representative in Delhi in the early days after Indian independence. It was only recently that I visited your country again. I felt that despite our day-to-day relations, all along India and we were in a way estranged. There is a greater level of understanding now and I suppose there will be greater exchanges at official and other levels".

Thanat Khoman also bemoaned:

> "One problem with which I have been preoccupied is to put forward the idea that Asian nations should not be impressed with or absorbed by alien notions and ideas. Our minds should not be filled with foreign notions like capitalism, communism, socialism — political or economic doctrines which came from outside the continent. We should base ourselves on our Asian heritage — independence and cooperation.
>
> "We must remember that many centuries ago, even when facilities for travel and communication were restricted, we could and did maintain useful contacts; we exchanged ideas. But with the improvement in communications, we seem to live apart from one another because we let ourselves be influenced by foreign doctrines. We must build closer solidarity, cooperation based on our ancient doctrines".

Democracy: Asian Versions

It will be a long time before the Thais forget the sarcastic remarks of our international policy makers who laughed at SEATO as an arrangement between a giant and a pigmy. In the view of many Thais, it is the folly of Nehru's non-alignment which kept the country militarily weak. They would respect India more if she became militarily stronger. And the same strength would appeal to Burma and Indonesia also. (The reaction of a top leader in Saigon to the Indian debacle in NEFA was one of shock. "We thought that India was about the only country in Asia which could withstand the Chinese military to any extent".)

The Thai Prime Minister, Marshall Sarit Thanarat, explained in an interview that the framing of a new constitution and democratisation in his country would be a slow process, "because we do not want to imitate any existing constitutions of other nations but to evolve one which will be in consonance with the characteristics of the Thais and bring about a truly democratic framework". It is easy to dismiss the Thai Prime Minister's remarks with a shrug and a comment that after all that is what most of those who took power by force could be expected to say. But to my mind some further remarks of Marshall Sarit were significant. According to him, "In Thailand we have been practising some types of democratic methods which may not even exist in other countries. Thai society, for example, is a classless and casteless one. We believe that along with rights, obligations and duties should also exist side by side".

When Indian diplomats or travellers like me flaunt our democracy and the record of three elections in the face of other Asians, one question which haunts me is whether our form of democracy is the ultimate? To many other Asians, the inability of the Indian leadership to attempt an onslaught against the caste system is a despicable compromise with an undemocratic social evil. An Indonesian friend of mine who is a professor at the University of Djarkarta keeps on asking me whether an election conducted in an orderly way once every five years is all that goes to make a system democratic. What about the total eradication of feudalism, education opportunities for all, freedom from alien influences? What is more important — the political concept of democracy or the social and economic priorities?

Our 'Non-Aligned' Diplomats

To the Indian diplomat posted in South-East Asian stations the lack of an overall policy means floating anchorless in a stormy sea. Few, if any, in the region are prepared any more to accept India's profession of non-alignment at face value. Non-alignment, to our diplomats, has perhaps come to mean the absence of any policy on anything. It is amusing to find some of them becoming strongly convinced quickly of the correctness of the attitudes of the governments to which they happen to have presented their credentials. I have wondered what would have happened if Delhi suddenly switched its representative in Kuala Lumpur to Djakarta and vice-versa at the height of the Malaya-Indonesia confrontation? Or, sent our man in Bangkok to Phnompenh amid the excitement of the Thai-Cambodian controversies?

Not that the diplomats posted in various capitals are necessarily capable of absorbing the nuances of the various countries' behaviour. General ignorance of local languages places them at the mercy of locally recruited translators. It is sickening that Delhi has not been able to find enough French-speaking diplomats for posting in Phnompenh or Saigon. Sometimes these diplomats are at the mercy of a low-paid interpreter who picks and chooses such of the local Press reactions as he considers fit for the diplomats to read. I can cite the instance of a dramatic development some weeks ago in a south Asian capital which was reported in a non-English newspaper. A local airline official with whom I had breakfast told me about it and gave me the details that had appeared in the newspaper. When I telephoned an Indian Embassy high-up later in the day, he was blissfully unaware of what had happened. The translator had not turned up that day!

The officiousness of the External Affairs Ministry set-up also causes much heart-burn and many headaches to our diplomats. In some cases, the diplomats themselves are probably responsible for the embarrassing *faux pas* committed in Delhi. There have been many instances of a member of a visiting Asian delegation feeling insulted, because of the breach of protocol at a Delhi banquet.

How to Lose Friends

Visiting Ministers sensitive to protocol cannot appreciate the fact that the representative of the Foreign Ministry who goes to receive them has only the rank of a Minister of State. China's Foreign Minister makes it a point to go all the way to Canton to receive a visiting Minister and lay out the red carpet. If the first port of call of a Minister visiting India is Calcutta or Bombay, how properly is he received?

I sympathise with the plight of a recent visitor who had in the plane made notes on a reply he presumed he would have to make to a welcome address at the airport. On landing he found that welcome speeches were reserved for heads of State and Prime Ministers! Another head of State brought a gift to be given to the Indian Minister in waiting who would accompany him on his long tour of India, to discover later that such courtesies are reserved for a British Queen or an American President! For this Asian head of State, No.

Tailpiece: Our diplomats normally go out of the way to be helpful to visitors from home provided they do not make unreasonable demands, but once in a while one does come across specimens of a special breed. Like one who proudly affirmed his policy: "I have not sought the help of anybody in my life, and I see no point in trying to help others". Woe befall any Indian stranded in the city where this diplomat is posted.

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STATEMENT OF THE CHAIRMAN SHRI KHANDUBHAI K. DESAI, M.P., TO THE SHAREHOLDERS ON THE OCCASION OF THE FOURTH ANNUAL GENERAL MEETING OF THE COMPANY HELD ON FRIDAY, 21ST JUNE 1963, AT DULIAJAN, UPPER ASSAM.

GENTLEMEN : I have pleasure in presenting to you the Report of the Directors, and the Annual Accounts of the Company for the year 1962. Owing to certain restrictions imposed under the emergency, I regret that it has not been possible to circulate these Reports as usual.

GENERAL : The past year has been a most eventful one for our country due to the Chinese aggression and their attacks on our NEFA border in October. This event has had its repercussions, both directly and indirectly on Oil India. Our oilfields are situated in the North-East corner of Assam. At the height of the emergency last year it became necessary to make arrangements for evacuation of the families of our personnel from the oilfields. I am glad to say that this was done smoothly and efficiently and within the shortest possible time. Subsequently, it has been possible to allow the families to return to their homes. Our staff, however, stuck to their posts through the period, and carried on with the motto "business as usual". I would like to pay here my tribute to the staff — labour, clerical and executive for the spirit of constancy they showed throughout.



Security precautions due to the emergency required, however, a certain diversion of our resources, and this has resulted in some slowing down of operations and of our construction works.

In a wider sphere the Chinese Aggression has highlighted the need to maximise our production of petroleum products both to save foreign exchange and as a vital necessity of our defence effort. As far as the Eastern area is concerned, steps are being taken by the Government of India to expand the capacity of Barauni and Gauhati Refineries by 1966 so that the total production of refined products in this area including also the Digboi Refinery could be increased to over 4½ million tons. Naturally Oil India would have to make every effort to increase the production potential of crude oil both in our existing oilfields as well as in the new areas for which we have been granted exploration licences in order to meet as much as possible of these increased requirements. The Oil and Natural Gas Commission will be making a similar effort in their own areas in Assam.

I would now like to refer particularly to some of the highlights which marked our activities during the past year.

ROYALTY & EXPLORATION : I am happy to say that the dispute regarding Royalty has been satisfactorily settled with the Prime Minister's award last November, which fixed this at a rate of Rs. 7.50 per ton and Oil India is now paying royalty on this basis. Soon after, we also obtained our prospecting licence for 1291 sq. miles in Area 'A'. Another application for exploration licence of 595 sq. miles is now pending before the authorities concerned. Arrangements for starting a seismic survey in the former area were taken in hand immediately, but this had to be postponed due to the Emergency. However, early in 1963, we decided to speed up the survey work and for this purpose, we were fortunate in obtaining the services of a seismic team from the Oil & Natural Gas Commission. The seismic survey started in March, 1963 and a considerable amount of work has already been done. Needless to say in the light of the latest requirements, these operations including drilling of test wells will have to be carried out on the most intensive scale possible and this question is now engaging the Management's attention. I would like here to express my thanks to the Oil & Natural Gas Commission and the Ministry of Mines & Fuel for their assistance in making this survey party available and also express our appreciation of the very good work done by the seismic team in this relatively short period.



OILFIELD OPERATIONS : Last year, 25 wells were drilled of which 19 were oil producers, 2 dry and 4 await further testing. Our progress in drilling was somewhat delayed, partly because of troubles in land acquisition during the middle of the year and later on with the slowing down of certain operations necessitated by the emergency. Owing largely to the assistance and cooperation given to us by the Assam Government and the local authorities, we were able to overcome the difficulties in regard to land acquisition and the work is now going on unhampered.



Oil India can claim credit for two "firsts" in our drilling programme. Recently we adopted the new technique of "Dual Completion" which would enable simultaneous production from two horizons in the same well. This is still more or less in an experimental stage though we have successfully drilled one dual well and the second one is in progress. Another new technique which OIL adopted is directional (deviated) drilling in order to tap oil resources under the bed of the Burhi Dihing river; and up to date we have successfully completed three wells through this method. This is the first time these techniques in oil drilling are being employed in India.

CRUDE CONDITIONING PLANT : Another major achievement of this year was the completion of the Crude Conditioning Plant in Nahorkatiya, the first one of its kind in any part of the world. The plant has been brought into commission from February, 1963, and conditioned crude is now being supplied to the Gauhati Refinery. A similar plant is under construction in Moran.

PIPELINES : The 16" sector of our pipeline was put into commission in March, 1962, and has been supplying crude continuously to the Gauhati Refinery. I am glad to say that the 14" sector is also now ready for commissioning with the completion of hydraulic testing in February, 1963. Actually this testing would have been completed even earlier, but was delayed due to a number of pipe failures which had to be rectified.



The 720 mile long pipeline connecting the oilfields in Nahorkatiya and Moran with the Government Refineries is now ready and supplies to the Barauni Refinery can start as soon as required. The final tele-communication facilities are expected to be completed by October, 1963, but sufficient facilities have been installed already to enable the pipeline to be commissioned and operated manually. The Burmah Oil Company (Pipe lines) Limited, which superintended the design and construction of the work and the contractors who participated in this effort deserve to be congratulated on a difficult job well done.

FINANCE : In the financial sphere the outstanding event was the floatation of our Rs. 30 crores debenture issue to finance the rupee cost of the pipeline. This is the largest single debenture stock so far put on the Indian Market and I would like to take this opportunity of placing on record our deep appreciation for the keen interest and invaluable guidance given by the Reserve Bank of India and the State Bank of India in making this debenture issue a success. In addition, I would also like to thank all the many other financial and banking institutions who also gave assistance in the issue.



A second major event related to the conversion of our Sterling overdraft of £ 10 million with the Bank of Scotland to a medium term loan. Arrangements have now been finalised for raising these funds partly by loan from banking institutions, and partly by debentures floated in London by The Burmah Oil Company Limited, and this amount will now be granted as a direct loan from the Bank of Scotland to Oil India repayable over a period of 15 years.

I should like to refer briefly to our Profit and Loss Account for this year. Owing to certain recurrent troubles in the Refinery the offtake of crude by Gauhati was much less than anticipated. The commissioning of Barauni Refinery has also been delayed and it is now expected that the first stage will go on stream only in October-December, 1963. The result has been a corresponding curtailment in our sales of crude oil, the total being only 5,50,000 tons. Our unit costs of production excluding drilling and development costs have improved, the figures being Rs 8/- per ton in 1962 as compared to Rs. 13/- per ton in 1961. On the other hand with the commissioning of the first stage of our pipeline and the creation of further assets in our oilfields, we have to make a much larger provision for depreciation than last year. After taking into account the price adjustment under the Second Supplemental Agreement, providing for full depreciation for assessed properties and transferring last year's surplus to the profit and loss account, we have recommended a final dividend of Rs. 90/- per share for the year 1962. An interim dividend of Rs. 40/- was declared and paid in December 1962, and the remaining Rs. 50/- is now being paid. The net return on equity for 1962 will thus be 6¾% after deducting dividend tax.

GAS : A Special Sub-Committee set up for this purpose, with the representatives of the Assam Government has made a study of the problems connected with the production and supply of gas from our oilfields to potential consumers and has made certain recommendations which are now being considered by your Board. It is expected, however, that the actual demand for gas will only develop in about 2 years time when the State Electricity Supply Board, and the Fertilizer Factory at Namrup commence production, along with the development of other industries in this area. Meanwhile we have begun to supply gas requirements to some of the surrounding tea gardens in Assam and we are also continuing to sell our gas to meet the requirements of the Assam Oil Company.



STAFF : The year 1962 was the first year in which Oil India directly employed its own staff and became a distinct and separate organisation. As from January 1st 1962, we had taken on our own pay rolls all the staff required who were hitherto employees of the Assam Oil Company Limited although the Assam Oil Company will continue to render certain residuary services under a new services agreement which we have concluded with them. As you would gather from what I have said, the year has been marked for Oil India by some notable achievements and I would like to record here my appreciation to all the staff for the loyal services rendered and the good work done by all the employees of the Company, during the year. I would also like to thank my colleagues in the Board for their active assistance and cooperation on all occasions. In particular, I would like to mention Mr. J. C. Finlay, Managing Director and Shri P. Govindan Nair, Financial Director, who have worked most closely together to make this year a successful year for Oil India Limited. I also take this opportunity of expressing my thanks to the Ministry of Mines & Fuel and the Government of Assam for their valuable assistance.



From the London End

Rethinking on Aid

There has been, in recent years, a great deal of heart-searching on the form that aid for development should take.

Should it be in grants or loans, and should loans be hard or soft?

Should aid be provided on a bilateral or a multilateral basis? And should it be provided by Government organisations or private agencies?

Should aid be tied in any form, either to imports from the aid-giving countries or to specific projects in the recipient countries?

A brief assessment of the developing attitudes on these questions is attempted below.

THE growing gap between the rich and poor countries of the world has led to a serious reassessment of the whole problem of aid. Though a certain measure of aid has been channelled into the developing countries during the last fifteen years, this has had little impact in reducing the gap, and falling commodity prices have more than cancelled the benefits of this aid to the foreign exchange reserves of the less developed countries. Apart from the fact that — publicly at least — the conscience of mankind is no longer prepared to tolerate the great and growing differences between the industrialized and the developing countries, it is also recognised that in the final analysis the prosperity of the richer countries depends upon the prosperity of the primary producing countries. Declining export earnings inhibit the capacity of these countries to import from the developed countries, and this, in turn, has serious repercussions on the economy of the industrialized nations of the world, who, through modern methods of production, have an exportable surplus of the type of capital equipment required to raise the living standards of the less developed areas.

To Win Friends or Help Development?

Therefore, added to the philanthropic considerations, there are sound economic reasons for making the aid that is provided more effective, and there is little doubt that so far, despite good intentions, this aim has not been achieved.

In the immediate post-war period, the Americans, who then had no balance of payments problem, poured money out indiscriminately for political purposes, in order "to win friends and influence people". However, since many of the areas to which this aid was channelled had no proper development plans, the money was spent on consumer goods — particularly flashy American cars — and little impact was made on the economic problems of the countries to which this aid was channelled. The American tax payer bitterly resented the drain to these countries which showed no tangible return, while smaller quantities of aid, more strategically placed and offered on better terms by Russia, seemed to have more propaganda effects.

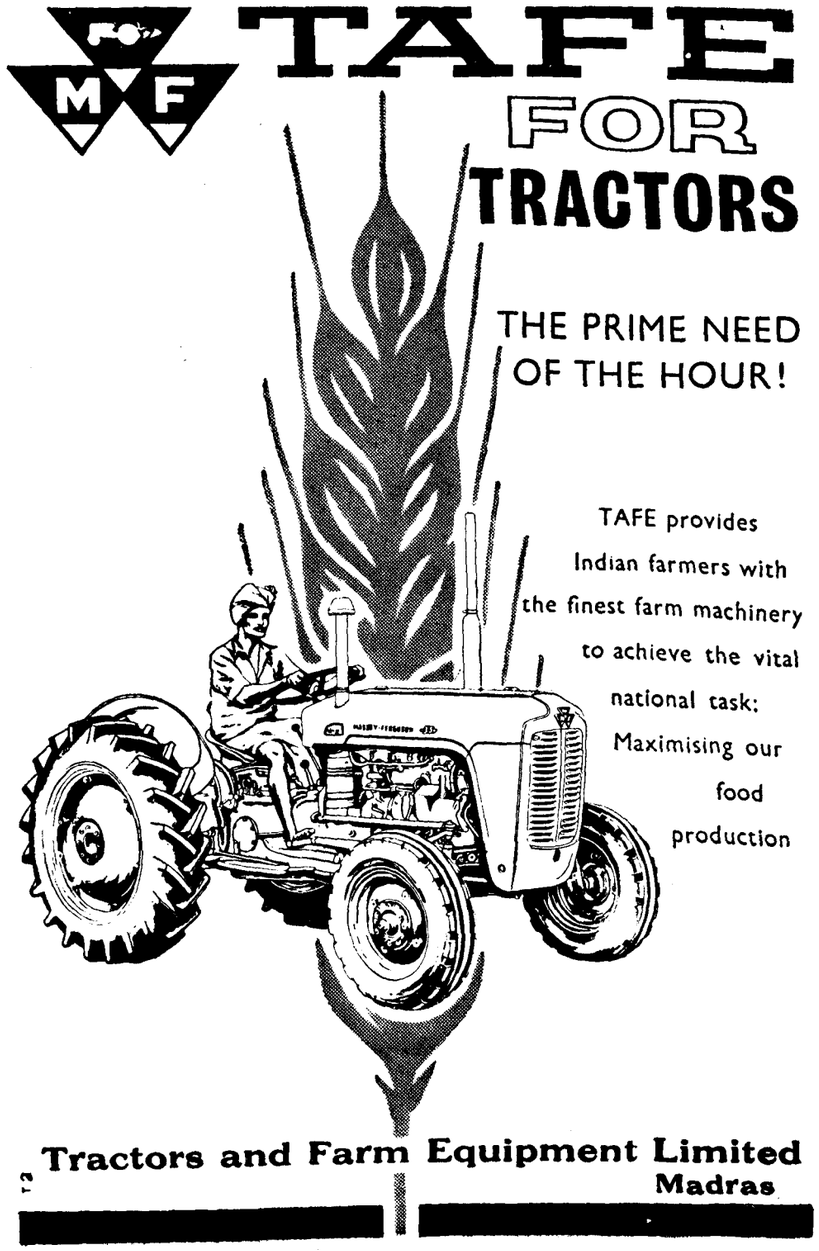
On Continuing Basis

Another important point that has now been realised is that aid can no longer be considered on an *ad-hoc, short-term basis* — the European Recovery Programme (the Marshall Plan) which was launched in 1948 was only a stop-gap measure to get Europe on its feet again. It was designed to be winded up after four years and the aid was justified on the ground that a grant of this nature would spare the burden of servicing foreign debts and help to restore the international monetary system by ending the dollar shortage, and in this way provide Europe with the necessary foreign exchange to import American goods. Short-term aid of this type, however, is not appropriate for the developing countries of the world because there is a long haul ahead before these countries can reach the period of "take-off" and become self-sufficient. And this is now well recognised.

Aid, therefore, must be on a larger scale and on a continuing basis for quite a long time ahead. Thus the old idea of foreign aid as a temporary measure with emphasis on short-run objectives has been largely given up and financial aid is now seen by most of the lending countries as long-term aid to recipient countries for their long-term development plans. If it is to be effective, it must be dovetailed into the development plans of the countries concerned, and a great deal more discretion must be exercised about the type of expenditure for which these loans are intended. The Mansfield Report produced earlier this year by a bipartisan Senate group headed by the Democratic Senator Mansfield, urged the US to reconsider its South East Asia aid programme and to make a thorough reassessment of security needs in that area. It points out that since 1950, $5,000 million has been poured into South East Asia, but the results cannot be valued at one-tenth of this sum. It suggests that no new countries should be added to the list of recipients and that the aid should not be expanded.

There has been, in recent years, a great deal of heart searching on the form that aid should take. Should it be in grants or loans, and should loans be hard or soft? Should aid be provided on a bilateral or multilateral basis? Should it be provided by Government organisations or private agencies? Should aid be tied in any form, either to exports from the countries concerned or to particular projects in the recipient countries?

A brief assessment of the attitudes that are developing on these points are listed below.



Grant or Loan, Soft or Hard ?

Most aid-giving countries provide aid both in the form of grants and loans. U S A, the largest single supplier of aid, originally favoured grants, but has now shifted over to loans in order to meet the persistent criticism of American taxpayers who believe that loans are a much more businesslike proposition. However, the growing recognition of the need for easier terms of repayment has led to a greater emphasis on soft, rather than hard loans.

Approximately half of U K's total aid is in the form of grants, and such loans as it makes, are made on strictly commercial terms which cover U K's own borrowing costs. The typical British aid on a loan basis is for approximately 25 years with repayment beginning in the eighth year. Interest rates range from 4 1/8 per cent for a one year loan to 6 per cent for 15 to 30 years loans. (This includes ¼ per cent management charge).

Countries like Belgium, Canada, the Netherlands and France, channel their aid mainly in the form of grants or similar contributions. France extends loans with low rates of interest and very long repayment periods, mainly to countries with which it has had long historical association. On the other hand, countries like West Germany, Italy, Japan and Portugal provide most of their aid in the form of loans — usually on strictly commercial terms.

There is reason to be increasingly concerned about the terms on which aid is being provided. It is extremely doubtful whether many less developed countries can continue to absorb increasing amounts of external capital on present terms, without running into serious difficulties in meeting their debt obligations.

Lenders of Soft Loans

The Development Assistance Committee of the O E C D (which grew out of the Organisation for European Economic Cooperation in 1961 and was a token of the growing interest in providing international economic co-operation) in its resolution on the Common Aid Effort adopted in March, 1961, calls not only for more aid to developing countries, but for increased assistance in the form of grants or loans on favourable terms.

In broad terms, it has been estimated that for less developed countries as group, the volume of external public debt (and the annual servicing of this debt by way of interest and repayment of principal) has more than doubled in the period 1955 to 1961. An increasing number of developing countries are entering a period where the annual payments in respect of debt servicing are likely to absorb quite a high proportion (sometimes substantially more than 10 per cent) of their export earnings. The problem is that many projects are slow yielding, and debt servicing falls due for repayment before additional foreign currency can be earned or saved. This is because loans are for short periods and carry substantial interest rates. There are also budget problems for the recipient countries. When large sums have to be found each year for servicing debts, it is particularly hard to further sequeeze the already low levels of consumption to provide for debt servicing in addition to new capital investment.

I D A and Soviets

The growing recognition of the need for organisations which could lend to the developing countries on easier terms than that provided by the World Bank led, at the end of 1960, to the establishment of the International Development Association which was set up as an affiliate of the World Bank. Unlike the World Bank which finances development on a strictly business basis, charging the ruling interest rates which fluctuate in accordance with changes in the cost of money in world capital markets, (and which, incidentally, impose too great a burden of repayment on the recipient countries), the I D A provides "soft" loans — i e loans which, although repayable in dollars, are for a very long term with no interest and only a small service charge. Loans from the Soviet Union to the developing countries, which started in 1954, were on terms which these countries considered very favourable as compared with the commercial type loans they were receiving from other aid-givers.

To begin with, Russian rates of interest were low — mainly between 2 and 2½ per cent; periods of repayment were fairly long, and payment was accepted in the recipient country's own currency. This last was particularly welcome, since shortage of foreign exchange is one of the main problems affecting the developing countries. In addition, the Russians were also prepared to accept repayment in the form of commodities. These new terms naturally led to a reassessment on the part of other aid-giving countries.

Reassessment by U S

In America in 1957, the Development Loan Fund was set up to extend loans in dollars, repayable in whole or in part in the borrower's own currency. As a part of the process of reducing the multiplicity of loan-giving organisations, the Americans decided, in 1961, to streamline their aid programmes. The Development Loan Fund and other U S agencies were accordingly replaced by the Agency for International Development (AID). This organisation provides loans which extend over 40 years, with no interest save a ¾ per cent annual service charge; repayment begins after 10 years.

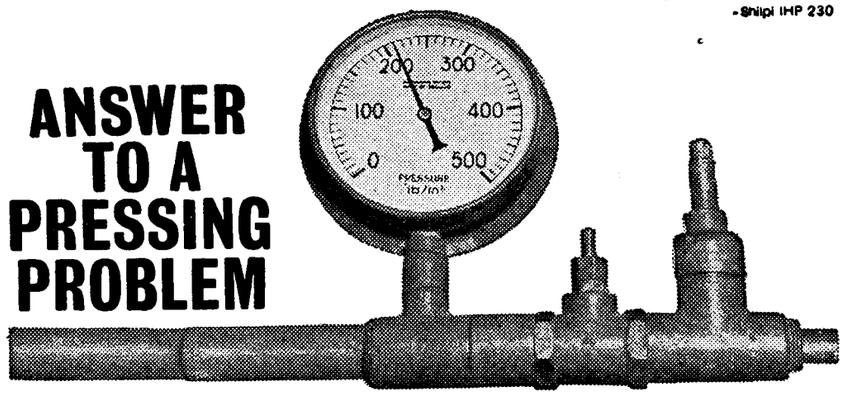
Another American aid-giving organisation is the Inter-American Development Bank which started in 1960. This organisation provides three types of loans. First, strictly commercial loans on terms similar to those offered by the World Bank and the Export-Import Bank. Second, loans at lower rates and for longer maturities, repayable in currencies loaned, or sometimes in the borrower's own currency. The third type of loan is made where the Bank handles a Trust Fund managed for the U S Government under the Alliance for Progress. These loans are made for social overhead projects on very low rates of interest and long maturities, repayable in the borrower's own currency.

Suppliers' Credits

So grave is the foreign exchange situation of the majority of developing countries that in order to encourage exports of capital goods from their own countries, many industrialized countries have initiat-

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ed what are known as suppliers' credits, to finance exports from the developed countries. These credits give rise to a number of special problems. They carry commercial rates of interest and usually the repayment has to be made in from one to five years (sometimes suppliers' credits are given for more than five years for certain types of capital equipment such as aircraft). The servicing of these credits is a heavy burden and data recently collected by the OECD go to show that the amount of these credits has been increasing steadily.

In one way, these credits fulfil an essential function by helping the less developed countries to obtain needed imports of equipment and capital goods without paying cash, but it has been found that they have sometimes been used to finance projects which ought to have been financed over much longer periods and on easier terms. However, rather than defer a project until easier terms can be obtained, it is not surprising that developing countries have turned to these suppliers' credits, but if this goes too far, the debt servicing burden may become impossibly heavy.

Progress towards Easier Terms

Figures published by the O E C D relating to 1961 (the latest available), show what progress has been made towards easier loan terms for the developing countries. In this year, 60 per cent of the bilateral aid was in the form of grants and grant-like contributions. These, of course, included the large sums made available by the U S in the form of loans repayable in the recipient's currencies and the transfer of resources under U S Public Law 480 through sales of surplus agricultural commodities against payment in domestic currency. Again, periods of repayment have been lengthening over recent years. In 1961, about one-fifth of all bilateral loans were for maturities of more than 30 years while only a few years ago, the proportion of such loans was negligible.

Another move that is taking place is to persuade aid-giving countries to reduce the differences in the terms they offer to the developing countries. Some donor countries allow a grace period of perhaps five or ten years before repayment, even of interest, begins. In others, interest rates, bearing no relationship to commercial rates, are as low as 0.75 per cent on maturities of up to 40 years. (Many American loans offer these facilities). That some industrial countries charged higher rates of interest than others, was causing illwill on both sides. Countries giving soft loans suspected they were really financing the harder loans of others, who felt, in their turn, that soft loan countries were adopting an unfair practice in international trade.

In the Development Assistance Committee (O E E C) meeting held in April this year, parity of terms of loan was strongly urged and countries like Britain and Germany were asked to liberalize their terms of lending in order to bring them nearer to those offered by other members of the group. At present, both U K and Germany charge interest rates on their development loans at rates corresponding to the borrowing costs of their Governments. Italy and Japan were also criticised for the hard terms they charged but less sharply, because the income per head of their population is very low in comparison with that of most members and their domestic investment needs correspondingly greater. So they may not be able to offer such easy terms as the others. It was suggested that the move to bring the loans terms nearer to parity should be extended both to individual aid programmes and to concerted aid operations by various financial consortia and similar groups.

Figures for 1961 show that of the loans provided by D A C countries, 18 per cent were at interest rates of 2 per cent or less; 7 per cent were between 2 and 4 per cent; 50 per cent were between 4 and 6 per cent and 20 per cent were above 6 per cent.

Tied Loans

From the point of view of developing countries, tied loans, quite obviously, are not popular. What these countries would like to do is to use the loans to buy in the cheapest market. However, a number of thorny problems arise since, with increasing balance of payments difficulties for the lending countries, the latter are anxious to tie any loans they give to exports from their own countries. Despite this, however, the general consensus of opinion at the O E C D is that development aid should not be tied to the donor country, except in special circumstances. It was noted that while nearly all multilateral development finance is untied, the major proportion of bilateral aid is tied. The Administrator of the U S Agency for International Development pointed out that the American policy of tied loans was a temporary measure necessitated by the balance of payments situation.

From the recipient's point of view, however, much more onerous and frustrating is the aid which is tied to a particular project. It is frustrating because the developing countries suffer from shortage of foreign exchange. To have available foreign exchange which they cannot apply to general imports which are needed to keep the already established industries going is like starving in the midst of plenty. Yet because these funds are earmarked for particular projects, they cannot be used and the projects may take some time to develop! Thus arises the phenomenon of accumulating unutilized aid side by side with idle capacity in industry.

The need for countries like India to have loans that are not tied to any particular project was stressed in the recent report by the Federation of British Industries which suggested that more British aid should go to maintenance imports, increasing the efficiency of existing plant. In the latest Aid to India Consortium offer, the bulk of the British commitment, i e, $ 63 million out of a total of $ 84 million, will be general purpose aid, available for maintenance imports, as distinct from money tied to specific projects. This is a substantially higher proportion of non-project aid than the other major contributors have felt able to give. U S which gives by far the easiest loan terms, has, in the past, provided about half its commitments in non-project aid.

Government or Private Aid

In the earlier period of thinking on the subject, the general idea was that aid should be provided through private investments institutions. When U S embarked on President

Truman's Point Four Programme of technical assistance, to less developed nations in 1949, the Administration did not advocate Government grants. It was assumed that the job could be done with private capital, with such loans as would be available from the World Bank and the Export-Import Bank on commercial terms. Indeed, up to 1957, the Export-Import Bank continued to be the principal U S agency for financing selected investment projects abroad. Since then, however, the Agency for International Development has been set up. Efforts to promote the investment of private capital abroad continue, and both the World Bank and the O E C D are trying to draw up a charter of terms which the developing countries can offer to attract foreign private investment, in order to increase their foreign exchange resources.

In April, the President of the World Bank said : "I have no doubt that the flow of private capital to the less developed would increase greatly if the private investor could be persuaded to overcome his present fears that, in many of these countries, his investment may be threatened by expropriation without fair compensation or by other arbitary action by the host Government". A system of multilateral investment guarantees is being studied by the Development Assistance Committee. A fresh blow to defend the rights of private investors has been struck by the Clay Committee Report which has urged the U S Government not to grant aid to Governments abroad to develop industries in the public sector where it is possible for such development to take place in the private sector. The Americans object, on principle, to taxing their private enterprise to subsidize foreign public enterprise.

Trade and Aid

The awareness is, at last, growing that although the provision of foreign aid will continue to be necessary for a considerable period ahead, trade with the developing countries plays no less an important part. What is urgently required now is trade *and* aid, if trade, *not* aid, is ever to become a possibility. In order that developing countries may supplement their scant foreign exchange earnings, the industrialized countries must open their doors wide to exports from them, particularly exports of manufactured goods, since with increased production and growing substitution by synthetics, primary commodities they had been exporting in the past cannot earn sufficient foreign exchange for them. Although there is a recognition of this need, it is by no means easy to persuade the industrialized countries to take more than minimal steps in this direction, because of the dislocation that freer imports of manufactures will cause to their own traditional industries, particularly textiles. The point, however, was made in a very forthright manner by the developing countries at the last G A T T Conference and it is bound to be raised again at the World Trade Conference to be held early next year.

In 1961, the 10 D A C countries (Norway became the 11th country in 1962) contributed 8.7 billion dollars to developing countries compared with an annual average of 3.5 billion in 1950-55 and 7 billion in 1956-59.

(*Million U S $*)

	Official	Private	Total
U S A	3,414	1,218	4,632
France	952.7	459.8	1,412.5
U K	445.0	406.0	851
Germany	573.6	222.0	795.6
Japan	231.6	147.6	379.2
Italy	68.2	167.8	236.0
Netherlands	69.0	152.0	221.0

The U S Agency for International Development (A I D) reports that during the fiscal year ended June 30, 1962, the U S spent a total of $ 5,084m (1,815m) on foreign economic assistance programmes. The total was made up as follows :

(1) $ 1,563m, on 'Food for Peace' commodities, (31 per cent of the aid programme).

(2) $2,508m, through the Agency for International Development.

(3) $584m, through the Export Import Bank.

(4) $224m, Social progress trust fund loan.

(5) $110m, Inter-American Development Bank.

(6) $62m, International Development Association.

(7) $30m, Peace Corps.

Of all U S foreign economic aid in the fiscal year 1962, 56 per cent was in the form of loans. This percentage is higher than in the two previous years when it was 50 in 1961 and 42 in 1960. Agricultural products accounted for 30 per cent or more of aid expenditure for the third successive year in 1962.

No exact figures are available, but the agency for International Development estimates that since 1945, the Soviet Union has spent between £4500m and £5,000m on aid to socialist countries and the newly-independent countries in the under-developed world. According to A I D some £2,500m in credits and grants has been made to developing countries by the Sino/Soviet Bloc as a whole since 1955. Russia has provided about 70 per cent of this, Communist China about 8 per cent and the Eastern European Communist countries the rest.

India has been one of the principal recepients of Soviet aid; Indonesia, the United Arab Republic, Afghanistan, Iraq, Ethiopia Guinea and Ghana are the other major recipients, apart from Cuba. At present, the Soviet Bloc is helping to develop nearly 900 industrial and other projects, under construction, or planned, in countries in Africa, Asia and Latin America.

The Economic Weekly

Foreign Subscription Rate

Due to increase in foreign postal rates it has been found necessary to revise our foreign subscription rate. With effect from July 1963, the annual foreign subscription will be Rs 34, 50s or $ 7.

A FERNANDES
Business Manager

Letter from Europe

Kennedy Abroad

The one thing President Kennedy — like the Russians — is afraid of is the Germans going their own way in manufacturing nuclear weapons. The Germans are technically capable of manufacturing them : they have the cash and the hardware. Their membership of N A T O and their dependence on America have so far prevented them from going it alone. But how long ?

A younger generation of Germans is getting restive. This generation is willing to cooperate with the French in making nuclear weapons. Only three weeks after Kennedy left Europe a German Minister was saying that "only a European nuclear force would be equal to the American and Russian atomic potentials and would stand on a firm basis".

Kennedy no doubt had anticipated this. His answer was to try to bind the Germans closer to the Atlantic Alliance, by seemingly making concessions, and drawing from them allegiance to the Alliance.

NOW that President Kennedy's hurricane visit to Western Europe is over and the streets in West Berlin have been swept clean, it is left to ask what has been achieved by the leader of the New Frontier in his barn-storming. Long before the President left for Europe serious papers all over United States were asking what earthly purpose Kennedy could serve by making his trip. Leading commentators like Walter Lippmann did not hesitate to condemn the proposed trip as ill-advised. Their ground for condemnation was as plain as it could be. In the first place, a civil rights battle was on at home and the Negroes clearly were on the war-path. The Presidential hand was needed at the White House and the country was desperately waiting for guidance from the top. In the second place, in almost every country that Kennedy was scheduled to visit, the governments were on the verge of collapse, had already collapsed or were due for major repair. Ireland, it was true, had a stable government. But Kennedy was not going to Cork to discuss a multinational nuclear force with Mr De Valera. In West Germany, Chancellor Adenauer was slated to retire in the autumn leaving the field open to his colleague Economics Minister Dr Erhard. In Britain, the country was still echoing with the thunder from the courts and the penny press over the Keeler-Profumo affair. In Italy, at the time of Kennedy's departure, there was neither government, nor even a Pope installed. Lippmann, no waster of words, was within reason in asking his distinguished friend to desist from making his flight. He might rightly have asked, as indeed he did, whether this trip was really necessary.

Whatever Kennedy's reasons for brushing the advice of one and all, he stuck to his schedule. It has been said since then, that if nothing else, the President has had an opportunity to see for himself, at first hand, the conditions in West Europe at the very beginning of new reigns. In Germany, he took the opportunity to have a quiet tete-e-tete with Erhard. He also listened to Berlin's Governing Burgomeister Willy Brandt—separately. In Italy he called on the new Pope. And he also had talks with government leaders.

Division of Germany : "No Immediate Solution"

But it was not Italy that mattered; it was Germany. Where did this divided country stand as the United States was on the verge of conciliation with the Soviet Union? What was it that it wanted and what was it that it was willing to give in return? What did the United States expect of West Germany and what was the price that Washington was prepared to pay for it? These questions naturally arose as Kennedy's plane landed at Wahn airport on June 23.

The pitch was queered almost from the very beginning. In his welcome speech at the airport, Chancellor Adenauer stated clearly what was worrying him. He reminded the youthful President that his visit to West Germany was a political act. And then he added:

"On the 10th of June, you stated before the American University in Washington that the United States of America stood by its commitments to defend western Europe and West Berlin. In the same speech, you said, Mr President, that the United States would make no deal with the Soviet Union at the expense of other nations and other peoples. You said too, Mr President, that not only did America's interests converge with those of its allies, but that there was also an identity of purpose and objectives. Could there have been any better way for you to demonstrate such determination than by visiting the Federal Republic and other countries in Western Europe, than by paying a visit to West Berlin"?

What Chancellor Adenauer was saying in fact was that Kennedy should clearly declare, once again, at the very start of his trip, that the United States would make no deal with the Soviet Union that would imply recognition of East Germany, or of West Berlin as a separate City State. Kennedy, however, would not catch the bait, so tactlessly thrown at him. Instead, he read a small sermon to the ageing Chancellor. Said Kennedy:

"We are allies in the only war we seek — the war against poverty, hunger, disease and ignorance in our own countries and around the world".

This was not meeting the argument. The question was later pressed — inevitably — at a press conference. A correspondent made bold to ask whether Kennedy, specifically, saw any chance of overcoming the division of Germany, if nothing else, in



the sense of perhaps reducing pressures?

The President took the question in his stride, in perhaps the most straightforward way any American President in his position could have done. It has been the policy of the United States, he said, for a great many years, not to recognise in the **juridical** sense (emphasis mine) the division of Germany. Then he added:

"Quite obviously, the German people wish to be reunited. If the people of the United States had lost a struggle and the Mississippi river divided us, we would wish to be united. I think the people of the Soviet Union, if they experienced a comparable fate, would wish to be reunited. People and families wish to join together. That is the object of our policy. **Quite obviously, there is no immediate solution** (emphasis mine). We hope that time, the desire of people to determine their own destiny, will be sufficiently strong, the policies that may be developed as times go on, as events change, will bring about that reunification.... even though today that future may be uncertain, that date may be not possible to mark. There have been so many changes in the world in the last 18 years, that I don't think anyone should despair".

These words had long needed to be said, but no one had dared to say them. Indeed, there were pressures on Kennedy to say that he will fight for German reunification at any cost. **The Unteilbares Deutschland,** a non-party organisation devoted to keeping the idea of a united Germany alive had liberally distributed posters all along the route that Kennedy was to take, which demanded German reunification. These posters were particularly numerous in front of the Chancellor's residence and could not have stayed there but for the connivance of the Government. It stands to the credit of the President, therefore, that he withstood those pressures. Perhaps that was what, after all, the West Germans themselves wanted. By themselves they could not extricate their position which had long been committed to a demand for German reunification. But the leaders could now turn to the people and remind them that no less a figure than the American President had cautioned a go-slow policy. Kennedy did his job beautifully, firmly. His courage to remove the fuse from the German reunification bomb has everything to commend it.

Change from Dullesian Approach

The point that Kennedy was making—and it was not entirely lost on the Germans — was that for any progress to be made, even on the question of German reunification, a solution of the cold war was the first pre-requisite. He refused to call the Soviet Union his enemies. A careful perusal of his speeches in Germany, including West Berlin, reveals that when he spoke of the Communist bloc, he referred to "those who make themselves our adversaries". Implied in this was an invitation to the Communists to cease making themselves adversaries. This was a new tone—a change from the Dulles era.

Kennedy's purpose, of course, was not just to defuse the German reunification bomb. When one correspondent asked him, simply, but effectively, what the purpose of his entire trip was, a question, no doubt Kennedy was hoping somebody would kindly ask, the reply was prompt. Kennedy said:

"Because I regard the relationship between the United States and Western Europe as vital to our security. This is a changing period in the West as well as in the East. We deal with problems of nuclear defence, of monetary policy, of trade policy. We are making decisions which may affect our relative positions through the world over the next decade. I think it is very appropriate that a President of the United States should come here **to emphasise our strong convictions in these matters."** (emphasis mine).

What were these strong convictions? Correspondents who covered the Kennedy visit seemed to have missed this statement completely. Kennedy was labouring under a grave handicap in the matter of nuclear defence. The one thing that he — like the Russians — was afraid of was the Germans going their own way in manufacturing nuclear weapons. The Germans were technically capable of manufacturing them. They had the cash and the hardware. Their membership of NATO, their dependence on America for protection had so far prevented them from going it alone. But how long? A younger generation of Germans was getting restive. This generation was willing to cooperate with the French in making nuclear weapons. Only three weeks after Kennedy left Europe, Herr Walter Scheel, West German Minister for Development Aid and a member of the nationalist Free Democratic Party was saying that "only a European nuclear force would be equal to the American and Russian atomic potentials and would stand on a firm basis". Kennedy no doubt was anticipating this. His problem was that he was damned if he did not make a show of giving the Germans some responsibility for atomic arms; he would be equally damned if he did.

Kennedy's technique was to bind the Germans closer to the Atlantic Alliance, by seemingly making concessions to the Germans and drawing from them allegiance to the Atlantic Alliance. Sabre rattling had been part of the German attitude towards the Soviet Union — an attitude that had been encouraged by the Eisenhower regime. Kennedy's purpose was to get the swords back in their scabbards. The communique issued at the end of the Kennedy-Adenauer talks showed that the President's convictions had prevailed. The communique said in part:

"The Federal Government shares the view of the United States and other Allied powers that controlled disarmament and agreement on the cessation of atomic weapons tests would constitute an important step towards the avoidance of a dangerous armaments race.....

"The President and the Chancellor reaffirmed the commitment of their two governments to the right of self-determination, as embodied in the United Nations Charter and to the achievement of German reunification **in peace and freedom** (emphasis mine). ....They also agreed that the two governments would continue to seek to reduce tension through international understanding".

On the issue of French-German understanding, Kennedy was pro-

perly emphatic, as he said it was his duty to do so. What happened when the two leaders had their private talk in the seclusion of the Palais Schaumberg is anybody's guess, but at his press conference he lambasted General de Gaulle, without mentioning the name, for trying to undermine NATO. He might very well have added, for trying to wile away Germany from the NATO camp. Kennedy had been asked whether the US Government had any objections to the German-French Treaty. Of course not, said Kennedy. And then he went on:

"What I think we are concerned about is the maintenance of the integrity of NATO..... I don't think that we can find strength in bilateral arrangements that we can in multilateral arrangements ..... I want to make it very clear that we support strongly the reconciliation and the effort at friendship which is being made and has been made over a number of years (between Germany and France). But we also want to be sure that NATO stays strong, because I think NATO is essentially the security of the Federal Republic and we regard is as essentially the security of the United States. Those who do not place comparable importance on it, it seems to me, are ignoring history and are over-optimistic of the future."

This was a warning to Germany not to be too close to France, if it cared for its own ultimate security. There were other things that Kennedy had to say, besides administering a warning to Germany. It was that the Germans would have to pay the price for being protected by the United States. Kennedy said that the United States was keeping 400,000 troops in Western Europe. That was a burden on the American taxpayer. So, said the President, when America was discussing trade and monetary policy with Germany "some cognizance would be taken of the fact that the United States has carried a very heavy load around the world for 18 years."

The communique issued by the two governments does not throw much light on the kind of **quid pro** sought by the United States. That Kennedy asked the West German government to do more for developing countries is clear. The communique mentions that the two governments stressed "in particular the need for stronger participation in world trade by the developing countries". This was supplemented by Kennedy's remarks at the press conference when he said:

"We cannot help but be concerned by the fact that the price of raw materials of the underdeveloped world has steadily declined relative to the price of manufactured goods. Therefore, their economic position in some ways is worse off in spite of all the aid given. Therefore, unless we work hard and progressively, and with imagination and idealism, we may find ourselves a rich area in a poor world, which is subject to all the influences that poverty bring with it".

Economic Aspect of the Trip

There is reason to believe that the most important aspect of Kennedy's trip to West Germany was not so much political — relevant though it was — but economical. What Kennedy was urging was an integration of the German economy with that of the American economy. Consider this reply which Kennedy gave to the correspondent who asked what new ideas he had concerning European transatlantic economic cooperation.

"The experience of the twenties which helped lead to the disasters of the thirties should be sufficient warning to us that we should be able to give the successful management of our monetary policies the highest priority. No nation can maintain its own security and a successful management of its own fiscal affairs. There has to be the closest cooperation. Or otherwise, I think you will find successively in various countries deflationary policies which will lead to a lower standard of living at home, which will lead to each country managing its own monetary affairs with indifference to the affairs of others, which will lead to the breakup of our defensive alliances. That is the prospect which we face unless we are successful in working out the new round of talks coming up in 1964..... so I regard this matter of monetary policy, which deals with the standard of living of all of our people, as a matter of first priority".

Considering the sharpness of Kennedy's tone, there can be no doubt that in his talks both with Adenauer and more so in his talks with Erhard, the President did not mince matters. Kennedy was asking West Germany to look beyond its nose, not only politically, but economically, even as the United States was so doing. In asking that, Kennedy promised something big, something that no American leader had so far dared to offer. He said that the United States will risk its own cities to defend those of Europe, simply because "we need your freedom to protect ours". And he added, with one glance at Paris: "Those who would doubt our pledge or deny this indivisibility — those who would separate Europe from America or split one ally from another — would only give aid and comfort to the men who make themselves our adversaries and welcome any western disarray".

It is possible that Kennedy's efforts in making all these things clear will be belittled not only in his own country, but in Europe as well. In France, already, the government has cast its doubts about American willingness to risk its cities. But it is fair to say that no American leader has done more to state America's political philosophy more clearly and succinctly as Kennedy did, especially in his address at the Assembly Hall of Frankfurt's Paulskirche. France may still rue the day when it refused to heed Kennedy's words. He denied rumours that America was out to dominate Europe. If that was its intention, he said, it would have preferred to see Europe divided and weak, when all the time it was looking forward to see a Europe united and strong. But in calling the attention of western Europe and especially West Germany to the plight of developing countries, Kennedy surpassed himself as a statesman. Calling for increased rise in business activity and general prosperity resulting for all participants in trade agreements, Kennedy quoted a saying in Cape Cod that may well be posted in every chancery in the world: A rising tide lifts all the boats.

Letter from Japan

The Japanese Railways

In Japan there are three main types of agencies to run the Government's commercial undertakings.

(a) those which are a part of the Government machinery, such as the State Printing Department;

(b) agencies holding monopolies of essential commodities whose profits go directly to the State; and

(c) semi-autonomous agencies which are run by special boards under the control of the Diet.

The Japanese National Railways is a semi-autonomous agency and combines, in its working, commercial principles with concern for broader national social and economic requirements.

IN Japan it is not possible to smoke a cigarette or to eat a meal cooked without salt without the active co-operation of the State. Both the sale of salt and cigarettes are a Government monopoly into which no private businessman may enter at the wholesale level and the profits go directly into State coffers.

In contrast, the Japanese National Railways, which had been under direct Government control ever since the first railway line had been laid between Tokyo and Yokohama in 1869, became a semi-autonomous corporation in 1949. The only other corporation of this type, which also became semi-autonomous in the same way, is the N H K, the national radio corporation. To the N H K, however, the only source of income permitted is the revenue from radio and television licences, which is collected by N H K's own collectors (and not the post office as in India or the United Kingdom).

Thus in Japan there are three main types of Government agencies: (a) those which are a part of the Government machinery, such as the State Printing Department, (b) agencies holding monopolies of essential commodities whose profits go directly to the State, and (c) semi-autonomous agencies whose employees are not Government servants and which are run by special boards under the control of the Diet. This third type remains under State control primarily because it is believed that handing them over to private interests, would be contrary to public interest. In the case of N H K, the Americans after the War forced on a somewhat reluctant Japanese public numerous second-rate and inferior commercial TV and radio stations with the argument that organs of information should not be controlled by the State. In the case of the national railways, the business interests behind the Government believed that low-cost, Government-subsidised transport would give a fillip to the economy.

Board's Wide Powers

The National Railways is administered by a Board of Directors, consisting of a president, a vice-president and 12 to 17 other members, and certain audit and enquiry members. This board mainly deals with long-term policy, finances, organisation and matters which require Diet approval. It is thus partly political and the President is always appointed by the Prime Minister, usually for three to five years. The president and vice-president also serve on an executive body consisting of managing directors of sections and the Chief Engineer. The 1948 Diet Law establishing the National Railways Corporation specifically forbids the Board of Directors from laying down the charges for passenger fares on trains or ferries or altering freight charges on full carloads. This can only be done by altering the law in the Diet. Fares were increased in 1949, 1951, 1953, 1957 and 1961. With the approval of the Minister of Transportation, it may alter the rates for special tickets and commuter fares and certain other charges. In other words, although the JNR is set up as a semi-autonomous organisation, it is not a commercial organisation and political pressures can have an important effect on its policy. The present basic second class fares are 2.75 yen per kilometre up to 300 kilometres and 1.35 yen per kilometre for distances over 301 kilometres. A yen is worth about a farthing. On this basis about 31 out of the 226 operating lines are paying but the profits in 1961 on these 31 lines was 97,882 million yen offsetting the 41,339 million yen loss on the remaining 195.

Yet while control of fares is mainly a political matter and out of the control of the Board of Directors of the JNR, the Board has considerable freedom in financial and other matters. It can introduce fast diesel trains on unprofitable lines or even tear up tracks and turn the railbed into a special road which only JNR buses can use. It can embark on to any form of transportation and there is nothing legally to stop it from entering air transportation if it wished and could get the local operating permit. It can even raise funds from private sources although up to the present it has only obtained funds through government sources. Some of the funds for the new Tokaido link between Tokyo and Osaka were obtained from the International Bank for Reconstruction.

There is thus a tendency for the plans of the executive director of the JNR to exceed the amount of capital available to him. It is widely believed that the non-reappointment of Mr Soga a few months ago was an attempt to show the displeasure of the Liberal Democratic Party at the over-spending by the JNR on the new Tokaido Railway, which is expected to be a very profitable scheme. The position of the President is a difficult one, torn as he is between the commercial considerations in running his organisation and his indebtedness to the Government in power which appointed him.

Taking all these points into consideration one cannot but be impressed with the great advance that the JNR has shown since it became a corporation. New fast services are found everywhere along the main routes north and south and the new Tokaido line is planning to cover

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the 500-odd kilometers between Osaka and Tokyo in 3 hours at a maximum speed of 200 kilometers per hour. This will make it the fastest line under continuous operation in the world. Freight trains are expected to average 130 kms per hour. This new line is hoped to be completed in time for the Olympics next year.

Comparison with India

However the pattern of operation of the JNR is very different from that of the Indian Railways. Firstly, there is a high concentration of population along the main trunk line from Aomori to Kagoshima with most of the population and industry of Japan concentrated between Osaka and Tokyo. Between Osaka and Tokyo, for example, there is a part of the main line in which trains pass once every three minutes day and night on a double track line. Thus along this main line, the railways have as much traffic as their capacity will allow them to carry. So along this line there are fast expresses which may stop at only one or two places, semi-expresses and limited expresses. To travel on each of these express trains one is required to buy a special ticket which may cost as much as 50 per cent more than the basic charges mentioned earlier for faster service. There are also differential rates for different classes of goods based on the speed of the service. Then feeding into this main trunk line are feeder lines of various sorts. Many of these lines are starved for lack of development. For example, the line between Ueno and Nagano, has only a single track along much of its length and during the busy season such as the winter ski-ing season, the railway loses a lot of its passenger traffic to bus companies who can take people straight to the ski-ing ground in the same time as the trains. Moreover much of the rolling stock and trains were heavily over worked during the war and the JNR has not managed to replace much of this old stock nor to renew all the track with the heavier type rails necessary for the increased traffic.

Because the JNR is not a commercial organisation, there are certain groups of users, especially commuters and students in the cities, who do not pay an economic rate for their tickets. The average commuter travels over 25 kilometers a day to and from work. This extra load of passenger traffic has to be borne by the JNR and they are unable to divert it to other forms of transport because the rates on buses and private railways are higher. There is a special employee in city terminals known as a "pusher" whose job it is to push overcrowding passengers into the compartments so that the doors can be closed. It is said that during winter the trains carry fewer passengers because of the passengers' over-coats !

In short, while the JNR has taken immense strides since the end of the War, the limitation on charging economic fares and the pressure by the Diet to support and build uneconomic lines, have forced the management to improve those services which make quick returns such as the express trains and the Tokaido line while postponing decisions on the longer-term improvement of the railways in general where no additional income is likely to be forthcoming immediately.

Of course, there is not the slightest reason why a national service such as the railways should not be operated in the interest of certain users if it is the wish of the country at large. But I think that the cost of such a policy to a corporation, such as the Japan National Railways, constantly under Diet pressure, ought to be clearly illustrated. I have mentioned earlier that it often appears that the President of the JNR is made a scapegoat when a financial crisis or major disaster occurs. I believe this to be a fundamentally unfair method of operating the railways. It is known that the last time the Liberal Democratic Party tried to select a new president of the JNR, a number of businessmen who were approached refused the offer because, they would not have a free hand.

*

The largest stadium in Tokyo for the Olympic Games will only hold 71,000 people and the Tokyo Olympic Organising Committee has now announced that only 20,000 tickets will be available to guests from overseas. It has been estimated that over a million Japanese are anxious to attend some portion of the games and the organisers are astounded at the likely demand. In Rome I understand that it was sometimes possible to buy tickets at the grounds. This is not going to happen in Tokyo and the 30,000 tickets for each ceremony are to be allotted on a lottery basis in the same way as state houses are allotted. Some 11,000 tickets will be given to guests of the TOOC and affiliated organisations and 10,000 tickets will be allotted to Governmental organisations which have financially supported the games. The intrigues to acquire an Olympic ticket are now becoming scandals and one of the national newspapers recently had a leading article appealing to Diet members not to attend the Games unless they had been personally involved and not to take their wives and children, so that ordinary Japanese are not deprived of tickets.

Ikeda's Re-election Certain

It seems almost certain that Prime Minister Ikeda will be re-elected President of the Liberal Democratic Party next month which means that he will certainly continue as Prime Minister. Ikeda has been a successful Prime Minister insofar as no major crises have occurred during his term and the general prosperity of the Japanese people has tended to increase. While there is some criticism of the rapid increase in the cost of living, Ikeda has admitted that this is inevitable with a booming economy and that he does not intend to do anything about it. Yet there is no other candidate likely to be more successful. Bamboku Ohno is also likely to retain the vice-presidentship of the party. The main struggle is likely to occur between the so-called career section of the party and the "bureaucrats", those who have moved up through the administrative service and subsequently resigned. The leader of this latter group is Eisaku Sato, who has been a firm opponent of the Prime Minister. They are, however, not as important now as they were when the Prime Minister first took office and it is likely that Ikeda will be able to form his cabinet without their support. The Japanese economic situation is now so good that no one wishes to rock the boat for the sake of changing from one faction to another.

The only likely threat to the Government is the increasing dissatisfaction with the corrupt practices by which certain representatives got elected at the last election and the increasing strength of the Socialist Party in certain areas supposed to be the strongholds of the Liberal Democratic Party. The most outstanding example is that of Azuma who got re-elected Governor of Tokyo by having false seals made and affixed to his campaign posters. The Liberal Democratic Party is becoming increasingly concerned at the poor image that they are presenting before the people. Since the Socialists are now systematically trying to improve their party machinery many political analysts now believe that the they have a good chance of coming to power in the election after next. This is already worrying the Liberal Democrats.

The Diet has just been prorogued for the summer recess amidst scenes of disorder in which the Socialists tried to filibuster the passing of an Unemployment Bill in which labourers who would not be directed to new jobs would lose their unemployment pay. The Socialists instead of trying to modify the bill by discussion tried to block it completely with the result that 70 other bills were postponed or delayed upsetting the whole programme of the Government. Both the Socialists and Liberal Democrats are to blame as each side tries to use its power just to obstruct the other side instead of trying to negotiate. The scenes of disorder were televised — to the detriment of both parties, in my opinion.

Japan's Exports Rise

IN the first half of 1962 Japanese exports increased by 13 per cent compared to an increase of 2 per cent in the exports of the ECAFE region as a whole, according to the U N's "Economic Survey of Asia and the Far East 1962". There were divergent movements in the exports of different countries in the region, but the strong recovery of industrial production in the United States and the continued high industrial activity in Europe lifted the region's exports from the stationary level of 1961.

Japan benefited the most from the higher levels of activity in the other industrial countries. They are the largest purchasers of Japan's exports of processed food and raw materials which rose in value by over one-third during the period. Even larger increases were recorded for iron and steel products, radio receivers and motor vehicles. However, Japan like India and Hongkong, made no progress with textiles, exports of which have been virtually frozen by the provisions of the International Textile Agreement which limits shipments to producing countries in West Europe and North America.

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Exports of Developing Countries

THE importance of exports for economic development of the developing countries stems from the fact that (1) in several of these countries, export production and trade constitute a preponderant part of their total economic activity; and (2) even in the case of the small minority of the less developed countries where the share of exports in national product is not large (as, for instance, India whose exports constitute a mere 5.4 per cent of Gross National Product in the early 1950's and declined to 4 per cent in the late 1950's)* the importance of expansion in international trade remains crucial "because all developing countries are heavily dependent on imports of machinery, heavy equipment and other essential goods that are strategic to lifting the levels of productive investment for accelerated economic growth".†

Discouraging Economic Growth

Unfortunately, however, recent developments in export trade of the less developed countries provide little ground for satisfaction. Export trade of these countries has not fared *at all* well in comparison with the export trade of the advanced countries. In the decade of 1950's, the *volume* of exports from the less developed countries rose at an annual rate of 3.6 per cent as against 6.9 per cent rate of increase for the developed private enterprise countries and 10.7 per cent for the centrally planned economies.

On the other hand, under the momentum of plans of economic development, the volume of imports of the less developed countries rose at an annual rate of 4.6 per cent which "was significantly in excess of the 3.6 per cent annual expansion in the volume of exports".‡

But the lagging volume of exports, according to the World Economic Survey, is but one aspect of the critical problem encountered by the less developed countries. The external balance was considerably accentuated by a steady deterioration in the terms of trade. The average price of goods exported by these countries in 1960 was about the same as in 1950, while the average price of their imports was significantly higher, resulting in the decline of the terms of trade by 9 per cent. As a consequence, the share of the under-developed countries in total world trade which was already low at one-third shrunk to one-fifth. The industrially developed countries and the centrally planned economies increased their respective share of world trade.

The performance of what is referred to as the E C A F E region during the last decade was much poorer than of the under-developed world as a whole. The 1962 E C A F E Survey points this out: "The region's total exports in 1959-61 were at slightly less than three times the pre-war (1938) level, whereas those of the under-developed areas of the world as a whole were four and half times and those of the developed areas five and half times". Compared to the export index of 107 in 1951-53, that in 1959-61 was only 109. In other words, the level of exports remained almost stationary. Actually, the first part of the decade registered a decline in the level of exports. In the latter part, however, there was an improvement and that gives one some hope that the future may be less bleak for the region's exports.

Root Cause

As the World Economic Survey puts it, "the reasons for the unfavourable trends in the external trade of the under-developed countries are rooted in the basic structure of this trade itself". While primary products account for well over four-fifths of the exports of these countries, over two-thirds of the exchange earnings of the industrially advanced countries are contributed by exports of manufactures. The trading pattern of the under-developed countries is such that they export in the main primary products and import in return largely manufactured goods. For no other group of countries, says the World Economic Survey, *does the exchange of exports for imports rest on such an uneven keel.*

Further, not only do these under-developed countries exchange primary products for manufactures, but their trading pattern is closely linked with the structure of trade of the advanced private enterprise economies. Although exports to centrally planned economies have more than doubled, the share of such exports in the total exports of the under-developed countries is still quite small. 89 per cent of exports of the developing E C A F E countries were shared by Western Europe, the U S A and Japan. The corresponding percentage for India is 74 but the fact remains that the country depends very largely on these countries for the sale of its exports. It is this fact which prompted the E C A F E to examine in detail the trading relations between the under-developed countries and industrially advanced countries. The development of E E C and its trade and tariff arrangements with its associated countries are of particular interest to the E C A F E region. So also is the possibility of British membership of E E C.

Western Tariff Policy

The E C A F E Survey makes some very significant observations on the tariff policies of the Western countries. "In spite of their divergent levels, the customs tariffs of Western European countries have three common features. First, they are low for primary commodities not competing directly with domestic production. Secondly, with some exceptions, tariffs increase at each stage from crude to processed materials and from processed materials to finished products. Thirdly, there is a tendency for tariff rates to increase more in the transition from crude to processed materials than in that from processed materials to finished products. These features clearly indicate that the tariff structures of the West European countries have been so designed as to

* See U N, Economic Survey of Asia and the Far East 1962, p 32, referred to hereafter as 'ECAFE 1962 Survey'.

† See U N, World Economic Survey 1962, Part I. The Developing Countries in World Trade, p 1, referred to hereafter as 'WES 1962'.

‡ W E S 1962, p 2.

Table 1 : E E C : Average Tariff Incidence on Imports from Third Countries

Commodity Class	Average of National Tariffs as on January 1 1957	Common External Tariffs
Food	12.5	15.1
Raw materials	4.0	0.1
Semi-manufactured goods	6.0	7.0
Investment goods	11.9	12.8
Other finished manufactures	15.5	17.3
Total	8.1	7.6

Source : Statistical Office of the European Community, Information Statistiques, 1960, No 3, pp 245–246.

offer protection to their domestic manufacturing industries". In fact, one can go further and say that possibly the whole complex of tariff structures in these countries is deliberately designed to keep the underdeveloped primary producing countries outside the area of manufacturing and as the E C A F E Survey observes, these tariff structures have succeeded to no small extent in discouraging the development of manufacturing industries in the primary exporting countries, even the simple processing of raw materials.

G A T T ministerial meeting in December 1961 took note of the need to reduce those tariffs which differentiate disproportionately between processed products and raw materials "bearing in mind that one of the more effective ways in which less developed countries can expand their export earnings is through processing the primary products they produce for export".

While the E E C's common external tariff is supposed to follow the G A T T rules, the structure of common tariff, instead of rectifying, accentuates the features which operate adversely against the less developed countries. We reproduce the interesting table (Table II.19) from the E C A F E Survey in Table 1.

The impact of the E E C arrangements on various groups of commodities and their relative importance to India, and four other countries of this region can be observed from another table (Table II.20) reproduced below (in Table 2).

A sizeable proportion of the exports of India and Indonesia, it will be observed, will be hard hit by the replacement of the national tariffs by E E C's Common Tariff.

That poor export performance of the under-developed countries is deeply rooted in the structure of exports and production pattern of the under-developed countries is emphasised by both the Surveys. Their heavy dependence on primary exports comprises the basic economic reason for the current situation. During the 1950's the dominant influences at work were : (1) low income elasticity of demand for foodstuffs and (2) high propensity to economise and substitute in the case of raw materials. Table 3 reproduced from World Economic Survey summarises the income elasticity of demand for imports from under-developed countries into the industrially advanced countries.

Exports of Manufactures

It is because of the operation of the above influences that the E C A F E Survey observes that the scope for "export expansion along traditional lines is limited". The Survey hopefully notes, however, that in recent years exports of manufactures from the developing countries of the region have grown fast. Between 1955 and 1960 exports of manufactures rose by 40 per cent. The direction is clearly indicated. Sooner or later, the under-developed countries will have to "follow Japan's path of industrialisation and even exporting manufactured goods". The Survey suggests therefore that countries with abundant raw materials should as a first step towards industrialisation start processing or refining agricultural and mineral products and export them in processed form. But the spectre of tariff differentiation against processed goods is quite forbidding and

Table 3 : Income Elasticity of Imports of the Industrially Advanced Countries from the Developing Countries *

Commodity Group	Income Elasticity
Foodstuffs (SITC groups 0 and 1)	0.76
Agricultural raw materials and ores (SITC groups 2 and 4)	0.60
Fuels (SITC group 3)	2.87†
Manufactured goods (SITC groups 5 to 8)	1.24

* The estimates were derived from regression of gross domestic product of the industrially developed countries on imports of each commodity group from the developing countries. The sample covers the period 1953–60.

† The unusually high elasticity reflects to some extent the occurrence of non-economic disturbances. The United Nations Economic Commission for Europe has estimated in Economic Survey of Europe in 1960 (Sales No: 61.II.E.1) that the imports of fuels by Western Europe, North America and Japan would grow at 4.3 per cent per annum between 1959 and 1960, as against an assumed growth rate of 3.1 per cent per annum of their gross national product, resulting in income elasticity of fuel imports of 1.40. Calculations discussed in subsequent paragraphs have been based on the figure of 1.40 rather than 2.87.

Table 2 : E E C Area : Commodity Composition of Imports from Selected Countries of the E C A F E Region in Relation to Various Kinds of E E C Tariff and Trade Arrangements

Item	India	Indonesia	Federation of Malaya and Singapore	Pakistan	South Viet-Nam
Temperate zone agricultural commodities likely to be included in EEC common agricultural policy	7.6	18.3	—	3.0	2.5
Primary commodities subject to a zero external EEC tariff	40.4	24.5	88.4	91.4	87.7
Petroleum products	0.2	13.7	2.6	—	8.7
Primary commodities subject to an external EEC tariff exceeding zero	16.1	12.7	7.1	....	0.7
Processed materials and manufactures	35.7	30.8	1.9	5.8	0.4

Source : United Nations, Economic Survey of Europe, 1960; Chapter V, p 47.

Table 4 : Annual Rates of Growth of World* Exports†, 1855-1961

(Percentage)

Region	Primary Commodities	Manufactures
World	3.4	7.9
Developed countries	5.0	8.2
Developing countries	1.6	4.3

Source : Bureau of General Economic Research and Policies of the United Nations Secretariat, based on data from United Nations, *Monthly Bulletin of Statistics*, March 1961, March and April 1963.

* Excluding the following centrally planned economies: Albania, Bulgaria, Czechoslovakia, Eastern Germany, Hungary, Poland, Romania, Soviet Union, China (mainland), Mongolia, North Korea and North Viet-Nam.

† In value

it is doubtful if under-developed countries can hope to increase their export earnings thereby unless E E C and other Western countries relent.

It is worthwhile pointing out at this stage that although exports of manufactures from the developing countries have been rising more rapidly than primary exports (as can be seen from table below from World Economic Survey), the rate of expansion has been about half of that achieved by the developed countries with the result that the developing countries are not even maintaining their share in the exports of manufactures. And still expanded exports of manufactures are important for under-developed economies not only for exhange earnings but also because of greater incentives to industrial development they afford. The fear that the liberalisation of tariff structures will swamp the markets of the West is given a big lie by the estimate of E E C of the likely supply of manufactured exports from developing countries in 1980. It appears that if the West is prepared to absorb 1.5 per cent to 2 per cent of its additional domestic demand for manufactures, the developing countries' export potential will have been exhausted. What a modest demand!

Also, the under-developed countries may hope to achieve some measure of increase in their export earnings if they were to cultivate the markets of the centrally planned economies. In the 1950's, exports from the under-developed economies to the centrally planned countries amounted to 7.3 per cent of the total imports of these countries and these accounted for 5 per cent of the exchange earnings of the under-developed countries. This, no doubt, is a very small share but its very smallness holds out a prospect of increase. Unfortunately, the E C A F E Survey does not examine the possibilities which lie in this direction. Nor does it offer any positive suggestions with regard to export promotion for either traditional items or manufactures in the traditional markets of the West.

According to the World Economic Survey, the rapid growth of the centrally planned economies could generate a considerable expansion of demand for imports of primary products. "Such demand would rise all the more if the centrally planned economies were prepared to rely on the developing countries for a larger proportion of their total supplies of raw materials, and if consumption of tropical foodstuffs were allowed to increase more rapidly". Even with regard to manufactures, the Survey considers it likely that the centrally planned economies could and may absorb larger quantities from the developing countries.

The broad inescapable conclusion of the two Surveys however appears to be that to enable the developing countries to pay their way (remembering that development plans make it necessary for them to import more and more), it is inevitable that their exports of manufactures to the developed countries of the West should expand several-fold because the trading pattern of the developing countries is preponderantly linked up with the developed countries of the West. This no doubt shall require complementary measures by both developing and developed countries. But the latter must be persuaded to bring down their trade barriers without insisting upon reciprocity. Reciprocity has really no meaning in this context unless the purpose is to thwart the development of the developing economies.

The Indian Iron and Steel Company Limited

NOTICE

AT a meeting of the Board of Directors held today the Directors have recommended payment of a gross dividend for the year ended 31st March 1963, of 16 per cent, or Rs 1.60 per share, on the Ordinary Share Capital, subject to deduction of tax at the appropriate rates. This dividend awaits sanction by the shareholders at the Annual General Meeting to be held on Tuesday, the 3rd September, 1963.

The net profit after provision of Rs 3,40,18,269 for depreciation, Rs 3,56,00,000 for taxation and net transfer of Rs 3,64,01,226 to Reserves is Rs 1,91,87,975. For the previous year the net profit was Rs 2,24,90,390 after provision of Rs 3,35,24,699 for depreciation, Rs 3,95,50,000 for taxation and net transfer of Rs 2,98,38,026 to Reserves.

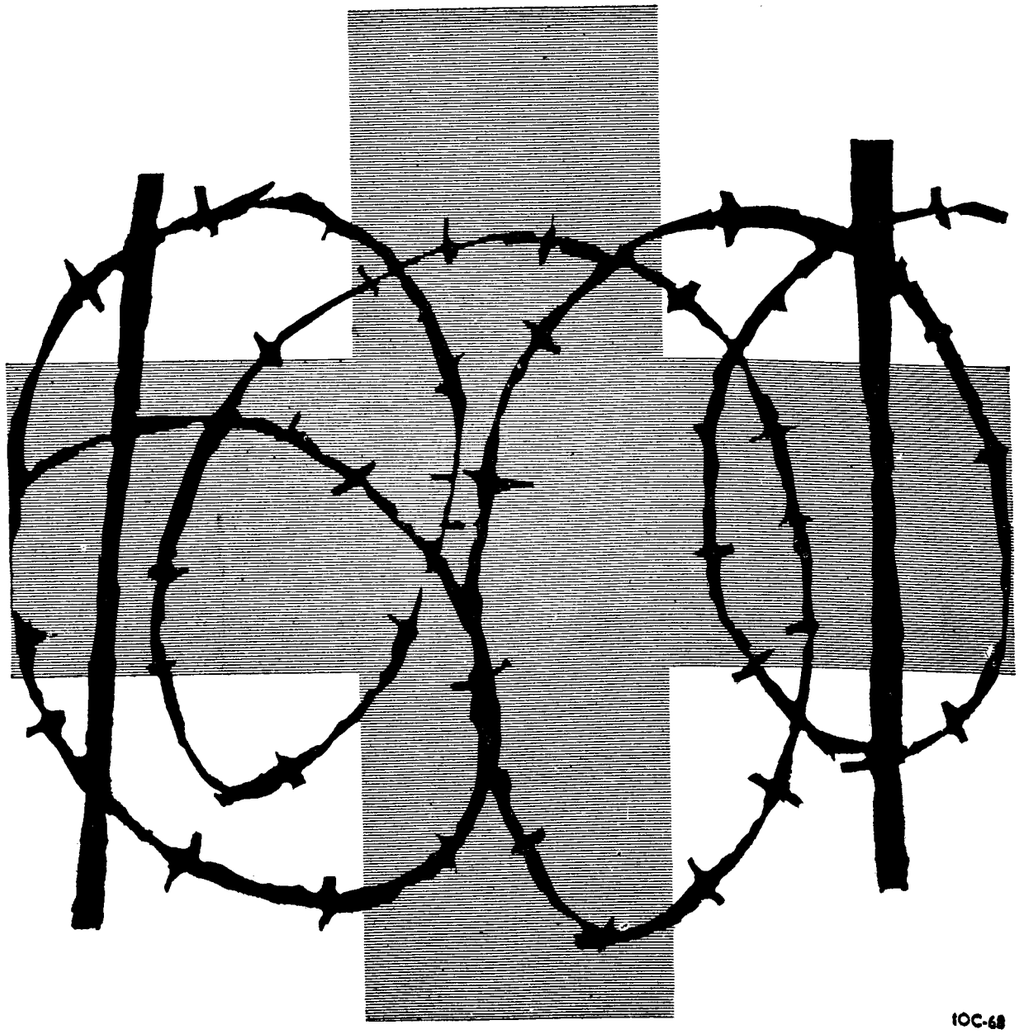
The Ordinary Share Register and Transfer Books of the Company, as already announced will be closed from the 27th July, 1963 to 17th August, 1963, both dates inclusive, and the dividend if sanctioned will be paid on or after the 4th Septemzer, 1963, to those shareholders whose names appear on the Register of Members on the 17th August, 1963.

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Book Reviews

Heckscher, Ohlin and India's Foreign Trade

Pranab Kumar Bardhan

Structural Basis of India's Foreign Trade by Ranganath Bharadwaj, University of Bombay series in Monetary and International Economics, No 6, 1962, pp xi+121, Rs 9.50.

IN retrospect it seems rather puzzling that Leontief, in his attempt to verify the Heckscher-Ohlin model, was to puzzle so many international trade *theorists* by his finding that U S exports were more labour-intensive than U S import replacements. If all of us had read carefully Samuelson and/or Lerner and/or Pearce (all of whom published their definitive papers on the Heckscher-Ohlin model before Leontief published his results), we could have been spared much of the torrential flow of comments and counter-comments of the post-Leontief trade literature. Leontief himself contributed, in no small measure, to the general confusion by his attempt to salvage the orthodox theory with his contention that the physical effectiveness of American labour was about three times superior to that of labour elsewhere, an attempt which was methodologically illegitimate as well as empirically wrong. As with the diamond-water value paradox in the history of economic thought, people went on wondering about the Leontief paradox even when it had been theoretically solved a number of times before.

Use of Input-Output Technique

If for the pure theory of international trade Leontief's inquiry served mostly to expose how improperly or inadequately the implications of the assumptions of the Heckscher-Ohlin model were commonly understood, a more positive contribution of it was to pioneer what is now known as 'structural analysis' with the help of an inter-industry approach in the field of international trade. Drawing heavily on Leontief's study Dr Bharadwaj has tried to assess statistically the structural basis of India's foreign trade with the help of the limited information about the productive structure of the Indian economy recently available.

Input-output technique is the basic tool employed. For finding out the factor contents of exports and import replacements it has the powerful advantage of being able to trace out indirect as well as direct factor requirements. The Inter-industry Transactions Table prepared by the Indian Statistical Institute is taken; and the detailed commodity-wise trade figures reported in the 'Accounts relating to Sea and Airborne Trade in India', 1953-54, are classified to suit the sectoral classification adopted in the inter-industry table. Two 'composite commodity' vectors are derived (one crore of rupees worth of exports and one crore of rupees worth of 'competitive imports': unlike Leontief's America, Bharadwaj's India seems to have no non-competitive imports of quantitative significance). To find out the capital and labour contents of these two composite commodity vectors two methods, yielding the same final results, are employed. One is what the author calls the 'input approach' of multiplying the sectoral direct capital and labour coefficients vector by the inverse of the inter-industry matrix to get a vector of direct *and* indirect capital and labour requirements per unit of delivery to final demand from each of the sectors, which when multiplied by the column vectors for exports and import replacements finally gives us the capital and labour required by a crore of rupees worth of them. The second method — the 'deliveries approach' — has the same thing the other way round. Production requirements are first obtained by pre-multiplying the composite commodities vector by the inverse of the input-output matrix, and then these are translated into factor requirements by having them multiplied by the respective sectoral capital and labour coefficients. The final results of these computations are as shown in the Table. This confirms the Heckscher-Ohlin presumption regarding the pattern of India's foreign trade. This conclusion drawn on the basis of 1953-54 data is also found to hold good for 1950-51 and 1958-59.

Limitations of Results

Bharadwaj is, of course, disarmingly aware of the limitations of his results, particularly in view of lack of data regarding labour inputs in terms of man-hours rather than in terms of number of men employed (an important matter on account of widespread disguised unemployment in particular sectors) or regarding the importance of natural resources in determining our trade pattern, etc. But some of the other limitations he refers to are somewhat beside the point. For example, he thinks that because of "structural disequilibrium 'in the factor market' no a *priori* conclusions regarding India's factor endowments could be drawn from our study". Structural disequilibrium can be held up as a distortionary element when it, by causing a dichotomy between money costs and opportunity costs, *might* lead to 'perverse' specialisation (as Arthur Lewis, Hagen and others point out) so that a labour-abundant country is driven to specialise in the 'wrong' goods. But in the Indian case, on Bharadwaj's own evidence, this has not happened. Does he then mean that India is a capital-abundant country which is not reflected in her trade pattern because of structural disequilibrium?

Then again Bharadwaj laments his lack of data regarding the size of the Indian labour force *in terms of efficiency units*. Although lack of data is always lamentable, one suspects that if they were available Dr Bharadwaj would have gladly fallen into the same methodological trap as Leontief (and M A Diab).

Capital and labour requirements of one crore of rupees worth of Indian exports and competitive import replacements (of 1953-54 average composition)

	Exports	Import replacements
Capital (in crore of rupees and at 1953-54 prices)	0.952	1.443
Labour (in number)	11022	7547



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They start by assuming internationally identical production functions and yet are too eager to explain things away by reference to efficiency differences of factors between countries. Of course, these efficiency differences are actually substantial (see, e g Arrow, Chenery, Minhas and Solow, 'Capital-Labour Substitution and Economic Efficiency', *Review of Economics and statistics*, August 1961) and may be (as classical theorists duly recognised) one of the most important determinants of trade (economies of scale may be another), but the whole point about the Heckscher-Ohlin model is, as Bharadwaj seems to recognise, that even if all other conditions are the same a mere difference in factor endowment is sufficient to explain trade between two countries.

Factor Endowment and Trade Pattern

The influence of trade pattern of inter-country efficiency differentials may in some cases go contrary to that of factor endowment and may in some other cases reinforce the latter. Once the factor intensities of the trade pattern are known, information about relative efficiency differences is necessary *to gauge the strength* of the Heckscher-Ohlin presumption about factor proportions and trade. Take for example the observation of Tatemoto and Ichimura ('Factor Proportions and Foreign Trade : the Case of Japan, *Review of Economics and Statistics*, 1959) that the Japanese-U S trade pattern is in line with the factor proportions presumption: that Japan exports her relatively labour-intensive goods to the U S. Now consider along with this the observation of Arrow, Chenery, Minhas and Solow that there are some indications, in comparing Japan and the U S, that the American advantage in efficiency tends to be the *least* in capital-intensive industries. (Barring the important questions of statistical discrepancies and factor-intensity reversals) if all of these authors are correct in their observation, we can say that so far as Japanese-U S trade is concerned the influence of factor proportions probably outweighs the differentials in efficiency advantage. For the Indian case it is now imperative for someone to try the difficult job of calculating relative efficiency of Indian industries vis-a-vis these in the rest of the world (it is better to start with bilateral comparisons on the lines of Arrow, Chenery, Minhas and Solow). This information, I repeat, is necessary not to salvage the factors proportions hypothesis but to measure its strength.

In the last chapter of the book Bharadwaj makes a limited attempt, with the help of the input-output model which yields not only primary but also the secondary effects of deliveries to final demand, to find out the implications of the changes in commodity composition of trade as between three selected years (1950-51, 1953-54 and 1958-59) in terms of production levels, factor usage and income generation. This is interesting since, among other things, it illustrates the highly important point that "although from the point of view of foreign exchange earnings — the only aspect of exports which has received prominent attention — the total value of exports is important, it fails to provide a precise picture of the exact implications of a given level of exports for the domestic economy in terms of the actual activity levels supported".

Three other chapters of the book are mainly expository, one explaining the theoretical validity of the Heckscher-Ohlin theorem, another reporting Leontief's inquiry and the discussion around it and the other explaining the essentials of the input-output technique and its suitability to the investigation of foreign trade structure. Of these the first certainly leaves much room for improvement, what with the sudden transition from a fixed-coefficients model for the pre-trade case of Sec 3.1 to the variable-coefficients model for the post-trade case of Sec 3.2, with a diagram (p 9) which behaves the way it does only because the author asks it to do so (whereas the adoption of the familiar Lerner-Pearce diagram would have been more helpful) and with the underrating of the difficulty for the Heckscher-Ohlin model caused by factor-intensity reversals. As to the last point, the last 8 lines of Sec 2-3 on p 3 are clearly wrong. As Arrow, Chenery, Minhas and Solow have shown, factor-intensity reversals are not only theoretically plausible (when the elasticity of factor substitution is neither zero nor unity for *all* the sectors) but also empirically very important. (Incidentally, this phenomenon of changes in the ranking of sectors by factor-intensity is a highly interesting albeit difficult issue yet to be explored by empiricists interested in India's foreign trade pattern. We can also note here that an adequate theoretical and empirical consideration of this issue might be fruitful in explaining some of the 'paradoxical' findings of Dr Bharadwaj in his paper on the structure of Indo-U S trade in the *Indian Economic Journal*, October 1962). The input-output technique to analyse the problems of international trade, by assumption, evades this problem as it does many others.

Although theoretical analyses are not the strong points of this book, there is no doubt that Bharadwaj's cautious and painstaking empirical efforts in the face of tremendous odds are admirable.

European Integration and Developing Countries

WESTERN European integration poses three main problems for developing countries. The first of these is the problem of western European markets for their exports of primary products. The Rome Treaty provided for the establishment of a common agricultural policy. The policy is expected to maintain and perhaps even reinforce the post-war trend towards growing agricultural self-sufficiency in the EEC area. Although agriculture is formally excluded from EFTA arrangements, agricultural agreements may be reached between the member countries; and if some form of relationship were worked out between EEC and EFTA members, agriculture would almost certainly be included within the scope of that relationship. The question that arises, therefore, is this: how can adequate provision be made for the farming communities of western Europe while continuing to offer expanding import markets for agricultural commodities, whether temperate or tropical, produced in the developing countries? — *World Economic Survey*, 1962, U N.

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Focus on Education

Philip Bradley

Living and Working Conditions of Primary School Teachers by V P Pethe, Popular Book Depot, 1962, Pp v+70, Rs 5.00

Wastage in College Education by A R Kamath and A G Deshmukh, Asia Publishing House, 1963, pp xiv+202, Rs 8.00

THESE two reports point up some of the problems confronting educational development in India. The first deals particularly with the morale effects of the economic status anl working conditions of primary-school teachers in Sholapur. The second analyses the performance (or lack of it) among students at the University of Poona.

Both reports are statistical, but quite different in technique. The first is based on a detailed questionnaire distributed to the 900-odd teachers in Sholapur, of whom 662 (74 per cent) responded. The questionnaire itself is unusually comprehensive and hardly required direct interview — at least within the framework of the study. The second study utilises the university records and does not attempt to go beyond the data obtainable from them (age, caste, marital status, family occupation, and SSC as well as college grades).

Vicious Circle

The Sholapur story, if typical for other cities and towns, underlines a major concern for the educational planner. The author demonstrates the existence of a vicious circle: inadequate pay scales resulting in the necessity of employing under-educated teachers; overloads of teaching; lack of incentives for self-improvement. The consequent low morale among the teachers inevitably affects the quality of instruction.

It would be easy from this study to draw a drab picture of the economic problems confronting primary teachers. They are too well known to require detailed analysis here. One statistic is, perhaps, enough: the lowest monthly family (not individual) income — less than Rs 50 — is reported by 15; the highest — more than Rs 300 — is reported by 16. In terms of teaching salary, 56 report less than Rs 50, only 30 report a salary of Rs 126-150. The author himself says that, although the inquiry was made in 1954-55, "the conditions described are not much out of context for the present".

Describing the economic hardships as to hiring conditions, debt, etc, (as the author does in vivid detail), is not necessary here; they are well known. It is more pertinent to indicate what the teachers themselves think are some of the internal problems of the primary schools which could be rectified by more effective organisation and planning.

More Teacher-Participation

The teachers identified four defects, about which something might be done by any school system seriously concerned with upgrading the quality of the first stage of education. They are: (1) the shift system of school working; (2) inadequate organisation of basic education; (3) lack of subject specialisation among teachers; (4) excessive pressure of work.

Every one of these problems has its own fiscal implications. Every one is, however, susceptible of improvement — if and when primary education is recognised as a major form of economic investment in the future of the city, and the nation. Even within present and planned educational resources, improvements are possible.

One way to approach improvement, as demonstrated by experience in many countries, is to draw the teachers themselves more fully into the organisation and planning of local education. Were teachers given more responsibility (and authority) by local school managements for the internal operation of the school system (curriculum, class organisation, etc) initiative would be stimulated and ideas for improvement activated. The absence of incentive often results from the lack (or the negation) of opportunity. This condition — highlighted by this study — is, perhaps, more reversible in education than in other areas of work, because, in most cases, teachers do not enter the profession primarily from pecuniary motives. The costs of greater teacher-participation in the organisation and planning of a school system are nil. The returns may be high not only in improved morale but in better utilisation of available resources.

Fifty Per Cent Wastage

The study of degree students at the University of Poona by Kamat and Deshmukh, was carried out by the Gokhale Institute of Politics and Economics. It points an all-too-familiar picture. To the "wastage" of the title the authors add "stagnation". Their first study includes an intensive study of the entrants to Fergusson College during 1949-51, projected to 1959. The authors seek here, among other questions, to determine why so many students do not complete their college course in the normal period. Their second study records the extent of failures on the pre-degree examinations at the University of Poona in 1961 (about 14,000).

The statistical analysis of these two groups is extraordinarily comprehensive. Not only is there a breakdown between arts and science students but a cross-section analysis from almost every conceivable angle. To mention only some will indicate the thoroughness of the statistical correlations: school. SSC examination results, age, sex, caste, family occupation, and income. Altogether, there are over 125 analytical tables for the two groups.

The percentage of failures runs high in all Indian universities. Wastage (and stagnation) occur at what may be called an educationally

uneconomic rate: an estimated wastage of about 50 per cent for arts students and of about 35 per cent for science students. What to do about it?

The authors do not seek to, and do not, provide the answer. They do, however, reveal (in their second study) significant disparities between achievement in a particular subject at the S S C and the pre-degree examination levels. Their statistical analysis seems to point to the inadequacy of secondary education to prepare students effectively to pursue the same subject in college. This "gap" is not exclusively an Indian phenomenon: it is found elsewhere, even in some so-called "advanced" countries.

Place of Secondary Education

It is a gap, however, which must be overcome — by closer co-ordination (as is being attempted in many countries) between the architects of curricula in the schools and the colleges. No secondary-education system can or should be geared primarily to the interests of future college students. It should aim at equipping the rank and file of future citizens to live happy and effective lives— economically, socially, politically. For the future college student, the high schools need to provide sound study habits and an acquaintance with the spectrum of possible future career specialisations. The first is the more important; the present problem in India seems to be to reorient the method rather than the content of education — at all levels.

This hypothesis is substantiated by both Poona studies. As Professor D R Gadgil says in his Foreword to the volume, "The data would appear to indicate that those with the best results at examination tend to take chiefly to medical, engineering and natural science studies. This leaves social sciences and the humanities with relatively unpromising material; the effects of this trend are already noticeable and apparently the trend is evident even in other countries of South Asia".

This volume is the most detailed study of its kind available for any Indian university. It points to a major problem of higher education today: "the structure and method of examination". The authors' statistical analyses are so detailed that their significance for educational (even examination) planning is sometimes lost in the wealth of figures they present. It would have been interesting had they presented more of their own comments and conclusions on the implications of their findings.

Behind this formal record lie deeper questions of purpose and method in higher education for the India of tomorrow. Unless the colleges and universities relate their training (and examination) more effectively to individual and national needs, they will not realise their potential in helping to build the new India.

A Policy for Ladakh

Balraj Puri

Ladakh, which bore the brunt of the Chinese aggression along with NEFA, is receiving generous attention from the Government of India. But in some respects this attention is rather excessive and in others needs to be tempered with a little realism.

The setting up of family planning clinics in the district, which has an average population density of 2.5 per square mile, and the digging of the Ranbir canal which sank as soon as it was completed are instances of misdirected effort. Similarly, the administrative expansion is perhaps an indication of mere over-enthusiasm.

All the money spent and all the efforts of the officers of the I F A S have certainly not been in vain. To be sure, they have succeeded in bringing about a profound transformation in the life of Ladakh. But the manner and speed of the changes are of vital importance.

A SIMILAR controversy is currently going on over how fast and how best to integrate NEFA with the rest of the country. In a general way, it could be contended that the vacuum caused by a sudden transformation more often than not leads to replacement of traditional values and disciplines by modern vices. Morever, changes sought to be brought about by outsiders — whether missionaries, officers or traders — are rarely lasting and invariably wound local susceptibilities.

But beyond this general statement, the debate over what has come to be known as a philosophy for NEFA, has not much relevance for Ladakh. Ladakh is just not a tribal area. It has history, culture, literature, religion and leadership in the sense in which we know these terms. It has extended its domination over, and has in turn been dominated by, the neighbouring states. As the major entrepot for trade between India, Central Asia and Tibet, Leh — the district headquarter of Ladakh — has, for centuries been a centre of confluence of diverse cultures. Having been governed by British governors and senior Dogra officers (though they did not govern much), Ladakh is not quite ignorant of the ways of administration.

In view of this background, an attempt at rapid assimilation in Ladakh would involve demolition of a deeper and stronger tradition than might be the case in other border areas. The risks in disturbing a stabler society are greater and resistance stronger.

It is not modernisation as such that is being grudged. But if economic development merely succeeds in eroding the local culture, disintegrating the native personality and destroying its self-confidence there could hardly be a surer road to shatter the psychological defences in this frontier area and hence a better service to the enemy.

A sense of pride is a great asset of the people of Ladakh. But when, for instance, the "Rimpoche" (divine), as they call their leader, waits his turn for an audience with the district officer, that pride is certainly hurt.

No Rapport with People

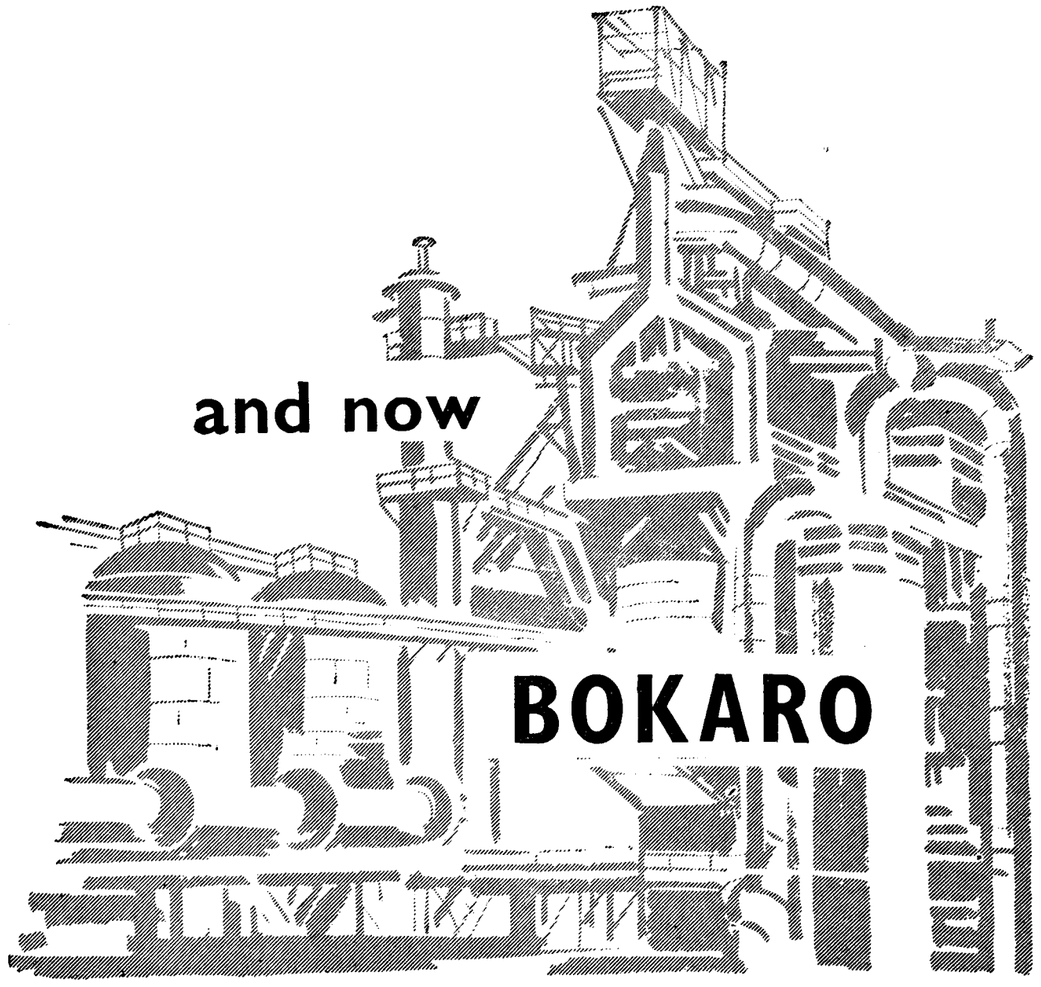
The traditional leadership of Ladakh has adjusted itself to a political role and is entitled to claim and use the political powers in the district. The only fair basis for resolving the present tension between Ladakh and the administration is the acceptance by the latter of Ladakh's supremacy in all policy matters. Whatever be the truth in the many popular grievances against the administration—of which Ladakh has now an over-doze — behind the grievances is the lurking fear that the administration intends to supplant or undermine the local leadership. It goes without saying that the leaders, too, on their part, need a better appreciation of the role of administrators. In any case the need is not only for a more precise delimitation of the functions but also for much greater harmony between the leaders and the officers.

This is in no sense a plea for the *status quo*. It is rather to ensure a smooth process of evolution. The leadership of Ladakh, particularly in its political role, is being exposed to new ideas, which are also permeating the lower ranks. With 165 schools in the district — as against 53 ten years ago — a new educated class is emerging among which there are a few rebels also. A rebel is indeed a very useful member of society and deserves protection and equal rights. But excessive patronage can only be self-defeating. An administration, subordinate in status and policy matters to the local leadership, but impartial in day-to-day work can help in gradually preparing the ground for a healthy political rivalry, without being a party to it.

The present failure of the administration in establishing rapport with the people and their leaders can hardly be explained, much less justified, by its preoccupation with development work. For the achievements in that field have not been very striking. A large part of the budget allocation remains unutilised. In 1960-61, out of an allocation of Rs 115 lakhs, only Rs 64 lakhs could be spent. The expenditure in the following year dropped to Rs 44 lakhs against the budget provision of Rs 80 lakhs. The actuals for 1962-63 are not available yet.

Nor can it be claimed that every penny is wisely spent. The scandals of the Ranbir canal and the Leh-Kargil Road alone are sufficient to counter any such claim.

Apart from human failings in execution, economic policy itself suffers from an element of over-enthusiasm. The blue prints of industrial and mining developments publicised by the Government tend to overlook that Ladakh is still



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essentially a pastoral economy. The numerous development schemes would lack a firm foundation until its pastoral economy is adequately protected and gradually improved.

Ladakh has lost some of its traditional pastures to the Chinese. The cattle of the Tibetan refugees have increased the pressure on the rest. A devastating famine has consequently taken a toll of 30 to 40 thousand heads of cattle. The contingency was not anticipated. And if now its future consequences are not guarded against in advance, the famine of wool might take a human toll also in the coming winter.

The foremost economic problem of Ladakh, therefore, is to grow grass and fodder at high altitudes and to improve the quality of its sheep and goats. The pastoral people should be enabled to make good the loss of Tibetan wool, in quantity as well as quality.

Anti-erosion measures to meet the pastoral needs could also be the base for improving agriculture, which due to the paucity of rainfall (only 3 inches a year) depends entirely on irrigation. Here, too, unsuccessful experiments with the digging of canals would suggest that the traditional small *kuhls* should get precedence over ambitious irrigation projects.

More diversified development should certainly not be ruled out. But if it is at the cost of the pastoral-agrarian needs, it would not be an unmixed gain.

Divergent Pulls Within

The above observations are applicable to the whole region. A realistic policy for Ladakh should, however, take into account the further complications of the Ladakh problem.

One such complication in the situation is the divergent pulls to which Leh and Kargil, the two main-subdivisions of the district, are subjected due to different religious and cultural backgrounds, notwithstanding some obvious similarities. A study of the geo-political peculiarities of each region of the district is necessary for framing practical policies for them.

Out of an area of 45,762 square miles of the Ladakh district, which was more than half of the area of the undivided state of Jammu and Kashmir, 9,500 square miles were lost to Pakistan in 1947. The population of the 238 villages on the Indian side is 88,000. The Buddhists who preponderate in the Leh subdivision are a little more than half, the rest are Muslims of the Shia sect and live in Kargil.

The Leh valley stretches along the Indus. The Khardung La pass (18,300 ft) separates it from Nubra in the north and Change pass (18,500 ft) from Chushul. The 15,000 ft high Rupshu valley is in the south and Zanskar is in the south-west. Most of the Chinese aggression has been in the Changchanmo valley (15,000 ft) in the east.

The entire area of Leh professes Buddhism and owes allegiance to their Lamas who have their own discipline and hierarchical order. The Head Lama of the premier monastery at Hemis, 20-year old Stagldan Raspa, is in Chinese hands at Lhasa, where he had gone for theological training. The next in order of precedence is Kushak Bakula, who is now a minister in the Kashmir Government.

Affinities with Tibet

As Ladakhis had spiritual and religious affinities with Tibet, attempts were made by the new rulers of Tibet to tamper with their loyalty to India. With the flight of the Dalai Lama from Tibet, however, the centre of their loyalty, too, has shifted. But much remains to be done to make Ladakh self-sufficient in religious matters. A visit of the Dalai Lama to Ladakh could go a long way in this direction. But, for inexplicable reasons, the Dalai Lama has not visited Ladakh so far.

A printing press at Lhasa used to cater to the needs of literature in Bodhi (the language of Ladakh). The only printed material they now get is a weekly paper published in Kalimpong and it takes many weeks in transit. A local arrangement would obviously be more helpful in keeping the people in touch with the rest of the world and in encouraging local literary talents. Likewise, a broadcasting centre at Leh and better attention by the AIR and the State Cultural Academy would also be helpful.

Apart from Tibet, Ladakh had its religious, cultural and ethnic ties with Padar (north-east of Jammu), Lahul, Sapiti and Chini. A road link through this route — as demanded by Kushak Bakula recently —will not only open Ladakh to an area of its natural affinities but will also be of great strategic value, particularly when the present Leh-Kargil road is so vulnerable to a Pakistani attack. While the feasibility of a single administrative unit for Leh, Padar, Lahul, Sapiti and Chini may be debated, the need for concerted efforts to integrate these regions through better communication and cultural exchanges cannot be questioned.

Muslim Population

A community which is a little outside the main stream of the life of the region is the nomad Chamgpa in Rupshu which is at an altitude of 13,500 to 16,500 ft and is the highest inhabited region on the earth. Some approaches could be made to persuade these nomads, with the offer of necessary facilities, to lead a settled life. They could then be integrated more closely with the rest of the population in the area.

Kargil, however, is different. It is rather sore over the importance Leh inevitably gets in any Ladakh policy and is no longer keen to continue the association. Separated by Fatu La (13,400 ft) from Leh and by Zoji La (11,530 ft) from Kashmir valley, Kargil has a little less than half of the population of the district. Belonging to the Shia sect of Muslims, they are a distinct cultural and linguistic entity.

Kargil is deeply religious. The Mullahs, some of whom had their theological training in Arab countries, are its religious and secular leaders and are organised under the banner of Jamiat Ulema. Nothing seems to have been done to affiliate this organisation with its Indian counterpart and to bring the people into closer touch with the Islamic Centres and Shia leaders in the rest of India. This is necessary and possible, particularly because Sunni-dominated Pakistan has not much of an appeal for the Shia Muslims of Kargil.



TREE OF GOOD OMEN

THROUGH the growing heat of the Indian summer the earth lies waiting for the monsoons. The rivers are low and the grass turns yellow with thirst. But then at last the storm clouds come, bringing rain and life to the dusty land — the cycle of life begins again. In July the Kadamba tree blossoms into golden ball-like flowers. The fifth-century poet, Kalidas, tells us how the women of Alakapuri would adorn their hair with these flowers to welcome and celebrate the revival of the earth.

A new revival is now taking place in India, one that is dependent not upon the vagaries of the weather but on the skill and knowledge of man. A technological and scientific revolution is transforming the world, helping to eradicate disease and hunger and to promote peace and well-being in every land. In India it is the Government's policy to 'ensure for the people of the country all the benefits that can accrue from the acquisition and application of scientific knowledge' and now it is being assisted in this high ideal by the establishment in India of a large modern Centre for chemical and biological research.

This Centre, the first of its kind in South Asia, has been built and equipped by CIBA, and is the inspiration of the company's Chairman, Dr Robert Kaeppeli. The new Centre will form part of a great corporate undertaking, the aim of which is not only material progress as such but also the establishment of conditions of equality between man and man and between nations. By providing India's young scientists with the finest facilities for research CIBA will not only produce results of direct practical value to the country's welfare and progress, but will also reinforce that scientific revolution so essential to Asia's future.

The 70-acre Centre, designed and built in little more than two years, is at Goregaon, Bombay, its white buildings surrounded by palms and mango trees. At the inauguration ceremony on March 21st, before a crowd of over two thousand, the Prime Minister, Mr Nehru, welcomed the concept of the Centre and wished it every success. He felt sure that 'founded as it was on a great deal of thought and served by eminent scientists, it was bound to do good work, good for India and good for the world'. Were he younger, said Mr Nehru, and scientifically inclined, he would like to work in such surroundings and under such conditions. Before he left the Prime Minister helped commemorate the opening by planting a young Kadamba tree near the main entrance. From the Mahabharata we know that this tree once flourished over large parts of India but the gradual desiccation of the land has led to its comparative rarity today. Although silent perfumed groves on the banks of the Jamuna no longer exist, it was here in Vrindaban that Lord Krishna played his flute and with his music drew the village 'gopis' to him. Gone, too, are the temple gardens where the Kadamba used to bloom, but in Chandigarh, symbolic of the new India, it is once more being planted, its glossy light-green leaves affording shade and shelter, its yellow flowers sweetening the air. And at Goregaon, too, a Kadamba tree has taken root, a symbol of fertility and growth to the scientists there who are working towards the betterment of the Indian people and the welfare of the world.

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Political Systems: An Anthropological Approach

P G Ganguly

This paper is concerned with a critical appraisal of various models of politics, political systems and political organisations such as consciously or aconsciously devised by anthropologists and reported in some of the major works of the last twenty years.

The search for an 'anthropological' approach to the study of political systems, an approach different from that of political scientists, leads to the conclusion that there has been no such approach, on a theoretical or conceptual level.

Does this mean that 'anthropological' studies of political systems add nothing to our knowledge?

The answer is a definite 'no' so far as knowledge here means conceptual precision, theoretical formulations or even terminological agreement.

Anthropological studies have *produced a mass of 'facts' on a number of cultures and societies which were earlier unknown or inadequately known to conventional students of economics, political systems, law, and so forth. As a last resort, therefore, field-work may be pleaded as the distinctive feature of the 'anthropological' approach.*

Stress on field-work was very necessary during Malinowski's times as a reaction to the enthusiasm of the stalwarts of the school of unilineal evolution; but it has now more or less become the accepted method, wherever possible, for collection of data in all social sciences. Some branches of knowledge with a heavy hangover of speculative traditions, for instance economics and political science, may perhaps have a lot to learn from anthropologists so far as field-work is concerned.

Since field-work is now gradually being adopted by others, anthropologists may console themselves with the thought that the 'anthropological' approach is spreading. But to accept this consolation is to admit that the 'anthropological' approach will soon cease to have anything anthropological about it and will be called merely field-work by those who use it.

The 'anthropological' approach, as applied to the study of political systems, can be conceptually considered to be different from the approach of political science, if this difference can be shown to the credit of anthropology in practice. This being not possible at the moment, the 'anthropological' approach to political systems remains a fruitless article of faith.

[*This paper was presented to a seminar at the Institute of Advanced Studies, Canberra, in September 1960. It does not, therefore, include comments on works published since then. The author intends to publish a sequel to this paper which will include a systematic bibliography.*]

IN this paper I briefly report the results of a part of my continuing search for an 'anthropological approach' or approaches towards a study of what has been variously conceptualised as politics, political systems and political organisation. This search became imperative almost as soon as I began my 'field work' on tribal politics in an Indian steel town. Jamshedpur, the town and the focal area of my field work, is a town with a population of about 300,000 sprawling around a steel factory with an annual production of 2,00,000 tons of steel and a number of subsidiary industries, with a couple of exceptions, dependent on this steel. The second biggest cosmopolitan city of the state of Bihar, it is situated in what is known as the Chotanagpur Plateau which, since an undatable past, has been the home of 'tribal' categories of various description. About 16,000 tribal workers depend on the Jamshedpur industries for their living and since they are mostly classified by the industrial concerns as unskilled, they constitute the lowest levels of the economic hierarchy in the town. Jamshedpur is completely owned by the Tata Iron and Steel Company and is also serviced and administered by it. Jamshedpur has a 'Town Administration', a topheavy, hierarchic bureaucracy consisting of company employees of various description. It is strongly paternalistic in its ideology and, as usual in such a situation, it is assumed that the Big Brother knows what is good for the society and he does always everything to ensure it. There is no elected local government in Jamshedpur and therefore the most important arena for local politics does not exist in the town. Under the circumstance, it appeared to me for some time after I reached my field that the problem I wanted to study did not exist. Confronted with such a frustrating situation, I was forced to examine the nature of what I understood as politics as a student of anthropology and in this paper I submit for discussion the results of a part of my enquiry. In effect, I am concerned with a critical appraisal of various models of politics, political systems and political organizations as consciously or aconsciously devised by anthropologists and reported in some of the major works of the last twenty years. Needless to say, a detailed analysis of this kind will produce results requiring a full length book. Within the limited space of this paper, therefore, I am necessarily selective in my references but I hope that they are adequate as evidence in support of some of my conclusions and also as an indication of the value of much-needed enquiries of this kind.

The Problem and Its Perspective

A 'political system' or 'politics' is normally studied by political scientists. What special contributions could I make, I asked myself, to the study of tribal politics with my background of anthropology and sociology while, for the time being, ignoring my background as a student of political science? The answer that first came to my mind, originated from the fact that political scientists ordinarily do not study tribal politics and, therefore, this can be taken up by an anthropologist as a left-over. This convenient answer on second thought, however, did not appear to be an answer at all — it only gave rise to more questions. A number of political scientists — David Apter, for instance — are now successfully turning towards the study of tribal societies in which political and administrative institutions developed mainly in England are being incorporated. I am referring to Apter's book "Gold Coast in Transition". The 'left-over' justification for an 'anthropological' approach to political systems is, therefore, based on a shaky foundation. In addition, I found it difficult to accept this justification on account of a feeling which, I hope, is not merely personal. I felt that if I failed to discover a sound conceptual basis for an 'anthropological approach' to political systems, my work will probably be merely an incompetent intrusion into what legitimately falls within the expertise of political scientists. I did not find it easy to wish away this intellectual distress with the consolation that political scientists who have studied tribal politics are still luckily very few and, therefore, anthropologists in fact have almost the whole fertile field for research left to themselves.

Anthropologists generally assert that their works on politics or political systems are different in kind from the works of political scientists, and anthropological studies have a nature and objective denied to the tradition of political scientists. Political scientists, traditionally so-called, would uncritically but readily have granted me the benefit of this assumption for they, in their turn, tend to assume that they have interests and objectives which fall outside the scope of anthropology and sociology and thereby constitute the distinct field of study covered by political science. Almost all anthropologists to my knowledge who have written on politics, political systems or political organizations, are agreed that they found the works of political scientists of no use on account of the 'fact' that political science deals with complex societies and operates with concepts which at best are valid mainly in the political systems of the West. Thus we see that so far as anthropology and political science are concerned, the practitioners of these two disciplines have helped each other in creating distinct self-images of their points of view and objectives.

I must, therefore, try to discover the characteristic anthropological point of view that can be brought to bear upon the study of politics, tribal and non-tribal, a point of view operationally useful for research and analytically distinct from the point of view or prespective of political science.

"African Political Systems"

I want to begin this search by discussing the theoretical foundation of "African Political Systems", the first concerted effort on its scale for applying 'anthropological approach' to the study of political systems (1940). In effect, it contains a description of what has been conceptualised by Radcliffe-Brown as a political system based on field data from eight African tribes.

The significance of this book can be judged from the fact that since its publication till today, despite criticism to which it has been subjected from time to time, it has remained the primary source of inspiration among anthropologists with interest in political systems. It also appears to be, perhaps, the only study on political systems by anthropologists which has, with some success, attracted the attention of a few political scientists who are unhappy about the conventional conceptual foundation of their discipline. (The Political System, David Easton). As a first study, "African Political Systems" was a courageous effort and, to my mind, Radcliffe-Brown at least posed the fundamental problem with his characteristic perspicacity. The papers included in that book, however, do not show any concern with concept and theory — they were field reports! My discussion, therefore, will be based mainly on Radcliffe-Brown's introduction and occasionally on the formulations of Evans-Pritchard and Myer Fortes.

Stressing the need for conceptual clarity and what I have elsewhere called model-building, Radcliffe-Brown gives a very sound advice which is, alas, generally ignored in anthropology by one and all. Says Radcliffe-Brown:*

> "The successful use of the comparative method depends not only upon the quantity and quality of the factual material at our disposal, but also upon the apparatus of concepts and hypothesis which guide our investigations. The difficulty in science is not in finding answers to questions once they have been propounded but in finding out what questions to ask".

Then again:

> "The factual material available for a comparative study of the political institutions of the simpler societies is inadequate both in quantity and quality ..... The quality of descriptive data, their value for comparative study, depends to a considerable extent on how the observer understands the theoretical problems for the solution of which the data he collects are relevant. In science, observation and the selection of what to record need to be guided by theory".

These paragraphs speak for themselves very clearly and my suggestion, elaborated elsewhere, that for a systematic study, one has to *begin* with an explicit model, is in complete agreement with Radcliffe-Brown's views. He makes the following specific observations on a model for studying political institutions:

> "If we are to study political institutions in abstraction from other features of social systems we need to make sure that our definition of 'political' is such as to mark off a class of phenomena which can profitably be made the subject of separate theoretical treatment". (p xii)

Radcliffe-Brown's definition of 'political', to mark off a class of phenomena which can profitably be made the subject of separate theoretical treatment, is as follows:

> "In seeking to define the political structure in a simple society, we have to look for a territorial community which is united by the rule of law. By that is meant a community throughout which public sentiment is concerned either with application of direct or indirect penal sanctions to any of its own members who offend in certain ways, or with the settlement of disputes and the provision of just satisfaction for injuries within the community itself",

* "African Political Systems", (ed) Evans-Pritchard and Myer Fortes, Introduction by Radcliffe Brown, 1940, p xiii.

Our troubles really begin here. Though Radcliffe-Brown says, and most anthropologists uncritically follow him in this respect, that in the study of simpler societies an anthropologist finds that concepts and theories of political philosophers . . . are, unserviceable or insufficient, his definition of the 'political' is nothing but a re-appearance, in a rather mystic garb, of the conventional definition of state in political science. I do not want to elaborate this statement here because I will soon come to a paper by M G Smith in which the foundational concepts of "African Political Systems" have been examined in detail and rejected. I will, however, like to only point out here that long before "African Political Systems" appeared a number of political scientists like Charles Merriam, and Lasswell in America, George Catlin and Harold Laski in England and writers on political sociology like Michel, were re-examining the traditional concepts and categories of political science, thereby opening up a boundless field for further research. Harold Laski's rejection of the concept of monistic views of sovereignty which were propounded by John Austin and his pluralistic interpretation of sovereignty were indicators of a new 'sociological' trend in Political Science and if anthropologists had taken care to acquaint themselves with the works of some of these writers, it would not have been possible for them to reject 'political philosophy' with naive facility. Incidentally Radcliffe-Brown, Evans-Pritchard and Fortes do not refer to Political Science at all — they refer only to political philosophy and they reject it as a whole body of knowledge on the assumption that it deals with the 'ought' rather than the 'facts' of political behaviour and its concepts refer only to a limited number of types — namely, to the Western types. Anthropology, as Radcliffe-Brown says, wants to develop concepts which will be universally applicable for analysing political systems.

It is simply not true that the concepts of political philosophy relate to the Western types only. In the West, Political Science has now a history 2500 years old, beginning with Plato and Aristotle. Aristotle was interested in the model of a city-state but during the intervening period between Aristotle and our times, even in the Euroamerican context, political systems have been undergoing so many critical changes that if we take the trouble to analyse the works of major political philosophers, we shall find a variety of models for analysis. Consider for a moment the vast difference between Aristotle's Politics and Machiavelli's Prince and then it will become clear that the attitude of anthropologists to Political Science is very simplistic indeed. This reluctance of anthropologists to profit from a body of knowledge as old and as new as political science, reflects a mood of self-complacency which is enemy number one for fresh and creative thinking. As I soon propose to show, this mood and neglect of conceptional and theoretical problems prior to fieldwork on political systems, — a point so well clarified by Radcliffe-Brown as I showed earlier — make 'anthropological' studies on political system as amorphous and confused as the works of some political scientists — the only difference being that anthropologists base their confusion on 'data' drawn from unknown or unsatisfactorily known tribes while political scientists naturally depend for their 'data' on the societies known to them. I substantiate my observations by critically examining the models of 'political systems' as used by anthropologists in some of the major relevant works during the last 20 years, since the publication of "African Political Systems" I want to do this by outlining the general trend of criticism to which "African Political Systems" has been subjected while postponing for a while my examination of its conceptual and theoretical foundation.

Critical Appraisal

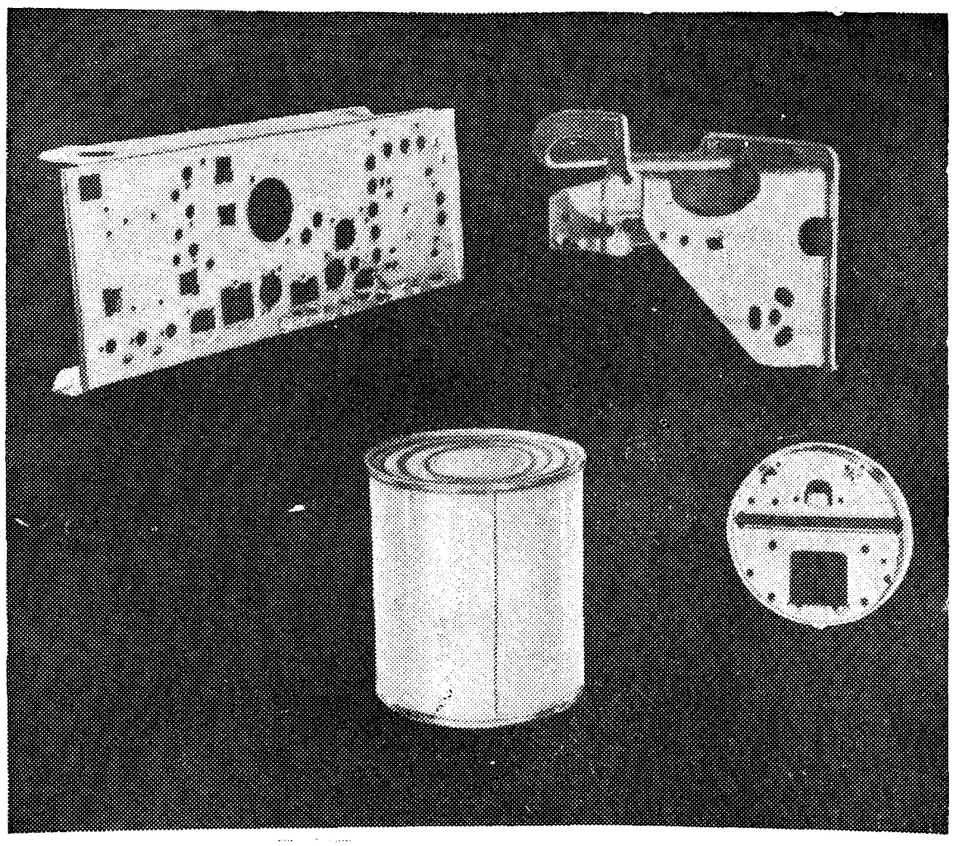
"African Political Systems"

While its theoretical and conceptual foundation has been largely left untouched, "African Political Systems" has been subjected to a variety of criticism. This criticism has been essentially concerned in anthropological circles with its three fold classification of 'political' systems, namely (a) those in which political relations can be taken as coterminous with kinship relations (b) centralised states and (c) societies in which the characteristics of centralised states were not found and, therefore, they raised the question of the locus of power and authority in them without which they could not persist as viable entities. These were the stateless societies.

Centralised states, even in 'primitive' Africa, were in broad features analogous to some of the systems included in the range then known in the complex societies of the West and this perhaps is the reason why despite a spate of fieldwork reports on centralised 'political systems' in Africa, theoretical interest of anthropology in this area has been of a very languishing kind. Active interest, however, has been maintained in anthropology in the stateless societies, taken up first as a research problem by Evans Pritchard in his "Nuer" published in 1940, the year in which "African Political Systems" was published.

Indications, however, that the typology accepted in "African Political Systems", is unsatisfactory, can be found in Oliver (1947) Brown (1951) and Bernardi (1952). Smith's brilliant analysis of the foundational shortcomings (1956) is only mentioned at this stage for it needs a detailed reference a little later. Smith argues that with the theoretical apparatus of the contributors of "African Political Systems", typological refinements cannot gain much. Results of a number of studies spread over a decade have similarly compelled further classification of what in African Political Systems were treated as stateless societies. Thus :

> "Among politically uncentralised societies alone, there are several examples which do not conform to the type mentioned in that book. In much of central Africa, for example, there are politically uncentralized societies in which there is no corporate lineage. The main political structure is provided by relations between



What have components to do with a can?

What has a radio or bicycle component to do with a can?

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chiefs and villages of cognatic kin related in various ways to a headman and free to choose their village residence where they please. Political authority is here vested in Chiefs and headmen". (Gluckman 1950; Colson and Gluckman 1951).

"Another type is that in which political relations between local groups are controlled by the holders of statuses in age-set and age-grade systems, in whom political authority is vested. They are found mainly in East Africa among the Nilo-Hamitic-speaking peoples and their neighbours (Huntingford 1953a and 1953b; Gulliver 1953; Middleton 1953). Yet another includes those societies in which political authority is vested in village councils and associations, such as the Ibo and Yako". (Forde and Jones 1950; Forde 1939).

Here it looks as though we have a positive instance of anthropological contribution to the study of political systems. But let us ask the awkward question again. What is all this classification about? Why, of course, about political systems or relations? And what are political relations? We remember Radcliffe-Browne's answer in terms of law and warfare. Eighteen years after him, let us see, if Middleton and Tait who in "Tribes without Rulers" have underscored the taxonomic refinements which I noted in the last paragraph, have a new answer to our question.

"Political relations are those in which persons and groups exercise power or authority for the maintenance of social order within a territory. They are twofold. There are first those relations between a given unit and others, which ensure its unity vis-a-vis other units. These external relations may be seen as essentially antagonistic or competitive, and are likely to be those based upon power devoid of legitimate authority, or at least uncontrolled by any superior authority. They are between structurally equal units (nations, tribes, clans, lineages). And secondly there are those relations internal to the given unit, which ensure the cohesion of its constituent elements and its orderly internal administration. These relations are particularly those of legitimate authority and are usually between units arranged hierarchically (king and subject, clan head and clan member)".

It can be noted at the very outset that Middleton and Tait distinguish *power* from *authority*. The former is concerned with competitive behaviour between 'structurally similar units', while the latter is hierarchic, administrative, specifically legitimate and ensures cohesion internally to a given unit. This important distinction, clearly in need of further elaboration, did not occur to Radcliffe-Brown or to other contributors to the "African Political Systems" and as Smith has argued, brought them to grief. But no sooner we note with approval the analytical distinction between power and authority than we find that Middleton and Tait have not been consistent in their application of this conceptual distinction to the development of their arguments in the expository introduction. I will give only two examples.

Example I

According to definition (Page i) POLITICAL Relations are of two types

(a) external (b) internal

Properties of external relations:

Between structurally similar units, competitive or antagonistic, ensuring unity of a given unit vis-a-vis other units, devoid of legitimate authority, based on POWER.

Now, while referring to the threefold classification of African Political Systems, we are told: The third type includes societies in which political authority is uncentralised. In them there is no holder of *political power* at *the centre* and specialised roles with clearly defined *political authority* are less easy to find.

Here our difficulties are two-fold. Since, by definition, relevance of power is between structurally equal units, I do not see how we can logically seek power at the centre. If the *raison d'etre* of power is in competition, the question of its centralisation does not arise for it is meaningless to talk in terms of a centralised competitive system.

The second difficulty arises from a sudden introduction of the concepts of 'political authority' and 'political power'. We were earlier told that 'political relations' are of two types — one based on power (not political power) and the other based on authority (and not political authority). This is no mere quibbling of words for if we talk in terms of 'political power' and 'political authority', we are inescapably assuming that there are various types of power and authority. The problem which we then have to face is one of discovering the properties that render power and authority 'political' and thereby distinguish them from other types of power and authority. This has nowhere even been attempted by Middleton and Tait. I am, therefore, left in the following frustrating situation:

> Political relations are those that are involved in power and authority relations. 'Political authority', therefore, means such of those power or authority relations as are involved in authority. 'Political power' means, similarly, such of those power or authoritative relations as are involved in power relations.

Let us put these propositions in a simple symbolic form. Let 'X' stand for political relations, 'a' and 'b' for authority and power respectively. Then we have:

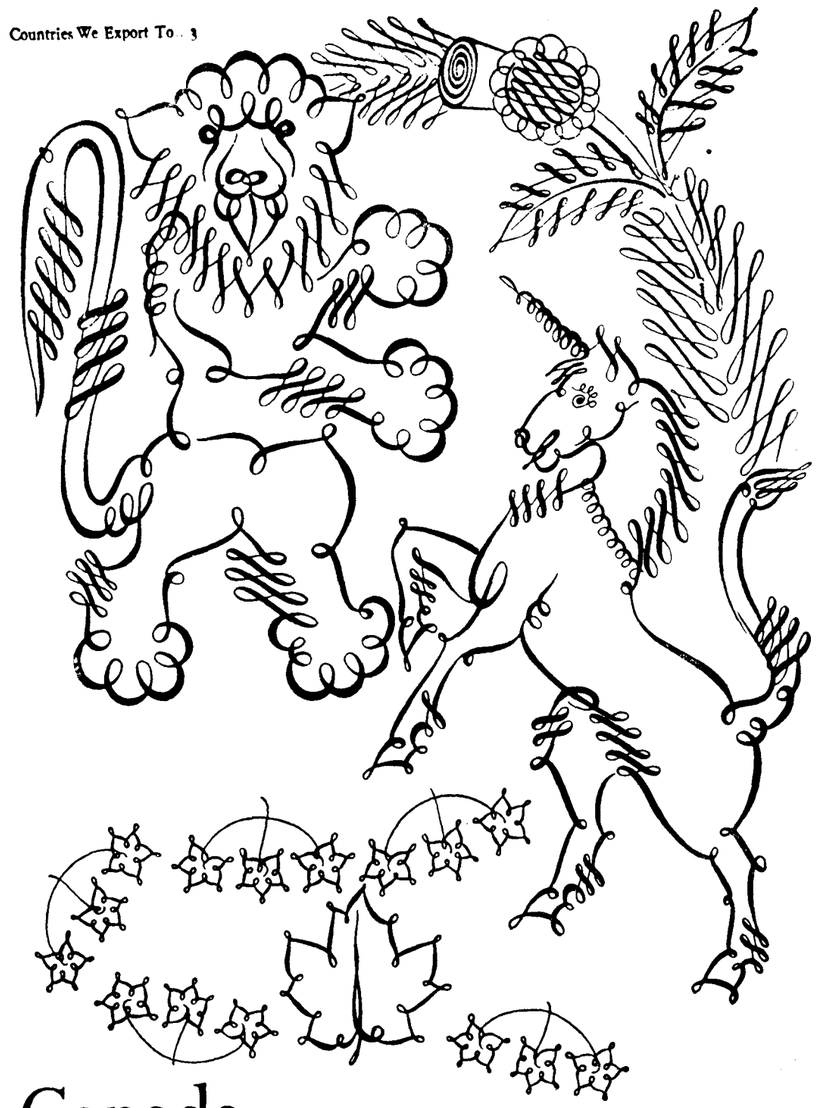
'X' involves 'a' and 'b', i.e. the definition of 'a' involves 'X'; the definition of 'b' involves 'X'. Now, if the definition of 'a' involves 'X' as the above proposition assumes then a definition of 'a' qualified by 'X' will involve qualification of 'X' in terms of 'X'. Similarly if the definition of 'b' involves 'X', then a definition of 'b' qualified by 'X' will involve qualifying 'X' by 'X'.

Suppose we define a rose as a flower which is red. Then a red rose will be a flower which is red red. This is not only an argument in circle but unalloyed absurdity. It is clear, therefore, that the ideas of Middleton and Tait about the interrelations of 'Political relations', 'authority' and 'power' unwittingly drop us in a logical quandary and nothing rationally intelligible can be derived from their propositions. I now pass on to the second example.

Example II

Middleton and Tait point out that the morphological range of political systems in Africa is by no means limited to the three types elaborated in "African Political Systems" and then they proceed to make the following observations:

"The chief factors that differentiate African political organisations are



Canada has from January to December '62 purchased 487000 pairs of footwear from Bata India

the degree in specialisation in roles that enter into political and administrative activities, etc".

This implies that 'political organisation' is the generic category which includes the specific and analytically discrete categories of (a) political activities and (b) administrative activities. Obviously the adjective 'political' cannot have the same meaning in the two contexts (i) when used to qualify the term 'organisation' and (ii) when used to qualify 'activities'. If the meaning is the same, we reach the absurd conclusion that a generic category is wholly a part of a specific category while the specific category in question is itself a part of the generic category by definition. If, however, the meanings are different, it is desirable to specify them or, preferably, use different terms. In the circumstance, since the two meanings, if intended by the authors, have not been specified, we are forced to conclude that either the adjective 'political' in the two contexts means nothing or else by using it simultaneously in a generic and a specific sense, the authors have unwittingly made an absurd statement.

The result, however, is the same in both cases. The statement that "The chief factors that differentiate African political organisations are the degree of specialisation in roles that enter into political and administrative activities . . . etc.", conveys no rationally intelligible meaning.

Then again, while defining political relations based on authority we were told (p1) that (they) are relations that are internal to the given unit, and they ensure the cohesion of its constituent elements and its orderly internal administration. Here, therefore, administrative relations are based on authority as distinguished from power and are specific to the generic category of 'political relations'. But in the statement quoted earlier (The chief factors that differentiate African political organizations . . . . . roles that enter into political and administrative activities . . . etc.) administrative activities have been conceptualised first as a part of 'political' organisation in accordance with the two types of political relations (those based on authority and those based on power) but, in the same breath, administrative activities have also been distinguished from 'political' activities. Therefore two conflicting conclusions follow:

(a) Political relations include administrative relations

(b) Political activities (therefore, political relations) exclude administrative activities (therefore, administrative relations).

If words have meanings, we are compelled to conclude that Middleton and Tait have operated with a model of political relations in which a part is occasionally bigger than the whole and the occasions are wholly unpredictable. probably Alice in the Wonder Land will feel intrigued about such a phenomena but a mere anthropologist with ambitions to be rational and willingness to be systematic, cannot but feel unhappy about this instance of political relations.

Conceptual Confusion

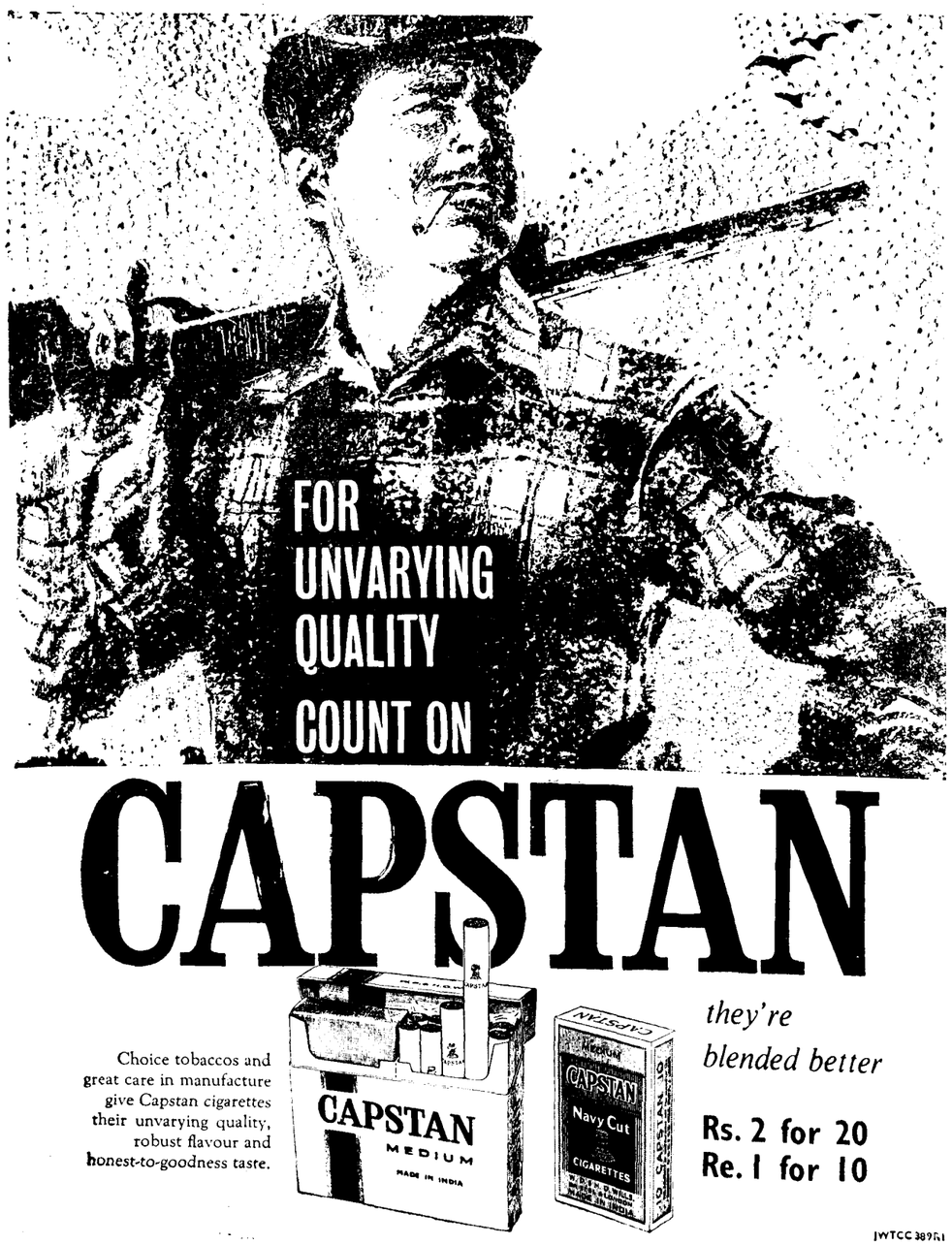
It has now to be admitted that the promising distinction between authority and power with which Middleton and Tait started, did not unfortunately carry them very far for they were overpowered by their conceptual confusion. It is difficult to judge in this background the actual measure of our theoretical progress since Radcliffe-Brown's classic formulation of the problem.

It might be argued that though the theoretical introduction in "Tribes without Rulers" is obviously unhelpful, its constituent papers based on field materials are likely to be more illuminating. This involves a paper by paper analysis which, however, is not intended here. I will, instead, quote at length and discuss Laura Bohannan's conclusions in her paper included in "Tribes without Rulers", a conclusion which she apparently reaches on the basis of her analysis of her field material. Thus:

> "Territorial organisation is an important element of any political structure, and it is generally accepted that the expression of the political and territorial structure is to be found in the fields of law and warfare. (Radcliffe Brown). Certainly and obviously this general definition has determined the topics discussed in this article. Yet it is also obvious that those institutions which emerge in the light of activities relevant to this definition are by no means limited to or even predictable from a discussion of political structure (taken from the same definition).
>
> "I believe this consequent to the far less general (it does not even approach the abstract) notion we hold of political activity in law and warfare. We have used in this definition, the sphere of relevance of that aspect of social organization which also determines territorial loyalties. But a simple reversal of definition, using the activities so defined to find the organisation in another society, is not necessarily a happy analytical procedure.
>
> "Where, as among the Tiv, there is no purely political and governmental organisation — I refer to a patterning of statuses and institutions and their correlation with arrangement of groups we refer to as structures — there is no clearly delimited sphere of political affairs. The Tiv language contains no word which might be translated 'political'. There is no culturally organized sphere of activities which might enable us to say that so-and-so has taken to politics. If, on the other hand, we abide by the relevance of anything concerned with the maintenance of peace and the waging of war, then we must also say that there is no single intergroup of interpersonal relationship in Tiv society which does not sometime serve political purposes nor any aspect of Tiv affairs not at some time of political concern.
>
> "If we try to isolate certain attributes of the roles of elders or men of influence as political, we falsify their true social and cultural position, for we give not a precis but a digest of their roles .....
>
> "Finally, I mean this in a positive and not a negative way: a segmentary system of this sort functions not despite but through the absence of an indigenous concept of 'the political'! Only the intricate interrelations of interests and loyalties through the interconnection of cultural ideology, systems of social grouping, and organisations of institutions and the consequent moral enforcement of each by the other, enable the society to work. To isolate part of it as 'political' may be correct, in so far as our definition of the political is concerned, but to do so robs the society of those very factors which endow it with vitality".

Bohannan's style leaves scope for ambiguity but, it appears that she agrees with Radcliffe-Brown in so far as her choice of topics is concerned. Bohannan proceeds to say:

> "Yet it is also obvious that those institutions which emerge in the light of activities relevant to this definition are by no means limited to or even



predictable *from* a discussion of political structure (taken from the same definition) ".

She is, perhaps, suggesting that if we accept Radcliffe-Brown's definition of political organisation, and, therefore, analyse activities pertaining to law and warfare, institutions emerge as a result of this analysis which are not 'limited to or even predictable from a discussion of political structure', that is to say, perhaps, we discover that certain institutions while involved in activities of law and warfare are also involved in systems of activities with other goals, say religious or economic. Moreover, if we define after Radcliffe-Brown the political organisation as the one concerned with law and warfare, we cannot predict on the basis of this definition the variety of institutions likely to be involved in legal affairs and warfare. If this is what Bohannan means, she is simply contending that political relations are pervasive throughout a social system or through a part of it, for many institutions may be variously and simultaneously involved in legal operations and war operations. Secondly, the institutions thus involved cannot be deduced from the concept of law and warfare and, I should imagine, therefore, will have to be empirically determined in given cases. If my reading is correct, Bohannan does not add anything new to Radcliffe-Brown's definition for he defines political relations as an aspect of social relations rather than as a specific kind of social relations. Bohannan's suggestion goes back to the difference of approach in the definition of 'political relations' between Evans-Pritchard and Radcliffe-Brown; Evans-Pritchard visualised political relations as qualitatively different in kind *from other* types of social relations, a distinct type of behaviour that can be called 'political' (The Nuer, p 263) while Radcliffe-Brown maintained that political relations are an aspect of social relations and not a special mode of behaviour. Bohannan's modification in this context, if any, does not visibly emerge *from* her analysis.

On the other hand, I think, she considerably confuses the issue by arguing from the premise that the Tiv language has no term that can be translated as 'political'! In the Hindi speaking areas of Indian villages, people to my knowledge do not have an exact equivalent for the term politics, but this linguistic fact has not succeeded even in slightly suppressing village politics in those areas. For the devotees of Gandhi, he was a saint and was far *from* politics and for the British he was a shrewd politician. Whether a thing is this or that largely depends on one's point of view (The model again!). As anthropologists, we are interested in the term 'political' as an analytical concept designating a domain of behaviour with specifiable properties. I do not here want to go into the details of concept-formation but I want to note the need for distinguishing what Durkheim called 'social facts' from 'analytical concepts'.

Politics and Society

Then again, if we are unable to say among the Tiv that so-and-so have taken to politics, do we have to necessarily conclude that "the Tiv do not have any organisation that is purely political or governmental"? I do not know what Bohannan means by politics. This is an undefined term suddenly introduced. The expository introduction does not define this term either; it has not probably been used there. Even in common parlance when we say that someone has taken to politics, we normally mean that one is competing for power, probably, by using unfair means and not that he has become an office holder in the government. Opposition members in a parliament take to politics but they may be so ineffective that the government may be completely unconcerned about them. It appears that Bohannan has used the terms 'government', 'political organisation' and 'politics' as interchangeable terms without defining anyone of them under the circumstance; her critical attitude towards Radcliffe-Brown's definition of 'political organization', remains merely an attitude which due to her own confusions appears very inelegant indeed. The last straw that breaks the camel's back is her concluding statement. It is correct to isolate, she says, a part of the complex of cultural ideology, grouping system etc, and call it 'political', in so far as our definition of 'political' is concerned, but such an act proves fatal to the facts which lend vitality to the society. As I pointed out earlier in this report, after Radcliffe-Brown's contention that this 'isolation' is analytically necessary, Bohannan makes this statement without giving us her reasons. This is putting the clock back. What is the way out of the straight and narrow path between being correct and being a devitalizer of social facts? Perhaps, none. Bohannan concludes her paper with this metaphysical statement. I cannot resist the observation that such a statement is possible only if the nature and purpose of the intellectual process of analysis are wholly *misunderstood*.

We might now tend to argue that despite this pervasive and stultifying confusion which informs "Tribes without Rulers", the book after all contains a lot of 'data' (no matter on what!). This is what probably Evans-Pritchard had in mind when in his preface (P.x) he said that by reading this book together with African Political Systems one can get 'a very good idea of what African societies are like, those described being representative of most types of African society and since they are widely distributed throughout the continent, representative of most distinctive forms of African culture'. One may be willing to grant this but then the stated objective of these two books was intended as anthropological studies of political systems and not a collection of essays on African culture for liberal education. Since Evans-Pritchard can be charmingly indifferent to all the criticisms of "African Political Systems" piled on it since its publication, he can well-afford to say about "Tribes without Rulers" that 'by reading a book of this kind (the layman or someone working in a cognate discipline can) skim the cream of recent research and get an idea also of its methods. for these essays also illustrate the advance anthropology has made in recent years in method and theory'. To say the least, Evans-Pritchard has visibly evaded the issue here.

It remains doubtlessly a fact that "African Political Systems" and "Tribes without Rulers" cannot be claimed creditably as contributions of anthropology to the study of political systems. Downright in-

different analyses vitiate both of them and they operate with concepts which are inadequately defined and inconsistently applied. Decades of data collection have not been very helpful for here the problems are not 'factual' at all; they are chronically conceptual.

"Segmentary Lineage Systems": M G Smith

It is, indeed, difficult to summarise the positive gains of anthropological studies on political systems. It is more fruitful to summarize the negative lessons and account for them. This I propose to do largely along the lines, developed by Smith in his paper (*JRAI*) on Segmentary Lineage Systems. Though Smith's analysis of the concept of political system is largely based on "African Political Systems" it is applicable with equal force to Tribes without Rulers which though published two years after Smith's paper, makes no use of it. Says Smith:

> ". . The conceptions of government and political organisation which inform their classification do not permit of much further refinement of the categories developed about them. Of itself, this would strongly suggest that the conceptions informing these categories are of doubtful value, and may need revision. This view is strengthened by an examination of the relations between government, political system, and administration, as set out in segmentary theory. At one time, government is equated with political system (Fortes and Evans-Pritchard 1940, p 6); at another time it is equated with administrative structure, and regarded as a component of political systems (p 5). At one time political relations are defined as intergroup relations (Evans-Pritchard 1940a) at another in terms of coercive force (p xxiii), at yet another in terms of community values (pp 20-i); in one version of the theory, territorially distinct sections provide the basis of segmentary political organisation, in another, we are told that similar organisation obtains among the Logoli and the Tallensi, 'who have no clear spatially-defined units' (p 6). And the problem of the limits of political communities is never resolved, since the two criteria of political action used in its examination are contradictory, namely force, which would operate through feud, war, and the like, and moral or legal norms, sacralized by ritual, to sustain an equilibrium (Fortes and Evans-Pritchard 1940, pp 33–3) ".

Smith accounts for this frustrating situation in the following words.

> "This methodology is unsatisfactory; in this it reflects an inadequate theory, and follows an inadequate typology. All three deficiencies are inseparably linked with the inadequate definition of political organisation, behaviour, and community, the uncertainty about the relation between political organisation and government, the mistaken choice of centralized force as criterion for classification of political systems, and the failure to define and analyse administrative process explicitly. A false problem has been created by an inadequate understanding of political action, and this leads to a false dichotomy. . " (p 46)

Almost all anthropologists in practice have failed to draw the necessary analytical distinction between the dual processes — administration and politics — subsumed in the general process of government and to pursue the analytical implications of this distinction. Naturally, therefore, a whole host of problems that arise, if this distinction is made, evaded the analysis of these students. For instance, governmental process comprising administration and politics, can be isolated for study, as argued by Smith, within all social units and between them. If this is accepted, it becomes necessary to specify levels of government, administration and politics. From this point of view, studies on the so-called state societies were largely descriptions of administrative systems obtaining over a territory held by Paramount Chiefs, Chiefs and their subordinates. I use the word 'largely' advisedly because in these descriptions we find information on an action system which is hierarchic, with centres of formalised power occupied by a variety of officers, a super-ordinate-subordinate system of behaviour operating with the sanction of rules and regulations, presented as a hotch-potch with occasional information on another action system, analytically distinct, in which its constituents are not hierarchic but contraposed as competitors — and not as administrators — for power. The second action system has been called political by Smith. Contributors to the "African Political Systems" did not distinguish these two action systems and, therefore, they failed to look for the data in detail which could illuminate the interrelations. In "Tribes without Rulers", this distinction though introduced in the beginning, soon failed to keep up the interest of the students with results of the kind a few specimens of which we have already examined.

Full 18 years rolled by between "African Political Systems" and "Tribes without Rulers" with no theoretical advancement, gains in conceptual clarity or widening of the intellectual horizon.

Intimations of New Trends

In its grasp of the fundamental problems involved in studies of political action, Smith's paper stands by itself in its quality. But it also stands almost alone in the sense that it has not yet succeeded in stimulating further works along its basic formulations. Nevertheless, even before this paper was published, an important trend in the 'anthropological' studies of political systems and politics began to take its first experimental steps. This trend, in its positive and progressive aspect, explicitly or implicitly rejects Radcliffe-Brown's model of the 'political' and embodies attempts at constructing new models with variables different from those suggested by Radcliffe-Brown and his followers. In its negative aspect this trend is characterised by the fact that these efforts do not try to profit from a conscious and critical appraisal of relevant previous and contemporary works at theoretical levels and hence the result is much unnecessary duplication without commensurable theoretical and conceptual advances.

I now intend to examine the nature of this new trend and I do this by taking Smith's important paper as my point of departure. My references in this section are evidently illustrative and not exhaustive.

(To be Continued)

Factories and Farms As Important As Arms For National Defence

Politics and Social Structure in Tamilnad

Andre Beteille

Tamilnad provides a useful field for analysing the inter-connections between caste and politics because of a number of reasons. There the cleavages between castes are both sharper in reality, and have been more sharply focussed in political debates and controversies. Also, the shift of political power from one group of castes to another has had an almost dramatic character in Tamilnad. Finally, this is perhaps the only area in India where some serious attempt has been made to provide an ideological basis to conflicts between groups of castes.

The role of caste in the politics of Tamilnad can be analysed at least at two different levels.

There is the division of Tamil society into the three broad categories, Brahmins, non-Brahmins and Harijans, and the struggle for power between them.

At a lower level — the level of the district and the Assembly constituency — there is the involvement in the political process of politically dominant castes which today belong mostly to the non-Brahmin category. The last three general elections have made it clear that local politics is controlled fairly effectively by one or more dominant castes which have to be taken into account even when the State Cabinet is being formed.

I

IN recent years sociologists and social anthropologists have shown an increasing interest in the study of political processes in India. Political scientists, in their turn, find it more and more necessary to take into account the social framework which provides the background to the interplay of political forces. Thus, there is a certain measure of overlap today between studies made by sociologists and social anthropologists on the one hand, and those made by political scientists on the other.

There are, of course, certain broad differences. For one thing, political scientists tend generally to concentrate their attention on the formal distribution of power. Their concern is more often with the analysis of written codes and constitutions. Sociologists, on the other hand, feel more attracted to the study of informal structures, to observing how the political system works in practice. Among social anthropologists intensive field-work serves as a powerful instrument in disclosing the informal aspects of political behaviour.

Secondly, sociologists view political phenomena as representing one among several aspects of the total social system. Conventionally, political science has been a more or less specialised discipline, dealing with political institutions in abstraction from the rest of society. The sociologist, on the other hand, tries to reveal the intimate connection between political and other social institutions. To him the dichotomy between polity and society is an artificial one, and at best has only a heuristic value.

Caste and Politics

An analysis of the part played by caste in political life in India today highlights both of these important features of sociological enquiry. Caste has been pushed into the background in the Constitution of India. With the exception of certain special provisions made for the Scheduled Castes, it has no place in the formal composition of either political or administrative bodies. Yet, the importance of caste in the actual working of Indian politics cannot be denied either by academic people or by politicians themselves.

In traditional India caste constituted in a very real sense the basic structure of society. It provided a framework not only for marriage and kinship, but also for economic, ritual, and political relations. In studying the role of caste in the political process one has necessarily to deal with most of the important aspects of Indian society. Caste has shown a great deal of resilience in the face of the many new forms and ideas which have been introduced into India over the last few decades. It is perhaps in the field of politics that it has been able to strengthen its grip to a greater extent than in any other institutional sphere.

It is not difficult to see why caste should play an important part in the political process in contemporary India. The new political forms which have been introduced after Independence are in many ways foreign to the traditional structure of Indian society. Political democracy, parliamentary institutions, and adult franchise were introduced into India under conditions which were rather different from those in which they emerged in the West. Neither with regard to economic development nor in the incidence of literacy or education, is India comparable to the democracies of Europe or America. It is not surprising, therefore, that democratic institutions have acquired a new meaning in being fitted into the traditional structure of Indian society.

Nobody, of course, assumes that the formal introduction of a new institution leads to the immediate disappearance of those aspects of the older structure which are in conflict with it. However, it seems doubtful whether there is sufficient awareness among educated people in the country of the real factors behind the contradictions between what politicians profess and what they practise. Recent studies by sociologists tend to show that the divergence between political ideology and political practice is, in some measure, inescapable, and follows from certain features inherent in the structure of Indian society.

The institution of caste gives to Indian society a highly segmental

character. The whole of society is divided, and sub-divided into more or less well-defined segments, and political support tends to be mobilised in blocks. There is a tendency for individuals to vote for candidates supported by the leaders of their caste or kinship group. This tendency acquires weight all the more from the fact that the majority of voters are illiterate, and do not have any clear basis for making a rational political choice.

Caste provides a ready-made organisation for the percolation of ideas from one level to another. It enables the masses to articulate with the leadership in a more or less effective manner. It makes possible the organisation of interests on the basis of groupings which are pre-existent. Castes become easily organised into pressure groups by virtue of their discrete and clearly defined nature, and the deep loyalties which they command.

Some may argue that in becoming politically organised castes lose their essential nature. This is largely a question of definition and terminology. It cannot be denied that whatever may have been the original functions of caste, there is a real continuity between the groups which in traditional society were based upon ties of kinship and affinity, and those which are today playing an increasingly important part in political life. There is continuity between the castes of traditional society and those of today not only in their name and functions, but also in their personnel. No doubt there has been a change in organisation, and certain new functions have been added in place of old ones.

Those who view caste as being based essentially on ritual values tend to emphasise the weakening of its structure over the last fifty years. Thus, it is pointed out that commensal and other restrictions between castes are not as stringently observed today as they were in the past. But caste has also a secular aspect, and today the strength of caste makes itself felt more actively in the sphere of political interactions. In fact it may be argued that political processes as they operate in India today have given to the caste system a new lease of life.

The importance of caste becomes particularly manifest at certain times, as during elections. Rival political parties make public accusations against each other about exploiting caste, while in private they seek to strengthen themselves by collaring the support of leaders of the locally dominant caste. Nowhere is the divergence between political professions and practices more sharply brought out than in the relationship between caste and political party.

II

Tamilnad provides a useful field for analysing these inter-connections because of a number of reasons. There the cleavages between castes are both sharper in reality, and have been more sharply focussed in political debates anl controversies. Also, the shift of political power from one group of castes to another has had an almost dramatic character in Tamilnad. Finally, this is perhaps the only area in India where some serious attempt has been made to provide an ideological basis to conflicts between groups of castes.

Tamil society is more or less sharply divided into three broad categories, namely. Brahmins, non-Brahmins and Harijans. These cleavages permeate every important sphere of life, and are represented at different levels of territorial organisation. In the village Brahmins, non-Brahmins and Harijans live in different residential areas which are fairly strictly segregated from each other. At the regional level they are marked by different styles of life, and to some extent by different economic interests and political loyalties.

The position of Brahmins has been somewhat unique in south India as a whole, and in Tamilnad particularly. The distinctiveness of the Tamil Brahmins is in evidence in their appearance, their dress, their speech, and in the general preponderance of Sanskritic elements in their style of life. Their cultural identity makes it possible for Brahmins to be more or less effectively isolated in the political sphere.

Economically Brahmins in general enjoy a favourable position in the traditional structure. A considerable section of them were landowners, and the separation between the ownership and cultivation of land was never as sharp among non-Brahmins as it was among Brahmins. Non-Brahmin landowners generally had a fairly close connection with the actual process of cultivation, whereas Brahmins have been prevented by ritual sanctions from directly engaging in such work. Further, as many Brahmins moved into urban centres in search of education and employment a large number of them became absentee landowners. Today the connection between a Brahmin and his ancestral land is often a remote and tenuous one. Land legislation in Tamilnad, by seeking to enlarge the rights of the cultivator, has had the general effect of making insecure the position of the Brahmin *mirasdar*.

In Tamilnad Brahmins took the lead in making use of the opportunities for position and power provided by British rule. Western education was a virtual monopoly of the Brahmins at the beginning of the present century. It was used as a means for enhancing social status, in addition to providing employment in positions which were economically and politically important. The professions, particularly law and education, and the civil services were largely manned by Brahmins. The new elite in Tamilnad, created as a result of British rule, in some aspects sharpened the cleavages between Brahmins and the rest of society.

In other parts of India also British rule created elites which were more or less separated from the masses. But in Tamilnad a combination of circumstances made this separation rather sharper than elsewhere. The new elite in the south was much more closely tied up with a single set of castes, namely, the Brahmins, than in the north. The Brahmins were socially more clearly differentiated here than elsewhere. Also, there has been a tradition that the Brahmins of Tamilnad are not indigenous to the soil but came from north India. Under these circumstances it became almost inevitable that political conflicts should follow the old existing cleavages, namely those of caste.

The conflicts became more and more sharply focussed as the non-Brahmin movement gathered momentum with the formation of the Justice Party after the First World War. The objective of the Justice Party was to assure a position for the non-Brahmins through reservation of seats in the Legislature and in administrative and educational institutions. In the 1930s the Self-Respect Movement launched a campaign against Brahmins on the social plane.

The leadership of the Congress Party underwent a gradual transformation. In the first half of the present century it was dominated by the Brahmin intelligentsia who helped to give an intellectual content to the Nationalist Movement. The 1942 Movement provided a major breakthrough for the non-Brahmins whose support became increasingly important, if for no other reason than the strength of their numbers.

After Independence the political influence of the Brahmins dwindled rapidly. Today the Ministry and the Legislature as well as the Congress Party to some extent has been forced to transform the character of its leadership in order to hold its own against Parties with a non-Brahmin background such as the Dravida Kazhagam (DK) and the Dravida Munnetra Kazhagam (DMK). With the replacement of Rajagopalachari by Kamraj the political influence of Brahmins in Tamilnad was more or less effectively nullified. Today, the Brahmins can at best hope for political survival by throwing in their lot with one or another Party which will in any case have a non-Brahmin leadership.

Shift of Power

The shift of power from Brahmins to non-Brahmins within the Congress Party bears witness to two important trends in south Indian politics. The older leadership essentially Brahmin in its composition represented a political elite one of whose roles was to give to the Nationalist Movement an intellectual content. It consisted primarily of lawyers and educationists, western-educated men who could demand representative government from the British on the basis of ideals which the latter themselves sought to uphold. Its ability to carry the masses with it followed partly from its position of opposition to the alien rulers.

With Independence, and the introduction of adult franchise, the ability to carry the masses has itself become the decisive factor. The new leadership tends more and more to be recruited from among men who have roots in the districts and in rural society in general. The ability to command the support of a particular district, or a particular dominant caste perhaps counts for more today than it did in the past. The present Madras Cabinet, as well as the preceding one, appears to have been judiciously constituted so as to give representation to the different districts as well as the dominant castes.

The change in the social composition of the leadership of Tamilnad was epitomised when the helm of affairs in the State was taken over by Kamraj from Rajagopalachari. The latter was a true representative of the older cultural and political elite : Brahmin by caste, lawyer by profession, learned in Sanskrit, English and Tamil, and one of the most astute theoreticians of the old Congress Party.

Kamraj represents the other side of the coin. He is essentially a man of the people. A non-Brahmin, and of humble social origins, he is relatively unlettered, and has had little formal education. His political position is based not upon any theoretical or intellectual skill, but on his ability to talk to the people in their idiom. It should be remembered that the veteran anti-Brahmin leader Ramaswami Naicker urged people to vote for the Congress on the ground that so long as Kamraj was in power, the interests of the non-Brahmins would remain secure.

The isolation of Brahmins over the last few decades, coupled with the introduction of adult franchise has now reduced them to a position of political insignificance. If the anti-Brahmin Movement to-day shows signs of having spent itself, it is partly because it has achieved its original purpose. There are some signs that in the future the main political conflict is likely to be between non-Brahmins and Harijans. Numerically the Harijans constitute a much bigger block than the Brahmins, and they are rapidly becoming aware of their political importance. The Government and the ruling party have so far found it wise to nurse the Harijans and to give them concessions of various kinds. The latter in their turn have been quick to exploit their position of vantage, and non-Brahmins often show resentment over the privileged treatment which they receive. Clashes between Harijans and non-Brahmins, although sporadic in nature, have not been infrequent in the recent past.

III

The role of caste in the politics of Tamilnad can, thus, be analysed at least at two different levels. Firstly, there is the division of Tamil society into the three broad categories, Brahmins, non-Brahmins and Harijans, and the struggles for power between them. At a lower level, the level of the district and the Assembly constituency, there is the involvement in the political process of locally dominant castes which today belong mostly to the non-Brahmin category. The last three elections have made it clear that local politics is controlled fairly effectively by one or more dominant castes which have to be taken into account even when the State Cabinet is being formed.

District-wise dominance of castes is a well-known phenomenon, and can easily be demonstrated by making a study of the caste-composition of candidates who have sought election from the different constituencies. Padayachis in North and South Arcot, Mudaliars in Chinglepet, Kallas in certain areas of Tanjore, Gaundars in Coimbatore and Salem, and Vellalas in Tinnevelly dominate local politics and also find representation in the leadership of the state.

The tie-up between dominant caste and political representation can be illustrated with reference to a particular Assembly constituency. In the three general elections held after Independence only Kalla candidates have been returned from the Thiruvaivar constituency in Tanjore district. The Kallas constitute about 30 per cent of the electorate in that constituency.

Not only has the sitting member always been a Kalla, but the overwhelming majority of candidates who have contested the Thiruvaiyar seat have been of this particular caste. In the 1952 elections the Con-



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gress Party set up a distinguished Muslim candidate who was defeated by an Independent Kalla. In 1957 the Congress won the seat by putting up a Kalla candidate. In 1962 there was a triangular contest between Congress, DMK and PSP, and all three parties put up Kalla candidates. It is now more or less generally acknowledged that any candidate to be successful from this constituency has to be a Kalla. Party affiliation, though important, does not constitute a sufficient condition for success. The Thiruvaiyar constituency demonstrates a pattern which is fairly general in Tamilnad.

The D K and D M K

The Dravida Kazhagam can be regarded as a successor to the Justice Party in only a limited sense. Both championed the cause of the non-Brahmins, but the DK was more successful in catching the imagination of the non-Brahmin masses. This was partly due to the ideological appeal of the Self-Respect Movement and partly to the personal magnetism of Ramaswami Naicker and some of his young disciples. The DK also made greater use of violence in its approach than the Justice Party.

The political influence of the DK cannot be estimated on the basis of its representation in the Legislature, because it has none. The DK has not itself fought elections, but has only lent its support to one party or another. In this also its behaviour has been characteristic. In the 1952 elections the DK opposed the Congress, and helped the Communists to win a number of seats. In the 1957 and 1962 elections it switched over its support to the Congress. The reason put forward by the DK leader is that today the Congress leadership is non-Brahmin in its spirit and composition, and is sensitive to the needs of the non-Brahmins, whereas in the past the Congress had been dominated by Brahmins.

The DMK began its career in 1949 as an offshoot of the DK. Now it has a much more effective political organisation than the parent body against which it stands in bitter opposition. The DK-DMK split does not seem to have been prompted by ideological considerations, although at the moment there are certain important differences between their attitudes. The leaders of the DMK, most of whom had their political apprenticeship under Ramaswami Naicker, have toned down their anti-Brahmin bias to a considerable extent.

IV

Today, the two most important political parties in Tamilnad are undoubtedly the Congress and the DMK. The latter emerged as one of the strongest opposition parties in any State by capturing 25 per cent of the seats in the Legislative Assembly in the 1962 elections. The somewhat unexpected success of the DMK has led to a good deal of speculation both within the State and outside about the sources of its strength.

It is difficult to pinpoint the specific factors which have contributed to the success of the DMK, although such an analysis would certainly reveal many important facets of political life in Tamilnad. The general idea in north India seems to be that the DMK owes its appeal entirely, or mainly, to the exploitation of caste and communal sentiments. Such a view is over-simplified, and presented in this form it gives an erroneous idea of the real situation.

It is true that the DMK addresses itself primarily to the non-Brahmins, but in this it does no more than the Congress Party. The DMK also chooses its candidates from among the locally dominant caste, but this again is forced upon it by the same circumstances which determine such choice by the Party in power. Any political party in Tamilnad has to select candidates belonging to the locally dominant caste in the interest of its own survival. This requirement colours choice by even those individuals who may be sincerely committed to the ideal of politics without caste.

Thus, it is not true that the DMK is the only party in Tamilnad which exploits caste to further its own interests, or even that it does so to an apprciably greater extent than the other parties. In fact, the ruling party works through the idiom of caste just as much as the DMK. One reason why the Congress Party was able to hold its own, first against the Justice Party, and then against the D K, was that it stole the thunder from these parties by building up a powerful non-Brahmin base within itself.

Political parties of all shades of ideology enter into the struggles for power between castes; firstly between Brahmins, non-Brahmins and Harijans, and, secondly, between and within locally dominant castes. However, the relationship between caste and political party is not direct or simple in nature. It is both complex and dynamic, or, in other words subject to change over fairly short periods of time. The dynamics of these relationships often result in the fact that political parties which appear in their ideologies to have nothing in common form alliances, while those having an apparent similarity of aims stand in opposition. Thus, in the 1962 elections the radically anti-Brahmin DK joined hands with the Congress, and waged a bitter compaign against its offshoot, the DMK. The DMK in its turn, in spite of its anti Brahmin background, joined the support of a large section of Brahmins, and entered into an informal alliance with the Swatantra Party which, in Tamilnad at least, is largely identified with the Brahmins.

Impact of Swatantra Party

In order to understand the seemingly capricious alliances which were brought into being by the 1962 elections, one has to go into their background. By then the Congress Party had more or less completely alienated itself from a very large section of Brahmins. Brahmin leaders within it had been largely replaced by non-Brahmins. (Whether or not this was done in the interest of "democratic" ends is another matter). In addition, land legislation and reservation of seats in the administration and in educational institutions had made serious inroads into what may loosely be regarded as the "real" interests of the Brahmins. The eve of the elections saw a large section of Brahmins hostile to the ruling party, holding it to blame for the decline in their social economic and political influence, and prepared to support almost any party which opposed it.

By this time the Swatantra Party had emerged as a champion for the

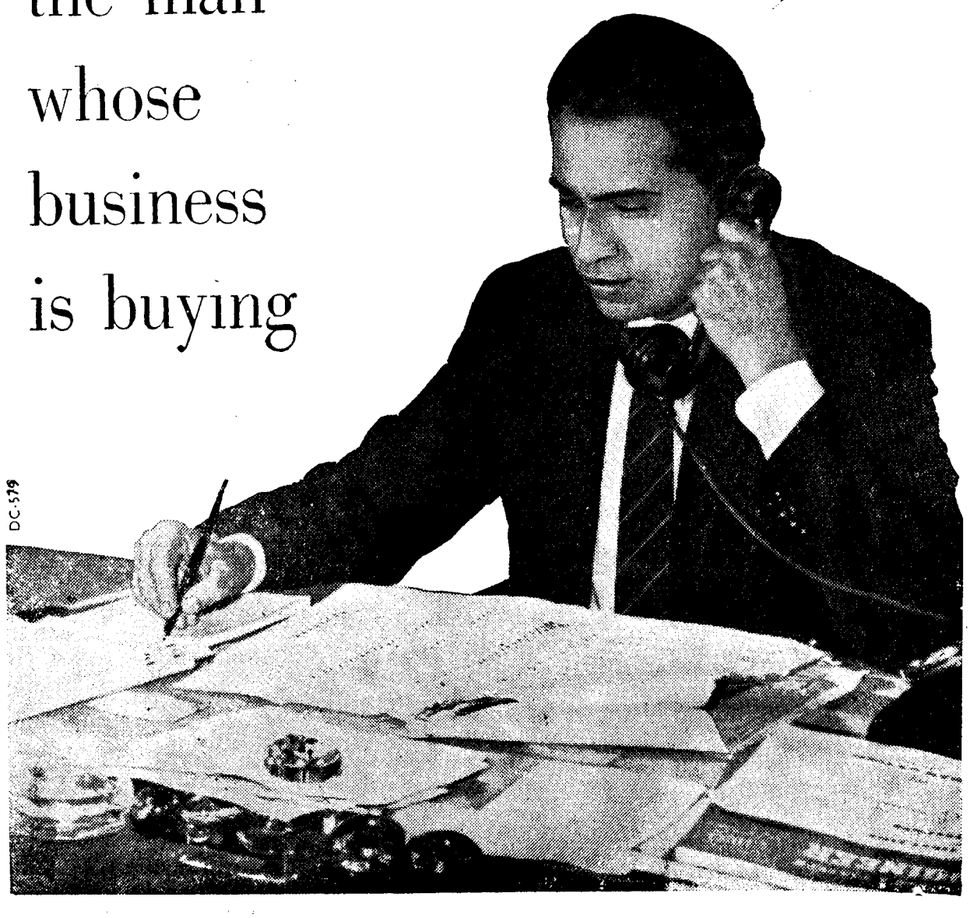
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cause of *laissez faire* and the removal of all those restrictions which adversely affected the interests of Brahmins. To add to this the party had among Tamil Brahmins the enormous prestige of the leadership of Rajagopalachari. It would be wrong, of course, to think that the Swatantra Party has no appeal whatever among non-Brahmins. But in Tamilnad, nobody can fail to observe the close correspondence between the social situation of the Brahmins and the ideology of the Swatantra Party.

The Swatantra leadership in Tamilnad tried at first to enter into a formal electoral alliance with the DMK, but this did not materialise. Both had in common a large measure of hostility towards the ruling Party, although their social backgrounds were very different. The Swatantra Party campaigned for the DMK where they did not put up their own candidates, as happened in many constituencies, and Rajagopalachari himself addressed election meetings arranged by the DMK. Incidentally, when he urged "intellectuals" to vote for the DMK in the absence of Swantantra candidates, the local newspapers took it for granted that he was addressing himself to the Brahmins.

Hostility to the Congress, and the personal prestige of Rajaji did, in fact, gain for the DMK a sizeable number of Brahmin votes. But Brahmin support to the DMK did not come easily or without heartburn. The tensions were most sharply felt in the rural areas where social separation between the Brahmins and the DMK leadership was at its widest. Till six months before the elections the Brahmins had regarded the DMK as a party of the "lower castes", not very different from the DK. Almost overnight they found themselves in a situation where they had to join hands with this same Party, if only to register their protest against the Congress.

The Congress, in its turn, did not allow the Brahmin votes to go to the DMK without a fight. Pamphlets were issued by Brahmins loyal to the Congress in order to expose the anti-Brahmin activities of the DMK leaders. Instances were quoted of attacks by these leaders against Brahmins. The fact that some of the DMK leaders owed their success to films which had preached a campaign of hatred against Brahminism was brought to notice. Finally, attention was drawn to the fact that outrages had been committed by non-Brahmins connected with the DMK on the Brahmins of Tuticorin. On all these accounts the Brahmin voter was urged to desist from supporting the DMK.

This campaign, however, did not carry very much conviction for one important reason. Congress candidates, particularly in Tanjore and Trichy, made full use in their election campaigns of the support offered to them by the DK and its leader, Ramaswami Naicker. The latter addressed Congress election meetings at a large number of centres and spoke before a mammoth crowd in Tanjore town which is one of the key constituencies in Tamilnad. This had a major influence in turning the Brahmin votes away from the Congress, because Ramaswami Naicker, more than any other person, symbolises the entire campaign of hatred against Brahmins in the south.

Voting Pattern

The pattern of voting among the Brahmins is thus not difficult to understand or analyse, although it might have been impossible to predict it a year before the elections. Their loyalty to the Swantantra Party is intelligible both in terms of its aims and policies and also of the enormous personal influence among Brahmins of Rajaji. Their antipathy to the Congress follows from three important factors :

(i) shift of power within the party from Brahmins to non-Brahmins;

(ii) acceptance by the Party of policies and programmes which adversely affect the Brahmins as a category; and,

(iii) the radical anti-Brahminism of the DK which became a part of the election campaign of many Congress candidates.

Support for the DMK appears more to have been a matter of expediency, following from the exigencies of the electoral situation rather than being based on any loyalty to either its leadership or its policies.

Party support among non-Brahmins is of a somewhat more complex nature. This is no doubt related to the fact that the non-Brahmins constitute a much larger, and a socially more heterogeneous category. Non-Brahmins supported the Congress as well as the DMK, depending upon various ideological, local and personal factors. Some of them also supported the Swatantra Party. In fact, all parties have to depend ultimately upon the support of non-Brahmins since they constitute well over half the total population of Tamilnad.

All parties generally pick candidates from among non-Brahmins, and in doing so they keep an eye on the locally dominant caste. As a consequence rival parties tend to match caste by caste, and the marginal vote acquires a certain importance.

Uptil now the third group of castes, namely the Harijans, seem by and large to have been loyal to the Congress. There can be little doubt that the social, economic and legal status of the Harijans has improved consistently since Independence. The Congress party naturally claims for itself the entire credit for these improvements. As the ruling party it is also in a much better position to confer tangible benefits on the Harijans. And the latter, having as they do only a dim awareness of the working of the State machinery, are not always able to see the subtle distinction between the Administration, and the Party in power.

The Harijans do not know much about the aims of the Swatantra Party; clearly it does not address itself primarily to them. They know something about the DK which at one time built up units among them. They also know about the DMK through its many popular orators, and through the film industry which it uses as a powerful propaganda machinery. It is doubtful, however, whether the DMK will be able to woo the Harijans away from the Congress in view of the better opportunities which the latter have of conferring tangible benefits upon them. On the other hand, tensions within the Congress between Harijans and non-Brahmins may lead to alignments which one cannot easily predict at this stage.

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Caste Orientation of Political Factions

Modasa Constituency: A Case Study

Rajni Kothari
Ghanshyam Shah

Party factions, found wherever politics is competitive, are of particular relevance under conditions of one-party dominance, as is the case in India. Factions account for the complex structuring of the Congress party, and by articulating all the major interests, lend flexibility and competence to the political system. They also provide a basis for mobility and change, for the most part within the party, but also by movements outside the party.

What is not clear, however, is the precise process by which factions come into being, get consolidated, and change.

It would be interesting to study a case where all these changes have taken place; that is to say, where factions develop into a basic cleavage of interests and force a change in political loyalties, and ultimately in party positions.

Among other things, such a case would show how intra-party *shifts lead to* inter-party *mobility; how, in other words, opposition parties come to benefit from factionalism within the Congress.*

Modasa is such a case. It shows how, when factions become irreconcilable, there is a major shift in political loyalties, and in the process an opposition party is helped to very nearly oust the Congress from its hitherto unchallenged position of power.

[The material for this article was collected in the course of an election study of seven Legislative and one Parliamentary constituencies of Sabarkantha district., Gujarat State. The authors wish to express their thanks to Surendra Shah and Bhailal Pancholi for their assistance in collecting the material.]

I

MODASA, an Assembly constituency of Gujarat State, is situated in a relatively developed part of the otherwise backward district of Sabarkantha. Modasa town, the headquarter of the constituency and the taluka, has for long enjoyed some locational importance in the economic and social geography of Gujarat. Situated very close to the Gajarat-Rajasthan border and having easy access to important centres of business in both States, it has commanded various trade routes in the area. The Taluka has also occupied an important place in the political geography of the Sabarkantha district. An island of British territory surrounded by native States and Agency areas, it acquired a number of modern features and exerted considerable influence on proximate areas. The prosperous, educated and mobile trading "Baniya" community dominated the town of Modasa and extended its sway in the surrounding villages. In addition, there emerged in Modasa an outstanding political leader and a towering personality known as "Dada", who dominated the entire district for over thirty years. An architect of almost all the people's movements in the surrounding princely States as well as the anti-British agitation in Modasa, he continued to have a dominating role in the politics of Sabarkantha after the coming of Independence.

Two points should be noted straightaway. The commercial importance of Modasa, the position of the Baniya community and the fact that "Dada" himself was a Baniya gave a preponderant influence to this community in the public life of Modasa. Secondly, being part of British India and centre of the nationalist and States people's movements gave Modasa a dominant position in the politics of the district. Both these points —the predominance of Baniyas in Modasa and of Modasa in the district — provide us with a starting point to the change that have taken place since Independence.

Major Communities

The Baniyas are split into two major castes, the "Nima", a small and largely urban community but much respected and influential, and the "Khadaita", somewhat more numerous and having a much greater pull in the countryside owing to its money-lending and "sahukar" functions. There are other minor castes among Baniyas but not so important. Between all of them, the Baniyas constitute no more than 3.5 per cent of the population. But they dominated the social and political life of Modasa for a very long period. In much larger numbers and mostly of peasant stock is the "Patidar" community of Modasa. A few Patidar families, the more highly placed in the social hierarchy and prosperous land-owners, have migrated from outside. The large majority, however, have been relatively backward and poor. The latter are known as "Anjana" Patidars. Not much behind these in the social hierarchy are the "Kshatriyas", the most numerous community group in Modasa and comprising of various castes and sub-castes. Socially very backward and politically dormant, the Kshatriyas account for 40 to 50 per cent of Modasa's population. There are many other castes, tribal and "backward" groupings but these are often indistinguishable from the Kshatriyas. There are also other smaller groups of artisan communities, Harijans, Brahmins and Muslims, the latter with a substantial population in Modasa town. None of

these, however, is important from the point of view of the constituency as a whole.

Two strains develop in the politics of Modasa after 1952. Firstly, the retirement from active politics and death later of Dada leads to a shift of power within the district from Modasa to Himatnagar, the district capital, from where the new line of leadership emerges. Secondly, within Modasa taluka itself, the hegemony of the Baniyas is challenged; first, the ruling Nima group is challenged by the other group of Baniyas, the Khadaitas, and still later the Baniyas as a whole by the Patidars. At the district level too Dada had cultivated Patidar leaders who took over after him. Thus, both the Baniya preponderance in Modasa politics and the importance of Modasa and its leadership in the district politics are affected, largely as a result of the working of the electoral process. We shall consider these shifts in power in some detail below.

Congress Stronghold

Largely because of the dominant influence of Dada, Modasa remained with Congress for a long time and except for the short-lived victory of the Mahagujarat candidate in 1957 (the election was later declared void and the Congress came back in the bye-election that followed), Modasa has always voted Congress. However, a growing rift has taken place within the Congress, taking the form of clear-cut factions. What is more, this has culminated in considerable defection from the Congress, leading to an impressive performance by the Swatantra Party which lost by a very narrow margin in 1962 and finally to its victory in the Panchayati Raj elections of 1963. In what follows, we shall consider these two aspects of political change in Modasa — the intra-party factionalism in which the selection of candidates for the Congress plays the decisive role, and the shift in popularity from Congress to the Opposition in which caste alignments play the decisive role.

II

In the crystallisation of factional positions within the Congress, the selection of party candidates has invariably played an important role. In Modasa, the recurrence of this event from one election to another has led, first, to competition for the party ticket between individuals and, secondly, to an attempt by the unsuccessful candidate to build his strength by seeking support from various groups. An examination of the process provides a clue to the first two questions formulated in the beginning: how factions come into being and how they get consolidated.

Emergence of Factions

In both 1952 and 1957 the Congress ticket was given to a worker from Modasa town, a non-Baniya by caste but an ardent follower of Dada and a close associate of the Nima group among the Baniyas. It was denied both times to a Khadaita Baniya, wealthy and very influential in the villages. The former had the whole official organisation of the Congress with him. The latter had to build his strength on the basis of his own social and economic connections. He did this, first, by mobilising the support of his community throughout the constituency and, second, by using the economic hold of this community on parts of the peasantry. Thus came into being the first substantial faction in Modasa politics. How powerful it was, was shown in two elections held in 1957, the general election and a bye-election that followed immediately. In the former, the Khadaita candidate was denied the Congress ticket and he worked against the Congress. Before the bye-election was held, however, he had been given the Congress ticket in another constituency in the district and had become an M L A. In the bye-election, therefore, this faction returned to the Congress fold and worked for it. While the Congress lost in the general election, it won by a comfortable majority in the bye-election. (In both the elections the popular appeal of the Congress was reduced because of the "Mahagujarat" agitation for linguistic autonomy. This accounts for the large vote polled by the Mahagujarat candidate (See Table 2). But the decisive difference was made by the bulk vote held and controlled by the Khadaita Baniyas.)

Thus before 1962 the main cleavage was between the majority group in the Congress organisation controlled by one Baniya caste and the minority group backed by another Baniya caste. The caste conflict that developed was not there from the beginning, but grew from

Table 2 : Voting in Three Elections Held between 1957 and 1962

(Per cent of total votes polled)

	1957	1957 Bye election	1962
Congress	49	69	41
Mahagujarat/ P S P	51	31	19
Swatantra Party			39
Others (including invalid votes)			9

Notes:

(1) The Mahagujarat issue was a constant factor in the first two elections. The great difference in the poll is made by the votes commanded by the Khadaita Baniyas in the constituency. These were cast against Congress in the general election and for Congress in the bye-election.

(2) The decline of the Congress vote in the 1962 general elections owes largely to the defection in 1962 of the Patidar leaders who joined the Swatantra Party. The Swatantra Party was also able to secure a sizeable section of the Kshatriya vote.

(3) The "Mahagujarat" was largely a P S P-sponsored alliance. In 1962 the P S P resumed its own identity. We have, therefore, bracketted them together.

Table 1: Major Communities of Modasa

Community	Social Status	Political Experience and Influence	Extent of Rural Penetration	Numerical Strength
1	2	3	4	5
Baniyas (Nima)	High	Longest	Hardly any	3.5 per cent
Baniyas (Khadaita)	High	Fairly long	More	
Patidars	Low (except a small minority of migrants)	Recent	Still more	16 per cent
Kshatriya	Low	Not yet	Most	40 to 50 per cent

the minority faction's attempt to consolidate its position. The other major caste groups in the Congress, the Patidars and the Kshatriyas, remained outside the main conflict and had not yet taken the form of factions. The Patidars had in 1957 argued for a "peasant candidate" but did not press their claim in deference to the Nima group. It was in 1962 that the selection was bitterly contested by them.

Political Polarisation

The Patidars had now become restive, organised themselves into a powerful faction, and put in their claim in opposition to the claims of the Nima and Khadaita Baniya candidates. An intense campaign followed and ultimately resulted in a polarisation, the traditional Nima group and the Patidars presenting a united front against the Khadaita Baniya. The Patidar faction was still prepared to withdraw in favour of a Nima Baniya but was not prepared to make room for a Khadaita Baniya who was getting to be much disliked in the countryside and particularly by the Patidars who were rapidly growing into positions of leadership in the villages.

Most of the Mandal Congress Committees, practically the whole of the Taluka Congress and a majority of the D C C were against the candidature of the Khadaita who was generally unpopular with the local Congress, largely owing to his habit of bypassing the organisation and relying either on his castemen or on "higher authorities" at the State level. But to the surprise of everyone, he managed to get the ticket by bringing pressure from the State level on the D C C where he succeeded in getting a majority.

The sequel to the selection is important. Barring the Khadaitas most of whom were outside the fold of the official Congress organisation, Congressmen all over the Taluka were dissatisfied. The most resentful was the Patidar faction which decided to put up its candidate against the Congress. In these circumstances, it found the newly-formed Swatantra Party a handy instrument to fight the Congress with. The upshot was *en bloc* desertion by the Patidar group from the Congress.

Here is a clear case of party factions becoming irreconcilable and leading to the desertion of a whole faction from the parent party into a new party which, but for the desertion, had no base in the constituency. Party factions, instead of providing a basis for accommodation and flexibility, here became irreconcilable and led to an open break. It was through the Swatantra Party that the resentment could be channelised. Although in the outcome the Swatantra Party was defeated by a narrow margin, its performance was remarkable and would have been impossible without the desertion of the Patidar group from the Congress.

Attitudes to power, however, differ. Both the Nima and the Patidar groups had been deprived of the party ticket by the Khadaita candidate's strategy of "pressure from above". But while the Nima group continued within the Congress, *albeit* with a much reduced enthusiasm and with some of its workers withdrawing from active politics, the Patidars, known for their aggressiveness in politics and not given to taking a defeat lying-down, left the Congress determined to undo it before long. Attitudes of particular groups have much to do with the precise form that political mobility takes. It is only by a combination of an extraordinary set of circumstances, as found in Modasa, that the commercial community of Baniyas has occupied such a predominant political position. With the tone of politics changing from a respectable and paternalistic activity into something acutely competitive, and with the rise of new and aggressive groups, the days of the Baniyas in Gujarat politics are numbered. Modasa is a case in point. Even among the Baniyas, the more urbane and idealistic Nimas are first on their way out. The Khadaitas, money-lenders and mortgage-dealers, are known to be more tough in their management of human affairs and can put their money to good effect in politics. But before the passion for politics of the Patidars and before the overwhelming numbers of the Kshatriyas, even the Khadaitas will be forced to retreat. Considering the cost of politics, they will soon decide to give it up altogether. Though in the 1962 election in Modasa a Khadaita Baniya won narrowly against a Patidar, this was perhaps the last time that this could happen. The future, which was foreshadowed in the election, lay with the numerous and rising Patidars and Kshatriyas, as indeed was to be proved only a year afterwards when the Taluka Panchayat was elected.

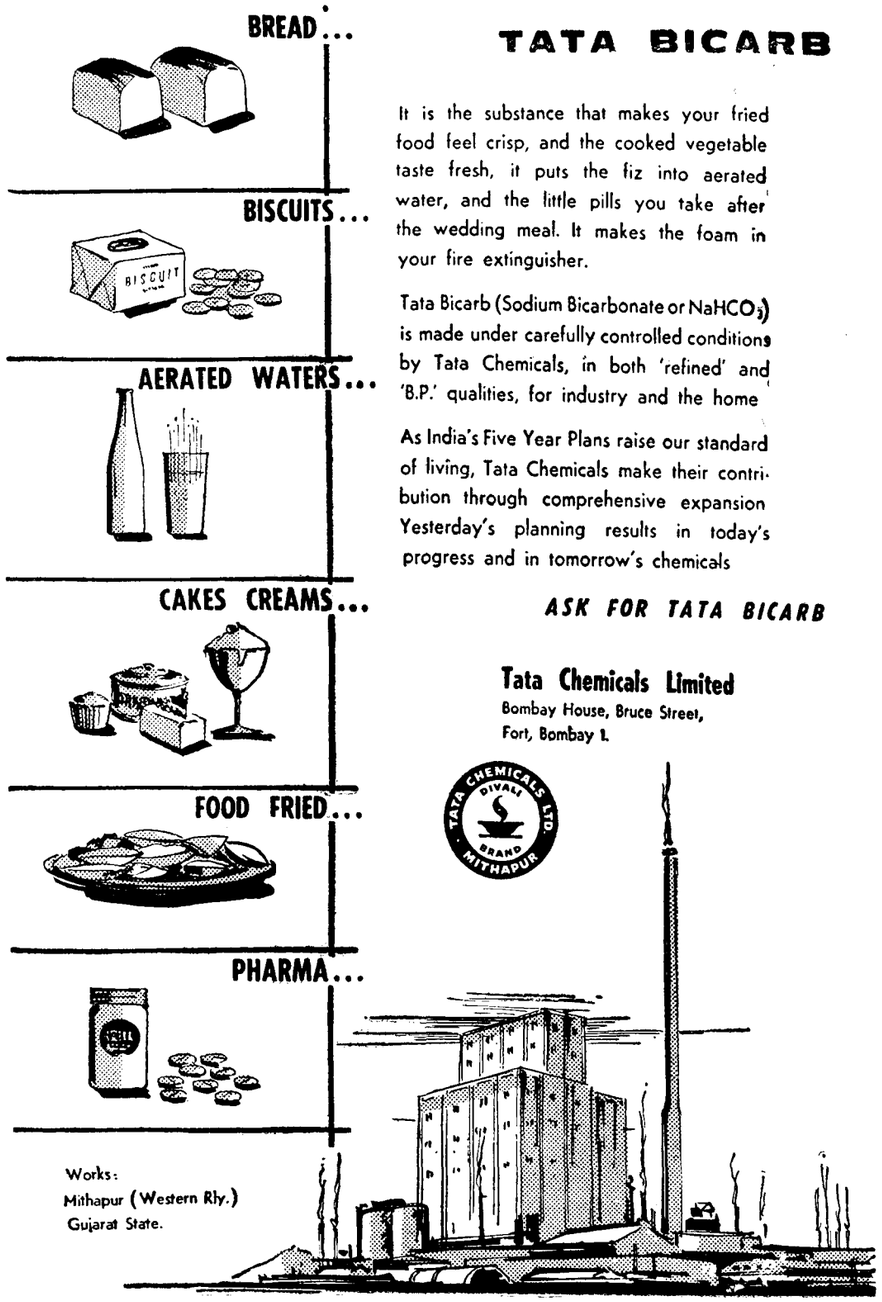
III

The role of factions in the selection of the Congress candidate underlines the importance of caste in the politics of Modasa. We may now ask and recapitulate: how precisely have the various castes grouped themselves in Modasa politics?

Caste and Factions

Broadly speaking, the first important caste consolidation was that of the Khadaita Baniyas. This, in turn, led to another caste consolidation. The Patidars, deferential so long as Dada and the Nima group were in power, now began to feel uncomfortable. This was largely because whereas the Nimas were largely an urban caste and interfered little in rural affairs, the Khadaitas operated in areas where the Patidars made their livelihood. Moreover, in so many local events — the D L B elections, the composition of the School Board, the election of delegates to the A I C C — these were the two groups that came into conflict. Finally, as we will see below, the Kshatriya community was advised in 1962 both by their regional organisation, the Gujarat Kshatriya Sabha, and the local Patidars with whom they had close social contacts, to vote for the Swatantra Party. This has since led gradually to a caste alliance between the Patidars and the Kshatriyas against the Baniyas.

Thus starting with the activisation of intra-party groups, the gradual weakening of the ideological heirs of Dada and the rise of new bidders for power, the political contest got organised on the basis of caste, at first within the Congress and then beyond. It is remarkable that in none of the elections did a Khadaita stand against a Khadaita, a Nima against a Nima or a Patidar against a Patidar. What is found in some other places, men of the same caste standing against each other thus enabling politics to cut across caste groups, did not occur in Modasa where the major groups in politics are caste groups. Indeed



here it is the caste loyalties that often cut across party affiliations such as the Congress Khadaitas working against the Congress candidate in 1957. Even the Patidar group's joining the Swatantra Party after defecting from the Congress is to be interpreted as continuation of a factional struggle within the Congress that had developed on a caste basis. The new party was no more than an instrument for carrying on the fight.

IV

Our consideration of factionalism has so far been limited to the political elite of Modasa. It should now be seen how such a form of political competition gets structured into the mass of the electorate. More particularly, it needs to be examined how far caste provides the infrastructure of political organisation and makes available to the competing groups the necessary mechanism for electoral divisions and alignments. For us, two questions are involved here : How far do the relationships between various castes of Modasa provide material for politics? In other words, what is the secular potentiality of Modasa's caste hierarchy? Secondly, how actually did these relationships provide a basis for electoral behaviour in 1962?

Change of Dominant Group

Modasa is a comparatively backward constituency. The political articulation found here is not one of horizontal differentiation (in terms of various social and political groupings) but of vertical dependence (between a dominant minority and a dependent majority). The developing cleavage is between two or more minority groups, although one minority may be more numerous than the other. The changes that occur are changes in the dominance pattern of politics where one dominant community gives place to another, the large majority of people simply providing a numerical base for the contesting parties, having not yet themselves emerged as active participants in the political process. This is one point. Another point, and one of considerable general significance is that such a change in the dominance pattern is initiated in the sphere of politics which then gets reflected in society. Indeed, to a marked extent the changes taking place in the secular relationships between various groups in Modasa society can be understood largely in terms of the political relationships between those groups. What follows will make this clear.

Where the rival contenders for votes come from minority communities, there is no direct identification in terms of caste, occupation, interest group or political party between the candidate and the voter that could be statistically related. The relation is indirect and can be asserted only because of supporting data collected both from a review of the last few years and other field data on the conduct of the election. But whatever statistical evidence there is, goes to support the assertions we make; which increases our confidence in the analysis.

Let us first state our assertions. The Baniya community has enjoyed long political hegemony in this area, partly owing to its social and economic position and partly owing to its supply of political leadership during the Independence movement. As is usual in the politics of minority dominance, the minority itself gets split into rival factions. In Modasa these factions also took a community base, between the two sects of Nima Baniya and Khadaita Baniya. The Nimas had dominated so long as politics was largely urban-oriented. With adult franchise, this was no longer possible. On the other hand, the Khadaitas, both more numerous and exercising a greater rural penetration, began to dominate a number of local institutions. The Nimas continued to control the Taluka Congress for some time but, lacking the wherewithal by which to control the rural masses, lost in real power to the Khadaitas. But while the Nimas, found mostly in the urban areas, continued to hold certain positions because of the traditional respect in which they were held, it was the Khadaita community, both more numerous and exercising a greater rural penetration, that dominated local centres of power. With years of influence and status in the village community behind him and the wherewithal by which to control the needy and the backward, the (Khadaita) Baniya has enjoyed this position of dominance for a considerable time now.

Alliance of Rural Communities

This position, however, was not left unchallenged. The chief contestant has been the Patidar community of Modasa. Now it is true that in terms of economic power and influence, the Patidars have a long leeway to make up. But they have other qualifications. They are more numerous. They are the farmers, the sons of the soil. Many of them have made a success of farming and have prospered. As politics became more broad-based and peasant-oriented, this increased their confidence and their sense of solidarity, especially against the Baniyas. The upshot was that the Patidars of Modasa were no longer satisfied with a dependent status in politics. Indeed, for a large majority of them, politics provided the only opening for getting out of their "low" and dependent status in society as well. Thus in the 1962 election, the first time the Patidars made a determined bid for power, it was from among the "backward" Patidars (caste Anjana) that a candidate was put up. A year later he became the President of the Taluka Panchayat of Modasa !

Far more numerous than any other caste group, economically exploited and socially handicapped, is the Kshatriya community of Modasa. An incomparable political force in terms of numbers, the Kshatriyas have all along had a dependent status, in politics as well as in society. They have conformed to whichever dominance pattern obtained in their different villages. This was so right up to the 196?

Table 3 : Social Composition of Modasa Constituency

Brahmin	Baniyas	Patidar	Kshatriyas*	Harijans	Muslim	Others	Total
2010 (3.5)	2099 (3.5)	9121 (16)	20193 (40)	3122 (5.5)	4644 (8)	13184 (24)	54373 (100)

Note: Figures in brackets denote the voters of the caste as per cent of total voters.

* We are not able to give the total figure for the Kshatriyas because of the later inclusion of a number of other communities here classified as "backward" and included in the miscellaneous column. The total of Kshatriya voters should be somewhere between 45 and 50 per cent of the total voters.

elections. But 1962 did make a difference even to the Kshatriyas. Two factors are important. The Gujarat Kshatriya Sabha, a prominent social organisation of Kshatriyas throughout the State and dominated by outstanding leaders of the community, had openly called upon the community to vote for the Swatantra Party. This was a great influence and made the community for the first time conscious of itself as a political force. Secondly, in the whole of Sabarkantha district, the numerous low caste Patidars (Anjanas) are very close to the Kshatriyas in the social hierarchy and are usually in constant social intercourse. Now that a Patidar — and that too an Anjana Patidar — had at last made bold to contest against the powerful Baniya, the sympathies of the Kshatriyas were naturally for the Patidar. The facts most emphasised by the latter was that he was a *khedut*, a farmer, and that he had joined issue with the Baniya, the traditional usurper. This provided a manifesto, a sort of ideology and one that readily carried meaning to the uneducated villager. Then there was also the fact that the Swatantra Party had given its ticket in the adjoining constituency to a Kshatriya. The latter also exerted his influence on the Kshatriya vote in Modasa.

Challenge to Congress

With all these factors, however, the Kshatriya vote was decisively split, the Congress and its Baniya candidate still retaining their dominance on the community in a number of places. This accounts for the ultimate victory of the Congress candidate over his Patidar rival from the Swatantra Party. The latter's calculation of a firm Patidar-Kshatriya alliance had to contend with the strong influence wielded by the trading class on the mass of voters that continued to be in a state of dependence, indebtedness, obligation or simply influence hallowed by tradition and usage. On the other hand, by forging such an alliance and turning it into an expanding base of political organisation, the Patidar leaders of the Swatantra Party posed a formidable challenge for the Congress, one that nearly shook her from her fort in the very first encounter and was likely to become a menace for a long time to come. To see it, however, as a Swatantra challenge to the Congress would be misleading. It was essentially the challenge of the Patidars against the dominant Baniyas, in the process also bringing in the numerous lower strata of the population and affecting time-honoured dominant-dependent relationships.

V

The foregoing analysis shows that it was the behaviour of the Kshatriya (and its contiguous "backward") vote that held the key to the 1962 elections. As said above, in spite of overwhelming social and political factors, the Congress managed to split the Kshatriyas in their voting preferences. The Kshatriyas had for long provided the backbone of the political superiority of the Congress in Modasa; they are also in most places economically dependent on the Baniyas. The Patidar leadership of the Swatantra Party succeeded in breaking this hegemony. But it did not succeed enough. Tables 4 and 5 make this abundantly clear. These Tables give those polling booths where there is a high density of Kshatriya population. Potentially they provided the strongholds for the Swatantra Party, as is seen from the figures for the eleven booths given in Table 4. In an almost equal number of booths of Table 5, however, Kshatriya voters behaved in just the opposite way: they supported the Congress. The Congress in effect managed to retain the Modasa seat against the challenge of the Patidar-Kshatriya alliance by frustrating the alliance in a number of places. It too had its strongholds of economic domination and its political record and it cashed in on the same with good effect.

Congress and Rural Votes

Thus in village Ramos (booth 27) there was a "constructive worker" with a long record of work who came from the Baniya (Khadaita) community and was greatly respected. As it often happens, the wealthy and influential families to whom the dependent classes in any case turn for economic help and "advice", also throw up a noble person who can afford to devote his life to unpaid social work. This helps in further consolidating the hold of these families over village life as they are in a position to guide both the traditional and the modernist aspects of village life. The hold was still further fortified in this village because of an incident that played into the hands of the Baniyas. A Patidar had beaten a Kshatriya for entering his field. The situation was cleverly exploited by the Baniyas to their own advantage. The benefit was reaped by the Congress candidate for whom the village Baniyas acted as a link. The link need not always be of the same caste. Thus village Kudol (booth 16) was dominated by a leading Muslim trading family (known as Vora) that performed the money-lending and other "sahukar" functions in the village. It also supplied the President of the local Panchayat and general guidance in political matters. This family because of its trade relationship with the Congress candidate secured for him the support of the village.

Voting in Modasa Town

A still more interesting case is that of Bayal (booth 44) where the money-lending, shopkeeping, social leadership and Panchayat functions were performed by a leading Patidar family. Moreover, it was also a staunch "Congress family", the head of the family being the President of the Taluka Congress Committee. Thus though a Patidar in caste, his outside trading contacts were with the Baniyas and political loyalties for the Congress. Moreover, he also had a caste quarrel with the Patidar candidate of the Swatantra Party over whose family stood higher in the system of hypergamy. At the same time, as he was also an anjana Patidar, he had close ties with the local Kshatriyas community. Such a combination of circumstances enabled the Congress to poll almost the entire village population in its favour in the election. The gain of the Congress was even more. In the neighbouring village of Itali (booth 43) another Patidar who was a close kinsman of the Bayal family dominated the village economically and politically. A substantial section of the latter also voted Congress. The main point in such villages is the *monopolistic* position of the family that performed the "sahukar" functions. Though normally Baniya, it did not matter what the caste of the family was.

These are stray illustrations but they show the ways in which the

Congress was able to make inroads into the rural vote including the votes of Kshatriyas and at some places even of the Patidars. But if the splitting of the Kshatriya vote enabled the Congress to withstand the Swatantra challenge of a rural alliance against Baniya dominance, it was the urban vote that really tilted the balance in favour of the Congress. The vote in Modasa town followed a pattern very different from the pattern in the countryside. Here it was not the persistence or decline of a dominance pattern on social or economic lines but political record and persuasion that influenced voters' decisions.

The interesting thing to note in this connection is that a recent event of explosive significance — diversion of the railway line from Modasa to another part of the district in spite of official and expert advice being in favour of Modasa —, which had led to a great deal of agitation and violence, had turned the people of the town hostile to the Congress. Yet, their dissatisfaction could not be turned to the advantage of the Swatantra Party. There were two reasons for this. Firstly, the P S P which had been in the forefront of the Mahagujarat movement had also taken the lead in the Railway agitation. Hence it was the P S P that derived the most benefit. Secondly, the old Nima leadership in the Congress had a good hold

Table 4 : Swatantra Strongholds in Kshatriya Areas

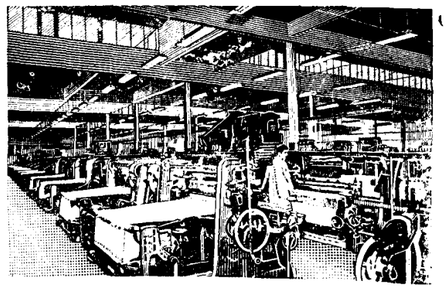
	SOCIAL STRUCTURE								PARTY-WISE VOTING			
Booth No	Brahmin	Baniyas	Patidar	Kshatriya	Harijans	Muslim	Artisans, Menials, Tribals, Others	Total Voters	Congress	Swatantra	P S P	Total of Three Parties
8	31	10	175	289	124	9	158	796	58	308	125	**491**
14	—	—	228	770	2	8	—	1008	54	438	35	**527**
13	19	1	231	724	43	3	70	1091	150	434	35	**619**
21	14	49	157	319	—	—	353	892	183	421	35	**639**
22	12	—	251	416	55	4	84	822	72	477	50	**599**
25	4	9	87	587	—	11	326	1024	117	467	9	**593**
26	—	—	30	463	—	12	177	682	84	402	6	**492**
48	—	4	209	338	—	14	235	800	176	376	21	**573**
49	—	—	163	242	38	80	97	620	50	481	4	**535**
56	6	17	216	584	67	19	112	1021	163	629	3	**795**
60	—	12	43	286	—	3	51	395	82	206	7	**295**
Total	86	102	1790	5018	329	163	1663	9151	1189	4639	330	**6158**

Table 5 : Congress Strongholds in Kshatriya Areas

	SOCIAL STRUCTURE								PARTY-WISE VOTING			
Booth No	Brahmins	Baniya	Patidar	Kshatriya	Harijan	Muslim	Artisans, Menials, Tribals Others	Total Voters	Congress	Swatantra	P S P	Total of Three Parties
—	—	—	—	522	91	12	168	285	256	166	30	**452**
4	32	—	—	322	204	11	166	920	321	189	21	**531**
5	61	11	145	502	133	11	—	960	383	207	112	**702**
6	115	17	182	492	73	29	100	889	318	137	73	**528**
16	4	3	188	628	38	13	55	817	242	202	46	**490**
23	1	—	82	446	—	—	342	794	448	213	6	**667**
27	—	6	—	642	63	59	173	1092	278	125	238	**641**
39	7	10	138	467	111	14	393	1161	361	161	237	**759**
43	6	—	170	386	30	18	305	1028	600	27	14	**641**
44	44	20	225	376	—	38	411	1064	537	172	7	**716**
58	123	64	52	4783	743	205	2113	9550	3744	1599	784	**6127**
Total	393	131	1182									

Table 6 : Voting in Modasa Town

Booths	Brahmins	Baniyas	Patidars	Kshatriyas	Harijans	Muslims	Others	Total Voters	Congress	Swatantra	P S P	Total of Three Parties
30 to 38	372	881	148	362	94	3423	2580	7860	1883	393	2361	**4737**



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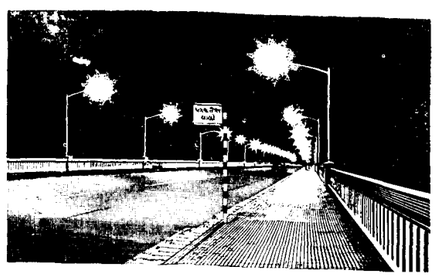


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over the population of the town. Although thrown out of position within the party by the Khadaitas, the Nima leaders could not, like the Patidars, bring themselves to oppose the Congress or even be indifferent to it. (Some, however, subsequently retired from active politics.) They used all their influence and pressure to save the party's prestige and the name of Dada. The result was that the P S P and the Congress polled between them almost the entire vote of the town, the Swatantra Party making a miserable show. The margin thus secured enabled the Congress to tilt the balance and win the election.

Congress Factionalism Helps Swatantra

Such are the reasons for the actual outcome of the general elections, the Congress losing substantially but yet retaining the seat. A closer look at Tables 4 and 5 may be worthwhile. It is true that whereas one set of booths shows a correlation between Kshatriya concentration and Swatantra strongholds, another set of almost equal concentration of Kshatriya vote shows a strong preference for the Congress. The sweep of the Swatantra hold in Kshatriya areas, however, is stronger than of the Congress. Thus even in the Congress-dominated areas, the Swatantra managed to secure 27 per cent of the vote and the P S P another 10 per cent. The corresponding figures in the Swatantra strongholds are Congress 19 per cent and P S P 5 per cent. As a matter of fact, the shift away from Baniya dominance and towards affinity with the Patidars is clear in greater or smaller degree all over the constituency. This was shown in the election, with the single exception of booth 44 (see Table 5) where the overwhelming superiority of the Congress is owing to the exceptional stand taken by the Patidars themselves to support the Congress (and advise the Kshatriyas also to do so). As a matter of fact, with the exception of booth 44, the Patidar leaders of the Swatantra Party managed to put up a three figure performance in all booths of Kshatriya predominance. The Congress, on the other hand, failed to do so in as many as six booths. The upshot is a trend of declining Baniya dominance and rising Patidar-Kshatriya alliance against such a dominance in Modasa politics.

The trend was confirmed in the election of the Taluka Panchayat President that followed in 1963. In this election, the impressive majority of the Patidar candidate of the Swatantra Party against the Congress candidate largely owed itself to the support he got from Kshatriya and Patidar Sarpanches. The caste break-up of the vote is given in Table 7.

Table 7: Taluka Panchayat Election

Caste	Swatantra	Congress	Total
Brahmin	1	4	5
Patidar	16	2	18
Kshatriya	27	3	30
Baniya	—	5	5
Others	1	1	2
	45	15	60

Notes:

(1) The "Swatantra" group in this election, owing to a directive of the party, did not use the name of the party but of "Khedut Sangh", a farmers' organisation in the constituency that was created at the time of the election.

(2) Sixty members out of a total of 62 voted in this election;

The experience of the elections has opened the eyes of a section of the Congress leadership which is aware of the strong position of the Patidar leadership of the Taluka. The only way of regaining the lost position of the Congress in Modasa is to win back this group and this could be done only at one price: the present Khadaita hegemony of the Taluka Congress should go. Such a solution may indeed find favour with the D C C which is also dominated by the Patidars. Moreover, if the D C C can enforce its line of thinking on the Taluka, Modasa too will be in their hands and the rivalry between two centres of power in the district ever since the death of Dada will come to an end. The territorial shift of power from Modasa to Himatnagar (the District capital and home of the D C C group) and the social shift from Baniyas to Patidars would be complete. The enticements for the D C C to enter into this grand design are indeed tempting but any movement on their part would depend upon (i) the success in wooing back the Patidar group of Modasa; and (ii) the ease with which the Khadaita M L A and his group can be persuaded or coerced into acquiescence. The latter would depend on the pull of the M L A with "higher level" leadership. Meanwhile, Modasa politics after a long factional process has crystallised along a pattern that seems to augur well for the opposition party.

VI
Conclusions

(1) The political orientation of this relatively backward constituency has been provided by a long period of one-man dominance followed by the political hegemony of the Congress Party since independence.

(2) This led to political competition within the Congress. Opposition got internalised and the outcome was a structuring of the party into a system of factions. Starting with individual competition and frustration the process soon got crystallised along an ongoing structure of ascription, influence and power. In the main, this derived from (a) kinship and caste alignments and (b) economic power.

(3) The process gained shape from a sequence of competitive trials provided by a series of elections over a period of twelve years (1952 to 1963) and even more, by the selection of candidates for the Congress ticket for each of these elections.

(4) Such a structuring of political power along factional lines drew its sustenance from the division of the electorate on the lines of the prevailing infra-structure of Modasa society, although in the process it radically altered the power relationships of this structure by introducing new principles of organisation and affiliation.

Buy Only When You Must Keep Prices Down

These changes in the power relationships of Modasa can be understood in terms of the changes through which the dominance pattern in society has passed. For long this pattern was one of urban dominance in which one section of the trading community of "Baniyas" were all-powerful. With the growing importance of numbers and thus of the rural population, the pattern turned into one in which economic hold and a long period of rural domination gave power to another sect of Baniyas, the money-lenders and the village "sahukars". Meanwhile, the more enterprising and aggressive of the farming communities, the "Patidar" community, was catching up and soon began challenging the dominance of the trading class. They were the new rural leaders and owing to their closeness in occupation and social hierarchy to the numerous small and landless farmers, coming from various "backward" castes but together known as the "Kshatriya", there came about a consolidation of rural power never known before. With this, the hegemony of the urban and trading communities was undermined once and for all.

Caste Orientation of Politics

(5) Such an understanding of politics in terms of an infrastructure of communities also provides a clue to the 1962 election results. The trading community with its traditional hold on the villages on the one hand and the conscious and articulate section of the peasantry on the other provided the basis of the polarisation that came about in Modasa politics. When the faction representing the latter defected from the Congress Party in 1962, the factional cleavage within the party turned into a political cleavage between two parties. Underlying both, however, was the caste cleavage described here.

The decisive influence was, of course, exercised by the large and inarticulate "backward" vote of the Kshatriya communities. This vote was split. The Swatantra Party was a late-comer and had no organisational network to count upon. On the other hand, the candidate of the Congress had vast influence in the constituency, especially owing to his wealth and business links. That the balance was still in favour of the Swatantra Party is owing to the close links of its socially "backward" candidate with the bulk of the farming population of Modasa. It is significant, therefore, that it was the urban vote of Modasa town that enabled the Congress to steal a march over the Swatantra.

(6) More than the outcome, however, it is the trends revealed by the 1962 election that are more important. These point to the emergence of a strong political alliance between the two farming communities of Patidars and Kshatriyas. The days of Baniya dominance in Modasa politics seem to be numbered. Whether the alliance will benefit the Swatantra Party as it appears to have done in the local-self-government election of '63 or the Congress will stage a come-back by winning back the Patidar leadership into its folds cannot be predicted with certainty, although there are great difficulties in the way of the Congress, thanks to the powerful faction chain stretching from the Taluka right to the State and national levels that could be invoked by the present Baniya M L A of Modasa. What is certain is that whichever party wins over this new rural coalition will come out successful in Modasa. The crux of political divisions in Modasa is their community and interest orientation (the latter taking an urban-rural and trader-farmer complexion), caste emerging as the relevant political category and providing the necessary structural basis for mobilisation.

(7) Such a community orientation of politics, however, should not lead to an instrumental view of politics according to which politics is but a reflection of social cleavages that exist apart from and prior to the play of politics. Such a view of the relationship between society and politics is not borne out by the Modasa study. Indeed, the point that emerges clearly in Modasa is the *political origin of social changes*: politics is the great leveller of social distances and dominance positions found in a peasant society. The distances exist, the antagonisms are also there, but these are largely latent. It is in politics that they are crystallised and given shape. "Baniyas", "Patidars", and "Kshatriyas" were indeed the significant categories of Modasa politics, but they operated not as traditional communal groups but as political groups, in the process passing over important social gradations or creating new gradations. What emerges from Modasa is not so much social conditioning of politics but politicisation of social cleavages and the creation of new identifications and loyalties, although both were involved in the process of change. While caste provided an ongoing structure along which politics got articulated, politics provided events and opportunities by which traditional structures were found to disintegrate or re-shape under the impact of new forces. Modasa is a revealing case study in the politicisation of a traditional society.

Bye-Elections since 1962

FIFTY-SEVEN bye-elections, 10 to the Lok Sabha and 47 to the State Legislative Assemblies, have been held since the general election in 1962. In the bye-elections to the 10 Lok Sabha seats, Congress lost four and Jan Sangh one, while Swatantra gained two, Socialists one, D M K one, and Independents one.

In the bye-elections to the legislative Assemblies, Congress gained three and went up from 24 to 27, and P S P also gained two. The All-Party Hill Leaders' Conference (Assam) and Independents lost two each and came down from 7 to 5, and from 5 to 3, respectively. Swatantra also lost one seat. Communists and Muslim League retained their two seats each and Jan Sangh one.

Since the emergency, 41 bye-elections have been held, 7 to the Lok Sabha and 34 to the State Legislative Assemblies. In the bye-elections to the Lok Sabha, Congress lost three but gained one, Jan Sangh lost one, Swatantra, Socialist and Independents gained one each.

The results of the bye-elections to the Legislative Assemblies show that Congress added three more members, now 20 as against 17 earlier, and P S P gained one. The All Party Hill Leaders' Conference lost two seats and now holds 5 instead of 7, and Swatantra and Jan Sangh lost one each. The Communist Party of India retained its one seat and so did two Independents.

Divorce Cases in the Court of Poona

An Analysis

Kamalabai Deshpande

The Hindu Marriage Act, which came into force in 1955, contained many provisions new to previous traditions.

An attempt is made below to analyse marriage petitions registered under the Act in the Court of Poona during a period of seven years, from May 1955 to June 1962, with a view to finding out the response of Hindu society to the Marriage Act.

Particular attention is focussed on the question of divorce which was so far unknown to Hindu Law, (except for the Bombay Hindu Divorce Act passed in 1947 and an earlier Act in the native state of Baroda).

[I am indebted to Shri V G Wagle, District and Sessions Judge, Poona, for granting me permission to read the records relating to marriage petitions in the Court of Poona.]

INITIALLY, the marriage petitions registered under the Hindu Marriage Act were disposed of by the District and Sessions Judges in the Court. After some time, they were transferred to the civil side of the Court. Out of 72 cases in the year 1955, the first 51 were disposed of in the Sessions Court, while the last 21 were sent to the civil side. In all, 771 cases were studied and the results are presented in the Tables. This is how the 771 cases were distributed over the seven years:

Year	No of Petitions
1955	72
1956	93
1957	88
1958	122
1959	154
1960	110
1961	90
1962	42
Total	771

In Table 1 are analysed the decisions of the Court. Out of 771 cases, information about 11 cases was not available. In 189 (24.51 per cent) cases dissolution of marriage was ordered, while in 28 cases (3.63 per cent) the marriage was declared null and void. Judicial separation was granted in 168 cases (21.79 per cent), which may have resulted in divorce in the following years. Thus in about 50 per cent of the cases the marriages were either dissolved or on the way to dissolution. In 41 cases (5.32 per cent) restitution of conjugal rights was decreed, as the Court did not find enough cause for separation. In 101 cases (13.10 per cent) the request of the petitioners was not granted.

In a very large number of cases the petitions did not come up for final decision. Some were withdrawn by the petitioners; some were rejected by the Court for some technical flaw in the petition or because of the absence of the petitioner or his pleader in the Court.

Many cases were withdrawn from the Court after some preliminary hearing by the Court. It was pleaded that as the community council had disposed of the dispute and dissolved the marriage or decided otherwise, the petitioner was no more interested in getting the suit settled by the Court. Parties in whose community divorce was allowed were not required to come to the Court for settlement of their disputes. One cannot say from the available information how many of the 30 per cent petitioners whose cases did not come up for decision by the Court finally secured divorce through agencies other than the law court.

To summarise, 51 per cent were granted dissolution of marriage, 18 per cent were not; 30 per cent cases were withdrawn and it is not known whether the marriages were dissolved or not.

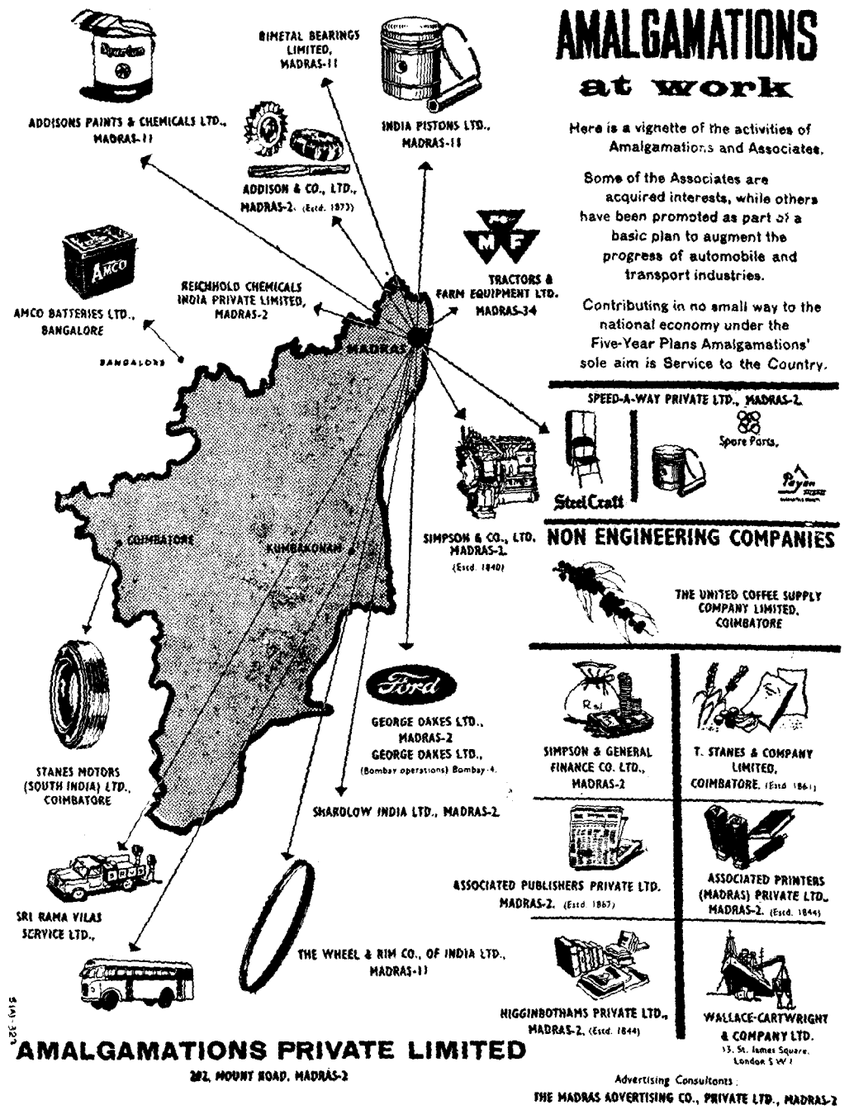
Reasons

The various reasons put forward in the petitions for the grant of divorce are mentioned in Table 2. In 7.1 per cent of the cases judicial separation had already been granted and the petitioner was making a plea for divorce after the completion of the prescribed period of two years. In these cases, the real reasons for the break-up of the marriage were not given. These must have been given at the time of the petition for separation.

The reason most frequently given (62.13 per cent) was "withdrawing from the society of the spouse". In Marathi this is termed "*Nandat or Nandavit Nahi*". This means, in non-legal English, that (1) a wife refuses to live with her husband and lives with her parents, or alone

Table 1: Analysis of Decisions on Marriage Petitions

	Year									
	1955	1956	1957	1958	1959	1960	1961	1962	Total	Percentage
(1) Divorce	34	28	14	25	28	28	21	11	189	24.51
(2) Judicial separation	—	24	25	29	40	23	17	10	168	21.79
(3) Null and void	—	5	4	2	3	10	2	2	28	3.63
(4) Restitution of conjugal rights	—	2	4	7	7	9	9	3	41	5.32
(5) Petitions rejected	13	6	15	13	20	11	16	7	101	13.10
(6) Petitions withdrawn or rejected	22	28	25	44	52	28	25	9	233	30.22
(7) Information not available	3	—	1	2	4	1	—	—	11	1.42
Total	72	93	88	122	154	110	90	42	771	99.99



or with some other man or (2) a man refuses to keep his wife at his home, live with her and provide for her. Here, again, specific reasons for such behaviour are not given. The Court is faced with what amounts to an unofficial separation and is asked to give it an official sanction. Such official sanction is necessary if a second marriage is contemplated or if maintenance is sought to be avoided. In the course of the hearing of such cases, one can get to know the real causes of the break-up of the marriage, but in the summary of cases these are not mentioned.

In 39 cases the reasons could not be ascertained as the full reports were not available.

In all other cases specific reasons are given. Immoral conduct accounts for about 10 per cent of the cases. Cruelty comes next (6.61 per cent). Impotence was a cause in 5.06 per cent and unsoundness of mind in 3.89 per cent of the cases. In 2.07 per cent of the cases the marriage was dissolved as it was entered into through false representations. In 1.17 per cent of the cases 'change of religion' was given as a reason. These last two reasons need further clarification.

In India the groom and bride are almost never acquainted with one another. They may belong to distant localities and marriage may be arranged by kin or friends or middlemen. Defects of the groom and the bride become apparent only after the marriage. One groom, for instance, was found to be completely insane. In another case the bride was found to be suffering from epileptic fits, etc. As for change of religion, conversion from one religion to another is generally taken to be a ground for divorce. It cannot be really considered the genuine cause for divorce in all cases. It helps to avoid unpleasant discussions in the Court. Moreover, change of religion leads to immediate divorce, without the lengthy procedure of judicial separation and delay of years.

Divorce was unknown to original Hindu Law. Custom and usage allowed it, however, among many communities. Thus in a major part of Hindu society, divorce was allowed. Yet our study shows people from all castes coming forward to take advantage of the Hindu Marriage Act (Table 3). Unfortunately, it is not possible to get a complete caste-wise breakdown of the petitioners as many of them do not mention their caste (it is no longer necessary to do so). We have, therefore, to depend on circumstantial evidence.

Caste

The petitioners may be divided into two broad categories: (1) those belonging to castes in which divorce was unknown, and (2) those belonging to castes in which divorce was practised. Cases of persons other than Maharashtrians were left out of this classification as the author could not determine their caste.

As for Maharashtrian petitioners, an attempt was made to fix the caste with the help of the surname and any other circumstantial evidence that was available from the marriage petition. In many cases reference was made in the petition to attempts made by the community council to settle the dispute and other such matters which showed that the petitioner belonged to a caste in which divorce was practised.

Out of the 771 cases, some 67 (8.69 per cent) came from non-Maharashtrian families; 34.75 per cent were from castes in which divorce was unknown, and 56.55 per cent came from communities in

Table 2: Alleged Reasons

Reason	Year 1955	1956	1957	1958	1959	1960	1961	1962	Total	Percentage
(1) Judicial separation	—	—	—	7	15	14	13	6	55	7.13
(2) Withdrawn from society	56	59	54	79	98	56	55	22	479	62.13
(3) Immoral conduct	6	15	7	10	17	12	4	6	77	9.99
(4) Disease	2	4	2	2	2	0	0	0	12	1.56
(5) Unsoundness of mind, etc	1	3	4	2	6	7	4	3	30	3.89
(6) Impotency	3	9	7	3	2	9	4	2	39	5.06
(7) Fraud	0	1	1	5	2	3	1	3	16	2.07
(8) Cruelty	2	2	11	13	10	6	7	0	51	6.61
(9) Change of religion	—	—	1	1	2	3	2	0	9	1.17
(10) Reason not known	2	—	1	—	—	—	—	—	3	0.39
Total	72	93	88	122	154	110	90	42	771	100.00

Table 3: Castewise Analysis

Caste	Year 1955	1956	1957	1958	1959	1960	1961	1962	Total	Percentage
I Non-Maharashtrian castes	3	8	8	7	16	11	11	3	67	8.69
II Maharashtrian castes										
(a) Castes where divorce was unknown										
(1) Brahmins and similar	23	29	29	39	40	50	39	19	268	34.76
(b) Castes where divorce was prevalent										
(1) Marathas and similar	43	52	47	68	84	42	38	17	391	56.55
(2) Untouchables and similar	3	4	4	8	14	7	2	3	45	
Total	72	93	88	122	154	110	90	42	771	100.00

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which divorce was practised. This shows that castes in which divorce was not known were not slow to take advantage of the new legal provisions. Castes which allowed divorce as a matter of custom were also going to court to settle marriage disputes instead of getting them settled by community agencies.

As will be seen from the figures given at the beginning, over the seven years marriage petitions did not show an increase. In the years 1958 and 1959 we get rather large numbers. This might have been due to the first rush to take advantage of the new legislation. These petitions for divorce had been registered in 1957 and 1958 and the decrees were given in 1958 and 1959. After the first rush, the number of divorces has remained round a hundred per year. It will be seen that the number of petitions withdrawn or rejected was also the highest in 1958 and 1959. These figures also indicate the rush to make divorce petitions immediately after the law was passed.

Age

Table 4 gives the number of cases according to the age of the husband. The number is highest in the age-group 26 to 35. It is 280 between the years 26 and 30, and 179 between the years 31 and 35. The number of cases within the 26-35 age-group thus comes to 59 per cent of the total. The next highest number of cases is in the age-groups 21-25 and 36-40. Eighty-five per cent of the cases are thus between the ages 21 and 40. There is no age-group in which divorce is not sought. The curve is almost regular.

Table 5 gives the number of cases classified according to the age of the wife. The number of divorces is highest in the ages between 21 and 30. The number of cases between the ages of 21 and 25 was 315; it was 185 between 26 and 30. The percentage of cases between 21 and 30 thus comes to 63.95. The number of divorce cases where the age of the wife is less than 20 is not negligible. It is 146 and forms 18.94 per cent of the total. After 35 the number is negligible. Almost all the divorces (83.79 per cent) take place before the age of 30. A few (6.36 per cent) between 30 and 35. After 40 there are almost no cases.

Table 6 shows that in only 18.68 per cent of the petitions (i.e, 144 out of 771) was there a reference to children. Children help to minimise differences between parents. Out of the 144 divorce cases of mothers with children, 91 or almost two-thirds had one child only. The number of divorce petitions diminishes as the number of children increases.

No reliable conclusions can be drawn about the custody of children, for decisions about maintenance and custody of children are not necessarily taken along with the decision on divorce or judicial separation. A separate application is often invited and each case is decided on merit, depending on the age of the children and the ability of the father or the mother to look after the children. These petitions were not scrutinised by the author.

Table 4: Age of Husband when Divorce Proceedings were Started
(*May* 1955 *to June* 1962)

Ages	YEAR 1955	1956	1957	1958	1959	1960	1961	1962	Total	Percentage
0 to 20	0	0	0	3	0	2	3	0	8	1.04
21 to 25	13	13	7	20	32	18	10	4	117	15.18
26 to 30	27	42	39	44	46	38	29	15	280	36.32
31 to 35	16	22	23	31	33	26	16	12	179	23.21
36 to 40	3	7	11	12	12	15	17	7	84	10.89
41 to 45	7	4	4	5	8	2	3	3	36	4.67
Above 46	2	3	3	4	4	6	3	0	25	3.24
Unknown	4	2	1	3	19	3	9	1	42	7.47
Total	72	93	88	122	154	110	90	42	771	100.00

Table 5: Age of Wife when Divorce Proceedings were Started
(*May* 1955 *to June* 1962)

Ages	YEAR 1955	1956	1957	1958	1959	1960	1961	1962	Total	Percentage
0 to 20	13	16	16	30	34	15	10	12	146	18.94
21 to 25	34	42	34	54	52	50	36	13	315	40.86
26 to 30	20	19	26	25	35	26	24	13	185	23.99
31 to 35	2	6	7	8	12	6	6	2	49	6.36
36 to 40	—	3	1	1	2	4	5	—	16	2.08
41 to 45	—	1	—	—	0	1	3	—	5	0.65
Above 46	—	—	—	—	—	2	—	—	2	0.26
Unknown	3	6	4	4	19	9	6	2	53	6.87
Total	72	93	88	122	154	110	90	42	771	100.01

Table 6: Divorce and Motherhood

	YEAR 1955	1956	1957	1958	1959	1960	1961	1962	Total	Percentage
Cases without children	66	73	68	110	129	81	66	34	627	81.32
Cases with children	6	20	20	12	25	29	24	8	144	18.68
One child	6	12	11	9	19	18	12	4	91	
2 children	—	7	5	2	3	6	7	4	34	
3 children	—	1	2	1	3	3	1	—	11	
More than 3 children	—	—	2	—	—	2	4	—	8	
Total	6	20	20	12	25	29	24	8	144	

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Ecology and Village Structure in Deltaic West Bengal

Ralph W Nicholas

This paper attempts to apply the method of ecology — the study of the relation between organism and environment — to two peasant communities in W Bengal. By comparing villages in which technology, economy and culture are generally similar, but between which there are differences of environment, it is attempted to find differences of social structure and how precisely differences between social structures and and environments are connected with one another.

Two characteristic ways in which Bengali peasants deal with the marshy, active delta environment are explored as significant steps intervening between environment and social structure. The active delta lacks much land suitable for house sites and, as a consequence, active delta villages are ordinarily dispersed, linear or chain-link in layout with houses quite distant from one another. Land in the moribund delta is generally high and dry, and moribund delta villages are usually nucleated and compact. Secondly, the active delta areas are inhabited in a gradual, frontier pattern. Men go, seeking land and, if they are poor, may eventually move to their new land, taking their families and households.

As a consequence, active delta villages are smaller and, in caste composition, simpler than moribund delta villages. Because of their settlement patterns and flooding, social interaction of all kinds — including inter-caste relations — is much less frequent in the active than in the moribund delta villages. Thus, the system of caste ranking in the moribund delta villages is found to be more elaborate than caste-ranking in the active delta villages.

Because of the pattern of evolution of active delta villages, it is found that land concentration in the moribund delta is much more pronounced than in the active delta. As a result of the lower degree of concentration, political power in the moribund delta villages is also found to be considerably more dispersed than in the active delta villages.

[While I cannot thank individually all those who cooperated in this research and in the criticism of this paper, I must single out my industrious co-worker Shri Tarasish Mukhopadhyay of the Anthropological Survey of India. Field work in the two villages was supported by a Ford Foundation Foreign Area Training Fellowship; the Ford Foundation, however, is in no way responsible for anything I have said in this paper.]

THE study of Indian village communities begun in earnest after the War by social anthropologists had an initial concern with the village itself. Questions like the extent to which the village is an isolable social system or a part of a larger system were important during the 1950's. This concern is reflected in the series of papers which appeared in *The Economic Weekly* between 1951 and 1954 and were later published in the collection "India's Villages" (Asia, 1955). It is not surprising that anthropological research in India during the 1960's should be concerned with more specialised problems; the next collection of *The Economic Weekly* village studies will doubtless reflect the real growth in anthropological understanding of rural India which has occurred during the last ten years.

This article deals with a problem on which the author conducted research in West Bengal between August 1960 and September 1961. Ecology, the study of the relations between organisms and their environments, has provided anthropologists with many interesting "explanations" of aspects of tribal social structures. Can ecological analysis provide similar explanations of structural features in peasant societies? An attempt is made to answer this question by comparing peasant villages in two zones of deltaic West Bengal. Radhanagar (a pseudonym) is a village of 597 persons and six castes located in the deltaic eastern portion of Midnapore district, six miles west of the Rupnarayan River and about 25 miles north of the estuary of the Hooghly on the Bay of Bengal. Chandipur (also a pseudonym) has a population of 981 divided among 19 castes; it lies on the eastern bank of the Bhagirathi River in southern Murshidabad district, about 20 miles south of Berhampur, and about 120 miles north of Calcutta.

What is the nature of the relationship between environment and social structure in a peasant economy? When a tribal society with a limited technological system confronts a marginal environment, it is clear that this relationship is very direct and influential. As technologies become richer and economies are able to support a limited division of labour, as in peasant society, environment comes to play a smaller and smaller part in the ecological equation; technology comes to mediate an increasing share of the relations between the human organism and his environment.

Since this study is a comparative one, the general question may be rephrased in a more operational form: To what extent can differences of social structure between two peasant communities be attributed to differences between their environments? This raises another very important question: Can the links in the "chain of

causation" between environment and social structure be specified? If this question cannot be answered positively, then one is certainly open to charges of environmental determinism. One must avoid the temptation, once broad similarities of culture and broad differences of environment have been discerned, to attribute differences of social structure — major or minor — to the differences in the environment.

It might be useful to say something further about the design of this piece of research. It has already been pointed out that major conclusions are sought to be drawn from a comparison of two villages. Furthermore, the villages have been selected in order to make possible a "controlled comparison". What variables are actually controlled in this study? First, and most important, although there are differences in detail, the technological complement and the economic bases of these two village societies are held constant. In other words, the human element of the ecological equation is constant while the environmental element varies. Secondly, "culture", in its most general sense, is held constant. That is, both of the villages under study fall within the same major cultural-linguistic region of India. Bengal—the people in both places speak mutually intelligible dialects of Bengali; they are mostly Hindus who worship the same deities according to the same calendar in very much the same way; they eat the same kind of food and wear the same kind of clothes. If a man from Radhanagar were to go to Chandipur, he would declare that he was in a foreign country, but one in which he was able to function.

One important variable, unfortunately, cannot be controlled in this study — this is history. The two areas have undergone substantially different historical experiences, both during Moghul and British times. To a certain extent, the differences in the histories of the two areas may be attributable to their different environmental settings, but this seems to be a comparatively minor factor. At any rate, the unknown element introduced by historical differences will be brought up once again when economic systems are considered.

Comparisons and Contrasts

Up to this point we have looked at the nature of the problem and the means of solving it. Let us turn our attention now to a comparison of Radhanagar and Chandipur villages. Similarities and contrasts between these two villages will be dealt with under a few major heads: natural environment, settlement pattern, evolution and, finally, selected features of social structure.

Natural Environment

It is probably not necessary to detail the processes by which a delta is formed. For the most part, Bengal — both the present state of West Bengal in India, and East Pakistan — consists of the sediments deposited by the Ganges and Brahmaputra Rivers at their influx into the Bay of Bengal. It will be obvious that the oldest part of the delta is in the north and as one moves southward one comes into increasingly new deltaic deposits. Furthermore, for approximately the last 1,000 years the Ganges has been shifting into more and more easterly courses, leaving the oldest portions of its delta on the northwest very poorly drained. Geographers divide the delta into three regions — active, mature and moribund — according to their respective drainage patterns.[1] The active delta is characterised by rich agricultural land fertilised by silt deposited during deep annual floods which last up to eight months in some areas. The rivers of the active delta are grading, but they scour their stream beds annually. The rivers of the moribund delta have silted up their stream beds to such an extent that they have partially or totally severed their connections with the Ganges. As a consequence, this area is generally more elevated and drier though occasionally subject to unpredictable, destructive flooding and gradually decreasing agricultural productivity. The mature delta is characterised by regular floods of moderate depth and more stable land formations than the active delta.

Chandipur village lies on the left bank of the Bhagirathi River, which is the first distributory of the Ganges in the delta. The Bhagirathi probably represents the earliest principal course of the Ganges into the Bay of Bengal, and as the earliest, it was the first one to be abandoned when the Ganges began its eastward march. When the Bhagirathi began to carry less and less water, an increasing amount of silt was deposited on the northern end of its course, rather than being carried down to the sea. Thus, the land around Chandipur is generally quite elevated in comparison to the land in the active delta. Floods here are less frequent, though more destructive, than in the active delta.

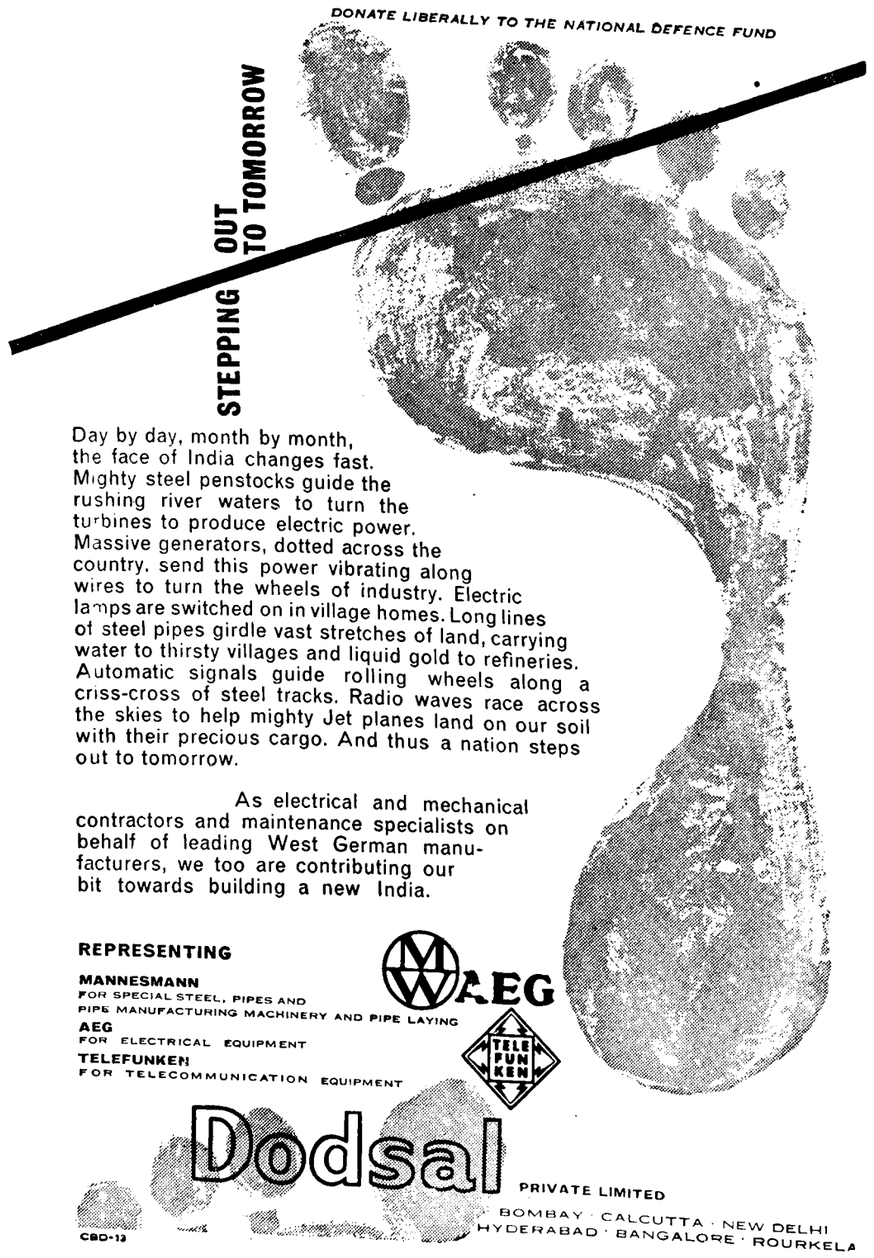
Radhanagar village lies within an area of the delta in West Bengal which is kept active by a combination of annual flooding and tidal action. The most important river in the area of Radhanagar is the Rupnarayan, a tributary of the Bhagirathi (or Hooghly, as it is called in its lower course) which comes down into Bengal from the Chota Nagpur Plateau. The land in this area is so low that the tides in the Bay of Bengal force the water in the network of little streams which interlace the fields to flow "upstream" twice each day. During the rainy season it is fresh water which is forced back into the streams, but during the winter and spring salt water fills these streams during the flow tides. If the fields were not embanked they would be uncultivable because of the salinity. The land in this area is low and difficult to drain during the rainy season, but it is quite fertile.

Though there is a sharp contrast between the natural environments of Radhanagar and Chandipur villages, most of the agricultural land in both areas is used for the cultivation of a single rice crop which is planted in the rainy season and harvested in December or January. The difference between the two areas, agriculturally, is found in the pattern of cash cropping. The soil found in silted-up stream beds, which are numerous in the active delta around Radhanagar, is very well suited to the cultivation of betel leaf. Betel from the Radhanagar area is marketed over much of northern India. The raised land in the vicinity of Chandipur, when treated with fertiliser, is suited to the cultivation of sugarcane and, to a



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Settlement Patterns

In order to specify one of the important relations between environment and social organisation it will be necessary to treat the settlement patterns of Radhanagar and Chandipur as an intervening step. The term "settlement pattern" is here used in the sense in which it has been employed in contemporary archeology, to refer to the physical disposition of a population and its segments, its dwellings, other buildings and physical structures related to its social life, on a landscape.

There is a familiar pattern of rural settlement which is found over much of North India and, in modified form, south of the Vindhyas, with the notable exception of the Malabar coast. This typical settlement pattern is the nucleated village, a relatively compact collection of dwelling units, often including one or more outlying hamlets but generally clearly demarcated by fields and other natural features from other such villages. Over much of Bengal, however, this idea of the village is inapplicable. In the non-deltaic margins of Bengal, and in the moribund drainage areas, villages are clustered Thus, Chandipur is a relatively compact, nucleated settlement. Throughout the active delta, however, the vast majority of rural dwellings is spread in irregular lines which turn, interlink, crisscross and run on for miles. Radhanagar is just a collection of about 100 contiguous houses arbitrarily sectioned out of some 20 miles of winding settlement chain.

The explanation of this phenomenon rests on the fact, previously noted, that in the active delta the land is comparatively low and, in fact, is inundated anywhere from four to eight months out of the year. In order to inhabit an area like this, cultivators must take advantage of whatever high ground is available and further elevate it by adding earth. The only naturally raised surface features in the delta are the levees alongside streams, either active or abandoned, or the banks of shallow, marshy depressions, former tidal pools to which the tides no longer have access because of artificial embankments.

Thus Radhanagar and Chandipur are remarkably different in appearance. Radhanagar, with about 100 houses and 600 people, spread in a sort of chain-link fashion through the countryside; Chandipur with about 160 houses and 1,000 persons concentrated in about five acres of land.

Evolution of Delta Villages

Settlement pattern is one of the intervening steps between environment and social structure. It will also be instructive to examine characteristic patterns of village development in the moribund and active portions of the delta before moving to a consideration of contrasts between the social structures of Radhanagar and Chandipur. By the phrase "characteristic pattern of village development" is meant a kind of scheme of evolution of the villages in an area, one which tells nothing about any particular village but something about almost all of them.

On the basis of the information already presented certain things can be inferred about the histories of the villages in the two areas. First of all, there must have been human habitation in the area of Chandipur much longer than in the area of Radhanagar. This is so simply because there has been habitable land in the older deltaic areas much longer than in the presently active portions of the delta. This inference is confirmed by archeological information. Furthermore, it may not be too mistaken to assume that the villages of the Chandipur area, when it was part of the active delta, looked somewhat like the villages of the present active delta.

Even now we can learn something about the processes by which new portions of the delta are settled. In the areas of deepest annual inundation, in East Pakistan, there are no permanent habitations. Men come from the inhabited areas early in the monsoon to plant these lands in a variety of long-stemmed rice which shoots up ahead of the floodwaters. When the planting is done they return to their homes and go back to watch the ripening crop only when the water has receded.[2] A man who has sufficient land near his ancestral residence will not be tempted to make this long annual trek. One who has very little will eventually find it much more convenient to move his family and household to the newly reclaimed land. One might imagine that such a frontier-type of migration pattern would draw an ethnically heterogeneous population, but in fact the vast majority of all the migrants into the newly-opened delta areas come from three or four large caste or caste-like groups : *Mahisya* or *Kaibartta* cultivators and their fishermen counterparts, Muslim cultivators, *Namasudra* or *Chandal* Fishermen, and *Pod* cultivators.[3] Specialist castes, artisans, merchants, the high castes and menial service castes tend to remain behind in the more settled areas. Thus, one of the characteristic features of village development in Bengal has been the gradual addition of more and more caste groups to a community as it became more settled. In the villages of the active delta ordinarily a majority of the population consists of members of a single cultivating or fishing caste; in the villages of the moribund delta, usually, no single caste has a majority of the population, though there is frequently a dominant caste.

To expand briefly on what are here called "intervening steps" between environment and social structure, it might be noted that settlement patterns and manner of migration are two ways in which the inhabitants of the Bengal delta have dealt with their environment. Perhaps it is too obvious to bear stating that there are alternative ways of dealing with the same environment. Under conditions of different technology, very different solutions to the problem might have been found. People who have tractors and bulldozers have one way of coping with marshy land, hoe cultivators have quite another. But the point is that either tractors or hoes imply forms of social organisation different from those found in contemporary rural Bengal. Just how wide a range of structural

variation an economy and technology like that of the Bengali peasant may support is a very important question, but one which will require much more information before it can be answered. In the present case, the most significant fact is that there are some major social structural differences between the villages of Radhanagar and Chandipur, and these differences appear to derive ultimately from their differing ecologies.

Aspects of Social Structure

From the information already presented here it is possible to derive an important proposition about one of the central features of social structure in almost any Indian village: caste. The system of caste ranking in Chandipur or any ordinary village of the moribund delta is, to use Marriott's term, much more "elaborate" than the system of caste ranking in Radhanagar or in any ordinary village of the active delta.[4]

Leaving that proposition for a moment, with the help of a little further information about the regions of the delta, it may be said that in the villages of the active delta wealth is more evenly distributed through the society than in the moribund delta where wealth is typically concentrated in the hands of a small group of families. As a corollary to this proposition, it may be deduced that political power is more dispersed in the active delta than in the moribund delta. Let us consider those propositions in more detail.

(1) Caste

Marriott, in his study of "Caste Ranking and Community Structure in Five Regions of India and Pakistan", has said that a system of caste ranking may be called "more elaborate" when public opinion assigns a given number of castes to a relatively large number of discrete ranked positions; and the system is "simpler" when the same number of castes is assigned to fewer ranks. He has demonstrated the efficacy of four factors in determining the relative elaboration of any system of caste ranking. These factors are:

(i) The [castes] . . . of a community . . . must themselves be numerous.

(ii) Their members as corporate groups must interact with members of other groups in a clearly stratified order.

(iii) Their interactions as individuals must not deviate widely from the stratified order of interaction among their respective castes taken as wholes.

(iv) The totality of such a community structure must be separated from any possible confusion which it may suffer by connection with inconsistent structures outside.[5]

What are the implications of these determinants in the cases of Radhanagar and Chandipur? Marriott has emphasized the interaction among castes and among individual villagers as members of castes as a key factor in establishing hierarchically ranked structures. In a village such as Radhanagar where dwellings are dispersed from one another and communication difficult for five months in the year, all kinds of social interaction are less frequent than in a village like Chandipur in which houses are more closely placed and where floods do not interrupt social life for a large part of the year. Furthermore, it must be clear that in Radhanagar where there are only six different castes represented, and where a single caste group constitutes almost 75 per cent of the population, social interaction connected with caste institutions is much less frequent than in Chandipur, with 19 different castes represented and no caste comprising more than 15 per cent of the total population.

Before expanding upon the implications of this difference, it should be noted that in a survey of 33 villages in the Radhanagar area it was found that the average village in this part of the active delta has a population of 629 belonging to an average of 5.8 different castes per village. Radhanagar, with a population of 597 and 6 caste groups closely resembles the average village of the area in these two particulars. The average village in the moribund deltaic area around Chandipur, as revealed in a survey of 20 villages, has a population of 1,077 which is divided into 12.8 different caste groups. Chandipur, with a population of 100 less than the average, but with 19 different castes, would appear to be a typical. In fact, Chandipur is typical of all-Hindu villages in an area where there are many Muslim cultivators most of whom claim membership in a single large caste group.

It is clear in Tables 1 and 2 that the caste hierarchy of Chandipur, with 19 different castes placed in 10 different ranks, is much more

Table 1: Caste Stratification of Radhanagar Village*

Rank	Caste	Per Cent of Total Population
1	Mahisya Brahman	1.5
2	Mahisya Vaisnava	85.8
3	Fishing Kaibartta	1.5
4	Washerman	1.5
5	Muslim Weaver	9.7
Total		100.0

* The caste hierarchy presented in this Table is based on rating panel interviews with twelve Radhanagar men. Technical details about the statistical method employed in constructing this hierarchy are not relevant to the present discussion.

Table 2: Caste Stratification of Chandipur Village*

Rank	Caste	Per Cent of Total Population
1	Landlord Brahman	16.3
2	Funeral Brahman	0.2
3	Vaisnava	2.8
4	Confectioner Garland-maker Herdsman Barber Potter	28.5
5	Hindu Weaver	7.8
6	Carpenter Goldsmith	13.5
7	Merchant Jugi Weaver Oilpresser	8.8
8	Rajbansi Chandal Boatman	8.3
9	Scavenger	9.0
10	Leather-worker	4.9
Total		100.0

* This caste hierarchy is constructed in the same way as that shown in Table 1; it is based, however, on interviews with twenty Chandipur men.

elaborate than the caste hierarchy of Radhanagar, with only 6 different castes placed in 5 different ranks. Even if the six least numerous castes are removed from the Chandipur hierarchy — leaving 13 castes which the average village in the area has — villagers distinguish 9 ranks. In other words, caste hierarchies in the villages of the moribund zone of the delta are generally much more elaborate than caste hierarchies in active delta villages.

Caste Ranking

This statistical representation of caste ranking is somewhat abstracted and departs a good deal from the study of actual social interaction. The reason for using this method is that it makes it possible to segment the society, analytically at least, from top to bottom without forcing the investigator to introduce inconsistent or incommensurable criteria of ranking. This method, so to speak, puts the burden on members of the society, who are free to mix their criteria as they are accustomed to in their ordinary thinking about caste. It would be a mistake, however, to leave the subject of caste ranking without giving at least an idea of the kinds of criteria Bengali peasants utilize in ranking castes.

Perhaps the most commonly heard criterion of caste ranking is whether or not one may accept water from the hands of a member of the caste in question. A Brahman, for example, will ordinarily accept water from the castes which he serves as priest. Thus, in Radhanagar the *Mahisya* Brahmans will accept water only from *Mahisya* cultivators and *Vaisnavas*, and deems all other castes to be inferior. The Brahman Landlord caste of Chandipur does not serve any other caste but will accept water from all castes down to the rank of Carpenter. The middle group of castes in both areas — just the *Mahisya* cultivator and *Vaisnava* castes in Radhanagar and everyone from the *Vaisnava* through the Hindu Weaver in Chandipur — will ordinarily accept water from one another, but not from any lower-ranking caste. In Radhanagar Cultivators and *Vaisnavas* eat in the houses of one another, and eat sitting side by side on ceremonial occasions. When a member of one of the castes of this group works as a daily labourer for another, he regularly receives his noon meal as partial payment for his labour. When a member of one of the lower group of castes — Washerman, Fisherman or Muslim Weaver — works as a daily labourer he also receives his meal, but when he has finished eating he must throw away the banana leaf on which he has eaten, and wash the spot on which he sat with a mixture of cowdung and water to purify it. Members of the middle group of castes in Chandipur claim that in former times they not only took water from one another, but ate together freely. In recent times they have apparently become jealous of their respective caste statuses and would only partake of a feast in the house of another middle casteman if it were cooked by a Brahman. There are two exceptions to this rule: almost everyone except a few Brahman families in Chandipur will buy and eat cooked milk preparations from the Confectioner and Herdsman castes. This accounts for their standing at the top of their rank. Among the lower groups of castes in both areas there is almost complete mutual exclusion, for to accept either water or food from the hands of a member of another low caste would be to acknowledge the inferiority of one's own caste. Such behaviour might indeed be punished by one's fellow casteman or by the caste Brahman.

Although rules of commensality do not serve to group the castes of Chandipur, there are certain concepts which are customarily applied in ranking castes. These concepts group castes and segregate the groups from one another in a ranked order. The nine upper artisan, trading and service castes, called in Bengali the *Nabasakh*, are ordinarily grouped together, and placed at the top of a group referred to as "Sudras". The class of Sudra castes is ranked over a large group of castes which are said to be "non-Aryan". And within the non-Aryan group, a lower group of castes whose traditional occupations are said to involve *himsa* or violence, is distinguished. With the exception of the *Nabasakh*, these concepts are not ordinarily employed by the people of Radhanagar in ranking castes. In addition, there are a great many short verses and folk sayings, mostly abusive in character, which are told by Chandipur people when they are questioned about caste. In the village of Radhanagar, by contrast, only two such expressions were found.

Before turning from caste to other features of social structure it might help to retrace the steps linking environment to the system of caste ranking. The low-lying, marshy land of the active delta does not offer many suitable house sites and peasants most often construct their dwellings on the natural levees alongside streams. As a consequence of this, houses are spread out from one another; two houses in the same village may be over a mile's walk from one another, and this walk will be a difficult one when most of the countryside is submerged by the annual flood. The comparatively higher and drier land of the moribund delta permits settlement in much more compact areas, and the peasants seem to prefer the nucleated village form. Such villages are ordinarily much more populous than the dispersed or linear villages of the active delta. The caste composition of the villages in the active delta is almost always much simpler than in the villages of the moribund delta. This is accounted for by the fact that the active delta is a kind of frontier area which is populated at first only by members of a few large cultivating and fishing castes. Later, as an area becomes settled, members of artisan, service and trading castes move into the area, or are brought in by wealthy individuals. The villages of the moribund delta, by contrast, have been settled for many centuries and have undergone a kind of ethnic diversification. It has been shown that one consequence of the difference between moribund and active delta villages is that the systems of caste ranking found in the former are ordinarily much more elaborate than are these systems in the latter group of villages.

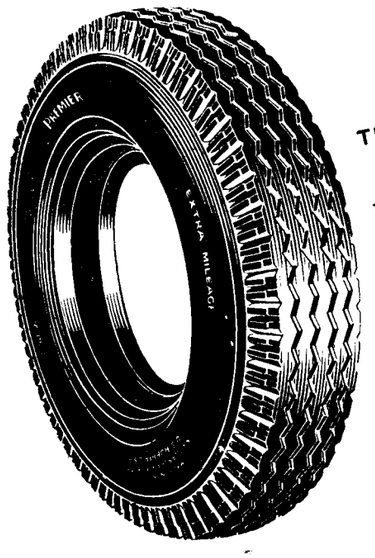
(2) Economic System

It was said previously that the active delta constitutes a kind of frontier area gradually inhabited by cultivators and fishermen who reclaim the soil from jungle and salinity. It is probably unnecessary to

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observe that the chief motive for the migration of men into these areas — as into any frontier — is the economic opportunity, the chance to get some land for one's self. In a peasant society, where ties of family and kin are strong, the pull of economic opportunity must be strong if it is to take a man away from his ancestral village.

The economic consequences of this migration are illustrated in some statistics derived, by partial reanalysis, from data collected in a 1945 random sample of 77 villages in undivided Bengal. Analysis of data relating to villages now in West Bengal indicates the following significant facts:

(i) The proportion of landless villagers was highest (63.0 per cent) in the moribund delta.

(ii) The proportion of landless villagers was lowest (30.8 per cent) in the most active portion of the delta.

(iii) The proportion of families holding more than 5 acres of agricultural land was lowest (7.5 per cent) in the moribund delta.

(iv) The proportion of families holding more than 5 acres of land was highest (12.5 per cent) in the active delta, though population density is higher here than in the moribund delta.[6]

These facts simply mean that, throughout the active delta, land was held by more persons and in comparatively smaller holdings, than in the moribund delta. Although there has been some effort at land reform in West Bengal since these data were collected, landholding statistics from Radhanagar and from Chandipur indicate that the dominant contrast between the areas has not changed. Comparative landholding statistics from Radhanagar and Chandipur highlight a number of facts:

(i) In Chandipur the ten wealthiest families own half the available land; that is, about 10 per cent of the population owns 50 per cent of the land.

(ii) In Radhanagar, it is the 20 wealthiest families — about 30 per cent of the population who own 50 per cent of the land.

(iii) Looked at in another way, in Chandipur, the lower 90 per cent of the population owns about half the land.

(iv) while in Radhanagar, the lower 90 per cent of the population owns about three-quarters of the land.

It is important to note that there is much more land available in the moribund delta area of Chandipur than in the active delta area of Radhanagar; that is to say, the population density in the active delta is probably twice as high as in the moribund delta. This makes even more significant the fact that:

(v) While the average landholding per family in Radhanagar is only 1.31 acres,

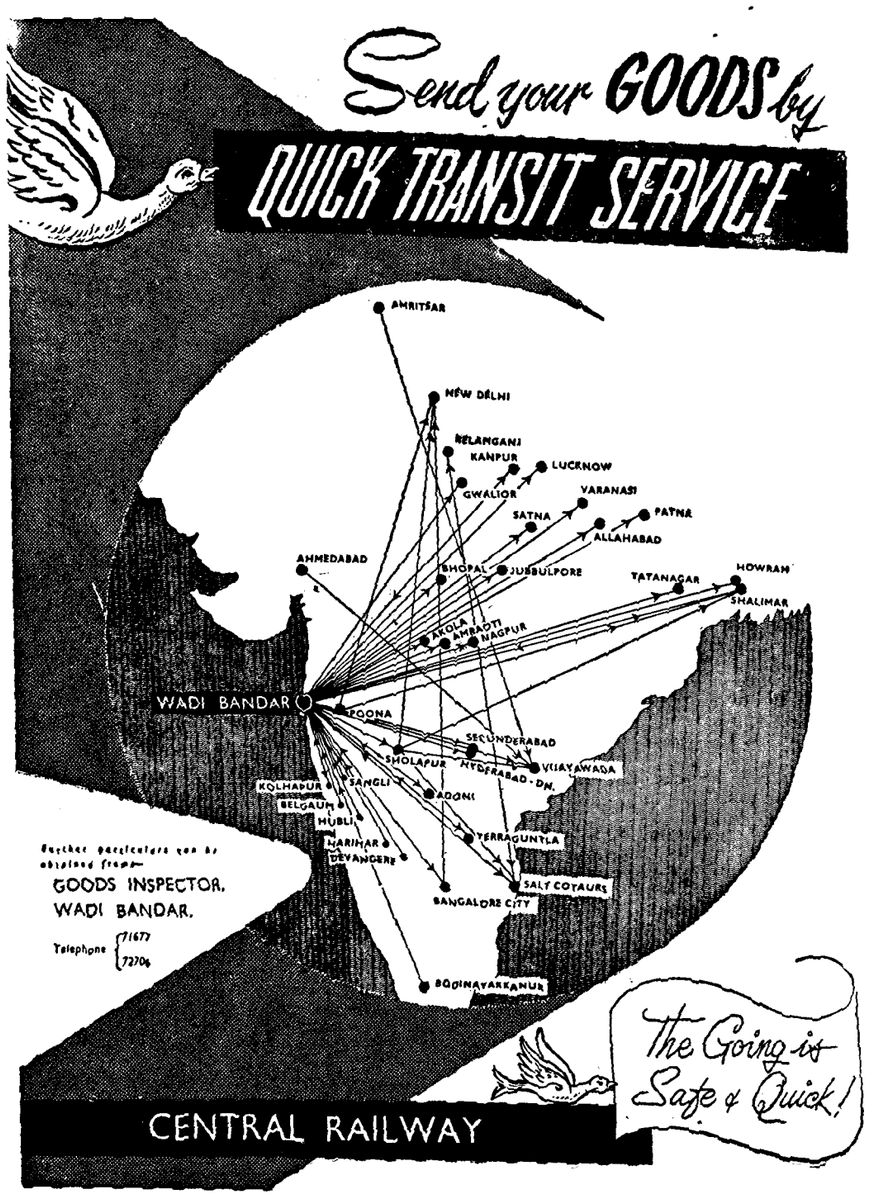
(vi) the average in Chandipur is 4.47 acres per family.

(vii) And despite this, families owning less than one acre of land constitute 40 per cent of the populations of both villages.

These figures tell, in one way, the difference between the moribund and active deltas — they tell it from the perspective of a contemporary peasant. Although they appear to describe a social-ecological difference between the two delta zones, it is only fair to say that a historical difference between the two areas has also played a part in shaping them. This paper does not intend to treat specifically historical factors, but it is important to point out that Chandipur was the site of an indigo plantation. As a consequence of this, the government maintained rent-collecting rights on this village, rather than selling them to a zamindar. When the indigo market collapsed, it was possible for a few enterprising families of Bhuminar Brahmans to take possession of the bulk of land in the village, not as zamindars, but as tenants paying their taxes directly to the government. As a result of this, most of these Brahman families have escaped the brunt of zamindari abolition, though a number have been affected by land ceilings. The zamindar of Radhanagar, who collected taxes albeit Rs 85 annually on the village in the name of a higher landlord, because he was technically an intermediary, was deprived of his position by zamindari abolition. Thus, there has been a differential effect of land legislation on Radhanagar and Chandipur, tending toward less concentration of land in Radhanagar. Nonetheless, the figures from the 1945 sample survey quoted earlier indicate that the dominant tendency before independence was also toward greater concentration of land in moribund delta villages.

Table 3: Landholding in Radhanagar and Chandipur Villages

Landholding Category (*Acres*)	No of Families	No of Persons	Per Cent of Total Population	Land-holding (*Acres*)	Per Cent of Total Land
		RADHANAGAR VILLAGE			
20 or more	—	—	—	—	—
10 – 20	1	33	5.5	17.29	11.6
8 – 10	—	—	—	—	—
6 – 8	—	—	—	—	—
4 – 6	5	53	8.9	23.73	16.6
2 – 4	16	121	20.1	45.11	30.7
1 – 2	26	143	24.0	38.83	26.1
Less than 1	60	247	41.5	22.86	15.0
Totals	108	597	100.0	147.82	100.0
		CHANDIPUR VILLAGE			
20 or more	10	109	11.1	357.25	50.3
10 – 20	9	63	6.4	120.64	16.9
8 – 10	5	32	3.3	42.40	5.9
6 – 8	6	45	4.6	42.11	5.9
4 – 6	12	74	7.6	55.66	7.8
2 – 4	10	65	6.7	26.73	3.8
1 – 2	34	205	20.9	47.79	6.7
Less than 1	73	387	39.4	18.03	2.7
Totals	159	980	100.0	710.61	100.0



Political Organisation

The preceding section of this paper attempted to establish a connection between the patterns of landholding and the natural environments of Radhanagar and Chandipur villages. The present section will try to connect the contrasts in landholding with a contrast in forms of political organisation.

When there is a dispute, parochial litigation or public decision to be taken in Radhanagar, it is customary to inform the village headman first. The headman fixes a time for the discussion of the affair and determines in what public place it will be held. If the affair is a matter of widespread concern, the village crier will be despatched to take the news to every house. No discussion or dispute ever brings out the entire village, but eight or ten prominent men are sure to attend every meeting because no decision can be taken without them.

The public affairs of Chandipur village contrast sharply with this. Except where members of a village caste group manage to keep a dispute internal to the group, all matters go immediately to the village headman and are usually dealt with by him summarily. He decides who is guilty of grazing his cattle in whose sugar cane and who are guilty of adultery. He administers beatings and he collects fines. Others may come to watch and influential men may even express opinions, but it is the headman who makes the decisions.

The headman of Radhanagar is, expectably, a member of the dominant *Mahisya* cultivating caste. He owns about 5 acres of land, which means that he is the head of one of the five wealthiest families in the village, but he holds his position principally because it is hereditary in his family. The headman of Chandipur, a member of the Landlord Brahman caste, owns about 117 acres of land — more than three times as much as any other family in the village. He holds his position by virtue of the fact that he is the richest man in the village, and if he were suddenly to lose his wealth, another member of his caste group would quickly and happily rise to the fore.

The contrast between the active delta villages and the familiar pattern of domination by wealthy non-cultivating groups was noted by Sir John Phear who described the village headman as "the mouthpiece and representative of the *ryots* [or cultivators] of the village in all matters between them and the Zamindar or his officers". He was often himself a cultivator, was not necessarily wealthy, and held his position hereditarily. "The *mandal* [or headman] and a few of the elder men constitute the *panchayat*, by whom most of the ordinary disputes and quarrels are adjusted".[7] Sir W W Hunter, writing somewhat later, noticed that the headman, while being deprived of his authority by the zamindars and the courts, still held an influential position in the community. "His functions," Hunter wrote, "are those of an arbitrator and general adviser; and the office is to a remarkable extent in the Bengal delta hereditary in low caste families".[8]

It is not difficult to make the connection between the unusual pattern of village leadership and the kind of "frontier democracy" we have already seen in the pattern of wealth distribution. It is interesting to explore the implications of this "democracy" for contemporary and future village political institutions.

It is fairly established that politics in Indian villages is generally a phenomenon of factions, and so it is in both Radhanagar and Chandipur. In both villages the most powerful and influential faction is that led by the village headman. A faction-leader organizes his group on the basis of several kinds of ties — most notably economic dependence, kinship and caste. The Chandipur headman obviously has many more families who depend upon him for their livelihood, than does the Radhanagar headman. In addition, the Chandipur headman lends money on a scale unimaginable in Radhanagar. Caste ties do not count for much in Radhanagar where three-fourths of all the villagers are members of a single caste. In Chandipur, however, caste counts for a great deal. The three factions in Chandipur are led by Brahmans, and two are based upon kin groups within the Landlord Brahman caste in the village. In Radhanagar there are no less than seven active and important factions. This is largely a reflection of the differences in the distribution of wealth in the two communities.

In both villages there have been elections to determine membership in village and area *panchayats*, or councils. In Radhanagar the election was hard fought and involved Congress and Communist Party backing for various factional candidates. In Chandipur a meeting was held in the Brahman locality and the village headman virtually selected a slate of candidates to be elected by acclamation. Only a few members of castes other than the Brahmans spoke during this meeting, and the slate was ultimately accepted by the village, though a few influential non-Brahmans attempted to object to the procedure.

Perhaps it is not necessary to extend the contrasts between Radhanagar and Chandipur further in order to show how villages in the moribund delta and those in the active delta are different from one another. In conclusion, then, are a few points summarising what has been said here.

Summary

This paper has attempted to apply the method of ecology — the study of the relation between organism and environment — to two peasant communities in Bengal. By comparing villages in which technology, economy and culture are generally similar, but between which there are differences of environment, it was attempted to find differences of social structure. An effort was made to discover precisely how differences between social structures and environments were connected with one another.

Two characteristic ways in which Bengali peasants deal with the marshy, active delta environment were explored as significant steps intervening between environment and social structure. The active delta lacks much land suitable for house sites and as a consequence, active delta villages are ordinarily dispersed, linear or chain-link in layout, with houses quite distant from one another. Land in the moribund delta is generally high and dry, and moribund delta villages are usually nucleated and

compact. Secondly, the active delta areas are inhabited in a gradual, frontier pattern. Men go, seeking land and, if they are poor, may eventually move to their new land, taking their families and households. Such migration is characteristic of only the members of a few large cultivating and fishing castes.

As a consequence of these facts, active delta villages are smaller and, in caste composition, simpler than moribund delta villages. Because of their settlement patterns and flooding, social interaction of all kinds — including inter-caste relations — is much less frequent in the active than in the moribund delta villages. Thus, the system of caste-ranking in the moribund delta village of Chandipur was found to be more elaborate than was caste-ranking in the active delta village of Radhanagar.

Because of the pattern of evolution of active delta villages, it was found that land concentration in the moribund delta is much more pronounced than in the active delta. In Radhanagar the lower 90 per cent of the population owns 75 per cent of the available land; in Chandipur the lower 90 per cent owns only 50 per cent of the land. As a result of this lower degree of concentration, political power in Radhanagar was found also to be considerably more dispersed than in Chandipur.

Notes

1 O H K Spate, "India and Pakistan : A General and Regional Geography" (New York, 1954), pp 531-38.

2 J Westland, "A Report on the District of Jessore", etc (2nd ed; Calcutta, 1874), pp 178-79.

3 Radhakamal Mukerjee, "The Changing Face of Bengal: A Study in Riverine Economy" (Calcutta, 1938), p 278.

4 McKim Marriott, "Caste Ranking and Community Structure in Five Regions of India and Pakistan (Poona, 1958), p 32.

5 *Ibid*, p 34.

6 Government of Bengal, Department of Agriculture, Forests and Fisheries, "Agricultural Statistics by Plot to Plot Enumeration in Bengal 1944 and 1945". Part I: Report. (Alipore, 1946), pp 46-56.

7 J B Phear, "The Aryan Village in India and Ceylon" (London, 1880), pp 60-61.

8 W W Hunter, "The Imperial Gazetteer of India", Vol 1 (2nd ed, London, 1885), p 300.

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The Puerto Rican in New York

A Case-Study of Psycho-sociological Alienation

J A Torres-Zayas

Professor Bert F Hoselitz writes :

This study of a simple Puerto Rican woman, who like several hundred thousands has migrated in the last few years from a village on the island of Puerto Rico to a large city in the United States, would naturally interest mainly Americans and Puerto Ricans. But in some ways, it should be also useful to anyone who is familiar with migration of very poor, traditionally oriented peasants from their villages to industrial cities. Migrations of this kind take place in many countries, in India, in Latin America, Africa and the Middle East. The specific conditions of life in the villages and the urban areas to which migrants go vary a good deal, but some of the general characteristics are similar.

Here we have the case of peasants who come from extremely poor, highly traditionally oriented, often relatively isolated villages, in which educational levels are low, in which skills in work other than agricultural work are practically absent, and in which inter-relations between villagers are crude and little refined. They migrate to New York or Chicago, to Los Angeles or Detroit where not only average income levels are vastly higher but conditions of work differ profoundly from those in the village where the migrants were born and grew up in their early youth.

Puerto Rican peasants who migrate to the large U S cities have little contact with English-speaking Americans and they continue to associate mainly with other Puerto Ricans who speak a special dialect of Spanish. But in consumption patterns, income aspiration, and even many general habits of living, they adopt practices characteristic of the persons who were born and grew up in the large American cities. Once they have lived in an American city for a number of years, they undergo such important cultural and social change, or alterations in aspirations and intentions, that they become alienated from their own island on which they were born and yet are not able to integrate fully and in all patterns of life and social interaction with those people with whom they work or whom they meet daily in public transports, restaurants, film theatres or other public places. We have here a population which has lost its roots and yet not really gained new ones, though it would be most difficult for those men and women to return to their native island and take up a relatively satisfied life there again.

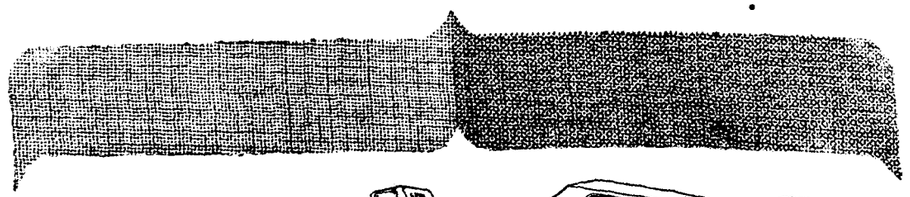
Their children may grow up to be more or less characteristic Americans, they will go to schools in which English is spoken and the customary United States educational processes are applied. But the parents form a social group which stands between two cultures and which is alienated from both of them. In this sense this study is of general interest and significance, even though it deals with a special situation in the United States which in a few decades may come to an end. For though it would be difficult to encounter equal or even similar situations in Asia, Africa or Latin America, some of the basic characteristics of the migration process, the process of alienation derived from it, and the imposition of various forms of social and cultural change, may be encountered in all situations in which rural peasants of very low income migrate to larger cities and finally decide, after a few years, to remain there for the rest of their lives.

IN this paper I will focus on a short interview I had with a woman-emigrant while working as Senior Researcher in a community project * sponsored by the Social Science Programme of the Puerto Rico Department of Health together with the Social Science Research Centre of the University of Puerto Rico.

This research took place in the community of Hato in the municipal territory of San Lorenzo, a small town nearly in the centre of the Island of Puerto Rico. Hato is a totally agricultural, ecologically closed, lower class, hill-top community. There are about 250 households widely dispersed in an area of approximately two thousand acres. Their economic condition is one of poverty, with an average income per family of $ 24.00 a week. They earn this as wage earners in different non-skilled jobs and seasonal work as sugar cane cutters in the fields. Very few women work outside the community. Almost the whole population is illiterate, having gone to school, on the average, only up to the second grade. Their human fertility is extremely high ranging from six to twenty children per family and with a mean average of nearly eleven.

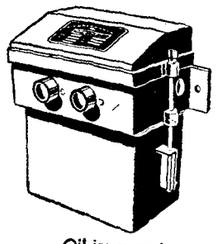
The hygienic conditions are very poor as revealed by their lack of running water and a high incidence of diseases. They are practising Catholics; the only chapel in the place is a Catholic one ruled by an American priest whose influence is all-pervasive throughout the community — politics included. Emigration is the open door to escape from the place. It has come to be a ritual of behaviour that when male adolescents turn eighteen they will immediately go to the Department of Labour and sign an application as prospective agricultural emigrants coming to the "Americas". The major effluence heads to-

* This project, Family Life of Working Mothers, was possible due to a grant generously made by the Russell Sage Foundation of New York City. For further reference see the original proposal sent by H R Stanton and approved by The National Institute of Mental Health. (Paper WM1, Doc SSP R1).

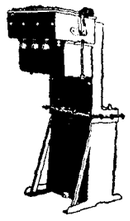




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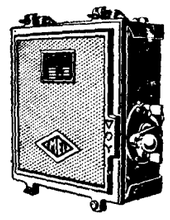
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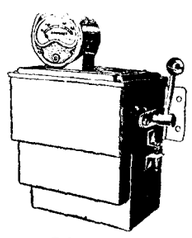
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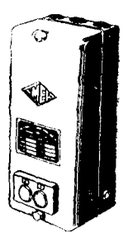
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ward New York, New Jersey, Connecticut and Chicago.

Goya, in the "Cafetin"

I met this woman emigrant Goya in the *cafetin* (a small hut-like store) of the community where some of the residents were joined together chatting with each other while drinking beer, straight rum from a paper cup, or gambling illegally with dice. Goya had come to the *cafetin* just to say hello to the people around the place. It was no surprise to find that she was a relative of the owner of the store because in this community almost everyone is related, be it by direct family nexus or by very close social bonds like the *compadrazgo* pattern. Even the children who were rambling around the place knew who she was: "That is Goya, the daughter of Anacleto, who came from the *north* on vacation".

Goya is a rather corpulent, dark-complexioned woman in her early thirties. In some instances she portrays somewhat masculine traits such as the way she was standing in front of the counter asking for a beer, or holding a cigarette while launching a deep puff of smoke in the air. She was dressed in a black satin evening dress cut very low, exposing her neck and shoulders, embroidered in sequins. High-heel patent leather shoes and matching purse complemented her outfit. Her figure in this wearing apparel made a tremendous contrast with the barefoot persons in filthy worn-out field work clothes gathered in this wooden shack which serves both as store and meeting place.

Interview

Being the centre of attention she was apparently very satisfied and feeling very superior and dignified in front of her former peasant neighbours. Such was the general atmosphere when Goya asked who the researcher was. The researcher was introduced to her, by one of the elders in the place, as "a man who is making a study for the University".

The following is part of the short interview-like conversation[1] I had with Goya that evening after establishing due rapport. (The words were taken verbatim by the junior assistant.)

Int: Have you been in the United States very long?

Goya: Now it will be twelve years I have been in New York. I was still a young girl when I left Hato. I don't really like it here.

Int: But, you were born here, weren't you?

Goya: Oh, yes! I was born and raised in this place. My parents are still living in the same house. It is the first house at the left when you take the *camino real*. Probably you have met Anacleto Oquendo, he is my father. He is very old, but still working. They have too many children. I think about them very much. I would like to help them, but it is hopeless.

Int: Why?

Goya: They will not move from here and they are too old to work in any other place.

Int: Why do you say that they will not move from here?

Goya: They do not think. They believe one can live a whole life enclosed in four walls, working like a mule and eating *viandas* (starchy roots). They don't even think of going to the town of San Lorenzo even to take fresh air. I was not born to that.

Int: Goya, did you go to school?

Goya: I only started. I went to school up to the third grade, but it was of no use. What I know I learned from life. While in school I could not put my mind to anything. My father wanted me to continue, but I did not like it. That is not my stuff. I wanted to work and be on my own.

Int: When did you start to work?

Goya: A week after I was in the Bronx. There you have enough work for everybody. You start in the first thing you find and if you don't like it, you just quit! . . . and find another job. I worked in several factories and did not like it: there are many bad persons in those places. They try to abuse the Puerto Ricans and think that one is going to shut up like a dead fly. The same thing happened to my husband.

Int: I did not know that you are married. Is your husband with you?

Goya: Yes, we got married before he left to find a job in New York.

Int: Is he a Puerto Rican, too?

Goya: He was born here in Hato. We knew each other since we were small. When he started courting me, my parents did not want him so they were all the time after me to avoid me seeing him. I could not even move, so we eloped. Immediately after, he left for New York and sometime later he sent for me.

Int: Is your "husband" with you?

Goya: No, he could not come because he takes his vacations in December. As I had vacations now, he insisted on my coming to see the family. He did not want me to remain alone in our apartment doing nothing for two weeks. So I decided to come, but already I am feeling like going back to New York.

Int: How many times have you been here on vacations?

Goya: This is my third time, but the same thing always happens. I believe I will not come again any more.

Int: Why?

Goya: After being here a time I feel very sorry about my family living in such a disaster as they are. I keep thinking about their misery and their letters asking for money and all that, you know. Many a time when Pedro comes home from his work he finds me lying on the bed crying desperately and thinking about all that. When I feel that way I wish I had wings and could fly!

Int: If you feel that way, why don't you come back and establish yourself here?

Goya: It's useless. Look at me now . . . I came only yesterday and I am up to my nose with everything here. I can't stand this place. My own family are living like pigs! Everything is a fight. This very afternoon, I sent one of my brothers to buy me cigarettes and there was the old man making a face a yard long! Not to say anything about a beer! They are all good-hearted persons, but for them everything is vice and things of the devil. I think that religion makes them crazy.

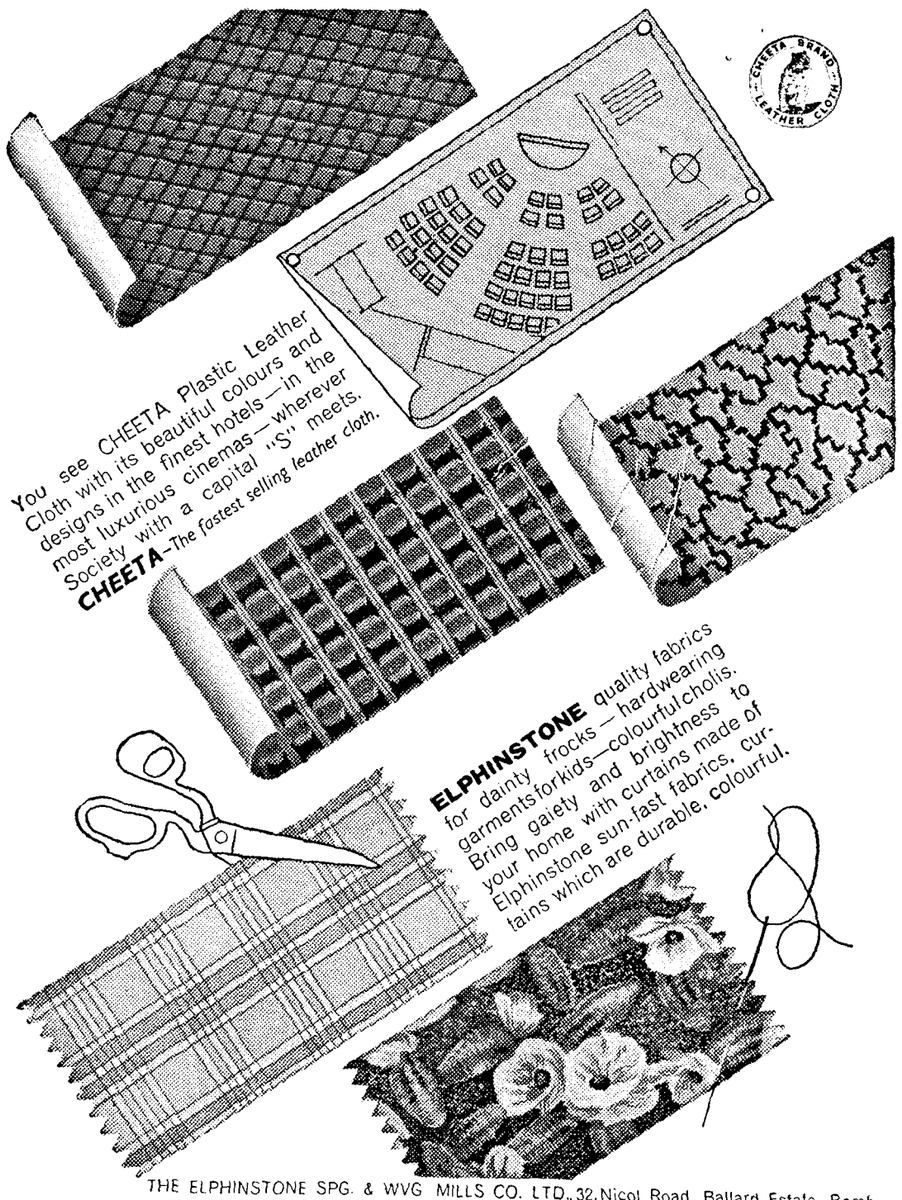
Int: Could you find a job here in the town or in the metropolitan area, in San Juan?

Goya: It's useless. Doing what? Me, dish washer? To have a good job here you need a diploma. And how much can you earn? $15 or $20 a week? Oh, no! It's useless. I prefer working in the States . . . it is true that you give your life in your work, but at the end of the week you find $50 or $60 in your purse. It is very different . . . you can buy things.

Int. Things like what, for example?

Goya: Well, everything you need, you know. I would never have a dress like this one, for example, working here . . .

Int: What did you say your husband does for a living?



Goya: Oh, Pedro! He works in a restaurant as assistant waiter. He is doing fine. He sometimes piles up to a hundred or a hundred and ten dollars a week with the tips!

Int: Isn't that enough for you both?

Goya: Oh, well, you know how it is . . . the more you have, the more you need. And we have several bills to pay each month like the car, the new TV, etc. We are paying now $ 87.00 just for the car!

Int: Have you had any children in your marriage?

Goya: No, we cannot afford that. We use contraceptives. If I became pregnant it would be a disaster because I would have to quit work. Who would take care of them?

Analysis of the Case

Since this was not a psychological or intensive interview we do not have Goya's personal history-case at hand. However, I believe we can assume that her socialisation was not significantly different from the standard pattern we had the opportunity to study in this community. Of course, any particular occurrence in Goya's life may be of help to explain her psychological make-up but, at the present, I will only use her case as a protocol.

Goya's parents were married after they had eloped. Eloping is the most usual and common way in Hato for a couple to get "married". Nevertheless, there is a strong negative social sanction imposed by the community on the couple who elope if they do not "sanctify" their union afterward. After the Catholic wedding ritual takes place, their eloping is either forgotten or recalled only as a joke.

The method of eloping is functional in this community in three aspects: (1) the sexual virginity of the girl is lost and it cannot be reversed either biologically or socially. (2) it is effective in forming the union without the parents' consent, and (3) it avoids the expenses associated with formal rituals, especially in the traditional social reception.

I have begun at this point because I believe that eloping is a crucial moment in the socialisation process in this rural community. It is both a result and a cause of much of the social order prevalent in Hato. I will try to explain it in the progress of this paper.

Roles of Husband and Wife

Upon learning that Goya's parents eloped in order to get married, we can infer that — given the social context — they were probably very poor or not willing to afford the expenses that go with formal wedding rituals, and that the girl's parents either were unaware of the relation or were actively opposed to it. In spite of the limited expansion of the ecological distribution and the closed hereditary and social relations in this community, it is very probable that the eloping couple have not had a reasonable opportunity to meet and know each other.[3] This assertion is reinforced by the traditional ways of socialising the children, as we will see below.

First, I will give the roles of husband and wife as revealed by the self-image they clearly defined in the intensive structured interviews. The husband is the strong dominant male, economic provider, only decision-maker, disciplinarian, absolute leader and free to do his own will. He is owner, virtually, of all life and property, including the wife, in the household. The wife is just the opposite: she is submissive, silent follower, weak and dependent, who must at all times take care of the household having ready all that the husband or offspring could need or ask for. Primordial to these functions is her obligation to reproduce and serve her *man* as a sexual object.

As can be logically expected this double standard is reflected in the attitudes, ideas, values, etc, that are instilled in the child in the process of its socialisation. The dominant features in this differential process can be summarised by their saying that "the girl belongs to the house" and "the boy belongs to the street". For the girl, it comes to mean what J M Stycos called a "cloistering pattern" in their socialisation. She is expected to learn and do all the housework very early in her life, remain in the house all the time and not to come in contact with male adolescents. Their sexual virginity is highly valued and, for that purpose — presumably as a defence —absolute ignorance and detachment from sexual matters or conversations is imposed. Sex segregation is thus practised.

The boy, on the contrary, is expected to be a *machito* getting rough and strong in the outdoors. The sooner he "cleans up his chest" in sexual practice the more *machito* he is considered. Part of his role, though, is to be a guardian and protector of his sisters. One of the outcomes of the male socialisation, although to a certain extent and in less degree it is also true of the females, is that the boys rarely, if ever, come in close contact with the elders in the community. With the exception of the first infant phase — approximately up to the fourteenth month — when the child is fed, carried, and taken care of, no other overt expressions of love are used. This is more significantly evident in the case of the male children. (The individuation process practically begins when the child starts walking without maternal help.)

The Socio-Psychological Setting

Goya was the second of eleven children born to this family. As the first child was a boy, Goya is the eldest daughter — a position which is clearly defined in terms of functions in the family pattern of this community. By the time Goya was about a year old, the third child arrived in this family. At the same time, Goya was literally put to one side and began being trained to take care of the other siblings to come. Already at eight or nine years Goya is expected to take charge, as a substitute of her mother, of all the housework and responsibilities. She becomes an all around assistant to her mother and takes charge when the mother is out, be it handwashing in the near-by stream or giving birth to a child at the municipal hospital in the nearest town. This also applies when the mother is sick, which is very often. The only escape from this routine is going to church. She may join the neighbour's girls and assist at the religious services offered in the chapel once a week.

Goya's father is scarcely seen in the house until late in the evening. He usually wakes up early in the morning, feeds some animals around the house and leaves for work. Lunch will be sent to him with one of the boys of the house. The "old man" will be out of work around five in the evening and go to have

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some beer or rum with his *compadres*. When he arrives at the house, drunk or nearly drunk, his *viandas* must be ready to serve. At this time he is usually irritable and easily angered. If the children are still up, they must be hidden from him. The mother becomes a mediator to avoid any clash between them. In this situation the eldest daughter—Goya, in our case — identifies herself with the mother and the mother's role and defends the children in a cover-up way. At the same time, we found in this study, she forms a psychological coalition with her mother against the father[4].

It looks, once more, as if the enemy — "the other" — is necessary to reinforce the cohesiveness of the "we" feeling. Goya's world is delimited by the extended generalised "we" of the community and specifically by the "we" feeling of her mother and siblings. This is the socio-psychological setting for the development of Goya's self.

In this community the girl comes of age with her first menstrual cycle. Now, more than before, she is looked after and protected, especially by her father, in order to avoid any kind of meeting with the young males in the *barrio*. Sometimes the father would even go with her to church to make sure that she does not talk with any strangers.

Elopement and Marriage

Eloping, again, is the preferred solution. At this point a question is pertinent. Why does Goya want to get married? We can take for granted, of course, that she would like to give expression to the full potentiality that she has biologically developed. But there is more. She leads a miserable life of work, sacrifice, economic deprivation, frustrations and prohibitions which causes her to reject the whole social situation and flee anxiously, looking for "freedom". One of the precipitating factors: she now comes to realize that she hates her father. (This feeling hardly, if ever, becomes conscious because one of the prevalent social as well as religious mandates orders to "honor father and mother" and that they are second only to God.) The emotional forces that push her out of the house are so powerful that in some cases a girl may elope with a man immediately after her first conversation with him.

So, Goya says, "I could not even move, so we eloped". From here on her story is a different one. The typical girl in this community would go with her lover to a small shack on her lover's parents' farm letting no one see her for about ten days until her "shame is over". After that, the lover will take her to her parents' house, will ask them to forgive her and give his promise that he will marry her by the church. This, he will do some time after, probably to have the right to baptize their first child who would arrive nine months after their elopement. They will surely stay living in the community, and other things not being considered, will probably reproduce the established patterns of behaviour and will provide continuity to the social order and structure of the community.

"You Just Quit"!

"Immediately he left for New York and sometime later he sent for me", says Goya. With this very first action, they were "breaking the rules". Probably she stayed alone in a shack with the expected ostracism or she went to her lover's mother to help her in the housework. In neither case would her father go after her or take her back. (He would do so only in the case of her being seduced by an outsider — a "pearl", that is, a man not resident in the community.) From now on and for a good time the father would say about her that she was "no good" and that she always was "weak to hear the devil's temptations". She is considered an outcast.

One of the first things that Goya recalls of her first jobs in New York is that they represented a literal transposition of her experience with her family. "When you find a job, you try it, and if you don't like it, you just quit!" There is in this phrase an ego reinforcement in the intent of accentuating a feeling of independence and freedom. After all, it was the first opportunity she faced where there was more than one alternative available.

While talking about the conditions of work in the factories in New York she says, "there are many bad persons in those places — they try to abuse the Puerto Ricans and think that one is going to shut up like a dead fly". In terms of a social value-system the words above are the voice of a rebel; it is just like saying: I quit my family and the community where I was born and raised because women there must be submissive and silent martyrs taking whatever comes to them.

What Is She Running From?

She is at the same time, symbolically representing her mother by a "dead fly". This phrase is very suggestive at various levels. In common usage it is used in Spanish to make a reference to a spiritless person, but when a house-fly is described it is usually done in terms of the most repulsive, nauseating and filthy insect. In Hato, where Goya comes from, house-flies are considered especially nauseating because they are ever present flying about the open latrines which are frequently close to the kitchens. And in Goya's mental reference, who could be the one who keeps silent at all times? Obviously, her own mother[5]; and, if generalised, women in Hato. And who makes them remain "shut up like a dead fly"? Obviously, the man in the house, the father. "There are many bad persons in those places" is the same as saying there are many men as bad as my father in those places. In "those places" the integrated whole of her personality (her self) is continually endangered and at stake. She is still fighting the nuclear conflict of intimacy and isolation[6] and is not yet able to face the fear of ego loss in situations that call for self-abandon. The solution at hand is always the same, "just quit"! What is she running from?

This is partially answered in the interview when Goya says ". . . he finds me lying on the bed crying desperately and thinking about all that. (She refers to the conditions of 'misery' of her family in Hato.) When I feel that way I wish I had wings and could fly". First of all, her mechanism of lying in a bed crying all by herself is quite symptomatic of an acute neurosis. It is an escape mechanism of defence brought up, in this case, to virtually wipe away her guilt feelings and re-

morse for abandoning her family and not helping them out of their "misery". Note that this guilt feeling boils up when she receives "letters asking for money". These letters enervate in her all her new pseudo-personality by pointing out to her where she belongs, where her roots are in a socio-psychological setting. But, at the same time, they stimulate her antagonism and rebelliousness toward the figures and conditions of her socialisation. She subconsciously tries to solve the conflict by this mechanism of defence. Another most important function of this mechanism is that while she is crying aloud she repudiates the fact of being alone. Again, the solution looked for is withdrawal — she cannot soundly face reality. She does not say that she would like to have money and buy an airplane ticket and go to the Island. She would like to have wings and fly. (Is there here a subconscious allusion to the dead fly? Has wings, but cannot fly!) I think that at this point it is rather obvious — if the analysis is correct — that Goya is trying to fly, to escape, from *her own self*. Anxiety is the predominant feature of her neurosis.

In her process of individuation she constantly tried to cut off her primary ties, but she succeeded only partially. She is still running from the male figure of her authoritarian father. She killed symbolically the figure of the mother with all the adjoining values and characteristics. She openly rejected and broke the mores of the community; first, by not getting married after eloping and second, by her new conduct and behaviour in her dressing, drinking, smoking, etc. One of the fundamental ideological stands in this community is religion. Nevertheless, she thinks that "religion makes them crazy".

Negation of the Self

That is to say, in her quest for freedom and independence she pretended to destroy all her feelings of identity, all her socio-cultural roots. But she found nothing to replace them. From here derives her state of mind where she finds herself alone and the social order is remote and incomprehensible.

Goya tried to replace her world of security and reassurance in her autochthonous community by a job in a factory "in the States". Although she says she prefers this, she says that " . . . it is true that *you give your life in your work* but at the end of the week you find $ 50 or $ 60 in your purse". Note that this declaration is characteristic of the process of self-alienation. She is *giving her life*, again an expression of withdrawal from her self. For what? To go back to Hato wearing an impressive, completely out-of-place garment with which she wants to say: I am different from all of you, I don't like it here, I am not from here. Then she returns to New York to work and to "remain alone in our apartment doing nothing".

All these withdrawals and desperate running away brought her to a condition of theoretically "selling" her life in order to have $ 50 or $ 60 in a purse "to buy things". She lost her identity, her security, her group of belonging, etc. in order *to buy things*. That is, psycho-analytically, in order *to hold on*. She has not come to terms with her anal-muscular maturation, to use Erikson's phraseology, and has turned their hostile implications against her *self*. According to Erikson, the unresolved condition of this nuclear conflict might be the source of a compulsion neurosis.

Half-way between Hato and New York

Goya is not a typical emigrant. My own observations of the Puerto Rican emigrants in New York or Chicago do not correspond to Goya's reported behaviour. The typical emigrants, in the first place, would have gone to live in a community-like neighbourhood where they would be surrounded by emigrants coming, like them, from Puerto Rico or, probably, from the same town. There would always be a person at hand with whom to share even tears. Another pattern commonly observed in the Puerto Rican "colony" of emigrants is that some time after their being settled, they will send for other members of their family — usually the next brother or sister.

At any rate, there is good reason to believe that Goya's argument for using contraceptives is a flagrant rationalisation of her inner feelings. It would "be a disaster", she says, if she would become pregnant. (She uses the same word, "disaster", when describing her family's misery in Hato.) What is the real content of this "disaster" to her? She would have to face the crude and natural reality that she is a woman, and as such biologically created to procreate. The sex-status definition and expectancies of her community are also violated. Her use of contraceptives is her ultimate negation of the *self*.

This then, is her present condition. Life has no meaning or purpose for her, except "giving it" at work. She experiences herself as an alien. She has become, one might say, estranged from herself. She finds herself seized and caught half way between Hato and New York. Each place represents conflict. In between there is an ocean. She is alienated from her culture, her community, her family and worst of all, from her *self*. That is her condition of moral aloneness.

Notes

1 The interview was conducted in Spanish; translation is mine.

2 They were never legally married. Although marriage in Puerto Rico is ruled basically by the same legal requisites and procedures as in the mainland, legal marriage, if not accompanied by the Catholic ritual, is not socially validated in this community.

3 When a person in this community says that he "knows" some other person, he may only and simply mean that he knows to what family the other person belongs or where he lives. When Goya says that she and Pedro "knew each other since we were small", it does not mean that they used to play or go places, or do things together.

4 The silent hostility and aggression of the wives toward their husbands in this community was obviously clear in the answer given to one of the questions included in the questionnaire. About 96 per cent of the married women interviewed (P=187) answered that "if given the chance of living again they would never get married".

5 Probably, there is a close relation between the symbol of the *dead fly* and the fact that in the interview Goya never mentions the mother.

6 Erikson, H Erik, "Childhood and Society", W W Norton & Co. Inc. N Y. 1950, p 229-231.

Malthusian Prospect in Mauritius

J H Smith

In the West, the most powerful solvent of traditional social patterns — the family structure in particular — has been economic growth; but the best the Mauritians can look forward to, for some time to come, is to run faster to keep living standards where they are now.

Western experience suggests a close link between economic growth and the spread of population control. But many of the conditions which helped to avert the Malthusian nightmare in 19th century Britain, e g, increasing industrialisation and the safety-valve of emigration, are absent in Mauritius and are unlikely to be created there.

As for attitudes to what lies ahead, the people of Mauritius seem to be denied the hope of a brighter future for themselves and their children which in the West has provided an incentive both to economic improvement and to the restriction of births to enhance opportunity still further.

The experience of the past has, in the final analysis, little to offer Mauritius; she must devise her own solution out of the variety of expert advice that is given.

THE modern world faces problems of over-population on a scale far greater than anything contemplated by the gloomy Malthus over 150 years ago. Of the many places threatened by a fatal imbalance between population growth and exploitable resources, Mauritius stands out as a representative and particularly frightening example. She combines the inexorable pressure on resources exerted by falling death-rates and continuing high fertility with inescapable physical limitations on economic growth. Great colonial empires once saw the island as "the star and key of the Indian Ocean"; today the stars of empire are burned out and the key Mauritius seeks is the key to survival. She is unlikely to find it without outside assistance, at least in the foreseeable future. What other countries choose to do to help avert the approaching Malthusian nightmare will provide a modest but decisive test of international humanity, since the island is isolated and now of little commercial or strategic importance. All the same, the basic cure depends on decisions only Mauritians can make for themselves.

If no cure is found for her problems of population growth, the prospects for Mauritius are depressing in the extreme. At present the population is about 650,000. By the end of the century, it will certainly have reached one million; if present trends continue, the total will be close to three millions. In either event, without a substantial increase in gross national product there must be a fall in average per capita incomes; and without economic growth and diversification, unemployment will increase. Even now it is estimated that per capita income is declining: at the same time unemployment and under-employment are widespread.

No Lack of Diagnosis

The inescapable priorities of economic and social policy for Mauritius are (1) to create conditions favourable to economic growth which will, above all, increase opportunities for employment, (2) to control population expansion. The island's difficulties have not lacked diagnosis in recent years. A Committee on Population decided in 1955 that her social and economic problems could only be overcome by means of emigration, economic growth and birth control. The prospects for Mauritius without an effective combination of such measures are unthinkable; and the really important policy questions are not whether these measures are desirable, but how far they are feasible in the light of the island's present economic and social structure.

In 1960-61 two teams of social scientists from England thoroughly examined the possibilities and made policy recommendations. One led by Professor James Meade of Cambridge University was concerned with economic prospects; another led by Professor Richard Titmuss of the London School of Economics was asked to report on the framework of social security [1]. In view of the facts already mentioned, the insistence of both reports on the pivotal nature of the population problem will come as no surprise.

The main theme of the Meade Report was the need to avert a decline in the average standard of living of the growing population. The Titmuss Report found it necessary to extend its terms of reference to include general health and welfare provisions, as well as social security: its main recommendations for social policy were explicitly designed to slow down the rate of population growth. Both reports were agreed that without an effective check on numbers, Mauritius faces economic and social disaster.

The several dilemmas in which Mauritius finds herself are thoroughly described in these reports: it might be argued that Professor Titmuss adds yet another by insisting on the full implementation of his relatively expensive social welfare proposals, despite the Meade recommendation for economic restraint and austerity. Emigration is an attractive refuge for the policy-maker, but the most likely destination, Madagascar, appears to have no interest in the possibility. Emigration elsewhere in the Commonwealth would be too expensive an operation for Mauritius to bear the cost herself. The Meade Report discussed more emigration to Britain as a possibility, but since then restrictions on Commonwealth immigration have been imposed by the U K Government.

Economic growth and diversification are obvious goals, but progress towards them is hindered by certain obstacles which are salient features of the island's economic and social structure. At present the

Mauritian economy is overwhelmingly dependent on sugar and the vicissitudes of the world sugar market, tempered only by the minimum protection afforded by the Commonwealth and International Sugar Agreements. There is no real prospect of expansion here, only perhaps of greater efficiency at the expense of employment opportunities. The island offers little in the way of exploitable resources, either in the form of minerals or through additional cultivation. The Meade report explored every entry, footnote and cross-reference in the dictionary of economic development which could possibly be relevant to Mauritius : the result was an extensive list of recommendations (129 in all) which, if applied, might, in the Report's own words, "constitute that revolution in economic affairs . . . essential to start a process of economic development on a scale which will absorb the growing population of Mauritius without a serious fall in the standard of living".

These proposals — which ranged over agricultural policy, deep-sea fishing, Government support for industrial development, credit facilities, the aims of education and the efficiency of public administration— have to be viewed against the realities of social structure. Mauritius is a plural or racially-complex society, composed of a majority of Indians (both Hindu and Muslim), Creoles, Chinese and Europeans. These groups have found their way into socially-distinct clusters of occupations; so that social mobility through occupational advancement is inhibited, and enterprise and the efficient organisation of ability are restricted in scope. The educational system does not help by attempting too many varieties of language instruction. The Meade Report suggested a firm decision in favour of English, but politically this will be a difficult measure to implement; as will be its recommendation that the schools should make a strong effort "to change the current attitude of young people that it is undignified to work with their hands". The close relation between non-manual jobs and high social and economic status is clearly visible to Mauritians and is likely to remain so : indeed, the Meade Report appeared to endorse this by insisting on the need for wages to remain low to ensure a stable and competitive economy. The superiority of government service over manual labour is firmly established in the minds of Mauritian parents, and it is difficult to imagine a decisive change of attitude.

Most Urgent Need

In considering the Meade proposals, a distinction needs to be drawn between immediate and future problems, and priorities set accordingly. The most urgent need is to create employment opportunities to offset, as far as possible, the present growth in population. It is hard to think of a practicable alternative. Theoretically a more 'efficient' expansion of the economy could outstrip population growth, but if it were attempted the social disruptions of rapid expansion might put burdens on the system of social welfare at a critical time : and the temptation to tax efficient employers more heavily might reduce entrepreneurial incentives and opportunities for employment. In any case, growth on this scale needs a basis which Mauritius cannot at present provide. At the same time, one cannot help feeling that the social, economic and political consequences of deliberately promoting the development of enterprises which are "less efficient" and big labour-users need thinking through more carefully than Professor Meade and his colleagues had time to do.

The Titmuss proposals read more dramatically than Professor Meade's; partly because they focussed sharply on the population problem, but also because of the novel and ingenious remedies suggested. Social policies for Mauritius must be devised, the report argues, with an eye to their effect on population growth. Existing public assistance allowances were encouraging large families and since certified sickness is a qualification for relief, were leading to abuse of the medical services. The medical services (and part of the medical and pharmaceutical profession) were in any case ripe for reform. The needs of the unemployed and underemployed were being met largely through an elaborate and highly undesirable system of money lending and credit from shopkeepers.

In place of these services, the Titmuss report proposed the introduction of social provisions which would, besides meeting need efficiently, "support and strengthen family life"; and at the same time make family planning popular and so limit population growth. This is an ambitious clutch of objectives; but the desperate nature of the Mauritian situation justifies the "all-or-nothing" mood of the report.

A principal aim is the popularisation of the three-child family. If this becomes standard by the 1970's, the total population 20 years from now will be some 400,000 less than if present fertility levels prevail : more important, the island will be spared the consequences of an unprecedented burden of child dependents — estimated at close to half the total population in 1982. The adoption of the three-child family can ensure a more balanced age structure, with a ratio of producers to dependents similar to that found in Western industrial societies.

What would this mean in terms of the decisions to be made by Mauritian parents ? According to Miss Edith Adams of the U N Population Division, who provided an expert technical appendix to the Titmuss Report, continuance of present fertility rates would result in an average completed family size of 5.7 children. To achieve the Titmuss objectives, then, Mauritian parents would *on the average* need consciously to decide to have at least three fewer children.

The spread of birth control on a wide scale is the only sure guarantee of this. The Titmuss proposals envisaged the establishment of family planning facilities as an important part of the proposed national health service : the report also envisaged an approach to a consortium of leading Foundations to finance a demonstration project showing how "an alliance of social, economic and family planning can resolve the problems of population growth".

Professor Titmuss and his colleagues were fully aware that the spread of birth control depends on far more than the availability of reliable techniques. Drastic changes in attitude and custom are also called for: by suggesting the use of social policies to assist and even direct such changes, their report moved to an unfamiliar level of originality and controversy.

To encourage the three-child family, they proposed a monthly cash payment of Rs 15 for families with three or more children under the age of 14. To qualify for this, certain conditions must be met : the mother must be over 21 and the earnings of the household head not liable to tax. To change the practice of early marriage, especially among Indians, it was recommended that the minimum legal age of marriage be raised to 18 for women as well as men : and that where both bride and bridegroom are over 21, a marriage benefit of Rs 50 be paid to the bride's father. To qualify, the bride must previously have borne no children, and her father not be liable to income tax. The spacing of births after marriage would be encouraged by the payment of a maternity benefit of Rs 60 for mothers who (i) are over 21, (ii) have not borne a child in the preceding 24 months, (iii) have fewer than three children alive, (iv) have attended an ante-natal clinic, (v) have husbands not liable for income tax in the previous year. It was recommended that no other maternity benefits should be provided.

The administrative and psychological complexities of such provisions illustrate the difficulties of promoting "restraint through welfare", as opposed to Malthus' 19th-century doctrine of "welfare through restraint". Who is likely to respond to these incentives ? It is arguable that those Mauritians who will readily perceive and respond to them are likely to have decided in favour of family limitation anyway; also that for those who have not decided but are subject to persuasion, the more effective measures proposed for propaganda and clinical facilities could be sufficient. There remains the crucial group who are at present the majority. They are poor, and being mainly wage labourers, are always in need of cash to secure the necessaries of life. Custom favours early marriage and high fertility : children are widely regarded as the best form of social security. To families in this category, the three-child benefit will probably be a highly-desirable objective to be achieved as quickly as possible : it cannot deter people from having more than three, since Professor Titmuss and his colleagues do not tack on to their new proposal what some might see as its logical conclusion, by suggesting the withdrawal of the benefit with the birth of a fourth child. However, if this proposal and others related to it do succeed in postponing marriage and in popularising the three-child family, a decisive contribution will have been made to the future welfare of the island.

Application of British Experience

No one can envy Professor Titmuss and his colleagues the task they faced in Mauritius; or question their verdict that existing social provisions are unsatisfactory and tend to encourage population growth. Professor Titmuss has written since: "we could not think, act and advise simply as welfare specialists. We had to try and break out of Western specialisations and combine the insights of the economist, historian, anthropologist, demographer, political scientist and doctor"[2]. Professor Titmuss has proved many times that he is no narrow specialist : but the fact remains — and is inevitably in evidence in the Mauritius Report — that he and his colleagues are experts in the field of British social policy and its inconsistencies. Now many of their views have general application, e g, the important distinction between 'real' and 'transfer' costs in social security schemes; the insistence that, in framing social policy, the family should wherever possible be the primary unit of consideration; the need to take account of 'fiscal' welfare providing tax reliefs to individuals as well as communally-financed social welfare schemes providing benefits in cash or in kind. But their expertise finds its most vigorous expression through an acute sense of the ways in which, in Britain, social policy supports and even reinforces existing class divisions and social structure as a whole. It is questionable whether conclusions and objectives peculiar to the British experience should be applied to countries whose social and economic conditions are very different.

Obviously, it is to be hoped that one country will be able to learn from another's mistakes — and Mauritius would do well to note the pitfalls of the early British health and social security measures. The Titmuss Report gives proper emphasis to these lessons but it also brings in a variety of considerations which in the writer's opinion are more relevant to current social policy discussions in Britain than to the problems facing Mauritius. For example, is it appropriate to discourage 'occupational welfare' i e, provision by a company for its own employees' needs in a society which desperately requires responsible and enterprising employers ? Is it appropriate to recommend a contributory system of insurance against sickness and unemployment for an economy faced with an explosive expansion of juvenile labour supply, and an already high and increasing rate of unemployment and underemployment — seasonal and long-term? Is it appropriate, if we agree with Professor Titmuss that social policy should be generally *accepted* as benefitting the community as a whole and not just the "poor", to treat income-tax payers more severely than in the past by cutting their child allowances, while at the same time excluding them from the three-child benefit ? This exclusion was suggested as a simple form of means test, yet the Meade Report made it clear that "many people who are well able to pay income tax do not do so". Presumably they should be excluded from the benefit too. A more appropriate measure would be the extension of liability for income tax, and restricting the number of children for whom allowance was made to three, as the Meade Report recommended. In any case, if liability for income tax is extended downwards — and there seem to be good grounds for this—the case for children's allowances near the cut-off point between the three-child benefit and none at all will be hard to resist.

These considerations have been introduced not to criticise the originality and lucidity of the Titmuss proposals; but to question whether certain of them are likely to achieve their objectives, given what is known about the economy, social structure and social needs of the island. The Mauritian Government has accepted most of the Titmuss recommendations and has already put the three-child family benefit into operation. Family planning however has made little headway,

and Professor Titmuss' associate, Dr Abel-Smith, recently revisited the island in connection with this part of the programme. Only such a programme can guarantee success for Mauritius' attempt to curb population growth. The situation demands the modification of traditional family patterns, and attitudes towards the future. But, as has been pointed out by an authority on the social structure of Mauritius,[3] the Titmuss proposal to pay the delayed marriage benefit to the bride's father can only reinforce the traditional patriarchal family structure. Dr Benedict also notes the contradiction between this proposal and the report's avowed aim to raise the status of women in Mauritius.

In the West, the most powerful solvent of traditional social patterns — and family structure in particular — has been economic growth : but the Meade Report suggests that the best Mauritians can look forward to, for some time to come, is to run faster in order to keep standards where they are now. The Western experience suggests a close link between economic growth and the spread of population control, even though the processes involved are by no means fully understood. But many of the conditions which helped to avert the Malthusian nightmare in 19th-century Britain, e g, increasing industrialisation and the safety-valve of emigration, are absent in Mauritius and are unlikely to be created there. As for attitudes towards what lies ahead, the people of Mauritius seem to be denied that hope of a brighter future for themselves and their children, which in the West has provided an incentive both to economic improvement and to the restriction of births to enhance opportunity still further.

Perhaps the basic dilemma of Mauritius is that the experience of the past has, in the final analysis, little to offer : she must devise her own solution out of the variety of expert advice that is given. One thing is clear. The situation is such that only proposals as revolutionary and controversial as those put forward in the Titmuss Report are likely to improve it. But to work, such proposals must bear a close relation to the felt needs and objectives of Mauritians themselves. The final choice of action rests with the people and their Government. It is a stern but necessary one ; on the one hand, drastic economic and social policies which will equip their society for survival and, it is to be hoped, future growth; on the other, the unthinkable consequences of indifference or false optimism.

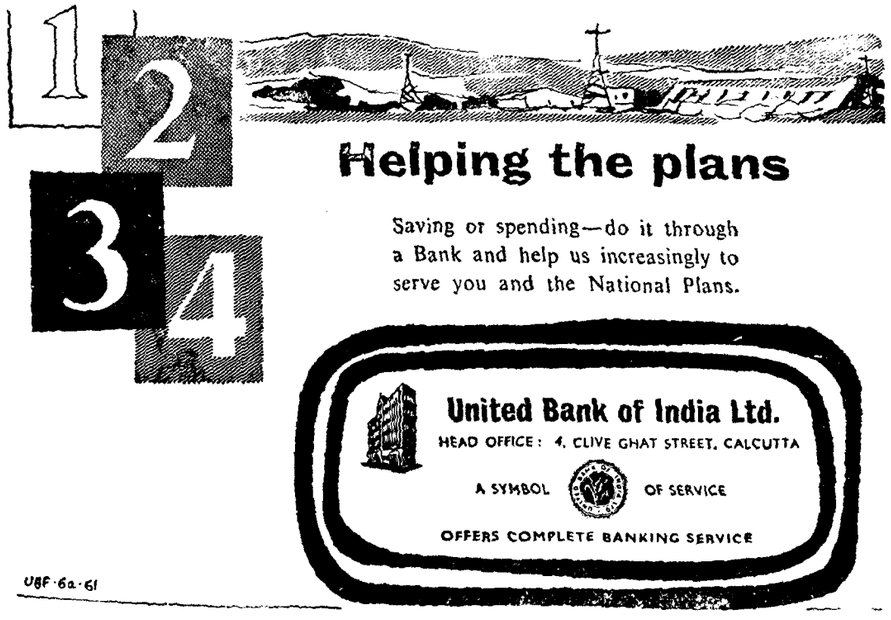
Notes

[1] J E Meade and others: "The Economic and Social Structure of Mauritius", Methuen & Co.

Richard M Titmuss, Brian Abel-Smith, assisted by Tony Lynes: "Social Policies and Population Growth in Mauritius", Methuen & Co.

[2] "Does Social Welfare Create Starvation?" in *New Society*, Nov 8, 1962.

[3] Burton Benedict, "Mauritius at the Crossroads", *British Journal of Sociology, Vol. 13, No. 4.*



U S Aid to Pakistan

An Evaluation

Hamza Alavi

In a significant statement Pakistan's Finance Minister, Mohamed Shoaib, said sometime ago :

"In the past year we have been faced with a crisis in our external relations calling into question the alliances that have been central to our foreign policy. We have learnt that we have to rely on our own people and resources and not on the promises of others to safeguard Pakistan's security and national interests."

Principal among the alliances which have been "central" to Pakistan's foreign policy has been, of course, the one with the United States. The alliance has secured for Pakistan very substantial amounts of economic and defence assistance from the U S whose share of non-military aid received by Pakistan during the period 1951-60 was no less than 79 per cent.

An attempt is made below to evaluate the contribution of U S aid in different forms—development loans, commodity assistance, military aid — to Pakistan's economic development and defence.

PRESIDENT Ayub Khan was one of those in positions of authority in Pakistan who were responsible for the sharp break in the country's foreign policy ten years ago. The emergent policy of neutralism, which was being given shape under Liaquat Ali Khan, was suddenly abandoned and Pakistan joined the U S in the Cold War. It was then argued that such a marriage with a rich nation would fetch a dowry of gold and open up new prospects of economic prosperity. The alliance, it was said, would secure for Pakistan a powerful voice in the comity of nations and put at her disposal great military power to strengthen her security. The record belies the promises of this mendicant philosophy. Events have proved false the hypothesis on which it rests, viz, that in the field of international relations loyalty begets loyalty, regardless of the alignment of national interests.

In the National Assembly, Yousaf Khattack, a Member, has described this as "the romantic conception of foreign policy", so that when "America thought Pakistan was no use to her, Pakistan felt like a jilted lover". He asked the Government to be more realistic in its thinking on this subject. It is, however, difficult to believe that the policy-makers of the Government could have been so very naive in their thinking on this vital matter. But to deny them this explanation would be to charge them of having misled the nation; for the alliance has given us neither strength nor dignity. Now Pakistan feels bereft of friends; a sense of isolation which is the more accentuated by our eagerness to demonstrate our new-found bonds of friendship with China — the meagre product of two negatives.

Total Dependence on the U S

Here, once more, there is a fundamental inconsistency in our position. The reality of our virtually total dependence on the Western countries, particularly the United States, for aid stands in contradiction to our apparent alignment with China. The heavy dependence on U S aid leaves Pakistan with little freedom to embark on an independent foreign policy even though both the U S and the Ayub regime in Pakistan have had to accommodate temporary shifts of policy in the face of the traumatic experience of the Pakistani people under the impact of recent events and the general recognition, and indeed the admission by the Government, of the unreliability of the alliance. But the pressure of dependence remains and Ayub is already busy selling the idea of a confederation of Pakistan, Iran, Afghanistan and Turkey, a project dear to some planners in the U S. At the same time, one must recognise that there is some desire in Pakistan to reduce this heavy dependence on the U S in order to gain a greater freedom in foreign policy.

At first glance it would appear that some progress has already been made towards the diversification of the sources of foreign aid. Table I shows the foreign aid received by Pakistan according to sources. It will be seen that in the period 1951-60, apart from small amounts obtained from the U N and Sweden, the bulk of the aid came from the U S, the World Bank and the Commonwealth. In fact if these figures were broken down further one would see that Commonwealth aid played a more important part, relatively, in the period before 1953 than after that year when the U S came to dominate the scene. On the other hand, in the period 1960-63 Germany and Japan figure prominently. Particularly significant is the appearance of the Soviet Union and Yugoslavia, in the context of Pakistan's foreign policy. The latest development is the participation of all the principal Common Market countries in the aid Consortium. This diversification is a welcome change. Paradoxically, however, underlying this diversification there is also a greater dependence on the U S which has increased its share of total aid.

If we take all aid, excluding commodity aid and military aid, for the period 1951-60 we find that the share of the U S was 42 per cent of the total while that of the Commonwealth was 32 per cent of which Canada accounted for 24 per cent. Canada was thus the second largest source of aid. During this period the World Bank provided about 23 per cent of the total aid. During the period 1960-63, although there was a considerable diversification of the sources of foreign aid, the relative share of the U S increased from 42 per cent to 50 per cent of the total. The share of the new

donors was at the expense of Commonwealth countries whose share dropped from 32 per cent to 14 per cent and the World Bank whose share dropped from 23 per cent to 10 per cent. The drop in the share of the Commonwealth countries was mainly on account of Canada whose share dropped from 24 per cent to 6 per cent. The share of the U K increased from 0.7 per cent to 7.6 per cent. The new participants were Germany, which contributed 13.4 per cent of the total (i e became the second largest donor), Japan (8.3 per cent), the Soviet Union (3.3 per cent) and Yugoslavia (1.1 per cent). Thus there has been a diversification in the sources of aid as well as an increase in the dependence on the U S.

If commodity aid is taken into account the share of the U S in the total aid in the period 1951-60 comes to as much as 79 per cent. During this period commodity aid amounted to 80 per cent of the total aid received from the U S. In the period 1960-63 commodity aid declined somewhat in importance and was only 60 per cent of the total aid from the U S. Consequently, if commodity aid is included, the relative share of the U S would appear to drop from 79 per cent to 71 per cent. But it would be a mistake to conclude from this that there has been a diminution in the relative importance of the U S as a source of aid vis-a-vis other countries. The significance of the change is the reduction in the proportion of commodity aid.

Impact on Economic Policies

There is little evidence to show that U S aid has accelerated the pace of economic development in Pakistan; the reverse may well be true. The basis of the progress which has taken place in the field of industrial development (mainly light industry), was laid in the early fifties when U S aid was yet negligible and U S influence had not yet established itself fully. Paradoxically, by the time a substantial amount of U S aid began to flow in, as from 1955, the rate of industrial expansion began to slow down. This is shown by the index of manufacturing production (See Table 2). The point increase in the index is lower in 1956 and in later years than in the three previous years. The increase in production during 1955 has not been matched in any subsequent year; the recovery in 1959 and again in 1961 was well below this level. It is obvious from the figures that the *percentage* rate of expansion *dropped* considerably. Not only is the rate of industrial expansion lower in later years but also a substantial proportion of the increase in production in later years has been attributed to rationalisation and better utilisation of industrial capacity created in earlier years.

Table 2: Index of Manufacturing Production

Year	Index	Change in Index
Series I: Base 1954 converted to 1950 = 100		
1950	100	
1951	124	+24
1952	155	+31
1953	202	+47
1954	265	+63
1955	337	+72
1956	382	+45
1957	404	+22
Series II: Base 1954 = 100		
1954	100	
1956	143.9	+44 (two years)
1957	152.4	+ 8.5
1958	162.4	+10.0
1959	181.9	+19.5
1960	192.4	+10.5
1961	213.6	+21.2

Source: "Statistical Yearbook 1957", Published by the C S O, Govt of Pakistan.

Sources: Budget 1961-62, "Economic Survey" and Eleventh Annual Report of the Consultative Committee of the Colombo Plan, January 1963.

Table 1: Foreign Aid To Pakistan: 1951-64
[Excluding Military Aid]
(U S $ million)

Country/Agency	1951 to 30-6-1960 Allocated	Utilised	1-7-1960 to 31-3-1963 Grants	Loans	Total	1963-64 (Consortium Aid)*	Indus Basin Development Fund ‡ Grants	Loans	Total
Australia	28.1	28.1	2.0	—	2.0	—	15.0	—	15.0
Belgium	—	—	—	—	—	10.0	—	—	—
Canada	113.0	104.3	52.0	6.0	58.0	19.0	21.0	—	21.0
France	—	—	—	—	—	7.0	—	—	—
Germany	—	—	—	126.0	126.0	27.5	32.0	—	32.0
India	—	—	—	—	—	—	174.0	—	174.0
Italy	—	—	—	—	—	10.0	—	—	—
Japan	—	—	—	78.0	78.0	30.0	—	—	—
Netherlands	—	—	—	—	—	6.6	—	—	—
New Zealand	5.9	5.1	—	—	—	—	3.0	—	3.0
United Kingdom	3.2	3.2	2.0	70.0	72.0	22.4	58.0	—	58.0
U S A									
(i) ICA/DLF/AID/ EXIMBANK	288.7	169.1	145.0	315.0	460.0	212.5	177.0	70.0	247.0
(ii) Ford Foundation	16.4	16.4	9.0	—	9.0	—	—	—	—
(iii) Commodity Aid	949.7	734.8	—	—	707.0 (est)	150.0	—	—	—
Sweden	0.6	0.6	1.0	—	1.0	—	—	—	—
U S S R	—	—	—	30.0	30.0	—	—	—	—
Yugoslavia	—	—	—	10.0	10.0	—	—	—	—
IBRD/IDA/IFC	151.0	100.0	—	90.0	90.0	80.0	—	—	—
United Nations	9.4	9.4	3.0	—	3.0	—	—	90.0†	90.0

* An estimated amount of $ 40 million in aid is expected in 1963-64 from countries which are not members of the Consortium.

† This amount includes $ 10 million not credited to the Indus Basin Development Fund but is available to Pakistan to meet interest and other charges during the first 8 years of construction of the works.

‡ In addition to foreign exchange commitments amounting to $ 640 in aid and loans in respect of the Indus Basin Development Fund, rupee assistance equivalent to $ 235 million has been committed by the U S A.

Behind the slowing down of industrial expansion was the pressure of the conservative thinking of U S advisers whose influence acquired virtually the status of authority as Pakistan became more and more dependent on the U S. They soon came into conflict with men like Zahid Husain and Ghulam Faruque who were committed to a radical policy of industrial development. Ghulam Faruque, who, as the head of the P I D C, has made a big contribution to such industrial development as has taken place, once referred to the opposition of our foreign experts who were trying to advise us against developing the jute industry, a field in which Pakistan has made substantial progress thanks to the stand taken by him and Pakistani businessmen who stood behind him. The following passage from the evidence of Dr D Bell, who was attached to the Pakistan Planning Board, before the Senate Foreign Relations Committee, is particularly revealing. When asked about the relationship that existed between the U S Mission in Karachi and the Pakistan Planning Board he said "The I C A Mission members . . . consulted the Planning Board of the Pakistan Government regularly in two main kind of things: First of all we [i e the Pakistan Planning Board] were an excellent source of information for them on specific problems they might be encountering. Secondly, after a while — although not in the beginning, but after a while, when the Planning Board began to have reasonable views as to what sort of things made sense to be done in Pakistan and what sort of things did not make sense, the I C A Mission began to use this information to guide them in making their own decisions as to what they wanted to put their money into and what they did not. *I do not mean* to imply that they followed without review the opinions of the Planning Board; but they gave them heavy weight."

This is the strange relationship that was established between the principal organ of economic planning in the country and the agency of a foreign power. Not only did the U S Mission have free access to the data and policy papers of the Planning Board but it is clear from the evidence that the role of the Planning Board was reduced to a merely advisory body, for the key decisions as to where the money should go lay with the U S Mission. There is a reference here also to the period when under the firm hand of Zahid Husain the Planning Board took a stand on the questions of Land Reform and Industrial Development. It was after Zahid Husain was removed from the Planning Board that it began to see "What sort of things made sense to be done in Pakistan" in the eyes of our American advisers. Their anti-industrial bias is evident in the revision of the First Five-Year Plan and more sharply in the Second Five-Year Plan in which the proportion of resources devoted to industrial development was further reduced.

Misdirection of Investment

One need not enter here into arguments regarding problems of balanced development and inter-sectoral distribution of resources to achieve balanced and rapid growth. One might argue that the limiting factor in the development of the agrarian economy of Pakistan is not the want of large scale expenditure but the crop-sharing system and the present system of land-use. A radical land reform could achieve far more than the vast sums which have been expended, some of which could have sustained greater industrial development. But the greatest wastage of resources has been by way of the growing military expenditure and large number of so called "development" projects which are essentially military in character.

A considerable proportion of expenditure under the rubric of "Transport and Communications" would fall into this category. Thus for grants given to Provinces (upto 50 per cent of the cost of construction of arterial roads), out of the "Fund for Roads of National Importance", it is the Ministry of Defence which makes the selection of roads and economic considerations are relegated into the background. For instance, it is difficult to see why a first class tarmac road from Karachi to Khuzdar is being constructed through the barren area of Kalat at the cost of Rs 19.21 million (for the 1st stage of the project which is in three stages) when there are more promising areas where new roads are badly needed. Even from the defence point of view such a road has little urgency except in terms of the U S strategy in relation to Iran. One would put in the same category the telecommunication network linking Pakistan with CENTO countries with whom we have little trade to justify such expenditure. As against this, road development in East Pakistan, which has notoriously bad communications, has lagged badly despite the sanction on paper of a scheme which has served no better purpose so far than to assuage East Pakistani feelings.

Expenditure on "Transport and Communications" exceeded First Five-Year Plan targets. On the other hand, expenditure on Industrial Development was below Plan targets. Another fruitless drain on resources is the very large amounts which are spent on construction of large-scale food storage facilities. They are needed mainly to accommodate the surplus agricultural commodities received as aid from the U S. We shall consider this further when we discuss commodity aid. A detailed review of the allocation of resources under the Five-Year Plans would lead one to the conclusion that they are not designed primarily to promote accelerated economic development but at every stage, subordinated to the dictates of U S policies and interests.

Interference in Execution

Apart from the influence of American advisers at the highest levels in the Government in the formulation of over-all policies and plans, which arises both from their poliferation throughout the machinery of Government and the inevitable pressures of economic and financial dependence, the aid machinery influences decisions at every stage at the operational level also. Two factors operate to achieve this. First, the U S experts attached to various departments, although in theory having an advisory role only, in practice exercise virtually executive authority. Their word has often the weight of an order because the future career of the officers with whom they work may depend on their report on their competence. The expert is also in a position to offer rewards to cooperating officers by way of recommendation for a variety of special training schemes

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and other opportunities to go abroad under the various aid programmes. Mr Ataur Rahman, when Chief Minister of East Pakistan deplored the interference by American advisers in internal matters. In 1958 even the Central Government had to take notice of this and issued a circular to all concerned stating that the experts had an advisory capacity only and had no executive authority. But a mere circular could hardly change the situation.

The U S expert is nearly always on loan from a business corporation for a short period, generally two years. His loyalties, naturally, remain with the parent concern, and his advice has often a greater bearing on the interests of the parent concern than the country which he has come to advise. For instance, it has often been alleged that the specifications prescribed by the experts are unnecessarily detailed and specific to a degree that only the parent concern is in a position to supply the prescribed equipment. This prevents the Pakistan Government from obtaining competitive quotations for the supply of the equipment which is then bought from the U S supplier often at exorbitant prices.

The same effect is realised through the control over projects exercised by Aid Mission officials through financial and supervisory control under the terms of Project Aid agreements. Instead of the U S project aid being utilised to cover the entire cost of a few selected projects, it is distributed over a large number of projects so that each project has a small "aid component". All such projects come within the operational control of the Aid Mission which thus acquires virtual control over the disbursement not only of the aid funds but in effect also Pakistan Government funds allocated for the project in question.

A great deal of light was shed on these matters during the summer of 1961 when the Ayub regime came into conflict with the Kennedy Administration and much information was supplied to such papers as the Government-controlled *Pakistan Times* which carried revealing reports from "Special Correspondents". According to one such report (which does not appear to have been contradicted by anyone) the U S "takes back 50 per cent to 60 per cent of the total allocation in the name of consultants' and contractors' fees. It is stated that both in the Warsak and Karnaphuli projects the estimate of such charges has been as high as over 50 per cent. The report continues "It has become difficult for a public servant to convince Pakistani engineers and contractors or firms of consultants that they are not being discriminated against and discouraged by such agencies [i e aid agencies] .... agencies like the World Bank are working contrary to this end [of utilising available local talent and experience] . . . The conditions imposed for participation in the bidding [for tenders for construction projects] are such as would automatically eliminate Pakistani firms . . . It is pointed out that the Jinnah Barrage, Ghulam Mohammed Barrage, Taunsa Barrage and the Gudu Barrage have all been designed, planned and executed by Pakistani engineers and contractors . . . However, the World Bank seems to be taking no notice of these facts as, neither is the designing likely to be assigned to any local firm of consultants nor is the execution likely to be entrusted to competent local contractors".

These factors combined with the fact that both Technical Assistance and Project Assistance work to tie the Pakistan Government down to particular suppliers of equipment and limit their ability to obtain really competitive quotations result in the final analysis in an indirect loss to the Pakistan Government which probably exceeds the amount of aid that was received in respect of the project. Aid thus becomes no more than an instrument to ensure a captive market.

Commodity Aid

The bulk of U S aid is received in the form of commodity aid. A payment is made in rupees by the Government of Pakistan against the aid received, into American accounts and controlled by the U S Mission. These Funds are designated as the Counter-part Funds. Thus the first stage of the transaction is essentially a purchase rather than a gift or loan. This purchase in fact is not made at the normal world market prices but at U S support prices which are substantially higher than the ruling world prices (in the case of wheat nearly a third higher at one time). The commodities are brought in American ships as this is a condition of the aid agreement. *The New York Times* reported on June 13, 1953 that shipping of the U S wheat to Pakistan in American ships would cost Pakistan $ 26 per ton as against $ 12 to $ 14 in a foreign ship. Thus the Rupee equivalent of the Commodity Aid is really an inflated value. In September 1958 the-then Finance Minister Amjad Ali rather irresponsibly dismissed the question of paying such inflated prices by the argument that after all it was merely a question of aid accounting and did not represent a real burden for Pakistan. But this is not so. Whether the so-called commodity aid is really aid or trade at inflated prices can be determined only on the basis of the actual disposal of the counterpart funds. This is illustrated in Table 3.

To begin with, it is interesting to note that the amounts shown as "Development Grants" appeared for the first time only in the half-year June-Dec 1958, i e, after the military regime in Pakistan had taken over. To finance an undiminished budgetary deficit Shoaib switched from domestic borrowing to borrowing from U S Counterpart Rupee-Funds and he was assisted in part by this grant. Shoaib's claim that this was less inflationary is debatable. The mechanics of creating and drawing upon these funds is not very different from Government borrowing from the State Bank and the effect of drawing upon these funds is no less inflationary. This view is endorsed in this year's Budget White Paper.

Loss of Foreign Exchange

From the point of view of the evaluation of commodity assistance as "aid" it is the third item in Table 3 which is of special interest. The U S has engaged in the construction of a number of "special facili-

Table 3: Planned Use of Rupee Funds under Title I, PL 480

(Cumulative Total up to the End of 1958)

($ *Million*)

Development grants	12.3
U S loan to Pak Government	89.1
Payment of U S obligations in Pakistan	50.0
Military procurement	79.4
Loans to Business	28.7
Other uses	8.8
Total	268.3

ties" on the soil of Pakistan and has incurred a number of local obligations in a variety of ways. To meet these obligations the U S would ordinarily have had to remit dollars to Pakistan to raise the requisite rupee funds. By its utilisation of the Counter-part Rupee Funds Pakistan is deprived of these badly-needed dollars. Earlier this year it was reported in the Press that a large amount was withdrawn out of the Counterpart Funds by the U S by conversion into dollars. No details of this transaction are available. But this would be another example of the use of Counterpart Funds in a way which causes a direct or an indirect drain on our dollar resources.

Political Use of Aid

Loans to Business, again, further U S interests. Under the relevant U S legislation these loans out of Counter-part Funds may only be granted either to U S business concerns (operating in Pakistan) or to concerns engaged in the marketing of U S goods. The figure of $ 8.8 million shown under "other uses" represents the cost of various "cultural" activities which are so assiduously pursued by the U S Mission in Pakistan. These amounts are spent under the heads of "Information and Education" (by the U S I S), "Translation and Publication", and "International Education Exchange".

It would be difficult to establish a good case for importing the various commodities supplied under the U S aid programmes. The details of the commodities supplied under Title I of P L 480 upto the end of 1958 are shown in Table 4. Surplus wheat, it will be seen, makes up about half of the total value of commodities. It might be recalled that it was with an offer of wheat aid in May 1953 that the U S made a dramatic entry into Pakistan politics. This was against the background of a famine threat which had been built up by vigorous press propaganda for several months and the frantic appeals of the Government of Pakistan for immediate help. The wheat crop for 1951-52 was below average due to drought and that for the winter of 1952-53 had also failed due, amongst other reasons, to low water in Indian controlled canals following drought conditions and diversion. The canal water diversion became the subject of a vigorous press campaign which built up a scare of an impending famine. There was an inevitable scramble by speculators to hoard wheat and prices began to rise, thus confirming the picture of a general shortage. In his budget speech in March 1953, the Finance Minister estimated the shortfall in the crop to be no less than 1 million tons, i e, nearly a quarter of the total average crop. Due to the shortfall in the earlier year and also the low level of stocks, the overall deficit was estimated at nearly 2½ million tons. Desperate appeals were made for immediate help. About 160,000 tons of wheat were received from Canada and Australia. But the U S delayed making any commitments for months until in May 1953 the Nazimuddin Government fell. Mohammed Ali Bogra, who was then the U S protege, was installed in office and almost immediately a U S offer of 700,000 tons of wheat aid, with an additional 300,000 tons if needed, was announced. But it took many more months for this promise to be fulfilled and U S wheat was not shipped until the end of the year, by which time a bumper crop was standing in the fields. As against an estimated shortage of 2½ million tons Pakistan had gone through the crisis with no more than 160,000 tons of Commonwealth wheat. The 600,000 tons of U S wheat arrived too late, after the bumper crop had been reaped.

Large Food Imports Forced on Pakistan

Senator T F Green reporting in January 1956 on the administration of Foreign Aid has recorded the fact that "more than half of the wheat supplied was still in storage in Pakistan by midsummer of 1954 by which time a new and bumper crop was available". This was after one-third of the total quantity had been "disposed of by free distribution to those who could not pay for it", as the Finance Minister announced in his following budget speech. It was even reported that much of this wheat was in fact destroyed as it was unfit for consumption.

Imports of foodgrains in the seven years 1953-60 have averaged about 730,000 tons annually. But before the Partition, Sind alone exported to deficit provinces in India about 150,000 tons of rice annually and Sind and Punjab exported about 500,000 to 700,000 tons of wheat annually to other parts of India. The Pakistan Food and Agriculture Commission has attributed the altered food position of West Pakistan mainly to the fact that the picture of a surplus area before Partition does not take account of the fact that Punjab imported large quantities of coarse grains although it exported wheat. But this explanation as well as the facts of the rise in population and greater urbanisation are not sufficient to explain the extent and the apparent suddenness of the deterioration in the food situation after 1953; for until 1953, despite the total disorganisation of life in West Pakistan following the events of the Partition and the fact that new agricultural development plans and irrigation schemes had not yet got under way, total foodgrain imports averaged no more than 60,000 tons annually, i e, less than one-twelfth of the level of the post-1953 imports. In fact during the decade 1950 to 1960 the production of foodgrains is said to have increased from 15.4 maunds to 16.3 maunds per capita. These figures may be unjustifiably optimistic, but they certainly do not suggest a deterioration in the situation such as might call for the very large increase in imports.

It is believed in some quarters that in fact excessive imports of foodgrains have been forced on Pakistan in order to accommodate U S policies for disposal of surpluses. This has entailed a difficult and expensive storage problem for Pakistan as well as large-scale destruction periodically of foodgrains stocks which have deteriorated through prolonged storage. Thus as against the total storage capacity at the disposal of the Central and Provincial Governments of 300,000 tons at the time of the Partition, which was doubled by 1955, the total capacity in 1960 had been raised to 1 million tons and further storage capacity was under construction scheduled to raise the total capacity to 2 million tons by 1965. Resources expended on this might have been more fruitfully employed elsewhere.

Table 4: Commodity Composition of Aid under PL 480, Title I

(Up to the End of 1958)

Commodity	Quantity	Value ($ *million*)
Wheat	72 mn bushels	123.6
Rice	10.2 mn cwts	65.2
Cotton	174,400 bales	30.7
Dairy products	10.1 mn lbs	4.9
Tobacco	5.8 mn lbs	4.8
Fats	63.1 mn lbs	10.5
Freight	—	28.6
Total	—	268.3

Pakistanis are familiar with periodic reports about stocks of foodgrains destroyed (or made available for animal feed) due to deterioration through prolonged storage. The question was raised in the National Assembly at its Dacca session recently in connection with a report of 5,000 tons of rice damaged and rendered unfit for consumption. The Central Food and Agriculture Minister then promised an enquiry, the results of which are still to be known. There have been several more recent reports of further stocks of grain found damaged through prolonged storage — e g, 1,500 tons of rice reported in May this year to be "completely damaged"; another 3,000 tons reported in June to be damaged at another grain store near Karachi. The last report adds that "similar damage has been caused to rice and other foodgrains lying in godowns at various places in West Pakistan but so far no concrete step has been taken to stop this loss". But the root cause of this loss is clearly the excessive imports under Commodity Aid programmes which prevent available supplies being disposed of.

The case of cotton is another glaring example. Production of cotton in Pakistan has gone up to 2 million bales while consumption has remained static at around 1,300,000 bales in spite of the very large increase in the installed capacity of textile mills. The main reason for this is the dumping of U S cotton received under commodity aid programmes. The result has been to create a surplus of domestically-produced cotton which Pakistan has found difficult to dispose in the world markets partly due, again, to subsidised sales of U S cotton. While the official pegged price for domestic use of cotton in the U S is 32.5 cents per pound, exports made at a subsidy of 8.5 cents and stocks of cotton were sold by the Commodity Credit Corporation in July 1962, for example, for an average price of 24.10 cents per pound for one inch stapling. These subsidised sales abroad as well as the dumping of U S cotton in Pakistan's home market has created a difficult problem for Pakistan with regard to the disposal of our own surplus, and local prices have been forced down artificially.

Military Aid

Finally, a word about military aid. A surprising fact about it is that a good proportion of it is given to Pakistan not in the form of military hardware but rather in the form of surplus commodities! Rupees from the counterpart funds thus created are then placed at the disposal of the Ministry of Defence. Defence purchases thus made are a great drain on Pakistan's scanty foreign exchange resources. A change is probably being made as from this year for, in his reply to the Budget debate, Finance Minister Shoaib declared that "Pakistan could not allow the scrutiny of its defence accounts by any foreign country and for this reason Rs 12.5 crores of allocation from the Counterpart Funds was diverted to the economic side". This is an eloquent comment on the kind of arrangements which the Pakistan Government had acquiesced in so far.

Not only has military aid provided in this form generated additional foreign exchange expenditure without augmenting our foreign exchange resources but also it has not helped Pakistan to reduce expenditure on defence. On the contrary, in the words of Dr David Bell, in his evidence before the Senate Foreign Relations Committee: "The inescapable conclusion would be that Pakistan, which was already spending too much of her resources on military purposes, was encouraged by the U S military aid programmes to spend even more for military purposes — obviously this makes the problem of economic development much harder." Mr Sprague, Assistant Secretary of Defence testified: "The proportionate share spent by our allies has been increasing and, for 1957, countries receiving military assistance spent for defence the equivalent of $ 7 for every dollar of military assistance. This proportionate increase in their own defence efforts is also confirmed in the rising amount of sales of equipment under military assistance programme. For 1956 such sales totalled $79 million. For 1957 such sales increased to $ 312 million. There is reason to hope that an increasing proportion of military assistance can be shifted to military equipment sales". He continued : "It is significant to note that again this year 85 per cent of the amounts spent on the programme will be spent in the U S. In fact we estimate that 92 per cent of the amounts spent on the material purchases will be expended on orders from the domestic U S industry. Thus a very substantial part of the cost is ploughed back into the U S economy."

Mortgaging the Future

This is not the place to discuss the political and military implications of the alliance into which Pakistan has been drawn. An important consideration before the U S, however, has been the economic as well as the military and political advantages of using Pakistan as an instrument of its strategy in this area — an arrangement which has little to offer Pakistan in return. Secretary of Treasury Humphrey summed U S calculations in 1954 when he said: "The military aid, and to what extent it may be continued, as I see it, is just a matter of how much cheaper can we do it that way than we can do it another way. This is just a matter of figuring it out every time. As long

Table 5: External Debt Liability and Pakistan's Foreign Exchange Earnings

	Foreign Exchange Payments				Foreign Loan Repayable in Rupees		
	Principal	Interest	Total	Per cent of Foreign Exchange Earnings	Principal	Interest	Total
1960-61	58.1	28.6	86.7	3.82	14.0	20.9	34.9
1961-62	97.1	48.7	145.8	6.07	24.2	44.8	69.0
1962-63	160.9	55.8	216.7	9.03	39.3	71.6	110.9

as we can save some money by doing it, I am for it. As long as long as we can save some boys I am for it." Congressman Vorys figured this out: "Last year it cost $ 5,900 to have an American soldier overseas, without a gun in his hand. This programme costs the U S $ 744 per each man in service with weapons in his hands, *placed where our Joint Chiefs think* he ought to be for our mutual security".

It is questionable whether the military alliance with the U S has at all contributed to Pakistan's security or whether U S economic aid has contributed much to Pakistan's rate of economic growth. After ten years of involvement with the U S, Pakistan finds herself left far behind by other countries which have carried through fundamental social changes and have kept themselves relatively free from outside dictation.

But our account is not complete merely with the description of the stagnation or even substantial losses resulting from U S aid policies. A cause for considerable anxiety for the future is the heavy burden of foreign debts which have accumulated in the process. The total external debt stood at Rs 6,900 million as on March 31, 1963. Of this foreign currency loans amounted to Rs 6,070 million (i e, 1,274 mn) and "Rupee loans" amounted to Rs 830 mn. Table 5 gives the ratio of annual payments on account of foreign loans to foreign exchange earnings which have been rising at an alarming rate. In the absence of an adequately rapid economic development and expansion of our foreign exchange earnings one wonders how Pakistan will meet this increasing burden. Finally, it is difficult to see how the Government of Pakistan will resolve the dilemma presented by its heavy dependence on U S aid and its new desire apparently to pursue an independent foreign policy. So far there is no evidence of policies to reduce the dependence on U S aid.

Flood Control in East Pakistan

THE International Development Association has extended a credit equivalent to $ 5 million to Pakistan for a project to protect about 400,000 acres of cultivated land in East Pakistan from flooding of the Teesta and Brahmaputra rivers. This area is now subject to persistent and heavy floods every summer because of the combination of melting snows from the Himalayas and the monsoon rainfall in the Brahmaputra and Teesta river-basins. During the years 1958 to 1960, up to 80 per cent of the main crops, rice, jute and pulses, were damaged by floods. In 1962 also floods caused extensive damage. When completed, this project will enable farmers in the area to increase the net value of crop production by about Rs 3 crores annually. The greatest increase will be in rice production, most of which is consumed by the local population which averages over 1,000 per square mile.

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US-Latin American Economic Relations

The Case of Brazil

Andrew Gunder Frank

What is the contribution of American aid and investment to Latin American economic development?

The argument between Brazil and the United States some time back on the question of U S aid to Brazil threw some light on the question.

The Brazilian viewpoint, expressed by its Embassy in Washington in a statement to the press, is that American aid is small and far from altruistic.

The American answer, delivered by Ambassador Lincoln Gordon in a lecture to the National Economic Council of Brazil is that in exporting capital the U S incurs a great sacrifice and contributes significantly to the economic development of Brazil.

Unfortunately, if subjected to non-diplomatic analysis, the reality of the economic relations of the U S with Brazil, or any other Latin American country whose name could be easily substituted, is very different from what is suggested by either viewpoint.

LET us examine the various points raised by the two Ambassadors.

Amount of Capital Transferred

Brazil: The real amount of resources the US offers Brazil is smaller than is generally imagined because it should be measured in terms of funds transferred rather than of funds committed and because from the gross amount the return flow of amortisation and interest payments must be deducted.

United States: The American Ambassador does not understand why the Brazilian Embassy attaches any importance to the distinction between authorisations and disbursements since the US keeps its promises, thus making the gap between the two only a matter of time. It is confusing and bad economics to deduct the amortisation and interest payments from gross transfers because it deprecates American capital's contribution to the construction of steel mills, hydro-electric plants, etc, while it is in Brazil. Moreover, American capital improves the Brazilian balance of payments. If amortisation and interest payments were to be deducted, then it would appear that the flow of capital is not from the US to Brazil but instead from Brazil to the US!

Comment: In reality, the net contribution of US capital to Brazil is neither large nor small, but negative. The Brazilian Embassy's distinction between commitment and disbursement is easy to understand if one considers that of the promises made at Punta del Este, some funds were cancelled by the US Congress and Executive, others are not disbursed by private firms who are not bound by government agreement, and all the funds are contingent on Brazilian compliance with US demands about expropriation, IMF financial policy, etc. Moreover, for the balance of payments and the exchange rate, not promises, but transfers are significant.

The "appearance" that, if amortisation and interest are counted, the outflow of capital is really from Brazil to the US instead of vice versa, unfortunately reflects reality quite accurately. Official Brazilian figures for the years 1947-1960 indicate an inflow of US $1,814 million in new investment and loans and an outflow of US $2,459 million in remittance of profits and interest. Adding an estimated outflow of US $1,022 million for "services", representing largely clandestine remittances, the total outflow becomes US $3,481 million, or nearly twice the inflow, and the net outflow US $1,667 million. This outflow from Brazil is by no means a historical accident or a result only of Brazilian calculations. A study by the UN Economic Commission for Latin America shows that in no decade of the past century has the total flow of goods and services out of Brazil been smaller than the flow into Brazil.

Turning to Latin America generally (Argentina, Brazil, Chile, Peru, Venezuela, Colombia, Mexico), US Department of Commerce figures for the period 1950-61 show net new private US investment at US $2,962 million and remittances of profit and interest at US $6,875 million, or well more than double the amount. The net withdrawal of funds to the US was US $3,910 million. US aid and loans of US $3,384 million and repayments and interest of US $1,554 million (to date, with more of course to come in the future), still leave a net capital movement to the US of US $2,081 million. But in these calculations the flow to Brazil, such as of surplus food, is measured often in inflated so-called market prices that the US seller sets himself, while the flow from Brazil is measured in dollars actually bought by Brazil. Additionally, these data do not include most of the Brazilian and other national private capital, currently often estimated at US $10,000 million for Latin America, which is transferred abroad (such as to the famous Swiss and New York banks).

The real effective drain of capital from Brazil and the other capital poor countries is thus much larger than appears from the above official figures. It is difficult to see how this constant drain of funds from Brazil to America can be helping Brazil's balance of payments. It is instead a principal source of the balance of payments deficits.

To speak of American capital, public or private, going into the development of basic heavy industry in Brazil is more than misleading. Under the Alliance for Progress, especially, the emphasis of American public capital investment in Latin America is in education and health —"latrine-building" as it has been

aptly dubbed. And US private capital, as the daily experience of anyone can attest, prefers the export, processing, and service industries—"coca-colonisation", in a word. Far from contributing to Brazil's industrialisation, this investment, no less than more traditional investment in raw materials extraction, serves to keep the economy underdeveloped. Indeed, it deforms the economy into one ever less able to develop by increasingly absorbing Brazilian capital and misdirecting it. Often, an initial sum of capital brought from the US or some other underdeveloped country by an American firm is supplemented or even multiplied by borrowing Brazilian capital from local US banks with Brazilian deposits, or from Brazilian banks, or even from the Brazilian Government. The combined capital is then invested, not where it will best serve the interest of Brazil's development but of the American firm's development. The earnings that are not shipped home are then reinvested in Brazil, often not by building new productive facilities, but by buying up or buying into existing Brazilian installations and thus transferring their direction into American hands. Now, the Brazilian "expropriation" proposal offers American investors Government aid in withdrawing their capital from less profitable public utilities and transferring "a minimum of 80 per cent" into much more profitable industries. Thus, American capital, with financial and technical advantages due to its international connections and with additional special privileges granted by the Brazilian Government "to attract foreign capital", progressively denationalises Brazilian industry, misdirects Brazilian investment, integrates the weaker Brazilian economy increasingly with the stronger American one on which it thus becomes dependent, and thereby adds still more to Brazil's balance of payments difficulties.

Degree of Sacrifice to the US

Brazil: American aid to Brazil between 1940 and 1962 has meant little or no sacrifice to the US. Of the total, 50 per cent comes from the Export-Import Bank which consistently makes profits. Another 35 per cent represents the supply of agricultural surpluses under PL 480. American aid is tied to the purchase of American goods. American aid was part of a programme to develop foreign markets for goods that were in surplus at home and thus contributed to the utilisation of excess capacity in the export industry.

United States: The manner of financing is unimportant. Had American funds not been used in this way, they could have been put to some other use. Tying American aid to the purchase of American goods is natural and does not reduce the value of the aid, since useful aid must reflect itself ultimately in the transfer of real goods. In general, since the marginal capital output ratio in the U S is higher than in Brazil, the investment of American capital in Brazil instead of at home really represents a considerable loss to the American economy. The excess capacity argument could carry some weight only if the American economy had been chronically depressed since the War, which has not been the case.

Comment: The capital-output ratio is quite irrelevant to the issue. American firms do not invest in Brazil in a sector with the average of the latter's marginal capital-output ratio, and they do not draw their investment funds from such a sector of the American economy. Much more relevant to these firms is their profits in Brazil and their excess capacity at home. An American business commission in Brazil observed that "profits in Brazil are normally much higher than in the U S. It is not uncommon that a factory pays for itself in one or two years", that is, makes a profit of 100 per cent or 50 per cent per year. These rates, however, refer only to profit on total capital invested. Since part of that total represents capital borrowed from Brazilian sources at low cost and another part reinvestment of such earnings in the years following the original introduction of capital, the real ratio of earnings on American capital in Brazil is often very much higher.

Turning to the U S economy, unemployment has not fallen below 5 per cent in several years and the minimum rate keeps rising. The excess installed capital capacity of these same large export firms is several times that percentage, whatever the average marginal capital output ratio may be for the economy as a whole. For them, export and foreign earnings are a necessity, not a sacrifice. And as the Alliance for Progress makes eminently clear — consider, for instance, the recent public statement by three of its official spokesmen, including Mr David Rockefeller, that the Alliance should improve conditions for American investment in Latin-America — the purpose of US Government aid is also to pave the way for the economic activity of US private capital. Just as US Government purchase of surplus agricultural products and their subsequent shipment abroad as "food for peace" supports excess capacity in U S agriculture, government "aid" money provides the credits for foreign purchases from U S industry. At the same time the strings attached to the money are designed to maintain or improve the political and economic climate abroad for U S private economic activity. That also explains the tying of loans to purchases of U S goods. For real goods could be transferred through multilateral trade if the U S Government did not wish to avoid helping Brazil to trade more with Western Europe let alone with the socialist countries. The recent U S balance of payments difficulties only increase these American needs.

Gains and Losses from Trade

Brazil: The terms of trade have been turning to the disadvantage of Brazil. Between 1955 and 1961 the prices paid for Brazilian products have fallen considerably, and the prices of American exports have risen. The result has been a loss to Brazil greater than the total of all aid since the War.

United States: The argument of the Brazilian Embassy about the terms of trade is mistaken. In less professional circles these price changes are described as a "process of exploitation" by the industrialised countries, especially the U S. Had the Brazilian Embassy chosen 1947-1949 instead of the high price 1950-53 base it would have come to the opposite conclusion. In every decade since 1920 the terms of trade were worse, and only in the 1950's were they better, for Brazil than at present. One might

equally well talk of "presents" made to Brazil in the 12 years since 1950. The majority of serious students are highly sceptical of long term generalisations about tendencies inherent in the terms of trade. Regarding the question, "are coffee prices today too low?", simply as economists, we would have to answer, "no". The idea that the industrialised nations in a certain sense "owe" the nations who export primary commodities a certain level of terms of trade seems neither reasonable nor desirable. There is no conspiracy to lower the terms of trade. On the contrary, competition to sell is greater than ever.

Comment: Brazil and other poorer countries are falling increasingly behind the already industrialised ones. The economic relations between the two taken as a whole are quite evidently a contributing, if not the crucial, factor in this loss by the underdeveloped raw materials exporters. The countries which were able to avoid or break this relation, have also been able to avoid this loss. If in the 1930's and 1940's the terms of trade were less favourable to Brazil, this was in good part due to the Depression and the War and because Latin America generally acceded to American pleas to keep raw materials prices lower than they might have been as their contribution to the war effort. The higher prices in the years 1950-1953 were of course due to the Korean War, during which this same American ideological argument carried less weight abroad; and since that time these prices have indeed fallen again. It seems difficult, thus, to accept the argument that the prices of the decade 1950's constitute a gift to Brazil.

Instead, serious economists can demonstrate that the terms of trade, as part of the economic relationship taken as a whole, are too low, even at their highest, to prevent the exploitation and permit the development of Brazil and other poorer countries. Thus, the idea that the developed countries owe something to the underdeveloped ones seems quite reasonable and desirable unless one still wishes to advance the argument that "the hidden hand" regulates economic relationships, an argument long used to hide the fact that the general standard of living in Brazil and almost all other poor countries was higher than it is today before they became entangled in the relationship of "trade", "aid" and especially of "foreign investment".

Effects of U S Capital in Brazil

Brazil: The U S aid money has been well used by Brazil. The rate of the growth of income per capita has been one of the highest in Latin America for the decade 1950-1961. There is no better index of adequate use of foreign aid than the achievement of a high growth rate. More than 90 per cent of imports have been accounted for by essential raw materials, basic foodstuffs, and equipment and parts.

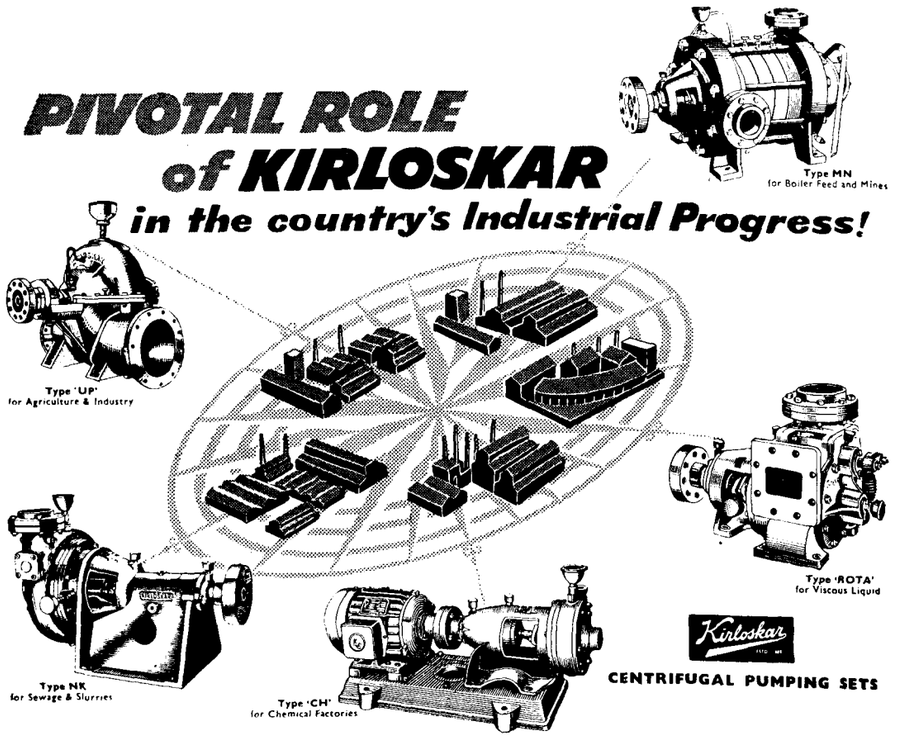
United States: The substantial contribution of U S public and private capital to Brazilian economic growth in general and especially to desirable structural change toward manufacturing, import substitution, and increased export capacity refutes the cliches about the "process of exploitation".

Comment: Both arguments misdirect the analysis and exaggerate the effects of U S aid which, in reality, retarded Brazilian economic growth. Evaluating the use of American aid, as does the Brazilian Embassy, by reference to the Brazilian growth rate, is unacceptable. As the Brazilian Note points out, recent per capita growth in most Latin American countries has been largely zero or negative, while in Brazil it has been 3 per cent for the period since the War and 3.9 per cent since 1957. However, as the Minister for Planning, Celso Furtado, points out, the most important economic development in Brazil occurred during the 1930's when, due to the Depression, American export of capital and goods reached its lowest point and Brazil changed over from importing all of its capital equipment to producing it at home. And during this crucial take off into economic development the per capita rate of growth registered was 0.3 per cent. Thus, the significant index of good use of foreign and domestic resources for Brazil is not, as the Brazilian Ambassador suggests, the growth rate as much as it is the creation of a national productive capacity, especially in heavy industry, and initially for the domestic market. To this process American aid and investment decidedly does not contribute.

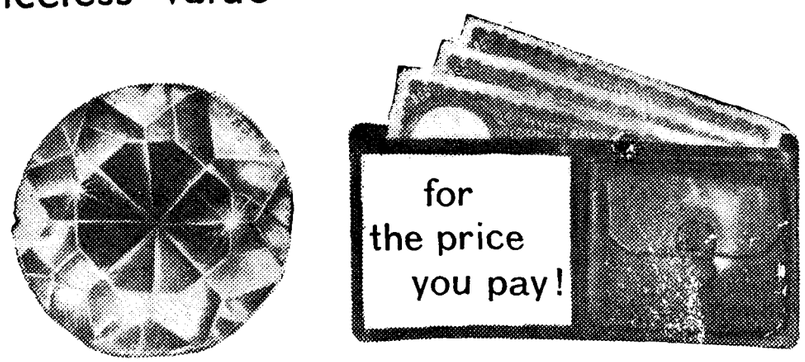
It is perhaps his use of a mistaken criterion which permits the Brazilian Ambassador to go on to make his strange claim that the "aid" resulted in the import of goods important for Brazil's economic development. For a country of continental proportions with every conceivable raw material and maybe the greatest agricultural potential on this globe, it seems indeed a strange argument to claim that it is putting its resources to good use when it imports "essential" raw materials and "basic" foodstuffs instead of importing equipment and technology which would permit it to develop that potential. Much of the "equipment and parts", to say nothing of the remaining 10 per cent of imports, should undoubtedly have also been produced nationally.

Even disregarding the negative consequences of foreign aid and investment, their contribution to total investment in Brazil is, contrary to the American Ambassador's claim, miniscule and easily foregone. According to a Brazilian estimate for the years 1950-1954, all foreign (including American) investment amounted to 1.32 per cent of Brazilian Gross National Product or 8.2 per cent of total investment in Brazil. For the period 1955-1959, a Brazilian estimate of the share of foreign investment is 2.0 per cent of gross and 2.8 per cent of net investment. But as we saw earlier large parts of even this small "contribution" of foreign capital is no contribution at all since much of this capital was Brazilian to begin with and is foreign only in ownership, control, and earnings. It is evident, therefore, that Brazil could easily find national capital that would more than substitute for so small a foreign addition to her total investment, and dispense at the same time with the damages of foreign investment to her economic development.

The American Ambassador's claim that American capital has contributed to a desirable structural change of the Brazilian economy is even more unfounded in reality. American capital has instead contributed to the already much too great concentration of capital in Sao Paulo to



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the relative, and very possibly — even today as in the past — absolute, prejudice of the other regions, especially of the Northeast. Similarly capital has flown into the export, processing, and service industries to the disadvantage of basic industries and Brazil. Tariff exclusion of relatively inessential products has drawn national, but proportionally especially foreign, capital into the production of these same relatively inessential but protected products. The American Ambassador's "import substitution" is, therefore, at best a two edged sword. But even this substitution of specific imports does not necessarily contribute to the reduction of imports as a whole. On the contrary, if this investment goes into certain kinds of processing, it makes "essential", as the Brazilian Ambassador observes in another context, the import of more raw materials. If it helps to shift the distribution of income to groups with higher propensities to import, it increases imports as a whole. As for increasing export capacity, to which the American Ambassador also refers, Brazilian capacity to export non-raw materials remains notoriously low. And using scarce resources to increase Brazil's capacity to export **raw materials** is certainly a most questionable policy.

Economic Policy for Brazil

United States: The serious problem for Brazil is the expansion of export earnings. Since Brazil cannot hope to regain the predominant position in the coffee, cocoa, and sugar markets already lost to new producers, Brazil should follow the example of Japan which, when faced with declining earnings from textile export, expanded into shipbuilding and electronics instead. Following a similar policy, Brazil could expand its export of iron ore, meat, and manufactured products. And in order not to cut herself off from technological progress and thereby from economic progress, Brazil should continue to invite foreign investment.

Comment: Brazil's urgent need at this time is not still more outward-directed development but instead inward-directed economic development. Far from emphasis on exports, as the American Ambassador suggests, this requires regional and sectoral economic integration and more and more basic industry for national needs. Least of all does it imply or permit using the resources that are urgently needed for that national task to expand still two more lines of raw material exports, iron ore and meat, to serve the needs of the already industrialised countries.

It is difficult to see how the American Ambassador draws the lesson he does for Brazil from the example of Japan, Japan expanded into shipbuilding and electronics, but Brazil is to expand into iron ore and meat. Moreover, Japan is at a quite different stage of economic development from Brazil. The export market she was losing was in textiles, not in coffee. How did Japan achieve this degree of industrialisation and development ? Not by pursuing the policy the American Ambassador prescribes for Brazil, but by doing precisely the opposite. In fact, Japan is the crucial example among the capitalist economies, as the Soviet Union is among the socialist economies, of the country which, in order to manage the push and achieve the take-off into economic development in a world of already industrialised and imperialist countries, began by isolating itself substantially from foreign trade and totally from foreign investment and control. Neither country found it necessary, let it be noted, to permit such foreign investment in order to take advantage of the technology of the industrially more advanced countries. Only after they had forged an economic structure and their own control thereof which permitted them to take advantage of more intimate economic ties with already advanced countries did Japan and the Soviet Union enter into such relations. Japan, thus, indeed does provide the example most relevant to Brazil's present economic organization; but the national stance it points to is one of independence, not one of dependence.

Conclusion

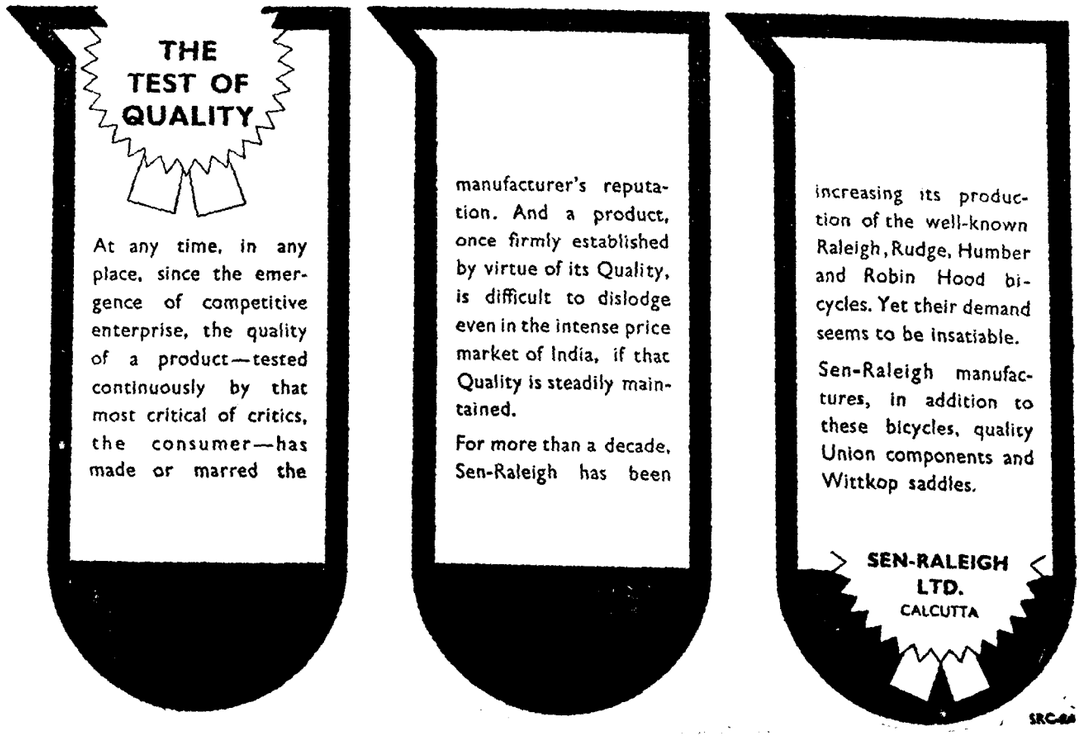
The two Ambassadors, although both highly reputable economists of similar training, evidently have quite different official views of Brazilian-American economic relations. As they themselves imply in their reference to the diplomatic schizophrenia of defending abroad what one denounces at home and **vice versa,** their difference may probably be traced to the circumstances and interests of the two countries, of the two worlds, of the rich and of the poor, whose diplomatic representatives they are. The American describes a relationship in which the rich country selflessly provides much of the capital, technology, and good advice which Brazil needs to grow up into an independent industrialised adult. Though Americans do not really owe Brazilians anything, they incur considerable sacrifices on Brazil's behalf; and any gains they may derive are quite accidental and extraneous to the relation. Finding it difficult to accept this picture, the Brazilian suggests instead that the real importance of U S aid is to the U S economy itself, that the hand giving aid gives only little and that even this and more is taken away by the other hand in trade.

Dispensing with diplomatic politeness, but still confining the discussion largely to the topics selected by the Ambassadors, the comments of the present author suggest that in its present form this relation is neither very nor little beneficial, but instead definitely prejudicial to Brazil. Far from contributing capital to and improving the structure of the Brazilian economy, the U S draws capital out of Brazil and with what remains gains control of Brazilian capital and channels it into directions that increase Brazil's dependence on the US still more and hinders Brazil's economic growth. The terms of trade form neither an accidental nor an extraneous, but an integral part of this process. Far from pointing the way to Brazil's industrialisation and development, the American Ambassador's recommended policies — emphasis on private enterprise, foreign investment, more raw materials exports, etc — would maintain Brazil's position as an underdeveloped dependent economy. It appears, thus that the U S takes away with both hands, that the picture is neither rosy nor neutral but quite dark.

The picture would emerge still darker or pitch black if the analysis were extended beyond the selected topics to include the entire economic relationship between Brazil and the U S. Consider, for instance, the im-

position, on threat of withholding short term credits, of the policy of the International Monetary Fund. Supposedly to reduce balance of payments deficits, this policy calls for reducing exchange restrictions and thus permitting more transfer of capital out of Brazil, Brazilian devaluation to make the cruzeiro cheaper and the dollar dearer, supposedly anti-inflationary measures which shift income from the poor to the rich, thereby weakening domestic production and increasing the demand for imports — all of which results in new balance of payments deficits, new loans, and new dosages of the same IMF medicine.

One might ask, if all this "aid" is really so damaging to Brazil, why then does Brazil permit and even seek it. Again, the answer is to be sought in Brazil-U S relationship itself. Firstly, of course, the relationship does benefit some Brazilians with gains and power. These groups then apply this power in efforts to maintain the relationship. Secondly, with time Brazil becomes so dependent that breaking away involves such high costs in the short run — whatever the long run gains — that many other groups and especially any Government are loath to accept them. Thus in the short run, failure to receive credits to refinance the already existing debt would force a cut of imports that is necessary in the short run because in the meantime the economic relationship with the U S has destroyed or prevented the creation of productive capacity that would obviate these imports. If, going a step further out of the relationship, American investments are threatened, the short term cost, as the case of Cuba demonstrates, is the stoppage of all trade. In a word, Brazil and other countries find themselves in a kind of relationship not unlike that of the peasant with his money lender-landlord the world over, a relationship which by its very operation appears to make its own continuance necessary. Finally, the U S also supplies the economic science, and the ideology, which tries to make it appear that this relationship is really necessary and desirable.



Impact of Agricultural Failures on Chinese Economy

M J K Thavaraj

The serious agricultural failures during the years 1959-61 had a profound impact on the Chinese economy and necessitated far-reaching changes in agricultural organisation and industrial policy.

In agriculture the changes have been in the direction of decentralisation, with a limitation of the powers and responsibilities of the communes and greater freedom of action for the production teams.

In industry, the shift in emphasis is in favour of light industry, particularly industries which are necessary to lift agriculture out of the rut.

As a consequence, even though the overall national income and investment targets of China's Second Plan may be achieved, the realised pattern of investment and output is likely to be significantly different from that envisaged in the Plan.

VIOLENT fluctuations in agricultural output and far-reaching changes in its organisation characterised the Chinese economy during the Second Plan period. The economy has, consequently, suffered from serious inter-sectoral imbalances with their repercussions on the balance of payments.

Officially it was claimed that the national income targets for the Second Plan period were realised three years ahead of schedule. The Second Plan aimed at a 50 per cent increase in national income over the level of 1957. The official figure of national income in 1957 was 93.5 billion yuan. No official national income figures have been announced since 1959; nor do we have any firm unofficial estimates. The years 1959-61 were bad for the Chinese economy. In particular 1960 is said to have seen "the most severe natural calamities in the century". Fortunately for China, the "leap forward" of 1953 enabled her to register a significant increase in national income in 1959 from 125.3 billion yuan to 152.4 billion yuan according to official statistics and from 108 billion yuan to 125 billion yuan according to a conjectural estimate.[1]

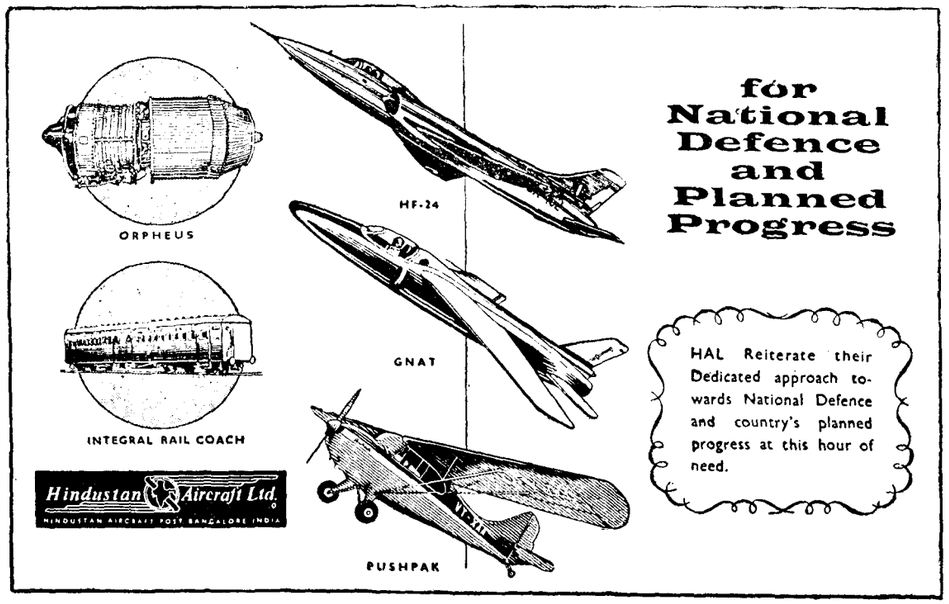
Premier Chou En-lai had claimed that the output of foodgrains was 250 and 270 million tons, respectively, in 1958 and 1959. These figures probably contain some element of exaggeration. According to Edgar Snow, the figure for 1958 may be around 200 million tons.[2] The corresponding figure for 1959 may be placed at about 220 million tons. Marshal Montgomery has opined that the output of foodgrains was only about 150 million tons in 1960, when more than half of China's cultivated area was affected by natural calamities. The performance in 1961 appears to have been no better. Despite desperate attempts to step up the production of agricultural machinery, fertilisers, etc, it is doubtful whether the 200 million tons mark was crossed even in 1962. As such, it appears that there will be a substantial shortfall in the target of 35 per cent increase in agricultural output set for the Second Plan period over the level of 185 million tons achieved in 1957. It is difficult to apportion the blame for this between the unquestionably widespread natural calamities and organisational failures within the communes.

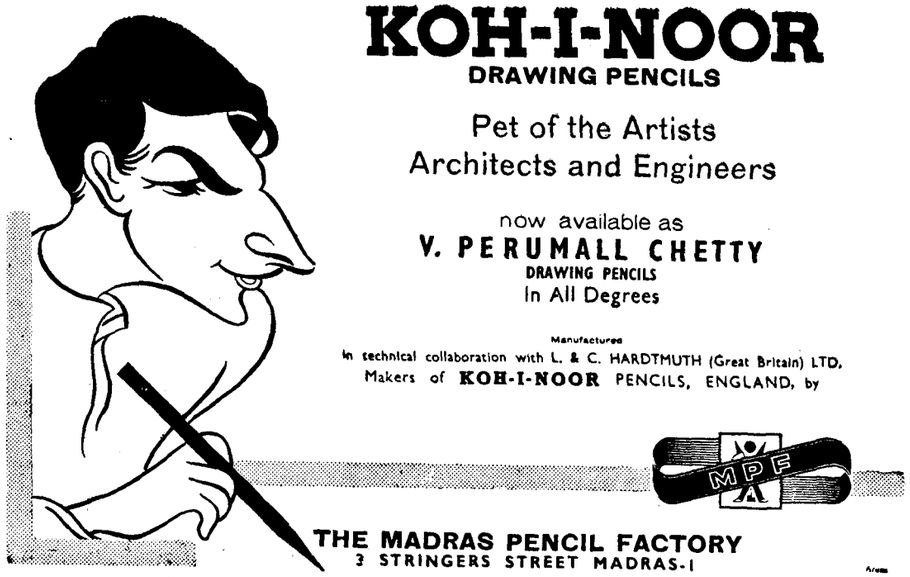
Development Tempo Slowed Down

The drop in the output of foodgrains and agricultural raw materials appears to have resulted in a fall of 25 billion yuan in farm income between 1959 and 1960. And insofar as half of the industrial raw materials or about 80 per cent of the light industrial raw materials come from the agricultural sector, the failures in agriculture could not but have been a drag on industrial production. The impact appears to have been particularly significant on light industries. Industry as a whole, and especially heavy industries, however, seem to have registered considerable growth. The output of certain crucial industrial products, such as steel, coal, electricity, metal-cutting machine tools, cement, sulphuric acid, etc, are reported to have far exceeded the Second Plan targets in 1960.

The Chinese planners hoped to produce about 10.5 to 12.0 million tons of steel by 1962. But in 1960 itself their blast furnaces, big and small, seem to have poured out more than 18 million tons of steel, though nearly one-third of this steel, particularly the low grade steel produced in the backyard blast furnaces, was later admitted to be unsuitable for industrial uses. The subsequent reorganisation of the steel industry weeded out most of these unsound units. Hence, it may be reasonable to assume that about 12 to 15 million tons of good steel was produced in 1960. Similarly, the production of coal in 1960 is claimed to have touched 450 million tons, fulfilling the Second Plan target twice over. The 96,500 units of metal-cutting machine tools produced in 1960 also exceeded the Second Plan target by more than half. Power generation in the same year exceeded the 50 billion kWh mark which is over 25 per cent more than the Second Plan target. There appears to have been, however, no similar breakthrough in the output of light industries such as textiles, edible oils, sugar, etc, in which production lagged behind the Plan targets. The gross value of industrial production as a whole is reported to have risen from about 163 billion yuan in 1959 to about 195 billion yuan in 1960, an increase of about 32 billion yuan. It would, therefore, appear that though the decline in agricultural output was more than offset by the striking increase in the industrial production, the net increase in the national income was very small. In other words, the tempo of Chinese economic development was considerably slowed down by the agricultural failures.

The extreme lopsidedness which characterised the Chinese economy of 1960, with heavy industry rushing headlong ahead, light industry trailing behind and agriculture re-





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tracing its steps, put a great strain on the organisation of agriculture and on the balance of payments.

The communes, as they were organised, were admitted to have been suffering from "commandism" of the inexperienced and "blindly optimistic" cadres, maladministration of the wage-point system, lack of incentives for the peasant, excessive centralisation, etc. The stresses and strains caused by such organisational problems seem to have been greatly accentuated by the severe shortages resulting from natural calamities. This necessitated a drastic reorganisation of the communes. Under the new arrangements, the village 'production team' (consisting of about 20 to 30 households) has been made the accounting unit. Originally, the important economic decisions, especially those relating to the disposal of the output, were centralised in the communes. In 1960 the "production brigades" (the old co-operatives) took over these functions. By the end of 1961 there was further "atomisation" of the commune as a result of which the production team was freed from the control of the production brigade and was made responsible for not merely the production but also the distribution of its output. Neither the commune nor the production brigade could now use the means of production of the team without payment. This was a negation of one of the basic objectives of the communes — to achieve central allocation of resources. Communes now confine themselves to the administration of a few local industries, livestock breeding stations, etc. They are financed by contributions from below and grants and loans from the state. Production brigades are left with fewer functions, such as running the tool assembly and repair workshops, and the fowl breeding units. They can no longer interfere with the work of the production teams. Nor can they use the resources of the production team without compensation. Their ability to organise cooperative labour in busy seasons or to undertake joint irrigation, soil conservation, afforestation and other works is as a result considerably limited. They have become "propagandists and collectors". They are expected to influence the teams through persuasion and example. They have been asked to exercise patience till the "masses wake up".

Peasant farming is not, of course, reintroduced. Nor have the communal mess halls, creches and boarding schools become unpopular. But private possession of the "means of subsistence" such as houses, furniture, clothing, bedding and small plots of land is now recognised as an "inviolable right of the peasant which will not be encroached upon at any time, whether in a socialist or a communist society. The farmer could now sell his sideline production of fruits, vegetables, pigs, chicken, etc, raised in his own garden, in the rural fairs which were introduced in the autumn of 1960 as a "part of the unified socialist market". "Free supply" is no longer the dominant mode of payment to the farmers. The "wage-point" system is drastically modified in favour of a piece-rates system. Thus it appears that the excesses of the commune administrators coupled with the desperate need to stimulate subsidiary farm production, were largely responsible for the Chinese Government taking several steps backward in its attempt to communise the communes. Indeed, these reversals appear to have put the clock back to 1952 or 1953 when the bulk of the rural population was organised in "mutual aid teams', roughly the equivalent of today's production teams.

Fall in Trade

Upto 1960, subsidiary farm products were earning a considerable part of the foreign exchange required for the import of essential raw materials and capital goods for rapid industrialisation. Though the export of foodgrains never exceeded two per cent of the aggregate output, together with certain non-food items, raw and processed, agriculture provided nearly three-fourths of the total value of exports. But this could not be sustained. Apart from the ever-increasing draft on agricultural supplies made by the rapid growth of population and domestic industries, the calamitous failure of Chinese agriculture made it impossible to maintain this pattern of exports. To illustrate, the quota of foodgrains export fixed for 1960 was about four million tons. But most of the contracts had to be cancelled in view of the shortfalls in agricultural output in that year. Instead China was anxious to import rice from Burma and wheat from Canada and Australia. The continued hostility of nature compelled China to import about 5.5 million and 3.1 million tons of foodgrains in 1961 and 1962 respectively from various countries. In 1962 she entered into contracts with France also for the delivery of about one million tons of wheat, barley, etc, over the next three years. Presumably, part of these imports was to rebuild buffer stocks which seem to have been exhausted by 1960. These transactions involved a serious drain on her slender foreign exchange resources which compelled her to cut down her other imports. At the same time her trade with Russia declined by 20 per cent in 1960. The decline was even more pronounced in the following year (about 45 per cent). The import of factory equipment from Russia declined from about £180 million in 1960 to about £40 million in 1961. It is difficult to assess to what extent this decline was due to the Sino-Soviet ideological conflict that has grown sharply since 1959. Insofar as this tendency was operating with regard to her trade with most other countries, it would appear that the vulnerability of Chinese exports to the vagaries of nature was also responsible for the decline in her trade with the Soviet Union.

There is no unanimity of opinion as to the extent of food scarcity in China in recent years. Some are prone to exaggerate the difficulties encountered by China on the food front. But sober analysis such as that of Edgar Snow indicates that while there was malnutrition, there was no starvation even in the most difficult years. And by 1962 food supply had begun to recover.

The total consumption of foodgrains in 1957 was about 160 million tons on the basis of the normal caloric intake. Of this, urban consumption accounted for about 25 million tons, the balance of 135 million tons being attributable to rural consumption. Over the Second Plan period, urban demand for foodgrains was expected to grow by about 55 per cent, i e, at the cumulative rate of about 7.6 per cent

49 years ... not even a scratch

The rate of industrial accidents in India has increased from about 24 per thousand workers in 1938 to about 44 in 1959. Every year, over 93,000 workers are involved in accidents and 250 lives are lost. Also wasted annually are a million man-hours—enough to produce 170 broad gauge locomotives or 700 coaches for the Indian Railways.

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The importance of safety was one of the first things that Jamshedpur taught Dube when he arrived in the Steel City half-a-century ago ... a city where industry is not merely a source of livelihood but a way of life.

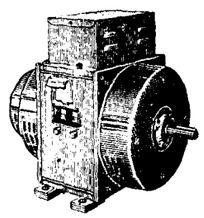


JAMSHEDPUR THE STEEL CITY

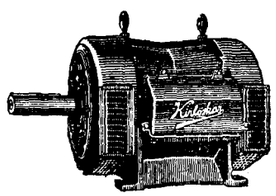
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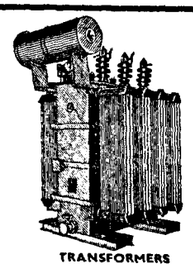
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per annum. The corresponding increase for the rural sector was expected to be about 20 per cent i e, about 3.5 per cent per annum. At these rates, the rural and urban demand for foodgrains for 1960 would have been around 150 and 30 million tons respectively.

It is evident that foodgrains output during 1957-59 exceeded this figure by a substantial margin. After allowing for export which was but a small part of the aggregate output, we could safely assume that the Chinese Government had built up a buffer of about 20-40 million tons out of the bumper crops in the previous years. It may be that the annual grain output in 1960 and 1961 was in the neighbourhood of about 150 million metric tons. It, therefore, appears that when the reserves are taken into account, the deficit in food supply in these years may not have exceeded 10 per cent of the normal requirements. It is true that some areas were subjected to total failure of crops and owing to the enormous strain on the limited means of transportation, scarcity affected some localities more acutely than others. But the widespread network of rationing and the rigorous check on unplanned migration of population saved China from starvation.

The impact of the agricultural crisis was also felt on the finances of the Government. Agricultural taxes constituted about 22 per cent of the tax revenue or about 11 per cent of the overall budgetary resources during the First Plan period. Already, the autarchic tendencies growing in the communes had somewhat reduced the revenues of the state. Tax remissions necessitated by the widespread natural calamities meant further decline in the tax proceeds from agriculture. This in turn must have had a restraining influence on investment activities.

Shift in Industrial Policy

The cumulative effect of the repercussions of the agricultural failures caused a noticeable change in industrial policy. Such a change was indicated in the new slogan of "walking on two legs", namely, industry and agriculture. During the First Plan period, hardly more than 8 per cent of the total capital investment had gone into agriculture. Of course, this excludes investment by the communes amounting to about 10 billion yuan which was outside the Plan. Agriculture received better attention in the Second Plan, claiming about 10 per cent of the total capital investment — the volume of investment being about 2½ times that in the First Plan. In addition, about 15 billion yuan worth of investment is said to have been undertaken during 1958-59.

The increased investment was not, however, sufficient to insulate Chinese agriculture from the natural disasters. Consequently, additional diversion of resources from heavy industries was necessitated. However, as a consequence, the development of light industry and handicrafts and of industries that assist agricultural production was stimulated. The production of agricultural machines and tools, drainage and irrigation equipment, chemical fertilisers and insecticides, appear to have been stepped up. The stock of tractors seem to have reached about 150,000 by the end of 1962; tractor parts factories and repair shops sprung up all over China. The "aid to agriculture" policy is an attempt to correct the imbalances in the economy which were brought into sharp focus during the lean years in agriculture. It would, therefore, appear that even though the overall national income and investment targets of the Second Plan may be realised, the actual pattern of investment and output is likely to be different from that envisaged in the Plan.

The stress and strain to which the Chinese economy was subjected by the failure of agriculture also exposed China's limitations in the event of a long drawn-out military conflict. It is true that China's present capacity for steel production exceeds 18 million tons. When allowance is made for inferior steel, China can still claim to be producing about 12 to 15 million tons of good steel. It is also claimed that by 1959 China produced 500 types of steel and 6,000 types of rolled steel. She may be in a position, as claimed, to fabricate complete sets of textiles and paper making and sugar refining equipment. She also produces power generating and metallurgical equipment, motor vehicles, tractors, and perhaps even jet planes. To this extent, the Chinese economy has undoubtedly become stronger. At the same time, it is inconceivable that China has a glut of steel which she could use in wasting warfare. It appears that the expansion of the steel consuming heavy industries has kept pace with the expansion in steel capacity. The process of attaining self-sufficiency in industrial fabrication is also likely to have been slowed down on account of the drastic cuts in essential imports, especially from the Soviet Union. Though chemical industries have been accorded greater attention in recent years there is no noticeable breakthrough in this important direction.

Transport bottlenecks continue to be serious in China. At the beginning of the communist regime China possessed not more than 22,000 kilometers of railways and 80,000 kilometers of roads. In the First Plan transport and communications seem to have claimed about 16 per cent of the net capital investment, of which nearly two-thirds seem to have gone into railways. Despite this, the extension has been more impressive in roads than in railways, their respective length in 1959 being about 31,000 and 400,000 kilometers. Over the first decade of communist government in China the freight carried by lorries has increased 27 times whereas the corresponding multiple for railways and tugboats is only ten. Roads thus constitute the principal means of transportation. With all this claimed progress the transport system in China was acutely strained by the 'Great Leap Forward' as well as the subsequent agricultural failures.

Petroleum Shortage

In the event of a prolonged conflict with India at least one million Chinese (on a conservative estimate) will have to be maintained on the Sino-Indian borders. To feed, clothe and equip them at least six trains load of supplies may have to be moved every day over a distance of about 2,000-3,000 miles. Given a trunk line the task of clearing six trains a day is easy enough. But, according to available reports, there is no such line in existence.

In 1960 the Chinese seem to have begun an ambitious 1,000-mile railway linking Lanchow (in Kansu province) with Lhasa through Chamdo in Eastern Tibet. But as soon as it reached Chamdo they seem to have suspended work on the project. Apart from the farm crisis, the technical difficulties involved in negotiating several mountain ranges and the very large unproductive investment involved may have prompted the Chinese to postpone the project. It is reported that the Chinese have recently resumed work on this project.

The effective lines of supply existing to-day are the three major roads 2,270, 2,100 and 1,210 kilometers long linking Tibet with the neighbouring provinces of Sikiang, Chunghai and Sinkiang respectively. Construction is also due to begin on the Lhasa-Kathmandu highway. It is possible that a fairly wide network of roads exists between the Indian borders and the neighbouring provinces in China. But, to do the work of six trains over thousands of miles, 2,000-4,000 trucks will have to ply up and down these roads carrying military supplies. China may have the capacity to produce the requisite number of trucks[5]. But, apart from the costs involved in maintaining the roads in good repair, operating such a large fleet of trucks would make a considerable draft on oil which continues to be scarce in China.

There is no indication that China exceeded the modest target of about 5-6 million tons of crude petroleum set for the Second Plan. But there has been an all-round increase in the demand for oil. It is reported that China maintains about 3,000 combat-ready jet planes which consume a large quantity of aviation spirit most of which has to be imported. Hitherto two-thirds of China's total oil requirements were met by imports from the Soviet Union and Rumania. Whether these supplies will continue is a matter for speculation. But there is hardly any alternative source of oil supply. China has been quite friendly with some oil-rich countries like Indonesia and Iraq (during the Kassem regime). But, so far, she has not succeeded in tapping these sources. In Iraq at least Kassem's overthrow and subsequent political developments have been clearly unfavourable to China. And Indonesia has her own large military demand for oil. The prospect of importing oil from non-communist sources appears rather bleak for China.

Large quantities of rubber are also needed for maintaining China's fleet of motor vehicles, tractors, etc. China does not produce any rubber. Nor can her chemical industry yet produce synthetic rubber in requisite quantities. Therefore, the bulk of the rubber has to be imported. But her trade with rubber-rich Malaya is reduced to nothing. Ceylon exported about 31,000 metric tons of rubber to China in 1962. She has also entered into a five-year contract under which she has agreed to export 33,000 metric tons of rubber annually from 1963. Indonesia exported more than a billion rupiah worth of rubber to China in 1962. But such supplies are likely to be sensitive to the diplomatic weather.

From the above it appears reasonable to conclude that, apart from the serious repercussions of the inter-sectoral imbalances which have become acute in recent years, demanding major modifications in agricultural organisation and industrial policy, the persistance of a few strategic shortages will continue to exercise a restraining influence on Chinese intentions on our border, at least for some time to come.

Notes

1 Kung-Chia Yeh, "Preliminary Estimate of the National Income of the Chinese Mainland 1952-59", *Papers and Proceedings, American Economic Association*, May 1961, p 490.

2 Edgar Snow, "Facts about Food in China", *Monthly Review*, November 1962, p 351.

3 Import of foodgrains alone cost China about $ 230 million and $ 131.6 million respectively in 1961 and 1962.

4 China's exports to and imports from the Soviet Union (in $ million : converted at the rate of 2.52 new roubles = £ 1) were as follows:

	1959	1960	1961
Exports	393.0	302.9	197
Imports	340.9	291.2	131.2

5 The output of trucks was about 7,000 in 1957. It is likely that there has been considerable expansion in the capacity in the Second Plan.

China's Foreign Trade

NO official statistics have been released for China's foreign trade since 1958, but some information can be obtained about this from the trade returns of other countries. It appears from them that China's exports and imports, which are kept in fairly close balance, both reached a peak value around $ 2.2 billion in 1959 but declined by about 6 per cent in 1960. The UN estimates indicate a further decline of one-sixth during 1961 followed by a small recovery in 1962.

Agricultural setbacks after 1959 explain the decline of exports which would have been greater but for large shipments of silver bullion to pay for badly needed imports of food. Imports of capital goods were sharply reduced for the same purpose. Exports of silver are reflected in the rise of UK imports from China after 1959 from $ 55 million to $ 87 million in 1961, although they seem to have fallen in 1962. Reduced imports of capital goods are reflected in the decline of exports from West Germany and the United Kingdom from an aggregate of $ 198 million in 1959 to $ 67 million in 1961. The rise of food imports, mostly grain, is reflected by the rise of exports to China from Canada, Australia, New Zealand and South Africa from $ 51 million in 1960 to $ 290 million in 1961, with little apparent fall in 1962.

The decline of trade with Japan after 1958 followed the ending of unofficial agreements under which this trade had been conducted. There were signs of reviving trade in 1961, and of a substantial recovery in 1962. In November a trade memorandum was concluded between the two countries providing for the long-term development of trade between them on a comprehensive basis. In the first five-year period the average annual total of exports and imports was to reach $ 100 million a year; China will exchange coal, iron ore, tin, soya beans, maize and salt, along with other goods for Japan's chemical fertiliser, insecticides, farm implements and machinery, rolled steel and other products. — *Economic Survey of Asia and the Far East*, 1962, U N.

A Century and a Half of Economic Stagnation in India

V V Bhatt

All available data suggest that the Indian economy was passing through a phase of stagnation during the period 1800-1950. India's per capita income probably declined by about 30 per cent between 1688 and 1925-29.

Further, at the beginning of the nineteenth century there was fuller employment than there is even today. But the decline of handicrafts in the nineteenth century threw out of employment a very large number of people.

During a course of lectures delivered in Edinburgh in 1879 and 1880, William Wilson Hunter, who was at that time perhaps the best informed British analyst of Indian social and economic affairs, said:

"After a minute comparison of rural India at present with the facts disclosed in the manuscript records, I am compelled to the conclusion that throughout large tracts the life is harder than it was when the country passed into our hands."

This conclusion probably remained true even till the advent of Independence.

[This paper is based on a series of lectures delivered by the author as Visiting Professor at the M S University of Baroda and forms a part of his forthcoming book, "Aspects of Economic Change and Policy in India: 1800-1960" to be published by Allied Publishers, Bombay.]

THE nineteenth century was a century of revolutionary economic growth in many countries of Western Europe, United States and even Russia, all of which, according to Rostow [1], completed the stage of "take-off" into self-sustained growth before the end of the century or at the latest, as in the case of Russia, by 1914. Indian development was arrested during this period and her relative economic position thus deteriorated. This process of economic stagnation in India has been attributed by some Western economists and economic historians to the restrictive role of religion, and social attitudes and social institutions, which, it is asserted, were responsible for the lack of entrepreneurial ability without which no growth is possible. Some have found the reason in the "enormous" growth of population. Most of them mention the retarding effects on development of state economic policies; however, this factor is considered to be of smaller importance than the other factors. For example, Vera Anstey considers excessive increase in population and the uneconomic outlook of the people to be of much more significance than state economic policies [2]. Buchanan [3] considers social organisations and state economic policies as factors of equal importance in explaining Indian economic backwardness and this is also the view of Kingsley Davis [4], who in addition mentions "the gradually evolving demographic situation" as also one of the "reasons for retardation".

Some writers like Baden-Powell [5] and Darling [6] explained in 1882 and 1925 respectively India's poverty in terms of over-population only. Habakkuk [7], while trying to explain the difference in development in India and Japan, attributes India's economic backwardness to the character and quality of the native entrepreneurs. Knowles [8] attributes India's poverty solely to her religious and social structure; state economic policies, according to Knowles, fostered rather than retarded economic development.

Since it would not be possible to measure economic change after 1800 without reference to the state of the economy during and at the end of the eighteenth century, and since an eminent British historian has argued that India's economic conditions were much worse during the eighteenth century than during the nineteenth century, it would be proper to refer to the economic conditions during and at the end of the eighteenth century in India.

II

The Economy at the End of the Eighteenth Century

No systematic quantitative data are available about the state of the Indian economy during and at the end of the eighteenth century. The main source for whatever quantitative and qualitative data are available is the outstanding work on Indian economic history by Romesh Dutt [9].

Romesh Dutt draws the picture of the Indian economy at the turn of the eighteenth century on the basis of the valuable records of Francis Buchanan, the first statistical inquirer employed by the British Government in India, who travelled widely in the whole of India during 1800 to 1810. The diary of his journey in South India was published in 1807 in three quarto volumes[10] and the record of his investigation into the economic conditions of North India, was published by Montgomery Martin,[11] the historian of British colonies and a thoughtful and careful writer on Indian subjects, in three volumes in 1838.

From Buchanan's records, it becomes quite clear that India, by the end of the eighteenth century, had attained a high degree of development in not only agriculture but also a wide variety of industries. She was both an agricultural as well as a manufacturing economy. Agriculture was flourishing under its industrious and resourceful peasantry and the wise irrigation policies of the

Indian rulers. Spinning and weaving were the national industries down to the commencement of the nineteenth century. "The spinning-wheel and the handloom", writes Romesh Dutt,[12] "were universally in use; and it is scarcely an exaggeration to state that nearly half the adult female population in India eked out the incomes of their husbands and their fathers by the profits of their labour". Connected with the weaving industry was the important industry of dyeing and the manufacture of gold and silver thread and cloth. Building, bricklaying, and lime manufacture, carpentry, pottery, mats, bracelets, leather-works, copper, tin and iron works, ship-building, sugar and salt manufacture, indigo manufacture, stone-cutting, gold and silver works, paper manufacture, and perfumery were the other important industries. India produced manufactured goods not only for home-consumption but also for export.

Agricultural Techniques

The skill and technique of the peasantry and the craftsmen were of a high order. Even as late as 1889, Dr Voelcker,[13] Consulting Chemist to the Royal Agricultural Society of England, who was deputed to India to make inquiries and suggest improvements in Indian agriculture, wrote:

> " ... on one point, there can be no question, viz, that the ideas generally entertained in England, and often given expression to even in India, that Indian agriculture is, as a whole, primitive and backward, and that little has been done to try and remedy it, are altogether erroneous ... at his best, the Indian Ryot or cultivator, is quite as good as, and in some respects the superior, of the average British farmer. Nor need our British farmers be surprised at what I say, for it must be remembered that the natives of India were cultivators of wheat centuries before we in England were. It is not likely, therefore, that their practice should be capable of much improvement. What does, however, prevent them from growing larger crops is the limited facilities to which they have access, such as the supply of water and manure. But, to take the ordinary acts of husbandry, nowhere would one find better instances of keeping land scrupulously clean from weeds, of ingenuity in device of water-raising appliances, of knowledge of soils and their capabilities, as well as the exact time to sow and to reap, as one would in Indian agriculture, and this is not at its best alone, but at its ordinary level. It is wonderful, too, how much is known of rotation, the system of mixed crops and of fallowing. Certain it is that I, at least, have never seen a more perfect picture of careful cultivation, combined with hard labour, perseverance, and fertility of resource, than I have seen in many of the halting-places in my tour ".

Manufacturing Skills

Prof Weber[14] writes:

> " The skill of the Indian in the production of delicate woven fabrics, in the mixing of colours, the working of metals and precious stones, the preparation of essences and in all matters of technical arts, has from early times enjoyed a world-wide celebrity. ... Mummies in Egyptian tombs, dating from 2000 B C have been found wrapped in Indian muslin of the finest quality. The muslins of Dacca were known to the Greeks under the name of Gangetika. There was a large consumption of Indian manufactures in Rome. This is confirmed by elder Pliny, who complained that vast sums of money were annually absorbed by commerce with India. ... Thus it may be safely concluded that in India the arts of cotton spinning and cotton weaving were in a high state of proficiency two thousand years ago ... cotton weaving was introduced into England only in the seventeenth century ".

Writes Lecky[15]:

> " At the end of the seventeenth century great quantities of cheap and graceful Indian calicoes, muslins and chintzs were imported into England, and they found such favour that the woollen and silk manufacturers were seriously alarmed. Acts of Parliament were accordingly passed in 1700 and in 1721 absolutely prohibiting, with a very few specified exceptions, the employment of printed or dyed calicoes in England, either in dress or in furniture, and the use of any printed or dyed goods, of which cotton formed any part ".

"In the first four years of the nineteenth century", writes Romesh Dutt[16], "in spite of all prohibitions and restrictive duties, six to fifteen thousand bales of cotton piece-goods were annually shipped from Calcutta to the United Kingdom".

As regards iron manufactures, Professor Wilson[17] writes: "casting iron is an art that is practised in this manufacturing country (England) only within a few years. The Hindus have the art of smelting iron, of welding it, and of melting steel, and have had these arts from time immemorial". Ranade[18] wrote in 1892:

> "The iron industry not only supplied all local wants, but it also enabled India to export its finished products to foreign countries. The quality of the material turned out had also a world-wide fame. The famous Iron Pillar near Delhi, which is at least fifteen hundred years old, indicates an amount of skill in the manufacture of wrought iron, which has been the marvel of all who have endeavoured to account for it. Mr Bell (late of the Geological Survey of India) admits that it is not many years since the production of such a pillar would have been an impossibility in the largest factories in the world, and even now, there are comparatively very few factories where such a mass of metal could be turned out. Cannons were manufactured in Assam of the largest calibre, Indian wootz or steel furnished the materials out of which Damascus blades with a world-wide reputation were made; and it paid Persian merchants in those old times to travel all the way to India to obtain these materials and export them to Asia. The Indian steel found once considerable demand for cutlery even in England. The manufacture of steel and wrought iron had reached a high perfection at least two thousand years ago ".

Regarding the art of ship-building, Digby[19] wrote in 1901, "A hundred years ago, ship-building was in so excellent a condition in India that ships could be (and were) built which sailed to the Thames in company with British-built ships and under the convoy of British frigates".

The Governor-General, Lord Wellesley,[20] reporting in 1800 to his masters in Leadenhall Street, London, wrote:

> "The Port of Calcutta contains about 10,000 tons of shipping, built in India, of a description calculated for the conveyance of cargoes to England ... From the quantity of private tonnage now at command in the port of Calcutta, from the state of perfection which the art of ship-building has already attained in Bengal (promising a still more rapid progress and supported by abundant and increasing supplies of timber), it is certain that this port will always be able to furnish tonnage to whatever extent may be required for conveying to the port of London the trade of the private British merchants of Bengal ".

Irrigation Techniques

Regarding the ability of Indians in the engineering field, Sir Charles Trevelyan,[21] who was Governor of Madras before 1863 and was the Finance Minister of India from 1863 to 1865, told the Parliamentary

Select Committee on Indian Finance in 1871, "They (Indians) have shown practical talent (in engineering); and on the main point of all, that of irrigation, nothing can be better than the ancient irrigation works of Southern India: in fact, they have been a model to ourselves. Sir Arthur Cotton is merely an imitator, on a grand scale and with considerable personal genius, of the ancient native Indian engineers".

Regarding the aptitude and capacity of Indians for industrial pursuits, Mr Campbell[22] wrote in 1852, "... the great mass of the Indian people possesses a great industrial energy, is well fitted to accumulate capital, and remarkable for a mathematical clearness of head, and talent for figures and exact sciences. Their intellects are excellent".

Finally, one can do no better for giving an idea about the high degree of technical skill of Indians and the industrial development of India up to the end of the eighteenth century than quote from the Report[23] of the Indian Industrial Commission, headed by Sir T H Holland. The Report says that "At a time when the west of Europe, the birthplace of the modern industrial system, was inhabited by uncivilised tribes, India was famous for the wealth of her rulers and for the high artistic skill of her craftsmen. And, even at a much later period, when merchant adventurers from the West made their first appearance in India, the industrial development of this country was, at any rate, not inferior to that of the more advanced European nations".

III

Economic Change: 1800—1950

For the purposes of measurement, a nation's economic growth is defined as sustained increase in its total net income or product as well as per capita income or product at constant prices.[24]

It would be possible, therefore, to indicate precisely in quantitative terms the economic change that took place in India, if there were systematic, reliable data relating to national and per capita income. However, such data are not available on a systematic and comparable basis. There are, of course, various estimates of India's national and per capita income for various years. The first such estimate was made in 1876 for the year 1867-68 by Dadabhai Naoroji,[25] the most outstanding of the Indian public figures throughout the half century before World War I. This pioneering estimate was followed by various official and non-official estimates for different years.

William Digby's estimates related to the years 1850, 1880 and 1899, while Atkinson estimated per capita income for the years 1875 and 1895. The Government of India's estimate for the year 1882 was prepared by Major Evelyn Baring and David Barbour, while that for the year 1901 was made by Lord Curzon.

All these estimates,[26] however, are based on very inadequate data and even the methodological assumptions are not the same for the different estimates. Further, some of them are also affected by the personal bias of the estimator. Because of these reasons, these estimates are not comparable. However, all these estimates may broadly indicate the trend in per capita income during the latter half of the nineteenth century particularly if the personal bias of the estimator is removed by combining two or three estimates for years fairly close to each other and made by persons with dissimilar bias and after the estimates are made comparable by converting them in real terms.

Real Per Capita Income

The per capita income estimates, at current prices, for this purpose, are converted into estimates in terms of maunds of paddy on the basis of the current average price of paddy in Bengal and the United Provinces. Then Dadabhai Naoroji's estimate for the year 1867-68 is combined with that of Atkinson for the year 1875, while Digby's estimate for the year 1880 is combined with that of Baring and Barbour for the year 1882. Similarly the estimates of Atkinson, Digby and Curzon for the years 1895, 1899 and 1901, respectively, are combined. Digby's estimate for the year 1850 is left out as it could not be combined with any other

Table 1: Estimates of Per Capita Income in India: 1850 to 1900

Year	Estimated by	Per Capita Income (*Rs*)		Price of Paddy (Average of Madras and U P Prices) (*Rs per Maund*)	Per Capita Income in Terms of Paddy (*Maunds*)	Per Capita Income (at 1873 Prices) (*Rs*)
1850	Digby	30.0		0-15-0	32.0	—
1867-68	Naoroji	20.0	25.0	1-10-0	15.4	24.35
1875	Atkinson	30.5				
1880	Digby	22.5	25.0	1-10.0	15.4	24.05
1882	Baring and Barbour	27.0				
1895	Atkinson	39.5	29	2-6-0	12.7	23.13
1899	Digby	18.0				
1901	Curzon	30.0				

Sources:
(1) Dadabhai Naoroji, "Poverty and Un-British Rule in India" (London, 1901).
(2) William Digby, " 'Prosperous' British India" (London, 1901).
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(5) Government of Bengal, "Report of the Land Revenue Commission" Vol II (Calcutta, 1940).
(6) Government of India, Department of Commercial Intelligence and Statistics, "Index Number of Indian Prices, 1861-1931", (Calcutta; July 1933).



estimate by a person with dissimilar bias.

The average annual per capita income in terms of paddy was about 15 maunds for the two years 1867-68 and 1875 as well as for the years 1880 and 1882; however, it declined by about 17 per cent during the period 1895-1901 (Table 1). This declining trend in per capita income during the latter half of the nineteenth century has to be judged in the light of a substantial deterioration during the first half of the century. There is ample evidence of a non-quantitative nature which suggests a significant deterioration in the fortunes of the manufacturing sector and particularly the hand textile industry as a result of the competition, and that too backed by Indian commercial policies unfavourable to the Indian economy, from the machine-made goods of Lancashire, Sheffield and the other centres of the British industry.[27] It was of this period that a reforming Governor-General, Lord William Cavendish-Bentinck, reported that "the bones of the cotton-weavers are bleaching the plains of India".[28] In 1840, Sir George Larpent, head of an outstanding British house trading with India and first Chairman of the P & O Line, testified before a House of Commons' Select Committee:[29] "We have destroyed the manufactures of India".

For the period 1900-1950, there are three different estimates of the changes in per capita income[30] (Table 2). Of these three estimates, the one made by Mukerji seems to be based on much firmer data than the other two. However, even Mukerji's estimates are based on some questionable assumptions. He has overestimated the rate of growth of income from professions, domestic services, and house property by assuming that its rate of increase was the same as that for industrial production. Similarly, he has overestimated the rate of increase in the incomes from "other commerce" and "small enterprises" by assuming its growth rate to be equal to that for commercial activity. Even in spite of this overestimation, his estimates show an increase of only 12 per cent in per capita income between

Table 2: Changes in Per Capita Income in India
(1905-06 *to* 1915-16 = 100)

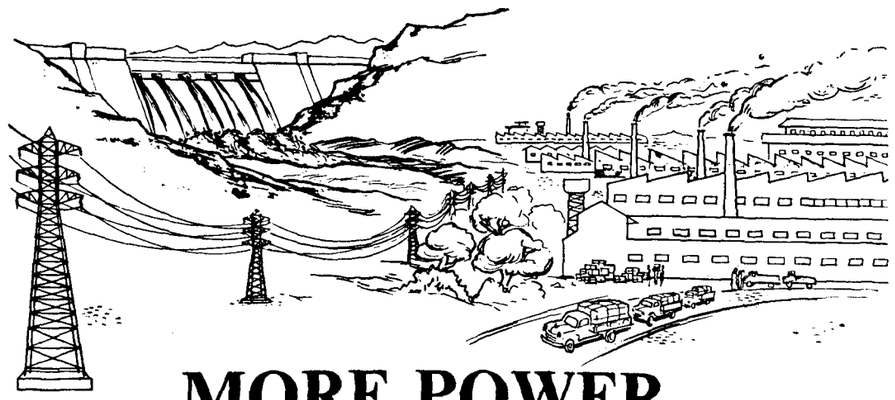
Years	Patel	Arora & Iyengar	Mukerji
1905-06 to 1915-16	100	100	100
1916-17 to 1925-26	103.9	126	110
1926-27 to 1935-36	98.3	132	112
1936-37 to 1945-46	91.1	138	112

Sources: (1) Surendra J Patel, "Long Term Changes in Output and Income in India: 1896-1960", in *The Indian Economic Journal*, January, 1958.
(2) H C Arora and K R R Iyengar, "Long Term Growth of National Income in India, 1901-1956", in "Papers on National Income and Allied Topics", Volume I, edited by V K R V Rao, S R Sen, M V Divatia and Uma Dutta (Bombay, 1960).
(3) K Mukerji, "A Note on the Long Term Growth of National Income in India, 1900-01 to 1952-53", in "Papers on National Income and Allied Topics", Volume II, (Bombay, 1962).

Table 3: Gross Taxable Income and Income Per Assessee: 1886-1958
(*Index Numbers at* 1952-53 *Prices*)

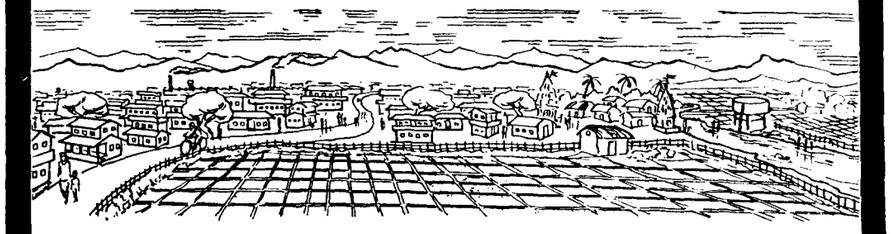
Period	Exemption Limit (at 1952-53 Prices)[1] (*Rs*)	Gross Taxable Income (Annual Average at 1952-53 Prices) (*Rs crores*)	Income Per Assessee (Annual Average at 1952-53 Prices) (*Rs*)	No of Assessees (Annual Average) (000s)	Price Index (1952-53=100)	Index of Gross Taxable income (at 1952-53 Prices) (1886-1890=100)	Index of Income per Assessee (at 1952-53 Prices)
1	2	3	4	5	6	7	8
1886-1890 5 years	2,700	192	36,871	266	18.6	100	100
1891-1895 5 ,,	2,400	200	32,590	308	20.8	104	88
1896-1902 7 ,,	2,100	303	42,714	495	22.4	158	116
1903-1907 5 ,,	4,300	257	30,829	419	23.6	134	84
1908-1912 5 ,,	3,400	264	26,966	491	27.4	138	73
1913-1918 6 ,,	3,200	402	30,016	800	31.8	210	81
1919-1925 5 ,,	4,400	489	18,344	1,336	44.8	255	50
1926-1930 5 ,,	4,800	574	18,139	1,580	40.0	299	49
1931-1935 5 ,,	3,900	931	15,760	3,017	24.4	485	43
1936-1941 5 ,,	6,920	692	20,669	1,700	29.2	360	56
1942-1943 2 ,,	3,075	702	17,871	722	50.0	367	48
1944-1946 3 ,,	3,000	726	16,801	1,298	66.7	378	43
1947	3,250	623	41,564	414	78.0	325	39
1948-1949 2 ,,	3,060	590	12,912	915	98.0	307	35
1950-1952 3 ,,	3,240	616	11,288	1,651	112.3	321	31
1953-1956 4 ,,	4,222	818	15,500	2,110	99.4	426	42
1957-1958 2 ,,	2,760	1,005	13,339	1,513	109.8	524	36

Sources: (1) C N Vakil, "Financial Developments in Modern India", 1860-1924, Department of Economics, University of Bombay, 1924.
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(6) Government of India, Department of Commercial Intelligence and Statistics, "Index Numbers of Indian Prices, 1861-1931" (Calcutta, July 1933); and addenda to this publication for the years 1932 to 1939.
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1905-06/1915-16 to 1936-37/1945-46. If the overestimation involved in his estimation procedures is allowed for, the rate of growth of per capita income would be much less.

Income-Tax Data

The income-tax data, in fact, indicate some decline in per capita income. Gross taxable income per assessee can be taken as an indicator of per capita income. However, some adjustments in these data are necessary before they can be used for inter-temporal comparisons. These data are at current prices and need to be converted to constant prices; they are converted, for the present purpose, to 1952-53 prices. Even after this conversion, these data may not be a good index of trends in per capita income because of varying exemption limits at constant prices. If the exemption limit is lower in a given period than in the preceding period, the gross taxable income per assessee is also likely to be lower during that period as the number of assessees in the lower income brackets would be larger. Conversely, if the exemption limit is higher in a period than in the preceding period, the gross taxable income per assessee is likely to be higher as the number of assessees in the lower income brackets would be smaller. Further, to eliminate the effects of year-to-year fluctuations, the comparison should be between the average figures for periods of about five years each.

The exemption limit at 1952-53 prices was Rs 2,700 for the earliest period 1886-90, for which these data are available. For the later years, excepting 1891-1902, the exemption limit was higher than that during 1886-90. This higher exemption limit would introduce an upward bias in the figures regarding gross taxable income per assessee for the years 1903 onwards as compared to the initial period 1886-90. In spite of this bias, the gross taxable income per assessee declined by about 50 per cent between 1886-90 and 1936-41 and by about 65 per cent between 1886-90 and 1948-49 (Table 3). Of course, this substantial decline in gross taxable income per assessee may have been due to the changes in the distribution of taxable income and higher rate of increase in the number of assessees with lower taxable incomes than in that of assessees with higher taxable incomes. However, it is quite likely that this decline in the gross taxable income per assessee may have been partly due to some decline in the per capita income during this period.

Trend of Real Wages

Trends in per capita income are also indicated by the indices of real wages of skilled and unskilled labour in the United Provinces. Dr Radhakamal Mukherjee [31] has constructed an index of real wages for the United Provinces for various years during the period 1600 to 1938 on the basis of all available historical material. According to these estimates, the real wages of skilled and unskilled workers in the United Provinces were lower by 27-29 per cent during 1938 than during 1807 (Table 4).

The trends in the distribution of the working force by industry also suggest economic stagnation, if not decay, during the period 1881 to 1931. Daniel Thorner,[32] after a careful study of the population censuses, has attempted to derive comparable data with regard to the distribution of male working force by industry for the various census years. His careful and painstaking research shows virtually no change in this distribution between 1881 and 1931 (Table 5).

All the available data, thus, seem to suggest that the Indian economy was passing through a phase of economic stagnation as measured by the various indicators and estimates of changes in per capita income during 1850-1950.

This conclusion appears to be quite reasonable even on the basis of the current level of per capita income as well as the data regarding the per capita income, of countries like the United Kingdom. As Kuznets[33] suggests, any appreciable growth in per capita income during the last century or so is unlikely to have occurred in countries like India as under the medical and sanitary conditions that existed, population in many such countries could hardly have survived on half or even three-quarters of the current per capita income.

On the basis of his study of economic growth of various countries, Kuznets suggests[34] that a hundred years ago international differences in per capita income must have been both absolutely and propor-

Table 4 : Index Numbers of Real Wages of Skilled and Unskilled Workers in U P
(1600 = 100)

	Skilled	Unskilled
1807	69.82	62.02
1812-20	35.98	23.58
1850	52.22	29.35
1870	43.15	24.97
1880	48.13	25.68
1890	36.48	21.89
1901-05	43.26	26.48
1911	40.14	25.91
1916	31.19	26.81
1928	33.75	25.43
1934	59.62	42.98
1938	49.06	45.33

Source : Radhakamal Mukerjee, "The Economic History of India 1600-1800" (London, 1948).

Table 5 : Distribution of Male Working Force by Industry, 1881-1931 (India, Including Burma and Pakistan)

(*Percentages*)

	1881 (All-India)	1881 (All Provinces and 4 States)	1901	1911	1921	1931
Working Force (Males)	100	100	100	100	100	100
(1) Agriculture, Forestry and Fishing and General	74	74	74	75	76	76
(2) Manufacture, Mining, Construction and Trade	18	16	16	15	15	15
(3) Transport and Other Services	8	10	10	10	9	9

Source : Daniel Thorner, "De-Industrialisation in India, 1881-1931", in "First International Conference of Economic History", Contributions, (Stockholm, 1960), pp 224-225.

tionately lower than they are today. India's per capita income, therefore, could not have been very much lower than that of the United Kingdom in 1688; in fact, historical records suggest that India's per capita income by the end of the eighteenth century is likely to have been more or less equal to those of the advanced countries of Europe. According to Colin Clark's estimates,[35] the per capita income of the United Kingdom in 1688 was 378 in terms of International Units; even assuming that India's per capita income in 1688 was 25 per cent lower than that of the United Kingdom, it could not have been less than 284 in terms of International Units. India's per capita income was about 200 in terms of International Units according to Colin Clark[36] in 1925-29. Thus, then, India's per capita income probably declined by about 30 per cent between 1688 and 1925-29.

Living Standards

Even all this evidence relating to the per capita income does not tell the full story. In 1800, there was much fuller employment than at present. India was an agricultural as well as a manufacturing country by about 1800. In 1880, the Famine Commission was struck by "the unfortunate circumstance that agriculture forms almost the sole occupation of the mass of the population, and that no remedy for present evils can be complete which does not include the introduction of a diversity of occupations".[37] The decline of handicrafts, the results of which were noted by the Famine Commission in 1880, rendered a considerable number of people unemployed or underemployed. If we bear in mind this fact, it would appear that there was a substantial decline in the real per capita income of a large mass of people.

During a course of lectures delivered in Edinburgh in 1879 and 1880, William Wilson Hunter,[38] who was at the time perhaps the best informed British analyst of Indian social and economic affairs, said: "After a minute comparison of rural India at present with the facts disclosed in the manuscript records, I am compelled to the conclusion that throughout large tracts the life is harder than it was when the country passed into our hands". This conclusion probably remained true even till the advent of Independence.

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Role of Incentives in Industrialisation

Bert F Hoselitz

In the process of developing a climate for capital accumulation and innovation, the basic determinant variable is in the realm of cultural values.

The success of Japan in adopting an industrial "civilisation" must, in large part, be attributed to the particular constellation of Japanese cultural values which made the introduction of industry and the norms associated with it relatively easy.

By the same token, the industrialisation process meets with much greater obstacles in India and Indonesia, even though both countries have maintained much closer contact with the West for a longer time than Japan, and even though, at least in India, obstacles to education and "Westernisation" of a relatively small group of the population are only slight.

The culture of India and Indonesia are important factors in the sluggishness with which values appropriate for industrialisation are introduced in these countries.

It is useful, therefore, to regard the system of industrialisation as a cultural complex and the development of appropriate incentives for work, accumulation and innovation as an outcome of a process of culture change.

THE first chapter of W A Lewis' book, "The Theory of Economic Growth", is titled "The Will to Economise". In introducing this subject, he discusses variations among different societies in seeking out and exploiting economic opportunities, and he shows that the reasons for these variations lie either in differences in the valuation of material goods relative to the effort required to get them, in differences in available opportunities for economic progress, or in differences in institutions encouraging efforts to achieve economic ends. The first and the third factors are closely related with the system of incentives relating to various forms of economic action. I shall attempt in this brief paper to concentrate on some of the major incentives required in a society undergoing industrial growth and expansion, but it will be clear from the reference made to Lewis' analysis, that observing incentives by themselves will give us only a partial picture of the process, which must further be rounded out by consideration of other factors, particularly institutional factors, the scope of knowledge and communication, and the predominant cultural traits of a society.

The development of incentives favourable to industrial growth usually will and, in fact, probably must, occur before the actual process of industrialisation gets under way. They are a prerequisite of industrialisation and in the schema of W W Rostow they would undergo their major development in the "pre-take-off" stage, i e, in a transitional period in which a society still may have little industrial output, but in which the bulk of its production is still composed of agricultural and other forms of primary and handicraft goods. In order to experience a favourable impact upon economic growth and industrialisation three orders of incentives must be present in some form: (1) incentives to work, (2) incentives to accumulate wealth, especially in the form of capital, and (3) incentives to introduce innovations. It is often said that most of these incentives are nurtured by a social system in which high valuation is placed on the maximisation of profit or gain, provided that the methods employed to produce this gain are rational, i e, surrounded by a system of legal sanctions, accompanied by sentiments preventing the squandering of profits once made by conspicuous consumption, and based upon the purposive exploitation of opportunities conforming to an integrated means-ends scheme. This is a not uncommon formulation of a generalised set of propositions worked out originally by Max Weber as an explanation of the unique pattern of economic development which occurred in northern and western Europe, and some scholars have thought that such a set of attitudes, beliefs, and practices as were customary among the European Protestants, especially the Puritans, is a necessary precondition of economic growth and industrialisation.

General Theories of Incentives

Before entering a discussion of the incentives to work (i e, to prefer labour and the income it produces to leisure), to save, and to innovate, I wish to say a few words about the two or three general theories which have been developed on systems of motivation favourable to economic growth. All these theories have concentrated on the crucial and most strategic group of the industrialisation process; the entrepreneurs. In the context of this discussion I wish to use the concept of entrepreneur not in the sense of business leader in a private enterprise economy, but as a term designating any person who makes decisions relating to the allocation of resources, especially the allocation of investment for productive purposes. In other words, entrepreneurs in this sense are present also in planned economies, though there they are not private businessmen, but officials in a planning commission or other centralised governmental agency entrusted with allocation decisions.

I am familiar with three general theories which attempt to explain the conditions under which entrepreneurs, i e, individuals characteristically making decisions to

accumulate capital and to innovate, will appear. The earliest is the theory of Max Weber which was applied explicitly only to a special historical episode, the growth of western European capitalism, but which implicitly may be regarded as applicable also to a large number of other instances. Weber considered the source of incentives for entrepreneurial activity basically to stem from the new religious ethic developed by the Protestant reformers. He stressed the importance of Luther's doctrine of the calling, and, above all, of Calvin's doctrine of predestination and inner-worldly asceticism. In their practical application to economic activity, these ethical ideas, or values tended to become translated into social action whose external appearance was insistence on hard work, on sobriety, on rational profit-making, and on ceaseless accumulation not for the purpose of ultimate consumption, but as an end in itself.

Weber, Marx and Schumpeter

It is perhaps noteworthy that Karl Marx anticipated this result, in part, when he wrote in "Economic and Philosophic Manuscripts" of 1844:

> "Political economy, this science of wealth, is, therefore, simultaneously the science of denial, of want, of thrift, of saving — and it actually reaches the point where it spares man the need *of either fresh air or physical exercise*. This science of marvellous industry is simultaneously the science of asceticism, and its true ideal is the ascetic but extortionate miser and the ascetic but productive slave. Its moral ideal is the worker who takes part of his wages to the savings-banks and it has even found ready-made an abject art in which to clothe this, its pet idea: they have presented it, bathed in sentimentality, on the stage. Thus political economy — despite its worldly and wanton appearance — is a true moral science, the most moral of all the sciences. Self-denial, the denial of life and of all human needs, is its cardinal doctrine".

There is some exaggeration in these words of Marx, but he has summarised ably the dominant economic ethic of British industrial society of the first half of the nineteenth century. But this description leaves out one important aspect of the economic ideology, which was also relatively little explored by Weber, the incentives for innovation. Werner Sombart and, above all Joseph Schumpeter, accepting on the whole, the Weberian analysis, have laid great stress upon the role of innovation, but both contrasted the drive towards innovation as an irrational element with the rational aspects of a work-and-gain ethic. Schumpeter, in particular, has stressed the role of the "visionary" innovating entrepreneur, who becomes an innovator precisely because of the incalculability and unpredictability of the outcome of an innovation, and Sombart has stressed the same idea by speaking of the tension existing in industrial capitalism between "rationalism and irrationalism, between the bourgeois spirit and the adventure spirit, between prudence and venturesomeness".

In brief, the "classical" theory of incentives in industrialisation, as stated in its fullest form by Weber, as anticipated by Marx, and as amended by Sombart and Schumpeter, distinguishes between incentives for work and the accumulation of savings based on rational attitudes related to abstinence and self-denial and incentives to innovate based on essentially irrational ones.

So far as I am aware, this is the only socio-psychological theory relating to the process of industrial growth which has found fairly wide acceptance and has been extensively discussed in the literature. In recent years two other theories, derived in part from the work of Weber, have been enunciated in the United States. One is the theory of David C McClelland on the role of achievement-motivation in economic growth and the other is E E Hagen's theory of reaction to subordination.

Psychological Explanations

McClelland has expounded his view broadly in his recent book, "The Achieving Society" as well as in a summary essay "The Achievement Motive in Economic Growth" which was published in the recent work on "Industrialisation and Society", which I edited jointly with W E Moore. Basically, McClelland maintains that entrepreneurial activity is dependent upon a high need for achievement, i e, a personality or motivational structure in which an individual is driven to act by a desire to do well, not so much for the sake of social recognition or prestige, but for the attainment of an inner feeling of having done well. Whether or not an individual is achievement-motivated depends upon a series of experiences in childhood, particularly upon the patterns of child-rearing prevalent in a society or social class. Hence, depending upon the prevailing child-rearing patterns different societies may produce different proportions of highly achievement-oriented individuals and if a society does produce a large number of achievement-oriented individuals, it will have an abundance of entrepreneurs, innovators, and hence economic growth.

Not Derived from Environment

This sketch is a great simplification of McClelland's theory, but stresses its main elements accurately. The most important observation made by this theory is that the incentive for industrial innovation and entrepreneurial action does not derive from the environment and is little, if at all, supported by the institutional social framework, but that it is essentially a matter of personality structure or motivational disposition of strategically placed individuals, and that the chief factor responsible for creating a motivational disposition favourable to capital accumulation and innovating entrepreneurship is the pattern of independence-training in childhood.

It is argued, moreover, that the incidence of high achievement motivation can be measured by appropriate tests, and McClelland and his students maintain that they may even correlate the frequency of achievement imagery contained in the literature of a society at a given time with an appropriately lagged rate of economic growth. In brief, it is held that the relation between achievement-orientation and economic development is fundamentally universal, may occur at all times and in any society, irrespective of its current level of economic performance and its culture. In other words according to this theory any society by appropriate child-training practices may produce with a lag of one or two generations such a large proportion of highly achievement-oriented persons that economic development will become a matter of course.

The Social Framework

E E Hagen's theory of incentives for industrial development stands between the classical Weberian theory and the purely psychological theory of McClelland. He deviates from Weber, in that he places little or no emphasis upon the religious origin of an economic ethic and stresses primarily the psychological conditions determining certain forms of economic, especially innovating, behaviour. Yet he deviates from McClelland in seeking the chief cause of the new innovating behaviour not in the personal history of the individuals engaging in it, but rather in the social situation which appears to make such behaviour attractive. In other words, Hagen argues that the presence of a particular personality orientation is a necessary, but not sufficient, condition, and that only a special socio-structural constellation povides a setting in which incentives for innovating behaviours will become strong enough to lead to actual economic growth. McClelland on the contrary would argue that any social setting notwithstanding, a society containing a large enough proportion of achievement-motivated individuals will experience economic progress.

The crucial situation which Hagen considers envisages that innovation depends upon the presence of a social group which at one time had a secure position in traditional society, and then under new circumstances found that place spurned, derogated, or taken away by other groups. This change in position seems to him to have been conducive to bring about changes in personality, in creativity, values, and world view, which stimulate innovation. Or in other words, a group, so-to-speak, ejected from its former place in the traditional society, tends to overcome its resentment against its loss of position in the social order by a new form of creativity and feels impelled, therefore, to find a new field in which to prove its worth, since old avenues to accepted higher social status have been closed to it.

Rise of "New Men"

This theory is basically a particular version of the often described general theory of social or cultural deviance and the outcome of a creative adjustment by the members of a deviant group in a situation offering new opportunities. Hence, the theory is not new, nor is it, in my opinion, an improvement of the older theory. For I cannot find from the examples cited by Hagen, the Protestant dissenters in Britain, the lower *samurai* in Japan, the Antioquenos in Colombia, or the Old Believers in Russia, that any of them belonged to a group which at one time had substantial privileges or specially high status and later lost them, so that their turning to innovation and economic enterprise can be regarded as an attempt of regaining a former high position in society which was lost. In all these cases the older proposition of Marx, taken up by many of his followers, including Sombart, that the rising entrepreneurs of western Europe were "new men", *homines novi*, i e, members of a rising social class whose earlier social position was quite low, appears to be more appropriate than the statement that they were ejected or spurned and looked for entrepreneurial activity as a means to regain social status, power, and influence.

So far I have considered in this paper *primarily not* incentives in the narrower sense, but rather the general social or socio-psychological conditions which create a framework in which incentives for capital accumulation and innovation thrive. Let me now turn briefly to a consideration of these incentives themselves. Since the success of industrial development consists in the achievement of a high rate of growth of material production, it appears indispensable for industrialisation that certain of the outcomes of industrial development in themselves be valued highly as generalised objectives of social action. If there is no prestige and power in the acquisition of wealth through industry, if there prevail purely ascriptive (i e family-derived) norms in determining high social status, if there is, as a consequence, a greatly reduced degree of social mobility, it is unlikely that incentives for industrial development depend upon a social framework of a certain order, and such features as the widespread use of money as a generalised means of exchange, a reasonably high degree of social mobility, a fairly high correlation between income or wealth and social status, and general support in the scale of social values of scientific and technical achievement are among the necessary conditions for incentives for industrial leadership to become operative on a significant scale. In societies where these features of social structure and values are lacking industrial development will have little chance of success, and it is worthy of note that in all industrialised societies, whether based on a free market or on planned allocation of resources, these features are present in a prominent degree.

Society Must Become 'Materialistic'

Given such a social framework, the incentives for industrial development are easy to describe : they consist in the attractiveness of money income or of social prestige and power. The problem of the evaluation of incentives favourable to industrial development then reduces to the more general case of how a society in which highly ascriptive norms prevail and in which power and prestige are dependent upon traditional evaluations, changes to one in which income and success in the productive sphere of social action tends to become the predominant path to prestige and social power. Since wealth is an important ingredient of social status even in tradition-oriented societies, it might appear that this change is simple. But in a tradition-oriented society the acquisition of wealth is a result rather than a cause of power and social prestige, whereas in an industrially thriving society, the causal nexus is the reverse. For effective incentives towards industrialisation to become effective, a fundamental revaluation of the hierarchy of social values must take place and, generally speaking, social actions falling in what Talcott Parsons designates as the adaptive (i e production-oriented) subsector of social action must tend to become paramount in determining social valuations.

In other words, as a condition of adequate incentives for industrialisation to become operative, a society

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must, to a certain extent, become "materialistic" that is, it must place the acquisition of material gain or income or the achievement of certain production targets as ends in themselves at a higher, or at least equally high level, with other generalized values of social action. Even McClelland, who, as I have mentioned, considers the environmental factors of small significance says :

> "... Western and Eastern intellectuals both frequently observe that they sincerely hope the East can develop economically without losing the many valuable features of its existing way of life and institutions, without becoming 'materialistic' like the West. To a certain extent such sentiments, while admirable in many ways, are simply incompatible with the psychological requirements for a modern society. For instance, peacefulness and calm acceptance of life as it occurs are virtues the East might well wish to maintain and the West to acquire, but it is surely nonsense to think one can maintain those values and at the same time develop a nation of hustling entrepreneurs whose vigorous efforts are absolutely essential to economic advance".

Incentives under Planning

Although normally one would think that a society in which these materialistic values predominate is one in which money and money income are the measures of economic success, this is not necessary. A man's status may depend on his income or wealth, but it may also depend upon his capacity to meet production targets. That is for proper incentives towards fulfilling the entrepreneurial or capital accumulation functions, to become operative it is not necessary that decisions relating to the allocation of resources are made by private entrepreneurs in pursuit of maximum profit. They may be made by planners or government officials, the reward may consist in maximisation of production of certain types, and the success of investment decisions in either private enterprise or in planned economies may have, as an accessory incentive, the promise of status and power, regardless of the income earned or the output achieved. In brief, any set of social valuations which confers status, power, and prestige on persons who made allocation decisions or innovation decisions, will display the required incentives for progressive industrial development.

The problem of work incentives is on a somewhat different level. It is, of course, true that the need of survival provides a strong incentive for work in all societies. But there is a profound difference between incentives for productive work in agriculture, especially on a family farm, and as a wage worker in a large plant. To be sure, in societies in which population pressure is extreme and in which individuals are hard-pressed for sheer physical survival, incentives for wage labour are primitive: Hunger will drive men to the factory gates in search for jobs. This happens today in Egypt and India, Indonesia and other countries in which the supply of labour is super-abundant and unemployment a constant reality. But in less extreme situations, there is no direct pressure on the part of actual or would-be workers in mines and industries and plantations. The Western colonising powers met with this resistance on the part of American Indians in the Caribbean and the southern United States and had to import slaves from Africa. In Ceylon and Malaya, the workers on plantations are South Indians, and in other parts of Asia they are Chinese coolies. Considerable population transfers took place in order to create an industrial or quasi-industrial labour force in plantations, mines and other large scale industries in many less developed countries, since this appeared to be a cheaper and more efficient alternative than to provide sufficient incentives for the native population to take up wage work. And in other parts of the world where population transfer was not practicable various forms of taxation or forced labour were used in order to overcome the resistance of peasant and primitive peoples against wage work.

The ideal objective of these and other efforts is, of course, to secure a labour force fully committed to industrial work and the life of industrial labour. A fully committed worker is one who has internalised the norms of the new productive organisation and social system. Hence he responds to the normal incentives set up by the productive organisation and the social system, i e, he has become accustomed to the demands made on him within the industrial nexus and at the same time he is motivated to work, to increased effort, or to special performance by the customary or "normal" rewards which the system holds out for persons asked to engage in these forms of action. The problem of developing incentives for industrial labour among peasant and primitive populations, then becomes primarily a problem of commitment. It would be impossible in the context of this brief essay to develop a full-fledged account of the commitment process and its problems, which has been discussed in detail in a study by James Slotkin, "From Field to Factory", and in a collection of essays, under the title "Labour Commitment and Social Change in Developing Areas", edited by W E Moore and A S Feldman. All I can do, in conclusion, is to provide a very brief and rough sketch of this problem.

A 'Committed' Labour Force

The commitment process essentially consists in a change of cultural values. Some believe that it's a process which has its "built-in" self-propelling force, though they would admit that it may be powerfully stimulated by outside influences. Others believe that it is a process relying mainly on diffusion of cultural traits from the outside, where still others believe that it is a process which can be strongly influenced and manipulated either by political leaders or managers of economic enterprises. It is quite possible that all these views have some validity, and that the degree of their validity varies among developing countries, depending in part on the effectiveness of the "demonstration effect", in part on the degree of "exposure" to the West, and in part on the nature and constellation of indigenous values and cultural traits. The commitment process is, thus, a function of several variables, among them the cultural values in the society in which it takes place. Clearly the success of Japan in adopting an industrial "civilisation" must, in large part, be attributed to the particular constellation of Japanese cultural values which made the introduction of industry and the norms associated with it relatively easy. By the same token, the industrialisation process meets with much greater obstacles in India and Indo-

nesia, even though both countries have maintained much closer contact with the West for a longer time than Japan, and even though, at least in India, obstacles to education and "Westernisation" of a relatively small group of the population were only slight. Here again we must suspect that the cultures of India and Indonesia are important factors in the sluggishness with which values appropriate for industrialisation were introduced in these countries. Hence, in the commitment process, as well as in the process of developing a climate for capital accumulation and innovation, the basic determinant variable is in the realm of cultural values. This makes it useful to regard the system of industrialisation as a cultural complex, and the development of appropriate incentives for work, accumulation, and innovation an outcome of a process of culture change.

Bilateral Trade Agreements

CERTAIN institutional factors play an important role in affecting the level of trade between the centrally planned and developing countries. Some of these factors are associated with differences in economic and social systems, but not all. In particular, bilateral payments arrangements do not seem to be an indispensable feature of the trade of the centrally planned economies: some transferability of balances within the area would probably help in enlarging the scope of trade with the developing countries. Closer and more direct commercial relations would probably also be helpful.

On the other hand, state monopoly of foreign trade and the quantitative regulation of trade within the framework of national plans are characteristic of the centrally planned economies. Existing procedures adopted in trade between the centrally planned economies and the developing countries might usefully be examined with a view to elaborating agreed rules and standards to govern the relations between the two groups. On the one hand, the present institutional arrangements involve the danger that the state monopolies may exploit their superior power and centralised decision-making, creating a fear among their trading partners of unpredictable fluctuations in their purchases. On the other hand, the state monopolies also have the power to enter into long-term trade agreements providing for steadily expanding exchanges over a substantial period of years. Long-term agreements have in the past also been used among private enterprise countries as a means of guaranteeing the demand for primary commodities.

— "World Economic Survey 1962", United Nations.

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Peasant Economy as a Category in Economic History

Daniel Thorner

Insight into economies like that of India is often hindered by the use of unsound concepts.

At the level of India as a whole, such terms as "subsistence economy" or "semi-feudal" structure have obscured more than they have revealed.

At the level of the individual rural household, it has been disastrous for investigators in countries like India to make believe that the ordinary peasant is a little western-style "entrepreneur" carrying on a miniature business "enterprise". Yet the hold of western economics over academic minds is so powerful that research workers on Asia may still operate today in such entrepreneurial terms unwittingly, from sheer habituation to the concepts in which they have been trained.

The difficulty arises, in part, from the lack of alternative categories in terms of which they might operate. We suggest, accordingly, that the time has come to work out sets of better concepts for analysing the economies of countries like India, both at the national level, and also at the level of the individual peasant household.

In the present article we confine ourselves to the economic framework at the national level. Here, as against "subsistence" or "semi-feudal", economy we define and put forward a concept of "peasant economy".

We hold that such a concept can be employed usefully not only for countries like India and Indonesia, but historically and comparatively for many other countries in Asia, Latin America and Europe.

In this way the economy and the problems of India can perhaps be situated in a larger context through time and space and, we hope, studied more fruitfully.

As the concept is used here, we term the entire economy of a given country a "peasant economy" if, and only if, it satisfies **all** *of the following five criteria :*

(i) Half or more of total production is agricultural;

(ii) Half or more of the total working force is engaged in agriculture;

(iii) Half or more of the agricultural production is carried on by individual peasant families working their own holdings primarily with the labour of their own family members;

(iv) An organised state power exists (as distinguished from loose tribal arrangements or decentralised feudalism);

(v) There is a marked city-country difference, with the presence of cities and at least a minimal urban population.

The article concludes with thumb-nail sketches of six cases of "peasant economy" as so defined : Tsarist Russia, Indonesia, India, Japan (to the first World War), Mexico (to the inter-war period) and modern China.

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PEASANT economies, we suggest, have been and still are a widespread form of organisation of human society *. Because of their historical persistence, peasant economies would appear to be well worthy of study in their own right and in their own terms. When we search the literature of agrarian history for discussions of peasant economies we find them scattered among such diverse categories as "subsistence", "feudal", or "oriental". In discussions of the so-called "under-developed" areas, peasant economies are frequently dealt with as conglomerations of "small-scale" units or "minifundia". Or they may be relegated to an intermediate or transition stage between "primitive" and "modern" (or "developed") economies. By contrast, we believe there is hope of rich analytical yield if we can find a way of treating "peasant economies" as a distinctive group.

For this purpose, it is essential to define peasant economy as a system of production and to distinguish it from other historical systems such as slavery, capitalism and socialism. We shall accordingly set out a tentative definition of peasant economy, and then illustrate it by several examples. These will show some of the varied forms which peasant economies have assumed in different continents in modern times. Beneath the apparent variety we shall find in each case a common core.

Before we specify the determining characteristics of peasant economy, we should make our level of analysis absolutely plain. We are dealing here with the features of the whole economy of sizeable countries. Our units will be at the scale of kingdoms or empires (Japan, Tsarist Russia, China), nations (Mexico), and grand imperial possessions (India, Indonesia).

* Many writers have utilised the term peasant economy to describe the functioning of *individual* household units. We prefer to reserve the term for entire economies having certain characteristics which we shall specify in the course of this paper.

We exclude from our coverage little possessions, tiny states, and sub-regions of larger states. Nor do we deal with peasant sectors of economies which, taken as a whole, are not peasant economies. We do *not* exclude small nations. Quite a number of them, e g, Ceylon, Paraguay, Syria, Sardinia, Ireland and Scotland before the Union, have had peasant economies, and a few still do today. But in the present paper we have thought it would be clearer if we presented as our examples only countries of a substantial size.

Determining Criteria

We use five criteria for determining whether the total economy of a given country, nation, or large colonial area is to be taken as a peasant economy. All five of these must be satisfied before an entire economy of a given country can be termed peasant. Our first two criteria relate to production and working population. They are intended to help distinguish peasant economies from industrialised economies, whether capitalist or socialist. In a peasant economy, roughly half of the total production must be agricultural; and more than half of the working population must be engaged in agriculture. In a word, we are saying that, to be termed "peasant", an economy must be primarily agricultural. In a capitalist or a socialist state which has been industrialised, there may remain thousands or even millions of peasants, but we would no longer apply the term "peasant" to such an economy, *taken as a whole*. The question would rather become one of the "peasant" sector in a non-peasant economy; the setting would then be different, and a different level of analysis would be required.

Our third criterion requires the existence of a state power and a ruling hierarchy of a particular kind : one in which the "kinship" or "clan" order has weakened sufficiently to give way to a "territorial State". I am not saying that kinship or kin ties have disappeared, for that would be absurd. Rather I require the passage, in the sense of Moret on Egypt, "From Tribe to Empire" [1], or, in the sense of ancient Greece, the formation of the territorial state [2]. The question of peasant economies in "feudal" regimes is delicate. So are practically all questions involving that ticklish word "feudalism" ! If I were to be forced to specify now what I have in mind, I would say that I am concerned with the economies of the feudal monarchical states of western Europe in the late 12th and 13th centuries, rather than with those of the disintegrated and practically non-urban regimes in the 9th and 10th centuries. Here, however, our fourth criterion also comes into play, the rural-urban separation.

We presuppose, for peasant economies, the presence of towns, and a division or break between these towns and the countryside that is simultaneously political, economic, social and cultural. In practice, or belief, or both, the peasants are held to be a lesser or "subject" order, existing to be exploited by all concerned. In social terms, this is considered to be the "natural order". We do not consider an economy to be "peasant" unless it contains a significant number of towns with a definite pattern of urban life, quite different from that of the countryside [3]. Simply as a rough quantitative indication, we can say that the total urban population should amount to at least half a million persons; or, alternatively, that at least five per cent of the entire population of a given country should be resident in towns. By insisting that a peasant economy must have towns, we wish to do more than establish the mere fact that the economy is not purely agricultural. We posit a fairly marked degree of division of labour in society, and a distinct urban concentration of artisans, or other industrial and intellectual workers of various skills. By the same token we presume that agriculture is sufficiently developed to feed not only the peasants and the governing hierarchies, but also the townspeople.

Our fifth and final criterion, the most fundamental, is that of the unit of production. In our concept of peasant economy the typical and most representative units of production are the peasant family households. We define a peasant family household as a socio-economic unit which grows crops primarily by the physical efforts of the members of the family. The principal activity of the peasant households is the cultivation of their own lands, strips or allotments. The households may also engage in other activities : for example, in handicrafts, processing, or even petty trade. Some members of the family may work, perhaps be forced to work, outside the household from time to time. The household may include one or more slaves, domestic servants or hired hands. But the total contribution of these non-family members to actual crop production will be much less than that of the family members.

In a peasant economy half or more of all crops grown will be produced by such peasant households, relying mainly on their own family labour. Alongside of the peasant producers there may exist larger units: the landlord's demesne or home farm tilled by labour exacted from the peasants, the hacienda or estate on which the peasants may be employed for part of the year, the capitalist farm in which the bulk of the work is done by free hired labourers. But if any of these is the characteristic economic unit dominating the countryside, and accounting for the greater share of the crop output, then we are not dealing with a peasant economy. We also exclude specifically all economies in which the most representative agricultural unit is the Roman-style slave villa or the sugar or cotton-growing slave plantation of more modern times.

Status of Peasant

We may state categorically that in a peasant economy the peasant family members are not slaves. But we shall not try to specify whether the peasants are serfs, semi-free or free. There are, it hardly needs saying, other contexts in which this question is of the highest importance. For the *definition* of peasant economy, however, the distinction is unnecessary, and the effort to make it is likely to prove analytically sterile. We have already indicated that in peasant economies the peasantry as a group is subject and exists to be exploited by others. The peasant may very well have to work one or more days of the week for the baron or the lord of the manor. He may also be obliged to make payments or presents to landlords, functionaries, aristocrats, or other important persons. At the same time, from the point of view

of production, the peasant households constitute definite — one is almost tempted to say "independent" — entities. Because of this duality in their position, these peasantries inevitably straddle the line between free and unfree. In a sense the peasant in such economies is simultaneously subject and master.

Within a particular country at a particular time, many varieties or blends of freedom and unfreedom may co-exist. It is usually difficult to say with any precision what proportion of the peasantry are serfs and what proportion are not serfs. With the passage of time, the proportions may change. In some areas, the working populations have oscillated over the centuries through most of the range from freedom to serfdom and back again.

In a peasant economy the first concern of the productive units is to grow food crops to feed themselves. But this cannot be their sole concern. By definition, they live in a State and are linked with urban areas. They must willy-nilly sustain the State, the towns, the local lords. Hence, in one way or another, they must hand over, surrender, or sell to others part of their food crops. Although the conditions of exchange are such that the peasants usually give more than they get, they may obtain in return a bit of iron, some salt, spices, perhaps fancy cloth for a marriage.

Peasant Economy and the Market

We should be careful not to slip into the trap of imagining a "pure" type of peasant household which consumes practically everything it produces and practically nothing else, as distinct from an "impure" type which produces for a market as well as for its own immediate needs. The latter is historically more common and more characteristic. In point of fact, the household units in peasant economies frequently dramatise their dual focus by growing two crops. The first is the cereal essential to their own sustenance and that of society as a whole; the second is much more likely to be a non-foodgrain (perhaps a fruit, fibre, or oilseed) produced precisely with an eye to barter, sale or exchange of some sort. It is as habitual with peasants in many areas to grow two crops as to walk on two feet.

We are sure to go astray if we try to conceive of peasant economies as exclusively "subsistence" oriented and to suspect capitalism wherever the peasants show evidence of being "market" oriented. It is much sounder to take it for granted, as a starting point, that for ages peasant economies have had a double orientation toward both. In this way, much fruitless discussion about the nature of so-called "subsistence" economies can be avoided.

We might say that in a peasant economy roughly half or more of all agricultural production is consumed by the peasant households themselves, rather than being "marketed". We do not, however, include as "marketed" produce those foodgrains handed over around harvest time by indebted or dependent peasant families to the local landlords, merchants, or moneylenders, and subsequently doled back before the next harvest, generally on unfavourable terms, to the same peasant families. Such foodgrains, in our view, have not passed through an organised market process. They have not moved on, via genuine commerce, for consumption by parties other than the original producers. Instead, they have remained in the village where they were grown and have returned to source, to the original producers. In effect, the productive unit is the household, and the consumption unit is the same peasant family household. This is certainly not the indirect process, mediated by a market, which is characteristic of capitalist agriculture. Instead, in a peasant economy, the movement of foodgrains inside the village away from the producing family and back again to that same family is tied in with long-established modes of economic domination and exploitation. When such relationships are typical at the village level, we have an almost sure sign, in an agricultural economy, that we are dealing with a peasant rather than capitalistic structure.

To summarise, we have defined peasant economies in terms of the predominance of agriculture, both in total product and in the working population. We have required the existence of a territorial state, and a separation between town and country. We have indicated that the characteristic unit of production must be the peasant family household with a double orientation, that is, both to its own sustenance and to the greater world beyond the village. We must emphasise that no single one of these elements will suffice to determine whether or not a given economy is indeed a peasant economy. All these features must be found together and must relate to the economy of of a whole country.

II

When we look for examples of peasant economy, in terms of the set of criteria just listed, we find many different kinds scattered throughout recorded history and in all continents except Australia. We shall discuss, in the present paper, only six examples, all within the 200 years since 1750. There are several reasons for limiting ourselves to the period of the Industrial Revolution and its aftermath. It is, in the first place, the period with which I am most familiar. The modern age is the one for which we have the best documentation, particularly in terms of quantitative materials. More important, under the impact of the expanding industrial system, the 200-odd years since 1750 have witnessed the most fundamental transformations in peasant economy known in history. We ourselves are living witnesses of this process of transformation, which is still continuing; in fact, it is accelerating before our eyes. We are in a position to study at first hand both the nature of peasant economies and the ways in which they resist or yield to change.

As illustrations of cases of peasant economy in this era of change, I propose to characterise in a few words the salient features of the economic structure of six different countries. Any such characterisation in so limited a space must necessarily appear incomplete and somewhat impressionistic. For this I apologise in advance. My purpose is solely to draw your attention to a few of the chief aspects of each case. My examples are Tsarist Russia, Indonesia, Mexico, India, Japan and China.

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Tsarist Russia

Among the peasant economies of the 19th century that of Tsarist Russia had the richest and most complicated history and has left us with the largest literature. As a group, Russian scholars carried the analysis of peasant economies further than anyone else, and were perhaps the first to formulate a theory of peasant economy[4].

In the century and a half before 1917, the imperial structure of Tsarist Russia was expanding outwardly into Siberia, while inwardly it was decaying at home. In terms of peasant economy, the most distinctive feature of the countryside in the late Tsarist era was the close interdependence of landlord estates, *mir* (village community) lands and rights, and small peasant holdings. In the centuries before the emancipation of the serfs in 1861, the bondage of the peasantry guaranteed the landlords the labour supply needed for their estates. The emancipation enabled cultivating peasant families to get more land of their own, provided they could raise oppressive redemption payments. The size and importance of the old landlord estates was much reduced. By the late 19th century individual peasant tenures were gradually increasing in importance.

In the decades before the first World War, a growing proportion of the peasantry devoted themselves to producing for the market with the aid of regularly hired agricultural labourers. In the same period there was a rapid expansion of railways, cities, commerce, and factory production on capitalistic lines. The significance of the growth of capitalism in city and country became a hotly debated national issue. Criteria were advanced for distinguishing peasant production from capitalistic agriculture. Many of the questions taken up in the present paper were posed at that time, in one form or another, in the works of Chernyshevsky, Danielson (Nicolai-on), Hourwich, Plekhanov, Kossinsky Lenin, Chayanov, and others.

In the decades after the revolution of 1917, Russia ceased to be a peasant economy, emerging instead under socialism as both urbanised and industrialised.

Indonesia

Under the Dutch, Indonesia constituted one of the oldest and most striking examples of colonial rule in both of its major forms, "direct" and "indirect". For some decades in the middle of the 19th century, the peasants were compelled, under the so-called "culture system", to grow certain crops which the Dutch wanted to export. After that policy was given up in 1870, the Dutch energetically developed large plantations for the growth of export crops. For their labour supply for these plantations, the Dutch drew on the peasants from the bordering villages. There emerged, particularly in Java and Sumatra, a pattern of large plantations, village communities with group rights in land, and small peasants among whom, in the course of time, the sentiment for individual family holdings deepened.

Although the parallel must not be pressed unduly, the pattern of large estates and their labour supply, village community rights in land, and ascendant feeling for family land, bears some resemblance to late Tsarist Russia. The missing element was *indigenous* capitalism which, in a colonial setting, was practically negligible, both in city and country. As of 1949, when the Dutch relinquished control, Indonesia had very little modern industry and a quite limited urban population — barely enough, in fact, to qualify under our criteria as a peasant economy.

Mexico

Striking similarities between the peasant economies of Java and Mexico have already been observed and discussed in an important article by Eric Wolf[5]. In Mexico, during the century after the end of Spanish rule in 1823, we find a pattern of large estates (haciendas), unfree labour supply (peonage), weakening village community rights in land, and a very slow growth of individual family holdings.

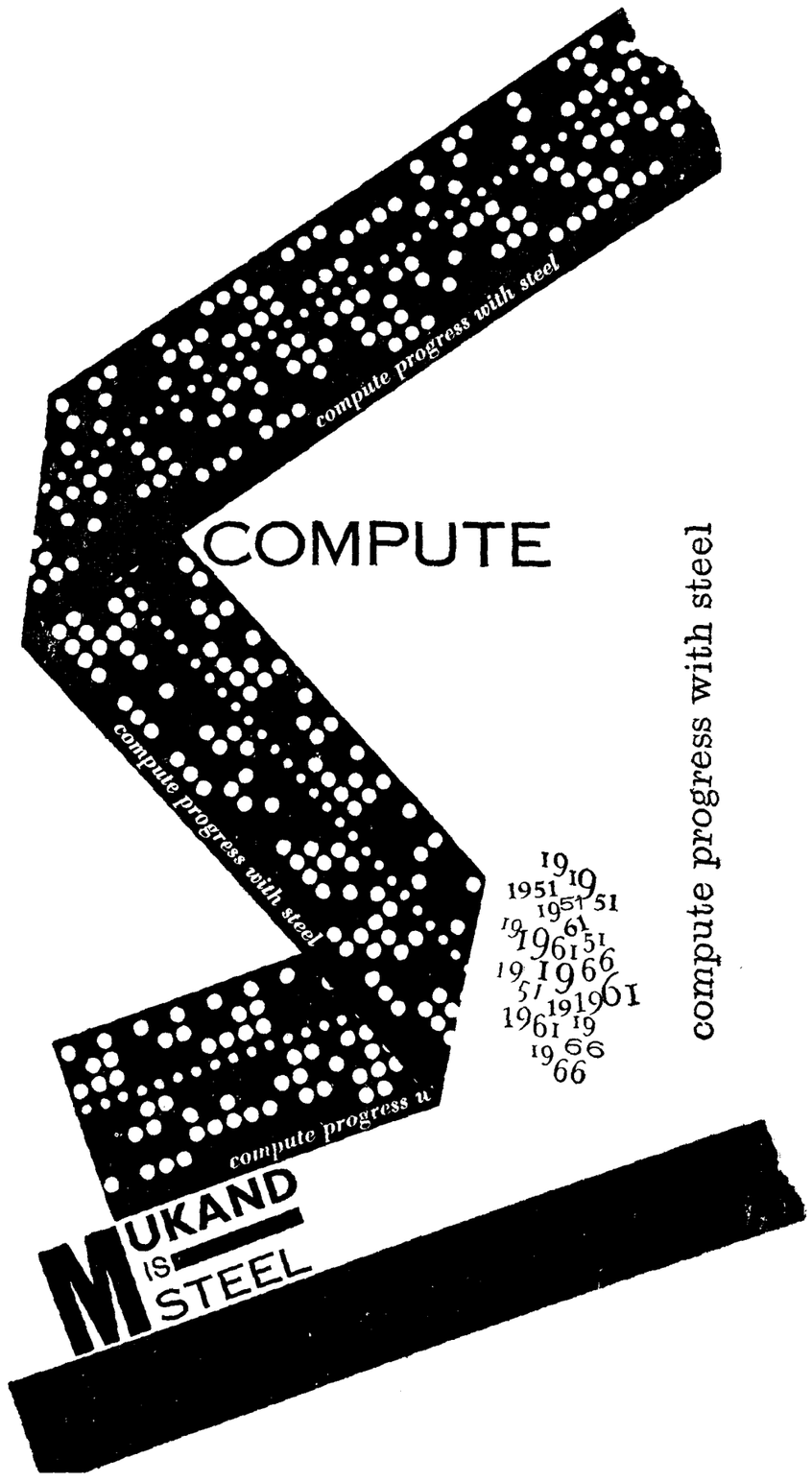
A great part of Mexican history in the twentieth century turns on the savage struggle of the peasants for land and for resources with which to cultivate it. The revolutionaries, especially those led by Zapata, at first demanded and obtained in principle, the restoration of village commons which had been seized by the great landholders. In practice, however, very little land was handed back to the villages under restoration proceedings. By 1915 the revolutionary programme called for taking from the great estates land which had not previously been held by the villages, and endowing the peasantry with it. This endowment policy was implemented so vigorously under President Cardenas in the 1930s, that eventually more than 30 per cent of the villagers in Mexico received grants of land. Tens of millions of hectares were transferred either to individual smallholders or to communities (*ejidos*).

Once set up, however, the ejidos failed to fulfil the high hopes placed in them. Much of the land turned over to the peasantry was poor in quality and in water supply. The amount of agricultural credit supplied by the Government through the Ejidor Bank has been grossly inadequate. Moreover, the funds tended to be directed toward the good risks among the peasants, that is, the peasants with the most fertile land, preferably irrigated. Among the less fortunate peasantry some have leased their lands to the better-off, and gone to work for them as hired agricultural labourers. Meanwhile, there has arisen, with the aid of private credit, a new large-scale agriculture utilising modern techniques to produce profitable export crops.

During the present century industry has expanded rapidly in certain parts of the country, thanks in large part to substantial foreign investment. Hundreds of thousands of peasants have left their villages to find work in the rapidly growing cities. In recent decades well more than half of the national product has been non-agricultural; and now half of the country's population is urban. Mexico has left her phase of peasant economy (as herein defined) well behind.

India

Up to 1947, India, like Indonesia, was a colonial empire in which both "direct" and "indirect" rule prevailed. In India, as compared with Indonesia, the plantations and other large units of cultivation occupied a very minor position in the economy as a whole. There



were great landlords in India, some of them holding hundreds of villages. But cultivation almost everywhere was by peasant families, most of them working very small amounts of land.

Caste and untouchability are distinctive characteristics of India. One of the principal economic functions of caste in the countryside has been to emphasise the inferiority of the lower castes who have for ages served their superiors as a cheap, dependent supply of agricultural labour. Few observers would be so rash as to say that caste has stopped serving that function in the villages of contemporary India.

During their regime, the British developed in India one of the half-dozen largest railway systems in the world. Along with this appeared many other elements of what, in economists' jargon, is called the "infra-structure" of development. Around Calcutta, Scottish houses developed a jute manufacturing industry, while in Bombay and Ahmedabad Indian entrepreneurs built up several hundred cotton textile mills. Since India attained independence in 1947, the government has thrown its weight behind the rapid development of a comprehensive range of heavy industries. In the 1950s, agriculture, principally carried on by small peasant families, still accounted for roughly half of the total national product. India is today still a peasant economy.

Japan

Less than 50 years after the Meiji Restoration of 1868, Japan had ceased to be a peasant economy. There is by now a vast literature assessing this apparently abrupt and dramatic revolution. The leading authorities today agree that the foundations for this genuine and rapid economic transformation antedate the 1868 restoration and go back, particularly in agriculture, far into the preceding period, the Tokugawa era.[6]

It was in the Tokugawa period, roughly from the seventeenth to nineteenth centuries, that the Japanese countryside took on the pattern of cultivation in small units by individual peasant families which has persisted to the present. Taxes were collected in kind from the villages for the great feudal overlords and amounted at times to as much as 60 per cent of the crop. The warrior class, for the most part, had been gathered up into the castle towns where they lived on rice stipends. In the relatively few large holdings which remained, cultivation by serfs (*nago*) and servants. Gradually gave way to tenancy. The 1720 reform, which permitted the mortgaging of land, was followed by the emergence of a group of moneylender-landlords (rich peasants, town merchants, petty rural capitalists, village headmen) whose tenants were often the original cultivating owners.

After the Meiji Restoration of 1868, the peasant proprietors were freed from their feudal obligations and confirmed in the ownership of the land they cultivated. The old rice levies were supplanted by a fixed annual tax in money payable to the State. At first a heavy burden, these taxes declined progressively in real terms with the long-run rise in the prices of agricultural products.

On the other hand, the need to raise cash to pay the taxes placed the small peasant — always at the margin of his resources — in the position of having to sell his crop at the most unfavourable moment, immediately after the harvest. The same situation worked to the advantage of the richer peasants who sometimes acted as rice brokers.

For tenants, the Meiji reforms brought no benefits. They still had to pay rents in kind and at the rate of about half of an average crop. The rise in the price of rice did not help them, since they marketed so little. In the early 1880s, about one-third of all arable land was worked under tenancy; by the time of the first World War, the fraction had increased to nearly one-half.

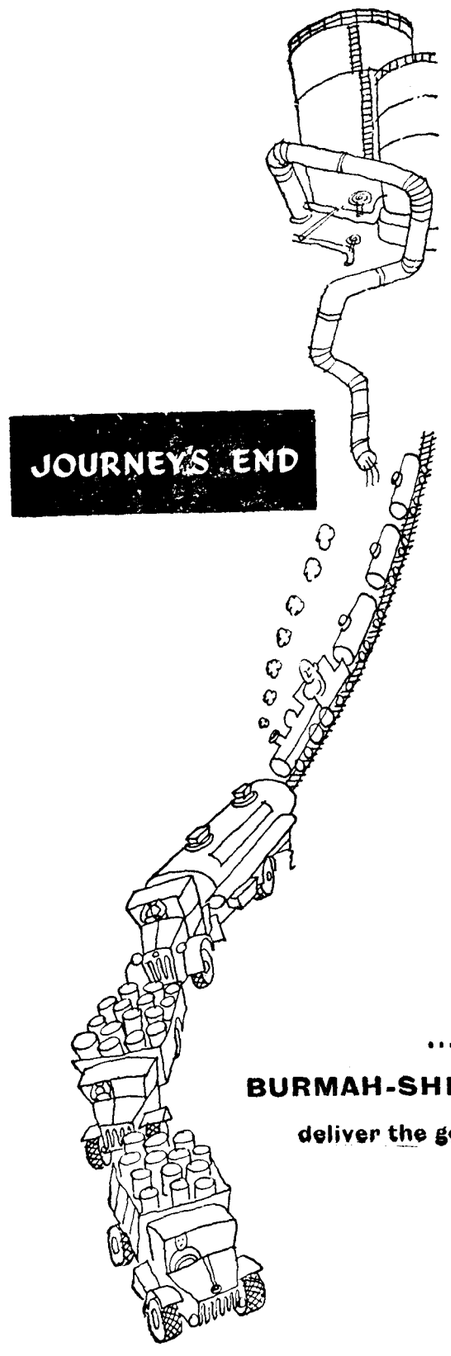
The average area worked by Japanese peasants (i.e. the total of the several scattered strips cultivated by the household) was about one hectare (2.47 acres) around 1868, and remained, for most households, roughly the same right up to 1918. In the fifty years after 1868, the total output of rice in Japan nearly doubled, partly because more land was brought under cultivation, but mostly because of an increase in output per acre of the order of 50 per cent. During this period, population increased by roughly 60 per cent. Nonetheless, the level of living went up.

The story of the fostering of modern industry by the Meiji regime is too well-known to need summary here. One of its important results for the countryside was that the natural increase of rural population was siphoned off by the towns and cities. Thus the size of the agricultural population of Japan remained roughly the same (around five and one-half million households) from 1868 to 1918. We must also note that the agricultural households themselves engaged increasingly in non-agricultural side activities, such as handicrafts and other rural industries. Whereas less than one-quarter of the peasant households had such activities in 1884, more than one-third were so recorded by 1919.

The decline in the relative position of agriculture in modern Japan can be indicated in three ways. First, the proportion of the population living in villages, usually defined for Japan as places with less than 10,000 inhabitants: this percentage was put at 87 per cent in 1888, then at 68 per cent in 1918, and fell to 50 per cent in 1940. Our second indicator is the proportion of the total working force returned as in agriculture. According to Professor Ohkawa, one of Japan's foremost authorities, this proportion stood at 76 around 1880, at 59 around 1915, and at 44 around 1940. Lastly, the percentage contribution of agriculture to total national income; again following Professor Ohkawa, this stood at 64 per cent around 1880, dropped sharply to 36 per cent around 1915, and fell to only 17 per cent around 1940. In terms of our first criterion of peasant economy, contribution of agriculture to total national production, Japan, by the eve of the first World War, had unmistakeably stopped being a peasant economy.[7]

China

As in India and Japan, the agriculture of China for several centuries before 1950 had been the *petite culture*. Nearly all crops were grown by families holding roughly on the average about one hectare (somewhat more in the



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wheat areas of the north, somewhat less in the rice areas of the south). These holdings were generally made up of tiny, uneven, scattered patches. Family members themselves did the farm labour; only a very small percentage of the cultivators, the best-off ones with the most land, used much hired labour.

Before the Revolution of 1911 there was much tenancy in China; and, as the century advanced, more peasants had to give up the ownership of part or all of their land. By the 1930s, half, or more than half, of the Chinese peasants were tenants or petty owners-cum-tenants. Rents generally were paid in kind and amounted to 50 or 60 per cent of the crop. Paying such heavy rents on their tiny holdings, the Chinese peasantry could not make do from the land alone. For most of them, unfortunately, there was insufficient alternative work.

The peasant handicrafts, which had traditionally offered supplementary employment, weakened before the competition of machine-made goods from Japan and the West. The development of modern cities was very limited and entirely inadequate to drain off (as in Japan) population from the countryside. Instead, about 70 per cent of the population continued to work in agriculture.

The difficulties of the peasantry were compounded by multiple exactions by landlords, warlords, usurers, and petty government officials. They suffered further in the course of wars, invasions, famines, civil war and revolution.

In the years since 1950 the Peking regime has exerted tremendous efforts to transform this peasant economy. In the cities there has been an immense development of modern industry. In the countryside the vast programme of land reform began by taking away the properties of the landlords and redistributing the land in small bits to the peasants. This has been followed by a series of efforts to encourage or to impose large scale cultivation : mutual aid in the form of work teams, village cooperatives, collective farming, and the establishment of very large rural communes.

We are not in a position to assess the extent to which these programmes have reduced the importance of peasant family cultivation in Chinese agriculture. Nor do we know whether agriculture contributes half or more of the total national product. It is hard to say with any assurance whether or not China is still a peasant economy.

* * *

Since our six examples of peasant economy have been drawn from the modern world, we have been more explicit with regard to those criteria separating them from industrial economies than to those separating them from slave or "tribal" systems. We have, in effect, dealt only with peasant economies in their "high" or "late" phase. Nonetheless, we have seen that conditions differed in several important respects, which may be worth listing:

indigenous or colonial rule;

small-scale cultivation only; or small-scale juxtaposed with large-scale cultivation and, if the latter, the arrangements for labour supply on the large-scale units;

individual family holdings of land only; or individual family holdings in the context of larger group holdings or village community rights in land:

hierarchy of peasantry at the village level; existence and social role of a class of agricultural labourers;

urbanisation and industrialisation as factors in reducing the relative importance of the peasantry in the economy taken as a whole, and in leading to the transformation of peasant production.

We might say we have sketched in a preliminary way cases of countries at the exit, or seeking the exit, from peasant economy. It would, of course, be possible and desirable to take up cases of entrance into peasant economy. In the largest sense, the study of peasant economies should encompass the whole process of their appearance, the changes they undergo through time, and the ways in which they become — or fail to become! — transformed into modern industrial economies.

III

It may be of interest to situate peasant economy, as we have defined it, in relation to Karl Marx's well-known modes of production. Our peasant economies include societies falling under both Marx's feudal mode of production and his "Asiatic Societies". In addition, they take in those periods of history which he characterised as marked by small peasant agriculture and which he treated as transitions from one main mode of production to another.

We believe that our broader grouping, peasant economy, is justified analytically in terms of the common characteristics which we have just discussed and illustrated. It would, of course, be possible to extend the term "feudal" (with or without the prefixes "semi–", "proto–" and "pseudo-") to cover this whole range, but that would be unfortunate. The term feudalism originated in western Europe and carries with it a set of specific connotations. We cannot help but be reminded of the feudal lord, the vassal, the fief, the feudal contract, the manor, and the serf. This full complex of phenomena, however, occurs only in a small number of centuries in quite confined areas of extreme western Europe and Japan. Peasant economies, by contrast, existed long before feudalism, alongside of feudalism, and long after it. They persist in our contemporary world. No matter how the content of the term is thinned out, feudalism cannot serve to cover a historical canvas stretching east-ward from the Caribbean to the China Seas.

From our perspective, European feudalism of the high Middle Ages may be seen as embodying a particular form of peasant economy. Nothing is gained by trying to view *all* peasant economies as variations of that one rather special form. The time has arrived to treat European experience in categories derived from world history, rather than to squeeze world history into western European categories.

Notes

1 A Moret, "From Tribe to Empire", (London, 1926).

2 The area of the ancient Greek states, however, was so small that most of them would have to be excluded from our consideration because of failure to meet our initial precondition of sufficient size.

[5] There is much literature on the separation between city and country. For the 18th century see Sir James Steuart, "An Inquiry into the Principles of Political Economy", Vol I (London, 1767). Marx considered that the entire economic history of human society could be summed up in the movement of the antithesis between town and country. See "Capital", Vol I, Part IV. ("Capital," Vol I, edited by Dona Torr, London, 1939, p 345: for the German original, see the Volksausgabe, Moscow, 1932, Vol I, p 369). Robert Redfield was one of the 20th-century writers much interested in this theme, particularly in cultural terms. See his study "Peasant Society and Culture" (Chicago 1956). In an interesting article, Lloyd A Fallers has carried forward Redfield's line of work: "Are African Cultivators to be Considered 'Peasants'?": *Current Anthropology* (Chicago, April 1961), Vol II, pp 108–110.

[4] The leading scholar appears to have been A V Chayanov, a number of whose studies were translated into German in the 1920s. Of these, one of the most fundamental was *Die Lehre von der bauerlichen Wirtschaft*, translated by F Schlomer and published in Berlin in 1923. In the German transliterations, Chayanov's name is given as Tschajanow or Tschayanoff and is so listed in most catalogues. (Chayanov's book has just been translated into English, and is to be published in 1964).

[5] "Closed Corporate Peasant Communities in Meso-america and Central Java", *Southwestern Journal of Anthropology*, Spring, 1957, Vol 13, pp 1-18. See also Wolf's suggestive comparisons in his article "Aspects of Group Relations in a Complex Society: Mexico", *American Anthropologist*, December, 1956, Vol 58, No 6, pp 1065-78.

[6] See, for example, R P Dore, "Land Reform in Japan" (London, 1959), Ch I, and T C Smith, "The Agrarian Origins of Modern Japan", (Stanford, 1959).

[7] The data of Professor Ohkawa are taken from the comprehensive summary article which he and Henry Rosovsky prepared under the title, "The Role of Agriculture in Modern Japanese Economic Development". This appeared in *Economic Development and Cultural Change* (University of Chicago, October, 1960), Vol IX, No I, Part II pp 43-67. This issue of *Economic Development and Cultural Change* was a special number devoted to the topic, "City and Village in Japan", and contains many other relevant contributions.

In the field,
I toil my utmost
for better yields. With enemy
on our soil, every
extra kilo produced by
me will pave the
way to our victory.

I AM A
JAWAN
TOO!

Let each of us
produce 100 grammes
more per kilo from
our land and these
little bits will add up to a mighty
force in our national defence.



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Planning of Land Settlement Schemes

A Geographer's View

B H Farmer

"It is only after a good deal of heart-searching that I have brought myself to believe that in contemporary Ceylon, for example, the intensification of agriculture on land already under cultivation ought to have priority over the extension of agriculture to new lands."

Dr Farmer argues that the resources of undeveloped land in countries like India are often more apparent than real, not only because of misleading statistics — like the Indian figures for "culturable waste" — but because cultivability demands positive qualities in land, and often data on these qualities is misleading, or, alternatively, show them to be present in only a proportion of the land apparently available.

[This is the English text of a paper read in French in Paris, April 1963, at the Ecole Pratique des Hautes Etudes, Sixieme Section, Sorbonne, before the joint seminars of Professors J Bertin and D Thorner.

A Lecturer in Geography, University of Cambridge, Dr Farmer is the author of "Pioneer Peasant Colonization in Ceylon" (Oxford University Press, 1957). He is currently in India, studying the land colonization schemes under way in Central and South India.]

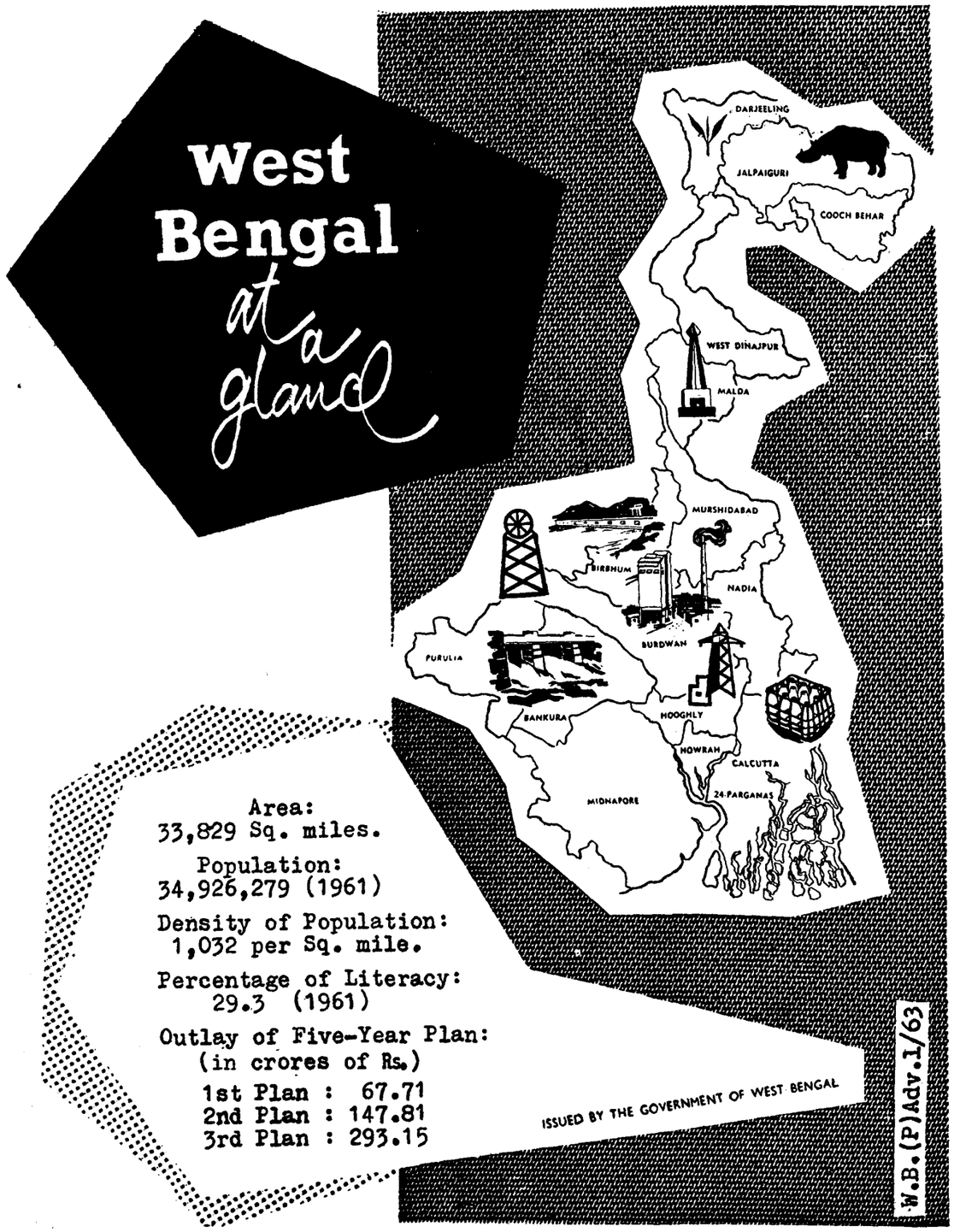
I SHALL discuss here those planned land settlement schemes which in the Punjab, in Ceylon and elsewhere are known as "colonization schemes". To speak in this way, is, of course, to use the term in a restricted sense: *not* in the wide sense, as when one speaks of the European colonization of colonial territories. I shall be concerned with colonization as conceived and planned by Government in order to encourage settlement for agricultural purposes by indigenous peoples in areas previously unpopulated or only scantily populated: as, for example, in the Punjab Canal Colonies, or in the colonization schemes of the Dry Zone of Ceylon.

My point of view is, I suppose, that of an agrarian geographer, though I do not really like to arrogate to myself that or any other title. Not, of course, that "Geographe agraire" is a title to be ashamed of. Daniel Faucher showed in his book "Geographie Agraire: Types de Cultures"[1] that the agrarian geographer has his own way of looking at agriculture, different from that of the historian, the agronomist, the economist and the economic geographer. If the boundaries between the fields of study of these specialists have grown less distinct since Faucher was writing in 1946, it is partly because each has learnt from the others. Further, there seems to be growing and welcome recognition that many agrarian problems need to be attacked from several different directions simultaneously: it appears to me to be true of agrarian problems *in general* that they lie "between different studies — economics, history, geography, anthropology and sociology" — though these words were used by Doreen Warriner, in her lectures in Cairo on the occasion of the fiftieth anniversary of the National Bank of Egypt, specifically of the reform of institutions of land tenure.[2] Certainly, those of us who were concerned with planning a programme on recent agrarian developments in Asia and Africa, in connection with the International Economic History Conference held last summer at Aix-en-Provence, found it necessary to attract scholars practising in all of these, and other fields.

Integrated Approach Necessary

Perhaps it is also the case that boundaries between disciplines as known in Europe are less relevant in Asia and Africa, or even irrelevant.[3] I have been wondering recently whether boundaries between subjects as we know them have not risen from our own cultural history. For example, do we not separate economics from sociology because of the extent to which we have come to separate economic from other forms of human motivation? If so, is the corresponding boundary so meaningful in, say, an Indian context? I do not, however, propose to pursue this question further now.

However many specialists, singly or in combination, are concerned with colonization schemes as an aspect of agrarian affairs, the agrarian geographer is certainly interested in them, if only because for him such schemes supply the equivalent of the scientist's controlled laboratory experiments in a way almost unique in the whole field of human geography. We may all argue for an eternity about the course of, say, Anglo-Saxon settlement in England or Cornish settlement in Brittany, and about the forces and factors that influenced the settlers, whether physical, or cultural, or historical; but only one thing is certain — that we are unlikely to reach certainty. But in the case of recent, planned colonization schemes one can see in nearby areas nature as it was before settlement began; one can see in the field the actual process at work by which settlers adjust themselves and their technology to the natural environment — or fail to do so; one can see shifts of Government policy reflected in the landscape. In other words, one can, like the scientist in the laboratory, make an estimate with some degree of precision of the forces that are at work — in this case, moulding the settlement pattern which one sees growing before one's eyes. I, for one, find this a fascinating study. But it is not without its dangers. For, with one's geographer's eyes, one is so fascinated by colonization (as I have defined it) that one is inclined to overweight its importance in the economy of the nation concerned; one comes, as it were to have a vested interest



Water on the surface is, of course, as important a consideration as water in the ground, especially insofar as irrigation is necessary for climatic or agronomic reasons. I shall say nothing in detail about the planning of irrigation, except to make one point: that here is one sphere in which the Orientalists, who may feel themselves neglected by the modern world of scholarship and action, can come into their own. In Ceylon, for example, colonization in the Dry Zone has depended largely on the restoration of ancient irrigation works, and has been considerably assisted by detailed research, based on ancient literary sources as well as on field study, on the nature and functioning of these works.[11] On the whole, however, the assessment of irrigation potential hinges firmly on work by hydrologists and engineers, such as is being done at the present moment in the Lower Mekong basin.[12] It is important, however, that these specialists should not work in isolation but as members of a team that includes geographers, foresters and others able, for example, to estimate from consideration of the present land use pattern how severe is the danger that reservoirs and channels will choke with silt. This appears to be a subject on which not enough is known, if we are to judge from the fact that estimates of the time that would be taken so as to choke the Gal Oya reservoir in Ceylon varied from less than twenty years to 1350 years ! ! ![13]

The assessment of land and water resources is not, however, something that can be done in isolation, as though these resources were measurable in absolute terms which remain constant for each and every case. Resources are only capable of realization in terms of a given technology, whether agricultural or irrigational. In many parts of tropical Asia, for example, planners must think in terms of the traditional techniques of rice-cultivation and estimate the resources accordingly; that is, they must consider the area under review in terms of the suitability of its soils for rice, and assess the area irrigable in terms of the demand of rice for water, given local techniques (which may be very wasteful of water). They must also ask themselves how local peasants, using techniques available to them, will be able to use land that cannot, because of altitude or slope or sheer lack of water, be brought under irrigation.

In these attempts, there have been many failures. The irrigable area has been laid out on assumptions about water use that have no validity in local practice, and irrigation engineers (who tend to dominate this part of the planning process) tend to lay out channels to suit their carefully-surveyed contours and to decide that all land below the channel is rice land, all above it unirrigable garden land, ignoring all surveys in the process.[14] There are colonization schemes in Ceylon where the unirrigable gardens lie high above the water-table, so that cocoanuts and other valuable tree-crops will not grow, and the wells remain as dry and empty memorials to the folly of leaving everything to the irrigation engineer. Once again, a team of planners is essential.

Social Consequences

But man cannot live by bread alone, and least of all in an oriental society are economics and technology the only social considerations. It is important at the planning stage to know something of the settlement pattern and land tenure customs of people already in the area under review. Again, the outlook of the engineer can be frightening. In the Anuradhapura area of Ceylon there are numerous villages already established, each round its tank, each a social unit. Yet the engineer is apt to argue that the most efficient solution, in terms of water-use, is to sweep away all those villages and to start *de novo* with large channels along the watersheds. He may, of course, be right, given his limited framework of reference, but we ought not to disturb these villagers without being fully aware of the technological and social consequences of what we plan.

At this point you may think me very conservative, wishing to preserve local technology and society, however backward. This is not, however, my point of view. I do not rule out planning for changes that appear desirable — saving water, growing sugar instead of rice, irrigating from channels instead of tanks. But I insist that we must first understand why the peasant does things as he does them (for the road in the Tropics is littered with the debris of attempts to introduce a new technology wholesale, without stopping to learn from indigenous practice), and that we must try to be aware of the social as well as the economic consequences of what we plan. This is not a job for the mere engineer.

You may also say, rightly, "But what of the cost of all that you plan and what will be the return?" It is, of course, of vital importance to apply the sophisticated techniques of cost-benefit analysis that have been evolved to the initial study of potential sites for colonization and for attendant irrigation and other works. It is eminently desirable to assess the cost-benefit ratios, too, for a series of alternative schemes for achieving the same end; for example, the merits of a dam at "A" compared with a dam at "B" or a series of small dams at "C", "D", and "E"; or the merits of this cropping pattern as against that; or of a system of brand-new channels as against the old tanks — though in that case some estimate may have to be made of the social cost of disturbing the established socio-technological system, and that may prove unquantifiable. There is also a need to try to assess not only the *internal* economic efficiency of a proposal, but also its external costs and benefits. For example, the Mahaweli Ganga scheme or the Lower Mekong scheme, may affect not only the area to be irrigated but also that much lower down, which may on the one hand be saved from floods but on the other hand lose its annual tribute of beneficial silt, or even become subject to an inflow of brackish water from the sea through deltaic distributaries no longer able to preserve a seaward flow of fresh water.

No doubt the evolution of sophisticated techniques of relating benefits to costs is a task for the economist. But there seems to me no reason why others should not apply them; and, once again, so complicated and inter-related are the quantities demanding measurement that work by a team seems to be indicated.

But I must hurry on, saying nothing of the detailed planning of a colonization scheme (many of the problems of which have already in fact been touched on, since they are often the local aspect of a general problem).

(c) *The Choice of Colonists*

Let us turn to the question of the choice of colonists. This cannot altogether be separated from the exercises already outlined, for clearly consideration of technology and of social problems must be in terms of the groups who are to be involved. Often, moreover, the authority has no choice where some or all of its potential colonists are concerned. In the Terai scheme in Uttar Pradesh, for example, most of the colonists are refugees from Pakistan who just had to be accommodated. Frequently some at least of the colonists will have to be those who have been dispossessed by reservoir construction. Where a choice has been open to the authorities, there has often been great confusion of aims about the purposes for which selection has been made. In Ceylon, for example, there has been, and still is, confusion between two possible aims of colonization: is it, in the first place, to maximize production? Or is it, in the second place, to assist the landless and the impoverished? If the former, then rigorous economic considerations should be applied; colonists should be first and foremost good cultivators, innovators too if a switch to new crops and new methods is desired or is demanded by the cost-benefit analysis. If the latter, then maximum neediness must be the criterion — a criterion remarkably hard to apply in a society where, strangely, it is not easy to say who is "landless" as the term is usually understood.[15] In practice, colonists are selected by an imperfect application of the second criterion but expected to behave as though they had been selected according to the first. In view of this problem I was led some years ago to suggest that colonies in Ceylon should be divided into two distinct categories, "Economic Colonies", where the first criterion would be applied, and "Welfare Colonies", subject to the second.[16] At least one would then know the degree of subsidy involved and accounting would have a greater air of reality.

(d) *Tenure in Colonization Schemes*

I have left myself very little time in which to say anything about the system of tenure to be applied in colonization schemes, and perhaps it is just as well, for this is a thorny issue. Some have argued that colonists should be allowed to institute their traditional land-holding practices on entering a colony, especially if they move in village groups. But most Governments have been unable to resist the temptation to introduce new forms of tenure which in one way or another are restrictive; people must be members of a cooperative or they are forbidden to alienate or divide their land on inheritance. Usually the motives, once again, are mixed — to recreate a formerly idyllic state of society (which probably never existed) or to achieve this or that economic end. In my experience the results of "imposing" a form of tenure are usually not those envisaged by those who planned them.[17]

(e) *Appraisal*

This brings me to my final point — the need for constant evaluation and appraisal of results in colonization schemes. I am fundamentally an empiricist. I have grown more and more sceptical of efforts to forecast exactly what will happen when this or that scheme is implemented, however careful the planning, however single the aim, however wide the composition of the team of planners. So often, in practice, the unexpected happens. For this reason alone, quite apart from the interest of colonization as an experiment in settlement geography, I consider it essential that there should be a constant watch on young colonization schemes, so that as far as possible, local, mistakes may be rectified and broader issues of policy reviewed. I do not believe that this can be done except by field studies, for only thus do the forces at work begin to be apparent.

Notes

1 Daniel Faucher: *"Geographie Agraire: Types de Cultures"* (Paris, Libraire de Medicis, 1948). Also, his "Reflexions sur la methode en geographie agraire", *Les etudes rhodaniennes*, 21 (1946), 87-92, recently reprinted in the first chapter of Professor Faucher's volume, *"La Vie Rurale vue par un geographie"* (Toulouse, Institut de Geographie 1962).

2 Doreen Warriner: "Land Reform and Economic Development", National Bank of Egypt Fiftieth Anniversary Commemoration Lectures (Cairo 1955), p 3.

3 This is not to say that I approve of the idea of economic dualism of which the Dutch economist, J H Boeke wrote. See W F Werthein *et al.* (editors), "Indonesian Economics: The Concept of Dualism in Theory and Practice" (The Hague, W van Hoeve, 1961).

4 B H Farmer, "Pioneer Peasant Colonization in Ceylon" (London, etc, Oxford University Press, 1957).

5 P T Bauer "Indian Economic Policy and Development" (London, Allen & Unwin, 1961), p 63.

6 Reports on Location and Utilisation of Wastelands in India (Delhi, 1960-61).

7 F R Moormann and R Dudal, "Major Soils of South-east Asia", address given at Kuala Lumpur for the regional symposium of the International Geographical Union, 1962; see also, F R Moormann, *"Les sols de la Republique du Viet Nam"*, (Saigon 1961), pp 45-6.

8 See, for example, H Brammer, "Soils of Ghana" (Kumasi, Department of Agriculture, Soil Studies and Soil Utilisation, 1958): and "A Report on a Reconnaissance Survey of the Resources of the Walawe Ganga Basin, Ceylon" (Colombo, Government Press, 1960).

9 See H Gaussen, "The Vegetation Maps", *Institut Francais de Pondichery, Travaux de la Section Scientifique et Technique*, 1 (1959), 155-179; H Gaussen, P Legris and M Viart, "Explanatory Notes of Vegetation Map, Cape Comorin", published separately, No 1, 1961; International Map of Vegetation", Sheet "Cape Comorin," 1961.

10 B H Farmer, *op cit*, 227-32 and 249-55.

11 R L Brohier, "Ancient Irrigation Works in Ceylon" (Colombo, 1934-5); C W Nicholas, "A Short History of Irrigation Works up to the Eleventh Century", *Journal of the Royal Asiatic Society (Ceylon Branch)*, new series, 7 (1960), 43-69. For a number of reasons, however, it is important to use with care the reconstructions of ancient methods of irrigation. One cannot simply assume that *all* the ancient works ever functioned at the same time; a map which showed all of them might be something of a palimpsest.

12 Gilbert F White *et al*, "Economic and Social Aspects of Lower Mekong Development" (Bangkok, 1962).

13 R H Farmer, *op cit*, 191-4.

14 "Report of the Land Commission", Sessional Paper 10 of 1958 (Colombo, 1958), 68-73.

15 E R Leach, "An Anthropologist's Reflection on a Social Survey", *Ceylon Journal of Historical and Social Studies*, 1 (1958), 9-20.

16 B H Farmer, *op cit*, 372-3.

17 *Ibid*, 289-92.

On the Economics of Relative Efficiency of Small Farmers

Dipak Mazumdar

Why is it that the input of labour (and hence output per acre) is restricted in the larger farms at a point below that for the smaller farms?

The explanation given by Amartya Kumar Sen (Annual Number, 1962) is that small farmers want to maximise output per acre (since their self-supplied labour is costless), whereas large farmers want to maximise profits (since they have to pay hired labour).

Dr Mazumdar questions the validity of the assumption that self-supplied labour is "costless", and argues that the explanation is ruled out by the findings of the Farm Surveys that both small and large farms make use of some hired labour.

So long as any hired labour is used, the marginal supply-price of labour to the farm will be given by the ruling wage rate (since hired labour can be taken to be in elastic supply at this wage-rate), and consequently input of labour would be carried to the same point in farms of various sizes, so long as the production function is the same.

THE data presented by the Farm Management Surveys in India have added another example to a phenomenon observed in many parts of the under-developed world, viz that in peasant agriculture, as the size of farms decreases, the output per acre increases. The most well-known example so far of this phenomenon has probably been the finding of Professor P T Bauer in Malaya that output per acre in small holdings was so much more than in large plantations. (For a short statement, see P T Bauer, *Economica*, 1946.) In the rubber industry of Malaya, this situation was complicated by the fact that factor proportions were seen to be widely different in plantations and small holdings, i e, capital was used much more relatively to labour in plantations. In the Indian surveys there is no such difference in capital-labour ratio by farm size within the range of observation. The higher output per acre in smaller farms is really a function of the higher input of labour per acre — the other factors varying more or less in the same proportion as labour. It is also seen that in smaller farms with higher labour input per acre, the output per acre increases, but the output per labourer decreases. That is to say, we have a classical type of production function involving land and labour, with decreasing returns to labour, but the marginal product of labour being still positive in the lowest size-group of farms observed.

We have to explain why it is that the input of labour (and hence output per acre) is restricted in the larger farms at a point below that for the smaller farms. The explanation that has been given by Amartya Kumar Sen *(The Economic Weekly*, Annual Number, 1962) is that small farmers want to maximise output per acre (since their self-supplied labour is costless), whereas large farmers want to maximise profits (since they have to pay hired labour). This was incidentally also the argument offered by Professor Bauer in the Malayan case referred to. Apart from the doubtful assumption of self-supplied labour being "costless" the explanation breaks down when we note the fact that in the data presented by the Farm Surveys, both small and large farms make use of some hired labour. So long as *any* hired labour is used, the *marginal* supply-price of labour to the farm will be given by the ruling wage rate (since hired labour can be taken to be in elastic supply at this wage-rate), and consequently input of labour would be carried to the same point in farms of various sizes, so long as the production function is the same. A more satisfactory explanation of variations in the input of labour by farm size is given below.

We shall assume that the operator of the farm wants to maximise total profits from his given holding. Then our explanation must show that the supply price of the marginal unit of labour used is higher for larger farms than for smaller ones. We have the additional data that both small and large farms make use of family labour as well as hired labour, but that the proportion of hired labour is substantially smaller in the smaller farms.

We can reasonably assume that the supply price of hired labour is the same for farms of all sizes and since no single farm is big enough to influence the price of labour, the supply curve of hired labour is perfectly elastic for all farms at the given wage. There is no direct evidence about the nature of the supply curve of family labour. We then need a theory of the supply price of family labour before we can proceed to explain the observed facts about variations in labour input. Of couse, we can simply say that the supply price of family labour is higher in larger farms than in smaller farms, because it includes some valuation of human labour expended at market wages. But this controversial element is small. This is not very much of an 'explanation' of an observation; it is rather stating the observed facts in different words.

Supply Price of Agricultural Labour

The only reasonable theory of the supply price of labour that I have seen in the situation, where employment is less than full-time, is one which relates the wages of a unit of labour to the amount of work time put in by it. I have

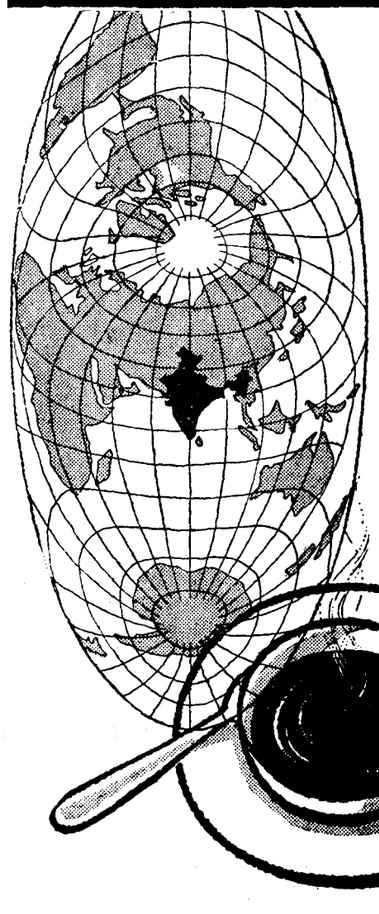
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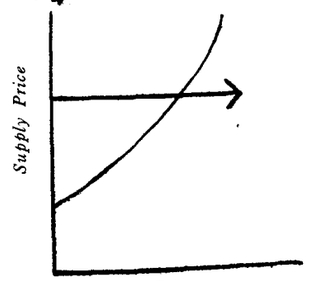
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Figure 1



used this function elsewhere to explain the determination of agricultural wages under conditions of surplus labour[1]. In this earlier discussion I had expressed the function too much in physical terms (following Harvey Leibenstein): a higher wage is required to call forth a larger supply of work days from a labourer because he can be physically more efficient. The functional relationship is, however, valid not only because of such considerations of physical efficiency but also for psychological reasons. Marginal disutility of labour is a function of the work units supplied.

Of course, with a generally rising function relating wage to the number of work-units supplied by a labourer, the nature of the function connecting the marginal supply price of a work-unit (equivalent to the marginal cost of a work-unit) to the number of work-units supplied is indeterminate. In the range in which the supply of work-units increases proportionately *more* than the increase in wage, the marginal supply price of a work-unit will be declining; and conversely[2]. But the empirical evidence that has accumulated about the level of employment and wage-rates of casual agricultural labour tends to show that in regions where there is a smaller number of days of work secured by an average agricultural labourer, the daily wage-rate also tends to be lower. Thus if we think of the supply curve of effort for an agricultural labourer as one relating the number of work-days supplied per year to the annual earning, then clearly the function is of a kind that produces a higher marginal supply price of labour (equal to the daily wage-rate) as the number of work-days supplied increases[3].

Hired Labour and Family Labour

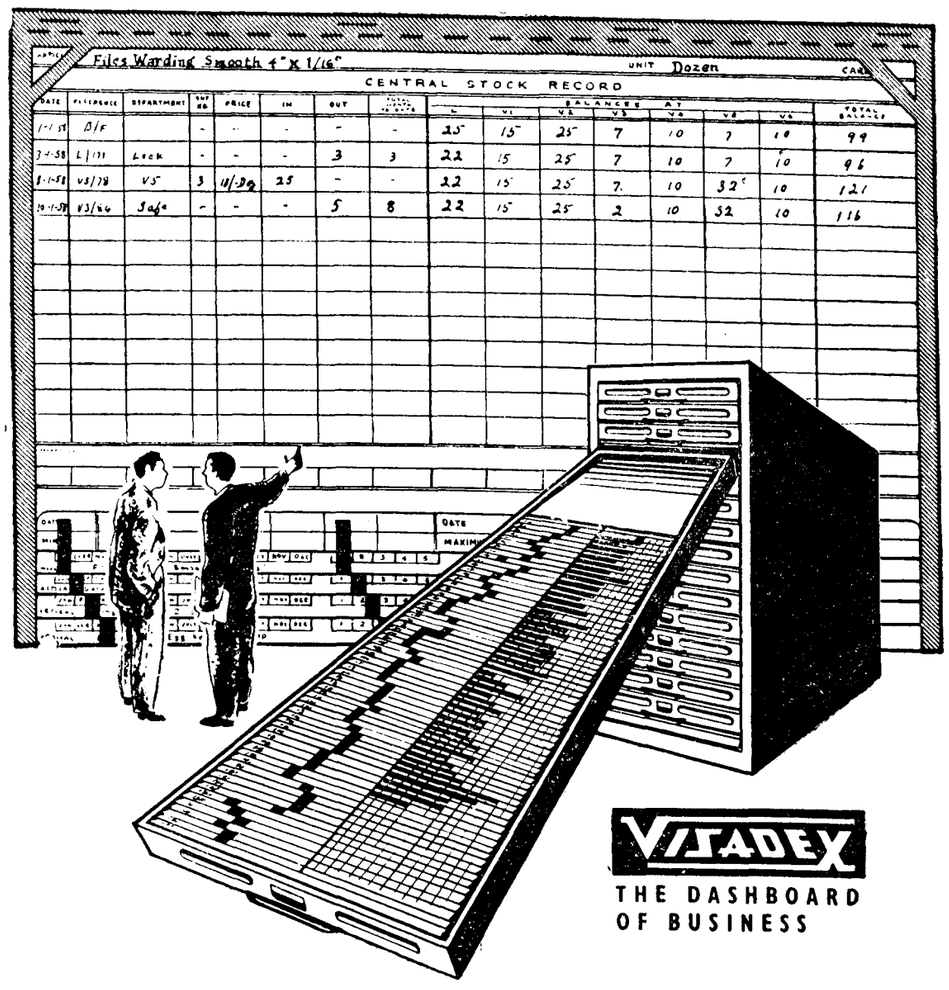
In what follows we shall be assuming that this positive relationship between the marginal supply price of effort and the volume of effort holds good generally, whatever time-period we may be considering. Assuming such a relationship for all labour, what conclusions do we reach about the supply-price of family labour compared to that of hired labour? The distinguishing characteristic of family labour is that whereas hired labour gets only its marginal product, family labour will get more than its marginal product because part of the rent element accrues to it. In the case of family labour supplied by owner-cultivators, the whole of the rent is enjoyed by it. In the case of tenant cultivators, family labour will get more than its marginal product so long as the tenants have to pay less than economic rent. (We shall come back to that possibility later on). If then the function connecting supply of effort and earnings is the same for hired labour and family labour, we can say that for the same volume of effort, the supply price of family labour (which is equated to the marginal product) will be less than that for hired labour.

For an individual farm, therefore, the supply curves for the two types of labour look like those shown in Fig 1. There is a given wage for hired labour determined by the average number of work-units it has to supply in that area. (We need not go into the exact mechanics of the determination of this wage here). For all volume of work less than this supplied by family labour, the supply curve of family labour is below the given wage—and the supply curve begins to rise above the wage level only when the volume of work a unit family labour is called upon to supply exceeds by a certain proportion the average amount supplied by a unit of hired labour to the area as a whole. Family labour will then be employed by a farm up to the point where its supply price is equal to the wage-level of hired labour, and further requirements for labour will be met by employing hired labour. Now, given this situation, it appears that the labour input will be larger in smaller farms (assuming the same production function for all farms) only if the latter do not employ any hired labour at all. If any hired labour is employed by all the farms, the marginal supply price of labour will be the (constant) wage level for all farms, and input of labour will be carried to the same point. But as we have seen before, hired labour *is* employed by small farms as well as large farms, though to a smaller extent. How then do we get the result we have observed?

Labour Input in Composite Units

The answer is that we cannot add the supply curves of the two types of labour in the text-book way as we have done above because of the fact that labour input in the production process in agriculture is not regular and invariable for all working days. Where hired labour is used intermittently and only for some days of the year, one must think of the use of such labour as making possible the profitable use of further units of family labour on other days. Thus in the production process of the farm we can think of labour input being measured in composite units made up of units of family labour as well as such units of hired labour as are required to make the former effective. The idea can be illustrated with a simplified example. Suppose the year is divided into two parts — a busy season and a slack season. Assume also that the supply-function of family labour relates its supply price not to the volume of work supplied for the year as a whole, but to the volume of work supplied in each season separately. The supply price of a marginal unit of family labour in the slack season is given by A_2 (Fig 2). But to be effective in the production process, this marginal unit of labour has to be associated with an additional unit of labour in the busy season; and at A_1 this additional unit required is supplied by hired labour at the prevailing wage rate. The composite marginal unit of labour is then made up of the unit of family labour in the slack season, and the associated unit of hired labour in the busy season. The price of the marginal unit will be the sum of the supply prices at A_1 and A_2.

Of course, the production year need not be broken up into two seasons only. More realistically perhaps, it would be split monthwise.



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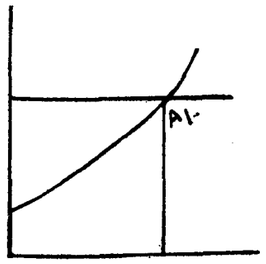
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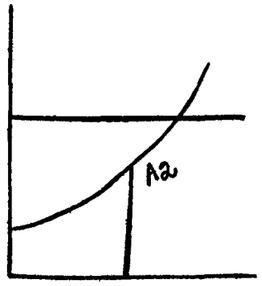
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Figure 2



Busy Season



Slack Season

But the argument remains the same. A marginal unit of labour input is composed of additional units of labour required to be put in several months. In some months that are busy the additional labour unit is supplied by hired labour, and in other slack months it is provided by family labour.

It is now seen how the supply price of the marginal labour input will be higher for larger farms. In the larger farms where the potential supply of family labour per acre is relatively less[4], for the same volume of labour input, the marginal input of labour is made up with a rather larger proportion of hired labour than in the smaller farms (as, indeed, is shown by our data). This will in itself make the marginal supply price of labour higher in the larger farms. This tendency is reinforced by the fact that the supply price of family labour in the slack months could also be expected to be higher for the larger farms.

Full Employment Constraint

Apart from the fact that the marginal supply price of family labour exceeds the wage level of hired labour in the busy season, there is another reason why input of hired labour may be associated with a marginal increment of family labour in the slack season. This is due to the fact that when certain types of agricultural operations have to be concentrated within a few days, family labour supply in individual farms will, on such days, come up against the constraint of full employment, even though for the month concerned there is rather less than full employment. The required labour input can then be provided by hired labour only. Since this situation will occur more often for a larger farm, the proportion of hired labour units in a marginal composite unit of labour input will be larger for the larger farms — and hence the price of such a unit will be higher.

Thus from the suggested hypothesis involving a supply curve of effort for family labour, we are able to explain the larger input of labour in smaller farms which we set out to explain. The result follows as long as the marginal supply price of family labour is less than the wage rate for hired labour in, at least, part of the slack period. Given our basic supply-of-effort function, this will always be so if the total work-time put in by a unit of family labour in these periods is less than the work-time supplied by an average hired labourer to the area on a whole. The possibility will be reinforced for owner-cultivators who appropriate the rent element, and also for tenants as long as they pay less than economic rent.

It might be asked that, if the output per acre is higher for smaller farms due to the reasons given above, will it not be more profitable for owners of larger holdings to lease out their holdings in small units instead of depending on hired labour to the extent they do? There are probably many non-economic and conventional factors preventing this, but the analysis given above enables us to indicate at least one possible reason why this may not happen due to economic considerations. The higher output per acre on smaller farms is, as we have argued, due to the supply price of the marginal unit of family labour being reduced. When the owner-cultivator of a larger holding leases out his holding in smaller units, there are two opposite influences on the supply price of the marginal unit of family labour. On the one hand, the availability of a larger stock of family labour per acre decreases its marginal supply price; but while the owner-cultivator is able to appropriate the economic rent, the tenant has to forego it, thus increasing the marginal supply-price of family labour put in by the latter. It follows that to enable the output per acre to expand, the owner who leases out his land may have to accept only a part of the economic rent, and a smaller part of a larger output may not give him a more profitable position.

It is reasonable to believe that the reduction in the marginal supply-price of family labour that can be achieved through a given reduction in the volume of effort per acre put in by a unit of family labour will be smaller when we start from a lower level of supply of effort per acre than when we start from a higher one. This means that the profitability of leasing out lands in smaller units will diminish as the size of holding to be leased out diminishes. Unfortunately, the U P Survey does not give the information separately for tenant-cultivated and owner-cultivated holdings. So we do not know the division of holdings between these two groups in different size-groups. Nor have we any information available from the Survey about rent paid by tenants by size-groups of tenanted holdings. Taking all holdings together, only 7-8 per cent of all cultivated area falls in the size-group of holdings of under 5 acres—even though the output per acre is highest for this group. The modal group of holdings as far as area cultivated is concerned is 10-15 acres where the output per acre is about the average and something like 25 per cent below the output per acre in the smallest size-group. It is my hypothesis that when the relevant data are available, it will be found that the small holdings will be either owner-operated or tenanted holdings with a lower than average incidence of rent.

Notes

[1] 'The Marginal Productivity Theory of Wages and Disguised Unemployment', *Review of Economic Studies*, June 1959.
[2] Ibid.
[3] See in particular, the study of wage-rates in different regions of U P by C N Chaturvedi (Govt of U P Statistical Division, 1944).
[4] The number of acres in a farm per family worker increases continuously from 1.5 for farms under 5 acres to 10.0 in farms above 25 acres.

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Whither Cooperatives ?

(Contributed)

"Cooperation has failed; it must succeed" is the oft-repeated slogan of the All-India Rural Credit Survey.

One wonders whether in view of the recent developments in cooperative planning and the present state of cooperatives, the slogan should not be changed into :

"Cooperation has succeeded; but it is bound to fail under the existing circumstances".

From barely 3 per cent in 1951-2, the proportion of credit needs met by cooperatives has risen to about 20 to 22 per cent in 1962-3.

But if the Rural Credit Follow-up Survey is any guide, the credit cooperatives, except perhaps in some areas of Maharashtra and Gujarat, are hardly anything more than a convenient agency for disbursement of concessional finance received from the Reserve Bank.

While the accommodation offered by the Reserve Bank has increased from less than a few crores in 1951-2 to more than Rs 150 crores in 1962-3, there has been very little growth in either the resources or the efficiency of cooperatives.

WHEN the proportion of borrowings by cultivators through cooperatives has increased from a bare 3 per cent to 20 per cent in 1962-3, one may legitimately ask, is this not an indication of the growth of cooperatives? Admittedly, thanks to the concerted efforts made by the Reserve Bank in 1956-60, the financing agencies (state and central cooperative banks) are stronger today. But the primary credit society, inspite of a substantial increase in number and coverage of villages, continues to be as inefficient a lending institution as it was before. The 'improvement' in working of cooperatives can hardly be said to be due to increased efficiency of the cooperative societies themselves and, in fact, it is not unlikely that cooperatives today are more vulnerable than they were before.

The second question which can justifiably be asked is why is it that there has not been any significant increase in deposits and owned funds of cooperative societies? To a large extent, the increase in deposits might as well be termed as fictitious inasmuch as the undrawn proportion of the credit limits fixed by the higher financing agencies is shown as deposits of the borrowing institutions! With regard to owned funds also, thanks to the substantial increase in the funds allocated for state contribution to share capital, the position of share capital of cooperatives has improved. As regards share capital held by members, is it not well known that the general practice is for the cooperatives to deduct a part of the credit sanctioned and to take it as share capital held by the member? Thus even purchase of shares of cooperative societies is financed out of funds received from the Reserve Bank. It is thus obvious that statistics of the cooperative movement do not show the real picture.

End of Cooperative Planning?

What is the reason for this sorry state of affairs? For a proper understanding of the factors that have led this country to this mess, one has to view the problem in the historical perspective. Though the cooperatives were being organised since 1910s, it was not until 1940s that any concerted efforts at development of cooperatives were made, and that too, only in the pre-reorganised Bombay State. It was only after the publication of the Report on All-India Rural Credit Survey in the year 1954 and adoption, if only for the Second Plan, of the Integrated Scheme of Rural Credit (ISRC) recommended in that report, that some semblance of concerted endeavour at cooperative planning was evidenced.

The Rural Credit Scheme, however, had its opponents not only in the Government circles but also among influential groups within the cooperatives. The strongest opposition to the ISRC came from the Gandhian fundamentalists and "village management" school in the Government who support the Community Development philosophy which was being propagated from the year 1951-2 under American sponsorship. These forces (whose rationale for opposition to the ISRC was that the scheme would thwart the development of village leadership because of the state participation) joined the vested interests within cooperatives whose future was in jeopardy because of state participation. These forces, generally under the hegemony of (1) the village trader-cum-moneylender (who was being exposed by the state nominees appointed after state participation) and (2) the urban-oriented vested interests in the central cooperative banks who saw in the Rural Credit Scheme a threat to their power, opposed the scheme on the issue of official versus non-official leadership. Thanks to the successful reversal in 1957-8 of the policy of state participation, the entire ISRC was virtually abandoned. With this, the fate of Indian cooperatives in the Nehru-socialism era was also sealed.

This prognosis, which implies the failure of the cooperative development schemes and along with it, the failure of agricultural development also, needs to be critically examined in the light of the various socio-economic factors. For those who view the problems of cooperatives as one of educating the people in the theory and practice of cooperation or of developing and strengthening the cooperative organisation through larger financial aid or of developing village leader-

ship through seminars, conferences and Bharat Darshan tours, the statement that the cooperatives are on the verge of failure (if they have not already failed) would appear to be unrealistic and much too pessimistic. But if one reads between lines the verbose and diplomatically drafted Follow-up Survey Reports, one cannot help feeling that cooperative planning has gone astray, that a policy of drift has replaced cooperative planning and that as a result, the movement has suffered. It is therefore important to know the reasons why, inspite of the fanfare and publicity, cooperative planning has failed.

Social Environment

The working of a cooperative cannot be considered in isolation of the social environment in which it works. The village in India today is caste ridden and castes are generally, if not always, synonymous in individual village with economic classes. Thanks to the land reforms, however tardy and half-hearted, the power that was associated with the concentration of land ownership has been dissipated to a considerable extent though it has not vanished altogether. Ownership of land, however, has been traditionally associated with moneylending, trading or shopkeeping. And with the partial breakup of landholding, the exowners have generally concentrated on trading-cum-moneylending. These moneylenders-cum-traders who today dominate the cooperatives are owners of the best houses in the village and, therefore, invariably play host to government officers and 'state nominees' when they visit the village for inspecting cooperatives. Can anyone imagine such an official reporting against his host, the village moneylender-cum-trader-cum-chairman of the cooperative society? What is more, the village moneylender-cum-trader in the rural areas and the chairman of the marketing society in urban areas are generally important entities in the political organisation as also in the district level board and the zilla parishad. These 'non-officials' or 'leaders of cooperatives' who modestly call themselves as "cooperative workers" always have direct access to the senior officials of the Cooperative Department. Is it not too much to expect a lowly paid Inspector of Cooperatives to report against a person who has direct contact with his seniors?

Reasons for Failure

Does this mean that the basic thesis of the ISRC, namely, that of combining the progressive forces of the state with the 'weak' in the rural areas against the reactionary forces of the village trader-cum-moneylender was wrongly conceived?[1] The answer is both 'yes' and 'no' depending upon one's view of history. To a Marxist who conceives of the state as an instrument of the upper class, the ISRC is worthless, misguided idealism, and worse. To a pragmatic student of history who conceives of the state as a democratic institution, there is nothing illogical in recommending the use of state as a force against the reactionary forces of trading and moneylending interests. In fact, it would have been possible for this country to effect radical changes in the social structure, especially in the rural areas, if it were possible (1) to implement fully the land reform measures envisaged in the First Five-Year Plan, thus completely eliminating the reactionary forces of landlordism; and (2) to develop cooperatives through state aid and state participation, thereby reducing the power of the trading-cum-moneylending classes in society. While the first objective has been partially achieved, the second may be said to have been relegated to the background, especially since 1957-8.

Concerned as we are only with the second objective, analysing the reasons for the failure of the cooperative development plans, one finds that the important factors responsible for the failure of cooperatives are (1) confusion of ideology regarding cooperatives; (2) ineffective implementation of the state participation scheme; and (3) failure of the state and state-aided institutions to implement the crop loan system.

Right from the initiation of the reoriented system of rural credit in 1949 in the pre-reorganised Bombay State to the time when the attack on the ISRC was initiated by the Government of India in general and the Planning Commission in particular in the year 1956-7, the ideology on the basis of which cooperative development plans were being planned was that explained in the Report of the All-India Rural Credit Survey Committee, viz.

(1) Building up the business efficiency of cooperatives by (a) making the institutions viable, (b) provision of trained personnel, and (c) adequate financial aid;

(2) Appointment of state nominees to counter the power of the rural vested interests; and

(3) Formulation of rules and procedures regarding sanctioning of credit limits in such a manner as to prevent arbitrary use of powers either by the vested interests within the cooperatives or by the governmental organisation connected with inspection of cooperatives.

Irrelevant Issues

But unfortunately all these threefold objectives of the cooperative development plans were relegated to the background and those connected with cooperative planning misdirected their efforts at solving less important issues such as large-size *versus* small-size cooperatives, whether supervision should be the prerogative of the financing institutions or government, whether state participation in cooperatives should be direct or indirect. All these issues, even though they have some bearing on the basic objectives or ideology, are of lesser importance, but as subsequent developments have proved, the less important issues demanded at times so much attention of cooperative planners that they had little time to attend to the more important objective of the development of cooperatives. To make confusion worse confounded, the school of 'village management' which has entrenched itself in the Planning Commission,

[1] See "Context for Cooperatives" by Daniel Thorner, *The Economic Weekly* Annual Number 1962 and "Rural Cooperatives — Out of Context", *The Economic Weekly* March 3, 1962.

the supporters of the idea of development of "village leadership at the grass roots level" with moral and pseudo-scientific support from "foreign experts" (mostly from America) and finally the so-called "Extension school" which, obsessed with the idea of taking the 'ideas in the laboratory' to the field through visual aid techniques etc (the early supporters of the Agricultural Package Programme) started a concerted attack on the ISRC.

While the confusion in ideology can be explained away by honest (was it always so?) differences of opinion between different schools which were themselves well-wishers of the Cooperative Movement, the position appears to be quite different with regard to the failure of the scheme of state participation. The year 1957-8 which witnessed the reversal of the policy regarding cooperative development plans particularly in the matter of state participation also saw the birth of service cooperatives and the paddy pilot schemes which were precursors of the Intensive Agricultural District (Package) Programme. The fact is that the service cooperatives, as now envisaged, are hardly any different from the multipurpose cooperatives envisaged prior to 1951. Yet they were and are being propagated on the simple assumption that what agriculturists need is a single cooperative institution which can meet their varying requirements and not several specialised institutions as envisaged in the ISRC.

State Participation

The adherents of the school of 'village leadership' also argued that service cooperatives would encourage village leadership while large-size state-partnered societies would only encourage bureaucracy, all the time forgetting that the basic reason for the failure of cooperato be the domination of cooperatives by vested interests. It was, therefore, not surprising that when a new Cooperative Act was being passed in the state legislature in the most progressive of the states, namely, Maharashtra, the Congress Ministry was apologetic about its support to state participation and even offered a guarantee that no state nominees would be appointed in cooperatives. Though even now there is state participation even in the service cooperatives, such participation is treated as additional financial aid to cooperatives rather than as an important innovation for strengthening the institutional framework.

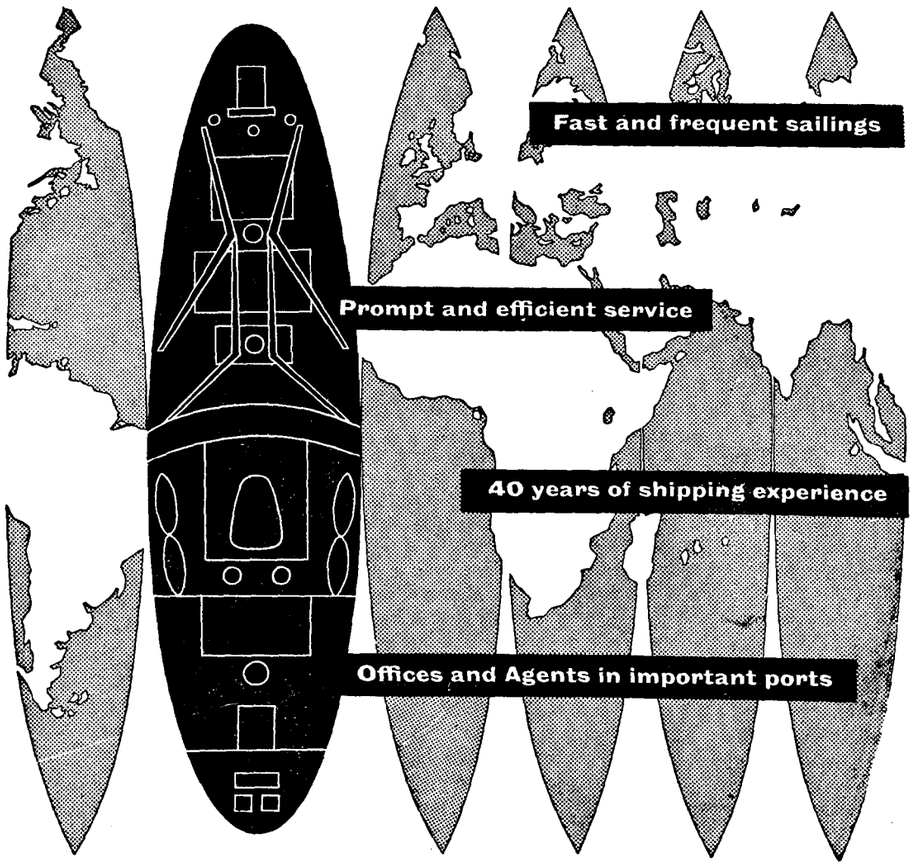
Crop Loan Scheme

The failure to implement the crop loan scheme is more difficult to explain. It is particularly important to remember in this context that the vested interests are not necessarily always only the village trader or the moneylender. Even an agriculturist who has managed to get large funds from the central cooperative bank through manipulations (i e, by depriving other cultivators of loans of adequate size) has himself a vested interest: so has an official of Government or Central Bank who connives with this farmer. It is only in a cooperative system where the rules are vague, where it is possible to exercise arbitrary powers in reducing or enhancing credit limits, and where one can give larger loans to one's friends and deprive others who are not favourites without being called upon to give any explanation to any body that vested interests thrive. The basic cause of this malady is the vagueness in the rules and procedures, and the absence of clearly defined criteria in regard to scales of finance and defective allocation of powers regarding supervision, inspection and audit, and scrutiny of credit limits. The crop loan system, shorn of its technicalities, aims precisely at reformulating these rules and procedures and redefining the rights and duties of various institutions and state authorities who are directly or indirectly connected with the sanctioning and disbursement of loans. The semblance of an attempt at introducing the crop loan system was made in the pre-reorganised Bombay State as early as 1951-2 which was perhaps the most important reason for the relatively successful development of cooperatives in that area. Subsequently, in a valuable document entitled "Report of the Crop Loan Evaluation Committee" appointed by the Bombay State Cooperative Bank, clear cut recommendations were made regarding the way in which the crop loan system ought to be implemented. That though some of the persons connected with this Committee are by now placed in very strategic and important positions, very little progress has been achieved in crop loans can only be explained by the demoralisation of cooperative workers or confusion in ideology.

Paradoxical Situation

Under these circumstances, it is hardly surprising that (1) a village moneylender finds a new cooperative society a convenient agency for getting back the loans advanced earlier by him to the agriculturists: (2) a trader finds a marketing society a convenient centre for assembling of produce, once the headquarter of the marketing society is located in the office of the processing plant owned by him: (3) cotton merchants who have influence in the central bank find the cooperative spinning mill (whose share capital was raised by the central bank of deducting a certain proportion of the total credit limit sanctioned to cooperatives) as a convenient mode for disposal of produce and at the same time avail of concessional finance in the form of trade credit, offered by the central cooperative banks with the help of the Reserve Bank, and (4) agents of Bombay cotton buyers find marketing cooperatives in the upcountry areas a convenient agency for credit, practically interest free, in the form of trade credit from marketing cooperatives which in turn are financed at a concessional rate of interest by the Reserve Bank.

Thus what we are observing today is a pradoxical situation. Inspite of the best of objectives, a clearcut ideology and a well laid-out scheme, the very institutions which were meant to strengthen the bargaining power of the weak against the strong have been turned by the strong to their own use, for furthering their own ends. In other words, the State, instead of joining with the weak to provide a bulwark against the strong, is being used as an instrument by the strong for exploiting the weak. Can such an institutional framework be viable over a period of time?



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Notes on Indian Rates of Growth

Walter C Neale

With the assistance of

Dean S Sanders

These notes report on some computations and statistical fiddling with a few Indian macro-economic series, tax data, and assumptions, and had their origin in the author's conviction that the number of shoes-with-laces among the poorer sections of the population had increased more between 1956 and 1960 than the national income figures warranted. But since such bus-stop observations are unscientific it seemed necessary to find other means of arguing that India was developing more rapidly than generally thought.

Other beliefs, or hunches, contributed to this feeling: (street corner) observations of a swelling small-scale sector, the absence of famines, the vague complaints of the upper and middle classes, which are apt to be indications of rising welfare among the lower orders, and a number of surprising assertions by P W D officials and farmers in Ahmednagar District that there was a labour shortage.

THE basic equation to which series data were fitted was

$$\log Y = a + bx$$

where Y was the series data;
x, the years; and
b, the log of the rate of growth*

It is noticeable that the first strong upsurge in the national income and agricultural series comes between 1951-2 and 1952-3, while the first sharp increase in the industrial series occurs between 1953 and 1954. Since my interest was not in Plan periods but in growth-while-growing, these are the starting dates for comparisons, and because I lacked the most recent data the terminal year is generally 1960-61 or 1961, except that the average of January through September is used to represent industrial output during 1962.

Another striking characteristic of the series is the large year-to-year variations in rates of growth. In agriculture the variations are due to the variability in amount and timing of the monsoons; in industry at least in large part to the foreign exchange crisis; and both sectoral instabilities lend irregularity to the national income series. I have, therefore, computed and analysed three-year moving averages in the hope that the moving averages would remove the "current causes" and reveal the "underlying trends."

* The author is aware that since these time series are variously sums and components of one another there must be high auto-correlation, especially as between the annual and moving average computations. In line with much time series analysis he has happily ignored the fact.

National Income and Net National Product

Since computations of national income at factor cost do not reflect increasing government receipts of indirect taxes, national income figures understate the growth in the total real productivity of the Indian nation. To construct a net national product series at constant (1948-49) prices, I

(1) took the net total of all indirect taxes (as reported in the U N "Statistical Yearbooks" and the R B I "Reports on Currency and Finance"),

(2) subtracted import duties since they did not represent productive capacity of India,

(3) deflated the resulting figures by the implicit deflator of the national income series,

(4) added the result to the national income figures, and

(5) turned this N N P series into an index pegged at 105.2 to equal the national income index for that year.

The series are shown in Table 1.

The computed (predicted) N N P for 1961-2 at Rs 137.23 abjas was only 5.8 per cent higher than the actual ("estimated") 1961-2 national income, but 7.3 per cent higher than the computed national income. Although the rate of growth of N N P at 3.73 per cent was 9.38 per cent more than the national income rate of 3.41, a Student's *t*-test of the differences in *b* showed only a value lying between probabilities of .10 and .50, and an F-test of the difference between the equations was insignificant at .05 probability. However, when the *b* values of national income and N N P for both annual and 3-year moving average series were compared with a *b* value for an assumed 2 per cent rate of

Table 1: Net National Product of India

Year (1)	N N P at 1948-9 Prices (*Rs*) (2)	N N P Index (1951-2 set at 105.2) (3)	Years (4)	N N P: 3-year Moving Average of Col 3 (5)
1951–2	94.3	105.2		
1952–3	92.7	109.0	1951–4	109.9
1953–4	103.4	115.4	1952–5	114.5
1954–5	106.5	118.9	1953–6	118.6
1955–6	108.7	121.3	1954–7	122.5
1956–7	114.1	127.3	1955–8	127.6
1957–8	114.4	127.7	1956–9	130.5
1958–9	122.3	136.5	1957–60	135.0
1959–60	126.2	140.8	1958–61	142.2
1960–1	133.8	149.3		

log N N P (annual) = 2.02331 + (.01591) X, where 1951/2 = X = 0
N N P (mvg average) = 2.03221 + (.01537) X, where 1951/4 = X = 0

The equations for national income fitted in the same way were:

log Nat'l Y (annual) = 2.02650 + (.00796) X
where 1951/2 = X = 0

log Nat'l Y (mvg average) = 2.04441 + (.00687) X
where 1951/4 = X = 0

growth of population all four computed b values were significant at .01.

Although a t-test for differences in values of b for the national income and N N P 3-year moving averages showed significance at only .10, it is noteworthy that an F-test for difference between the national income and N N P equations showed significance at .05, with an F value only slightly too low for significance at .01. Two or three more years, especially if growth is more regular, should show an F value significant at .01, and t values for the test of b's significant at .05; and after the last budget it appears even more likely.

Adjusted National Income

Part of the hunch that led to this investigation was the feeling that industry was growing more rapidly than appeared in the usual series, but there seemed no other figures to use. Then in 1961 the Indian Institute of Public Opinion published its own indices of industrial production for the years 1951-60 in its *Monthly Economic Commentary* (No 25, p 18). I imagine there is some dispute over these figures, but they are here accepted to represent "mining, manufacturing, and small scale industry", which usually accounts for 18.5 per cent of national income. If one computes a national income growth rate net of industry from the equation

$$Ry = (.185)\ Ri + (.815)\ Ro$$

where Ry = fitted growth rate of N Y;

Ri = fitted growth rate of the official index of industrial output (see below); and

Ro = the growth rate net of industry (which turns out to be 2.637 per cent)

and then substitutes for Ri the fitted growth rate of the I I P O index at 10.35 per cent to recompute the national income growth rate, the new Ry is 4.06 per cent instead of 3.41 per cent, or 19 per cent higher. If the new rate has been the true rate since 1951-2 the 1961-2 national income was Rs 134.6 abjas, or an index number of 156.3.

All this is, of course, no more criticism of the C S O series than that implied in my original visceral optimism about Indian growth. But if the C S O has erred on the side of caution the true rate of growth of the Indian economy has not been so low as some have felt. The absolute differences between the indices are not great over nine years, but by 1976 there will be a 15 per cent difference between the indices at present rates; and since industry should grow more rapidly than the rest of the economy the weight of industry should be greater than 18.5 per cent and the difference in the indices would be even more.

Industrial Output

The last section assumed that the I I P O index was a legitimate substitute for the C S O index of industrial production. Whatever the merits of this assumption — and the writer has no intention of defending or refuting the assumption—the following comparisons can be made between the two indices. A fit to the official index for annual data for the years 1953-62 gives a rate of growth of 1.74 per cent compared with an I I P O rate ('53-'60) of 9.00 per cent using the same industries as the C S O. Using 1960 weights for all industries producing Rs 10 lakhs or more in 1960 the I I P O index ('53-'60) rate works out at 10.35 per cent, the rate used in computing an alternative national income in the last section.

A minor sidelight is a comparison of the growth rate of the electricity industry with growth rate of industry. The fitted growth rate for electricity sold for the years 1951-62 (with '62 the average of January through July) was 13 per cent, and 11 per cent for a 3-year moving average. By a t-test of the difference in growth rates between these two electricity series and the official annual and 3-year indices of industrial output (1953-62) it was found that the rates differed significantly, at .01 for the annual and .02 for the moving average rates.

Agricultural Output

The results of similar techniques applied to agriculture were not so happy. While the four equations for all-agriculture and food grains, annual and moving average fitted to the years 1951-2 through 1960-1, were significant at .01 when the growth rate was compared to the hypothetical rate of population growth of 2 per cent only the 3-year moving average of all-agriculture was significant at .02; but both annual and moving average rates of growth of food grains fell in the range of .10 to .50 probability. Although, as Table 2 shows, the output of food grains exceeds 2 per cent on both an annual and moving average comparison a statistician must withhold the assertion which this writer hoped to be able to make — that India's food supplies were growing significantly faster than her population even if more slowly than planned in recent years.

Table 2: Rates of Growth of Series Discussed

Series	Rate of Growth, based on a least squares fit to the equation $Y = a + bx$ where Y is the log of the dependent variable, b the log of the rate of growth, and x the years. (*per Cent*)
National income at factor cost, 1948-49 prices, 1951-2-60-1	**3.41**
Net national product, as described in text, 1951-2-60-1	**3.73**
National income, 3-year moving average, 1951-4-58-61	**3.23**
N N P, 3-year moving average, 1951-4-58-61	**3.61**
C S O index of industrial production, 1953-62	**7.39**
C S O index of industrial production, 3-year moving average, 1952-4-60-2	**7.23**
I I P O industrial index, 1960 weights for industries in C S O index	**9.00**
I I P O industrial index, 1960 weights for all industries producing Rs 10 lakhs or more in 1960, 1953-60	**10.35**
All agriculture, from M A S, 1951-2-60-1	**3.45**
All agriculture, 3-year moving average, 1951-4-59-61	**3.02**
Food-grains, from M A S, 1951-2-60-1	**3.37**
Food-grains, 3-year moving average, 1951-4-59-61	**2.64**
Electricity sold, from M A S, monthly average of m kWh, 1951-62 [1962 is January-July average]	**13.06**
Electricity sold, 3-year moving average, 1951-3-1960-62	**11.05**

Rate of Saving in India

A Rudra

To what extent is one justified, in the light of the estimates of saving made by the C S O and the National Council of Applied Economic Research, in treating the saving estimates which form the basis of Third Plan and the Planning Commission's longterm projections as under-estimates?

This is an important question.

Investment is one of the principal factors of growth and it is argued that if the rate of growth in underdeveloped countries like India is low it is because the rate of investment in these countries is low which, in turn, is a direct result of their low rate of saving.

The low rate of saving is often discussed in the setting of the economy's capacity to save. It is argued that given the institutional structure of the economy, there is a limit as to the proportion of national income that can be saved.

It follows from this that the slow rate of growth of the under-developed economy is to be traced to its institutional structure and that any significant acceleration of the rate requires changes in the institutional structure.

In view of this generally-postulated connection between the rate of growth, the rate of saving and the institutional structure of the economy, the belief that we have already reached a rate of saving comparable to that of the more advanced economies of the world might become an argument against further institutional changes in the country.

THE Third Plan was prepared on the assumption that the rate of saving (net domestic saving to national income) in the country was about 8.5 per cent toward the end of the Second Plan and the longterm perspective which the Plan held out was that of a rise of the rate to about 11.5 per cent by the end of the Third Plan (1965-66) and to about 18.5 per cent by the end of the Fifth Plan (1975-76). The idea has, however, been given currency for some time now that the Third Plan underestimated the saving capacity of the economy, that the rate of saving was probably more than 10 per cent already by the end of the Second Plan, having increased during the first decade of planning at a faster rate than what was earlier considered probable. The suggestive basis for the figure assumed in the Third Plan was the series of estimates of saving prepared by the Reserve Bank of India (R B I) and published in its Bulletin of March 1960. The highest rate in its series is 8.5 per cent (strictly, 8.6 per cent) and corresponds to the year 1956-57. The suggestive basis of the idea that the R B I series represent underestimates derives from the studies on saving made by the National Council of Applied Economic Research (NCAER) and made available by it in its monographs "Saving in India" and "Urban Saving and Income" as well as the estimates of capital formation unofficially issued by the Central Statistical Organisation (C S O).

The NCAER claims that "the average saving income ratio which stood at about 6 per cent during the period 1948-51 went up to 8 per cent during the First Five Year Plan and further increased to 10 per cent during the first two years of the Second Plan". The C S O estimate places the ratio of net capital formation to net domestic product, both at current prices, at 8 per cent in 1951-52, at about 14.5 per cent in 1956-57, and 13.8 per cent in 1960-61. These figures are to be compared with the corresponding rates based on the Reserve Bank saving estimates namely 6.1 per cent in 1951-52, 11.9 per cent in 1956-57 and 10.7 per cent in 1958-59. It is once more the Reserve Bank estimates that provided the basis for the projection of investment rates as given in the Third Plan: according to the latter, the proportion stood at 11 per cent at the time of preparing the Plan and was contemplated to go up to between 14 per cent and 15 per cent by 1965-66 and between 19 per cent and 20 per cent by 1975-76. Thus, according to the C S O estimates, the target set for 1965-66 was reached already before 1960-61.

The question we would like to discuss briefly here is, to what extent is one justified, in the light of the results put forward by NCAER and CSO, to treat the saving estimates that form the basis of the Plan calculations and longterm projections as underestimates? The importance of the question is not to be minimised. Investment is one of the principal factors of growth and it is a widely held argument that if the rate of growth in under-developed countries like India is low compared to the more advanced countries of both socialist and capitalist economic organisation, that is because (though not only because) the rate of investment in such countries is low, which is a direct result of its low rate of saving.

Institutional Structure

The low rate of saving is often discussed in the setting of a concept of the capacity of the economy to save. It is argued that given the institutional structure of the economy there is a certain capacity for the economy as to the proportion of its income that it can save. The notion of institutional structure is admittedly an amorphous one and much more vague is the notion of the capacity to save: yet from these two is drawn a line of thinking, not necessarily bereft of any validity, that the slow rate of growth of the underdeveloped economy is ultimately to be traced to its institutional structure and that any significant acceleration of the rate would call for changes in the institutional

structure. This way of thinking is not necessarily characteristic of any particular political ideology : it is not necessarily a leftist attitude. One who argues in favour of the private sector being more conducive to growth is as much a subscriber to this viewpoint as one who calls for the expansion of the public sector. In view of this widely shared connection between the rate of growth, the rate of saving and the institutional structure of the economy, the idea that we have already reached a rate of saving comparable to the more advanced economies of the world might become an argument to be used to impede further institutional changes in the country.

It is for this reason that it is important to critically examine the case for an upward revision of the R B I estimate of the rate of saving; much more important than examination of any one of the three series of estimates taken in isolation. That each of the series should be subject to an extremely large margin of error can easily be surmised by any one having any knowledge of the basic statistics available in the country and the use to which they are put in national income calculations. Even if the estimate of saving is very accurate, the estimate of the rate of saving is bound to have a large margin of error reflecting the extremely large margin of error to which the denominator in the ratio, the national income estimate, is subject. The national income estimates of the years of the Second Five-Year Plan may well be subject to a margin of error of as much as 20 per cent or even more, and hence the estimates of saving rates also must be subject to a minimum margin of error of about 20 per cent. Hence the difference between the estimates of the R B I and N C A E R for the end years of the Second Plan namely 8.5 per cent and 10 per cent is no more than the margin of error in probably each of the two estimates.

C S O Estimates

But the saving estimates themselves are far from being free of any error. As a matter of fact, they are probably subject to a larger margin of error than the income estimates are, as we shall see in the following. The discussion has to be in two parts, the first relating to the method used by the C S O and the second relating to the approach adopted by the N C A E R and the R B I. The C S O estimates gross capital formation by the commodity flow approach and then allows for depreciation. Estimates are made for the different goods and services that go into capital formation during a particular year and the sum of their values is taken to represent gross capital formation of that year. A suitable breakdown of the estimate of net capital formation for the year 1960-61 is given in Table 1 to throw some light on the probable margin of error in these estimates.

A glance at Table 1 would tell anybody acquainted with Indian statistics that only 49 per cent of the estimate is based on somewhat dependable information-containing data, being the values of production and import of such goods that go into capital formation, measured in ex-factory prices (excepting in the case of cement).* Of the estimate, 56 per cent is made up of figures that are of a highly arbitrary character and subject to an unknown but, no doubt, large margin of error. The Trade and Transport margin accounting for 20 per cent is a result of certain assumptions regarding the margins attached to the individual commodities (thus, 50 per cent for iron and steel, 56.4 per cent for timber and timber products, 25 per cent for bricks and tiles, 35 per cent for other building materials, and 43 per cent for machinery and parts). These margins are based on the difference between market prices and producer's prices and are subject to quite large margins of error being affected by the large price variations over time and space. Wages, salaries and other factor payments in construction, accounting for another 20 per cent of the gross estimate is calculated for public sector construction on the basis of the public sector accounts and for the private sector on the basis of a few case studies. Item (5) stands for such capital formation as takes the form of land improvement, well digging, bunding and such other building works in the rural sector. Estimate for this item is based essentially on some information available in the Rural Credit Survey for the year 1951-52 and supplemented by information available in various N S S reports relating to years *all other than* 1960-61. The estimate for 1960-61 is a projection that makes use of this basic data and some so-called indicators. This is an approach made use of with respect to this component of capital formation also by the RBI and the NCAER and we shall discuss it further when coming to their estimates.

The component, Addition to Stocks, is admitted as being "based on inadequate data" and therefore of "necessarily tentative character". The most important commodity to be stocked, foodgrains, is treated as a residual after deduction of the different modes of consumption from the level of consumption. Utilisation as seed is taken to constitute a fixed proportion of the acreage under cultivation and the utilisation as animal feed the same to the animal population. What remains of the total supply of foodgrains is divided between human consumption and addition to stocks by using not any demand function of income and prices but simply a formula in second degree polynomial in the availability treated as variable! The conditions are better with respect to the factory establishments and some of the mining products. The stocks held by the public sector, of course, constitute good statistics.

* Even this part covers production of primitive capital goods by primitive industries, the estimates of which are equally primitive.

Table 1: C S O Estimates of Net Capital Formation in 1960-61

		(Rs Crores)	*(Per Cent)*
(1)	Principal Building Materials	601	21
(2)	Machinery at Factor Cost	819	28
	Sub-total	1420	49
(3)	Trade and Transport Margin	582	20
(4)	Factor Payments in Construction	582	20
(5)	Capital Formation Not Covered by (1-4)	451	16
	Sub-total	1615	56
Addition to Stocks		250	8
Machinery Not Going to Capital Formation		—303	—10
Exports		—8	—
Repairs and Maintenance		—100	—3
Gross Capital Formation		2871	100
Depreciation		—912	—32
Net Capital Formation		1959	68

Coming now to the deductions, Rs 303 crores standing for such machinery and parts that do not go into capital formation (being destined for industrial consumption as components or used by households as durable consumer goods), is a purely arbitrary figure. It is arrived at by taking 50 per cent of the value of availability of a group of commodities called "parts of capital goods" and 38.5 per cent of another group called "partly capital goods". The proportions are admitted as being subjective. The extreme arbitrariness attached to the estimate for depreciation is also very plainly admitted by the C S O istelf in the following introductory words: "Because of the highly tentative character of the estimates of depreciation, the estimates of net capital formation have been relegated to an appendix". Of course, estimation of depreciation is bound to be unsatisfactory even for the most statistically advanced economy because of the highly elusive character of the very notion itself. Pricing of capital stock itself defies satisfactory statistical treatment, as is indeed well known; the consumption of capital stock during a period of time is an even more unmeasurable quantity. The best way of dealing with depreciation is simply to leave it out and this is precisely what the C S O does by making all its estimates in gross terms and relegating the netting operation to an appendix. (One wonders, why the C S O does not adopt the same procedure with respect to its national income estimates.) Rs 100 crores representing repairs and maintenance of building is based on some scattered fragments of data bearing on uncorrelated points in time and space insofar as the private sector is concerned; the public sector part is naturally somewhat better.

N C A E R Estimates

We shall now turn to the estimates of R B I and the N C A E R (as in its monograph 'Saving in India'). The approach taken in each case as far as saving is concerned is to measure the change in net earned worth for three sectors separately, namely government, the corporate sector and the household (or individuals') sector. The method of estimation is broadly similar and so is the basic material made use of. As a matter of fact, insofar as the financial assets part of the individuals sector and the savings of the corporate sector are concerned, the N C A E R has made use of the material primarily derived from Reserve Bank. Despite this fact there are very significant differences between the two estimates for each of the sectors. The N C A E R claims that its estimates are based on a better utilisation of the material used by the R B I as well as on some supplementary data. We shall not examine here this particular claim. The exposition of the N C A E R monograph is very far from being lucid and assessment of the quality of estimates is extremely difficult when one has often to meet such phrases as "suitable indicators" covering up the actual operation undertaken. We shall concentrate here only on the component "Individual non-Financial Assets" which represents a predominant share in both the estimates, being 66 per cent in 1951-52, 42 per cent in 1955-56 and 55 per cent in 1957-58 for R B I and 65 per cent, 47 per cent and 56 per cent for the same years for N C A E R. Whatever be the degree of accuracy of the estimate of the remaining components, it is clear that the margin of error of the total would depend significantly on the margin of error of this component and that the latter margins must be extremely high should be clear from the following sample of methods used in making up the estimates.

Urban Housing

The R B I forms its estimates by capitalising the income from housing (in the national income estimates) by assuming the rate of return to investment in this sector to be 5 per cent, an arbitrary figure. It is to be remembered in this connection that the national income estimate of value added in the housing sector is itself made by simply assuming for it a growth proportionate to the growth of the rural and urban populations taken separately. The N C A E R estimates the value of urban house construction as a function of the quantity of steel (alternatively cement) going into it by using a certain fixed ratio relating value of construction to total value of steel (alternatively cement) used. There is, of course, no reason whatsoever why any such ratio should hold constant while income, relative prices, and many other important variables change over time.

Non-Corporate Business Enterprises

The R B I estimates urban investment in this sector as a fixed proportion of the bank advances to the sectors, the proportion being as observed in a particular year. The N C A E R estimates it on the basis of Census of Manufacturing Industries data for those enterprises that are covered by it and of N S S data for such enterprises as are covered by the latter but not by the former. The N S S data allows of an estimate only for the year 1953-54. For the other years, investment is calculated by assuming it to have a constant proportion with income originating in the small industries as given in the white paper on national income.

Farm Investment

The approach is the same in either case. At first some estimates are made for the year 1951-52 on the basis of the Rural Credit Survey. The estimates for *all other years* are made by using "suitable" indicators. In the case of the R B I estimates, the indicator is the income originating in agriculture; in the case of the N C A E R, the indicators are: net area sown for investment in land improvement, the net irrigated area for investment in irrigation, gross area sown for investment in agricultural implements, etc. There is, of course, no justification whatsoever to assume that these indicators (or, for that matter, the constant proportions assumed in so many other



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places) are "suitable" in any sense : *a suitable indicator must be such as has been found to bear a high positive correlation with the variable whose trend it is meant to indicate.* There is, however, *neither theoretical nor empirical evidence* that investment in agricultural implements bears a constant ratio to gross area sown. *The same is true of all the other indicators and all the other constant proportions used.* That they are *associated* variables is, of course, not to be denied but constant proportionality is not the only form of association. As a matter of fact, it should have been one of the objects of estimating capital formation and saving to find out the form and nature of association that there has actually been in the Indian economy between, say, gross area sown and investment in agricultural implements, or say, income originating in agriculture and rural house-construction. There is, of course, no point in even posing the questions with the help of the estimates that have been made. *The very answers to the questions have been assumed in them.* (It should all the same not be surprising if, in course of time, dozens of research workers working with these estimates stumble on the "discovery" that certain interesting economic relations have been steady over the years of the first two Plans !)

It is not necessary to discuss any further the nature and quality of the material used and methods followed in making the estimates. I suppose it is clear that the results must be subject to such a large margin of error as to remove any 'significance' (as understood in the Theory of Inference) from the differences between the rates of saving arrived at. There is, of course, no means of quantifying the probability (understood in a non-frequency sense) attached to the proposition that 10 per cent is a better estimate of the true rate of saving in 1960 than 8.5 per cent, but it would seem to be the same as for the reverse hypothesis, namely that 8.5 per cent is a better estimate than 10 per cent.

A Misleading Proposition

The other quantitative proposition made by the N C A E R, namely that the marginal propensity to save in India has been of the order of 20 per cent, is very misleading, based as it is on a very questionable statistical method. Actually 20 per cent represents nothing more than the value of the regression coefficient of a simple linear fit to the scatter of points obtained by plotting the saving estimates against national income estimates. Now a straight line (or for that matter any mathematical curve) can always be fitted to any given scatter of points and there will always be some value or other for the parameters involved. These values cannot unconditionally be vested with any significance in relation to the variables under study. The parameters could be vested with significance only if the fit is 'good' in the statistical sense and even then the significance would hold good for interpolation purposes only. For extrapolation further assumptions regarding regularity conditions would be called for. The NCAER report however does not even talk of the goodness of fit. The diagrams provided, however, make it clear that the fits are very poor indeed. Under the circumstances, the figure 0.20 standing for the slope of the straight line fit *just does not have any economic significance* and the observation made by the NCAER that "the marginal propensity to save in India appears to be as high as in many advanced countries .... if continued (it) augurs well for the future growth and health of the Indian economy" is not merely an *invalid conclusion* but one likely to be extremely misguiding from the point of view of economic policy.

Excepting this particular bit of statistical exercise regarding the marginal propensity to save, no severe strictures are deserved by the NCAER saving estimates as given in the monograph "Saving in India". If the estimates are deemed poor by us, the responsibility does not lie with any methodological weakness and the same is true of the R B I and C S O estimates. The poor quality of these estimates only reflects the poor quality of basic statistics and the latter in their turn reflect the very underdeveloped state of the economy. While caution is necessary in interpreting the estimates, it cannot be said that great improvements can be made on them if only one were to try.

Urban Household Saving

The same attitude cannot however be taken towards the results approach and published in other publication "Urban Income and Saving" and based on a sample survey of urban households undertaken by it to supplement the results obtained by the institutional approach and published in "Saving in India". It is claimed on the basis of the survey results that "the current rate of urban household saving is about 14 per cent of income if the concept of saving is inclusive of consumer durables and 12 per cent excluding them; the marginal propensity to save is of the order of 20 per cent for the urban household sector as a whole" (page x). It has, however, to be stated quite clearly that *the conclusion quoted above is an invalid one having no foundation whatsoever.* The figures 14 per cent, 12 per cent and 20 per cent are without any statistical significance, having been obtained by methods that have no sanction in the theory of sampling. Such strictures will no doubt sound extraordinary, considering that they are being applied to work done by a research body of national stature, but that they are quite justified will be obvious to any statistician who would care to examine table 38 and the appendix to chapter 5 of the book.

Table 38 shows that the survey estimate of saving including durable consumer goods is only Rs 159.6 crores. "Adjustments" are made to it to arrive at the "estimate" of Rs 378.2 crores representing 13.9 per cent of disposable income. These adjustments are explained in the appendix referred to and are of the following three types : (i) adjustment due to non-coverage of Delhi Households (ii) those for conceptual differences: and (iii) those for what is called under-reporting. The second type of adjustment is meant to take care of certain forms of saving definitionally excluded from the concept of saving for the purpose of the survey e g currency holdings, pension funds, accrued interest, etc. It is not clear why, if they were so left out, data was all the same

collected for them and why survey estimates are also presented for them in table 38 side by side with the "corrections". As a matter of fact, the corrections are nothing but the differences between the survey estimates and estimates based on other sources, principally RBI material, as utilised in the "Saving in India" of the NCAER itself. The same procedure is followed in the third type of adjustment: the survey returns for saving by bank deposits, corporate securities and small saving are thought to be under-reported in the light of the estimates for them that can be made by the institutional approach, and the survey estimates are adjusted upward so as to agree with them. The actual operation in the adjustments of the second and the third type consists in making estimates for the components in question by the institutional approach for the whole of India, dividing it among the rural and urban sectors *quite arbitrarily* and replacing the survey estimates by these subjective estimates.

The procedure, of course, is quite invalid. The Theory of Sampling does not permit of such corrections for bias. The grafting operation knocks out the very epistemological basis of the Sample Survey method. Corrections can only be made if the true values are known, and if the true values are known one does not undertake a Sample Survey to estimate it. Secondly, the figures which are substituted in place of the survey estimates are *purely subjective* (the allocation between the rural and urban sectors being arbitrary). Hence, both by the method followed as well as the material used for correction. the final results lose all objective validity. It should be clear to anybody that by following the method used by the NCAER *one could arrive at whatever rate of saving one desires to arrive at.*

All the cross-sectional results pertaining to savings are also equally invalid. All the tables in chapter 5 describing cross sectional saving behaviour refer to a volume of saving which is only 3.3 per cent of the disposable income of households. It is on the basis of such a table that the result regarding marginal propensity to consume is arrived at. It is on the basis of such a table that the conclusion is drawn that the dividing line between saving households and dissaving households is at Rs 3,000 per annum income. Such conclusions can only be drawn under the assumption that the components of the saving not covered by the survey as well as the biases behave cross-sectionwise in the same manner as the fraction of saving covered by it — an extraordinary assumption with no theoretical sanction whatsoever.

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Nuclear Power in India

Tarapur and After

(From a Special Correspondent)

The one aim of current research on nuclear power reactors is to develop what is known as a fast breeder reactor — a reactor which will perform the dual function of generating power and, at the same time, recreating its fuel supply by converting non-fissionable uranium-238 or thorium into fissionable plutonium or uranium-233.

Not until breeder reactors are developed can India's resources of nuclear raw materials be fully exploited.

Our uranium reserves are relatively small, but our deposits of thorium are among the largest in the world. The enormous energy potential of the thorium reserves can be realised only with reactors in which thorium can be converted into uranium-233.

India's reserves of nuclear raw materials would thus demand a nuclear power programme starting with natural uranium reactors. The plutonium recovered from natural uranium reactors could be used to enrich natural uranium fuel and later, when the technology of breeder reactors is sufficiently developed, to fuel fast neutron reactors. The latter in turn would produce uranium-233 from thorium, and the uranium-233 could be used in other breeder reactors.

It was logical, therefore, to expect that the first reactor that India built would be of the natural uranium type. The choice of an enriched uranium reactor for Tarapur appears to have been influenced almost entirely by financial considerations. It does not follow, however, that the goal of developing a full-scale nuclear power industry based on thorium is being neglected.

JUDGING by the information made public so far, the terms of the Indo-US agreement on the atomic power station at Tarapur are as satisfactory as we could have hoped in present circumstances. The two points which had caused some anxiety — financing and safeguards — have both been settled.

The US loan of $ 95 million will take care of the foreign exchange requirements, including the cost of the initial fuel supply. As regards safeguards, the proposed arrangement is obviously a compromise between the original Indian and American positions, and we could hardly expect the compromise to have been more in our favour without a major reversal of declared American policy. The safeguards system of the International Atomic Energy Agency came into being largely on American initiative and insistence, and at one stage India opposed it tooth and nail. The American position has remained largely unchanged, and while the US authorities were willing to meet India's objections as far as they could, they had to maintain at least some semblance of consistency. And IAEA did its best to remind the Americans of the implications of inconsistency.

At one time it looked as if India would have to accept most of what she had opposed, and the fact that the Americans have made a compromise at all is a measure of American interest in this particular project (which was reflected earlier in the value of the American bid for building the station, reportedly about $30 million less than what the British had quoted).

Compromise on Safeguards

The arrangement about safeguards cannot have pleased IAEA much; references to a possible trilateral agreement in the future which would make the Agency responsible for the administration of the safeguards are somewhat vague and conditional. Besides, the reason given for deferring such an agreement to the future — that the Agency has not yet developed a safeguards system for large power reactors — may not appear convincing in Vienna; the Agency has already worked out an extension of its safeguards system to cover power reactors of more than 100 mW capacity and this enlarged system which is to be submitted to the IAEA General Conference next September, was generally approved by its Board of Governors in June, before the Indo-US agreement was announced.

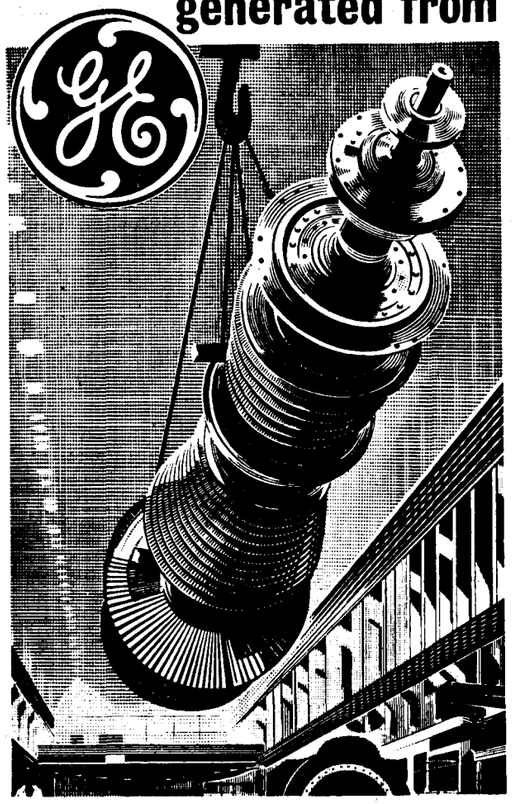
In being able to avoid the immediate application of Agency safeguards to Tarapur, India has partially succeeded in sustaining her objections to what she has always regarded as an unethical and unnecessary system. And in agreeing to application of these safeguards at a future date she has enabled the United States to maintain its formal support to the Agency's system. By the time the stage is reached for this step to be taken, the Agency's safeguards system may be substantially modified; India is still trying to have the system amended in such a way that safeguards will apply only to nuclear materials and not to equipment, i e to the fuel and not to the hardware.

Those who see any sinister motive in India's stand can easily be proved wrong. In opposing Agency safeguards, India has tried to underline its discriminatory implications; in the absence of universal safeguards to prevent the use of nuclear materials and equipment for military purposes the application of safeguards to projects in the developing countries which need assistance from the Agency is rather meaning-

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less. To strengthen the Agency's role, the USA announced its intention of subjecting its own bilateral agreements to Agency safeguards. When India appeared more willing to accept U S safeguards under a bilateral agreement rather than accept the Agency's "international" safeguards, some observers were understandably intrigued. India's reasoning seems to have been as follows : We are not opposed to safeguards if they are universal, but we are still not in favour of an "international" system which can in fact apply only to countries needing assistance. If in order to get such assistance we have to accept safeguards, we would rather enter into an agreement with the country giving us the assistance than accept a system whose discriminatory nature is all the more glaring because it is supposedly international. A bilateral agreement is after all an arrangement between two sovereign parties that represents a balance of mutual interests; it does not pretend to be a statement of moral code.

Whether the argument appears specious or not, there need be no apprehensions over the motivations of India's nuclear power programme. The plutonium from Tarapur will go back to the United States. And, in any case, neither a boiling water reactor (the type adopted for Tarapur) nor a heavy water reactor (the type selected for Rajasthan) is a particularly good producer of plutonium. Much more suitable for plutonium production is the British and French type of power reactor —fuelled by natural uranium, moderated by graphite and cooled by carbon dioxide gas.

Reactor Types

The selection of reactor types for India's atomic power programme is a matter of considerable interest. Before examining the subject, it might be useful to refresh our lay understanding of basic nuclear techniques.

Natural uranium, as we all know, contains only 0.7 per cent of the material (uranium — 235) which actually splits and releases energy in a reactor. In an ordinary reactor the neutrons which cause the splitting are slowed down by what is called a moderator (such as graphite or water) in order to facilitate their "capture" bu uranium-235 atoms. If the neutrons are captured by the uranium-238 atoms, which constitute over 99 per cent of natural uranium, the atoms do not split but are converted into a new fissionable element, plutonium. If the fuel is "enriched" artificially with more fissionable material (uranium-235) than is normally present in natural uranium, more energy can be immediately extracted from a given amount of fuel, but there is obviously less scope for plutonium production.

Thorium as Fuel

Britain and France have concentrated almost entirely on natural uranium reactors moderated by graphite and cooled by gas. In the United States, on the other hand, the emphasis has been mainly on enriched uranium reactors moderated and cooled by ordinary water, the two main types being boiling water and pressurised water reactors. The Canadians have developed a type which is fuelled by natural uranium but moderated and cooled by heavy water, D^2O, (i e, heavy hydrogen plus oxygen). Heavy water reactors also produce substantial quantities of plutonium, but in view of the high degree of fuel "burn-up" in such reactors, it is often not considered worthwhile to extract the plutonium from the "spent" or used fuel elements.

Several other types of reactor have been developed, with different moderators and coolants, but one common aim of current research is to develop what is known as a fast breeder reactor. In general, these reactors will be without a moderator and the neutrons will have the dual function of splitting the fissionable material in the fuel and producing more fissionable material by converting uranium-238 into plutonium or thorium into another fissionable substance— uranium-233. (The dual function, of course, is performed to some extent in all reactors, but fast reactors are specifically designed to become efficient producers of new fissionable material from what is known as source material, such as uranium-238 or thorium.)

It is with the development of breeder reactors that India's resources of nuclear raw materials can be fully exploited. Our uranium reserves are relatively small (about 10,000 tons), but the deposits of thorium are among the largest in the world (about $\frac{1}{2}$ million tons). The enormous energy potential of the vast thorium reserves can be realised only with reactors in which thorium can be converted into uranium-233 to fuel other reactors. The nature of India's reserves of nuclear raw materials would thus normally favour a nuclear power programme initiated with natural uranium reactors. The plutonium recovered from natural uranium reactors could be used to enrich natural uranium fuel, and later, when the technology of breeder reactors is sufficiently developed, to fuel fast neutron reactors. The latter in turn would produce uranium-233 from thorium, and the uranium-233 could be used for further breeder reactors.

Surprising Choice

That is why it was widely expected that the natural uranium system would be selected for Tarapur. The expectation was strengthened by the fact that while India has no uranium enrichment facilities, she is already producing natural uranium metal for use in reactors. The selection of an enriched uranium system seems to have been determined almost entirely by financial considerations; as already indicated, the cost quoted by the British for building a natural uranium plant was considerably higher than the offer by the Americans for an enriched uranium station.

The second station, as is already known, will be of the Canadian heavy water type, with which Indian scientists and engineers have already had considerable experience from the Canada-India reactor at Trombay. Production of heavy water is well under way.

If the choice of reactor types for the first two stations (nothing is known yet about the third to be built in South India) has not exactly followed the predicted pattern, it does not imply that the eventual goal of developing a full-scale nuclear power industry based on thorium is to be neglected. The technology of fast breeder reactors is still in the stage of research and deve-

lopment and by the time India reaches the stage of utilising her thorium reserves a great deal of technological advance will have taken place. Indian scientists and engineers themselves will have considerable opportunity to experiment with the technology of using plutonium as fuel for reactors in which thorium can be converted into uranium-233. For such experimental purposes sufficient plutonium will be available from the Canada-India reactor.

Economics of Nuclear Power

Apart from selecting reactor types best suited to the country's resources, a major determinant in the formulation of the nuclear power programme is the cost of power generated. Some misgivings have been expressed in India and elsewhere about the economic wisdom of embarking upon a nuclear power programme of considerable size at the present stage of India's economic development and commitments. Dr Bhabha has staunchly maintained that this is not only necessary as an inevitable technological preparation for future development but also justifiable by facts and compulsions of power economics already applicable to India. Judging by current trends, he is very likely to be proved right.

The initial enthusiasm over the advent of atomic energy as a source of power was followed by a period of fairly widespread scepticism about its immediate economic outlook, but during the past one year or more there has been a distinct revival of confidence. Uranium prices have fallen and the technology has improved. The performance of the established power reactor types (of both natural and enriched uranium varieties) has been much better than expected; in fact, it is now generally recoganised that such difficulties as have so far been experienced with nuclear power stations have arisen almost entirely in the conventional components of the plants and not in the nuclear reactors themselves. Both Britain and France are now confident that the cost of nuclear power will be competitive with that of conventional power by the end of the present decade; in special circumstances the break-even point could be reached earlier. Even in the United States, with its enormous conventional energy resources, atomic energy has already begun assuming a progressively larger share of the total installed capacity of power supply.

The arguments in favour of having nuclear power stations in certain areas of India have already been extensively elaborated by official spokesmen. At one stage Dr Bhabha calculated that the capital cost per kilowatt of nuclear power installed would be Rs 1,700, while the corresponding figure for conventional thermal power at places far away from the coal fields was about Rs 1,350 (taking into account the investment in the railways for coal transportation). Even then he argued that in view of the lower fuel costs in nuclear power generation, the cost per unit of nuclear power generated could be competitive with that of a unit of power from a conventional thermal station. For Tarapur, the capital cost will work out at just over Rs 1,400 per kilowatt, and it seems almost certain that the power generated will be cheaper than conventional power. The fact that enriched uranium reactors have lower capital costs but higher fuel costs than natural uranium reactors (and probably Dr Bhabha's original estimate was based on British experience with the first natural uranium stations) is not likely to invalidate this forecast.

High Capital Cost

Cost estimates can, however, be quite misleading unless the criteria for estimation are clearly specified, and this is a subject for fruitful enquiry by power economists in India. The complexity of the enquiry will be clear from some of the factors involved, as indicated below.

The main cost components of nuclear power are those relating to capital, the fuel cycle, and operation and maintenance. These vary widely from one type of reactor to another.

As regards capital costs, gas-cooled, graphite-moderated natural uranium reactors, with a capacity of 500 mW, cost about $ 280 per kW. Water-cooled enriched uranium reactors of 300 mW capacity cost about $ 200 to $ 250 per kW.

Fuel cycle costs are at present in the range of 2 to 4 mills per kWh for light water and gas cooled reactors. For heavy water reactors of the Canadian type, a fuel cycle cost of about 1.2 mills per kWh is predicted. Such fuel cost figures, however, should always be considered in the light of the cost structure of the nuclear fuel cycle which is radically different from that of conventional fuels and varies from one reactor system to another. Whereas the conventional fuelling cost is essentially the cost of fuel consumed, the cost of uranium consumed is but one of the components of the nuclear fuelling cost and is in most cases smaller than the cost of preparing and fabricating the fuel. Also, in most systems the credit for the plutonium contained in the used fuel elements is an important determinant of total fuel costs.

Uncertain Elements

The cost of operation and maintenance of nuclear stations is not yet well established, but on the basis of American and European experience it is expected to be in the range 0.7 to 1.2 mills per kWh.

The generating cost per kilowatt-hour of nuclear power can be calculated on the basis of estimated fuel and operation costs and assumptions concerning the annual charge for capital cost and the percentage of the plant's total capacity utilised per year.

In estimating the total cost of a nuclear power project one major difficulty arises from uncertainties regarding future fuelling costs. As indicated above, the fuelling costs are not determined by the prices of fresh fuel alone; the amount of energy which can be extracted from the fuel before it must be reprocessed or discarded as well as the costs incurred for its preparation and fabrication must also be taken into account.

Assuming, however, that all the initial estimates have been made with a reasonable degree of accuracy, the next problem is to work out the generating cost per unit (kilowatt-hour) of power produced. Here again, the estimator is faced with technical, economic and accounting uncertainties. On the technical side, both plant life and load factor, which affect generating costs, can for the time being be only assumed, since no power reactor has yet been worked for the whole of its expected operational life. Another important factor is the possibility of achieving a power output substantially higher than that provided by the original design, thus lowering the estimated unit capital cost proportionately. Among economic factors the interest rate plays a crucial role. A high interest rate will favour plants with relatively low investment and relatively high fuel costs, while a low rate will favour a plant with higher investment but lower fuel costs. As regards accounting questions, determination of the generating cost is complicated by the existence of different methods of computation.

Strategic Shortfalls in Industry

(From Our Delhi Correspondent)

Insofar as the public sector has the overwhelming responsibility for developing the basic capital and producer-goods industries essential to ensure that "the requirements of further industrialisation can be met from the country's own resurces", the poor performance of a large number of public sector projects, as revealed by the following review of industrial development in the first two years of the Third Plan, has implications far more important, from the point of view of the growth of the economy, than a shortfall in immediate output.

Shortage of foreign exchange does not appear to be the only, or in many cases even the principal, reason why the industrial programme is lagging behind schedule. Much is said, though not as much done, about the need for careful planning and efficient execution of industrial projects, but a careful examination will show that many of the lags in the industrial programme can be traced in fact to the persistent failure to translate the by now well-known industrial priorities into reality.

THE Third Plan professed to be a "heavy industries Plan" and one of its principal objectives was "to expand basic industries like steel, chemicals industries, fuel and power and establish machine-building capacity, so that the requirements of further industrialisation can be met **within a period of ten years** or so mainly from the country's own resources" (emphasis ours). Special importance, therefore, attaches to the progress of the Plan's industrial programme. And, in view of the long gestation periods of most heavy industrial projects, it is possible, on the basis of the progress made so far, to form a good idea of what can be, and what cannot be, achieved by 1965-66.

The development programme for industries and minerals in the Third Plan was estimated to require a total investment of Rs. 3,143 crores, of which the foreign exchange component was Rs. 1,388 crores. Of this, the expected investment in the public sector was Rs 1,808 crores with a foreign exchange component of Rs. 860 crores while private sector investment in industry was expected to be Rs. 1,335 crores including Rs 528 crores in foreign exchange. Against the total investment required of Rs 3,143 crores, the Plan estimated the investment that would be actually possible at Rs 2,770 crores — Rs 1,520 crores in the public sector and Rs 1,250 in the private sector.

Spill-Over Inevitable

Thus it was expected that a part of the industrial programme, of both sectors, would not be completed by 1965-66 and would spill over into the Fourth Plan. It was also admitted that the spill-over in real terms was likely to be bigger than indicated by the gap of Rs 450-500 crores between investment requirements and availability of resources. The figure of investment required given in the Plan was likely to prove an under-estimate both because of price escalation during the Plan and because the cost estimates of many projects as contained in the Plan were tentative. Similarly, estimates of foreign exchange costs were based on the assumption that purchases would be made from the cheapest source of supply — an unrealistic assumption since most aid is tied to purchase from the aid-giving countries. An idea of the extent to which costs could diverge from Plan estimates can be had from the experience of the Second Plan when, though investment in industries exceeded the original estimates by as much as 30 per cent, only 85 to 90 per cent of the physical programme could be completed!

To understand the implications of the shortfall in the industrial programme, one has to go beyond these aggregative financial magnitudes and form an idea of the specific industries in which the shortfalls are likely to occur. The Third Plan contains some pointers on this question, at least as far as the public sector is concerned. The projects forming the public sector industrial programme were grouped into three categories in the Plan:

(1) Projects carried over from the Second Plan and under execution;

(2) New projects for which external credits were already assured, wholly or partly; and

(3) New projects for which external credits had yet to be arranged.

It was expected in the Plan that all projects falling in category (1) would be completed by 1965-66, as would most of the projects in category (2). The greatest element of uncertainty attached to projects falling in category (3). Of course, these categories did not represent a priority-wise arrangement of projects. For instance, category (3) included such high-priority projects as the Bokaro steel plant and the alloy and special steels plant. The classification of the projects into the three categories was based on the not-un-

justified expectation that projects which were already under execution and others for which foreign exchange had been arranged could be proceeded with with greater certainty than projects for which foreign exchange had yet to be secured.

Fears Come True, Hopes Remain Unfulfilled

Little official information is available on the progress of the public sector industrial programme in the first two years of the Plan. A complete picture may be expected to emerge from the Planning Commission's "mid-term" review of the Plan on which it is known to be currently engaged. However, till the results of this review are available, one has to depend on newspaper reports and other piecemeal information. Even such scrappy information, however, gives the impression that while the Planning Commission's fears about projects belonging to category (3) have proved well-founded, its expectations in respect of projects in categories (1) and (2) have been substantially belied.

To begin with projects in category (3), i e, new projects for which foreign exchange had yet to be arranged at the begining of the Plan, the only project which seems to have made reasonably satisfactory progress is the expansion of Fertilisers and Chemicals at Alwaye in Kerala. Projects on which work has begun but which have made no appreciable progress are:

(1) Alloy and tool steels plant;
(2) Expansion of Hindustan Shipyard.

The list of projects which have remained untouched, or almost so, in the first two years of the Plan is truly impressive:

(1) Bokaro steel project;
(2) Hindustan Shipyard's dry dock project;
(3) Second shipyard at Cochin;
(4) Expansion of NEPA Mills;
(5) Heavy compressors and pumps project;
(6) Ball and roller bearing project;
(7) Additional capacity for machine tools;
(8) Second heavy structural works;
(10) Marine diesel engine factory;
(11) Expansion of alkaloid factory at Ghazipur in U. P.;
(12) Lubricating oil plant;
(13) Low temperature carbonisation plant;
(14) Neiveli Lignite's high carbonisation plant and related facilities for pig iron production.

Among projects belonging to category (2), i.e., projects for which new credits were already wholly or partly assured at the beginning of the Plan, only the watch factory at Bangalore has made appreciable progress. Projects which have made some progress are HMT's machine tools factory at Pinjore, Punjab, expansion of Praga Tools at Secunderabad and expansion of Hindustan Cables. Projects which appear to be lagging behind schedule, in varying degrees, are:

(1) Second heavy electrical project at Rampur, U. P.;
(2) Third heavy electrical project (Ramachandrapuram, Andhra);
(3) High pressure boiler plant (Tiruchi, Madras);
(4) Precision instruments project (Kotah, Rajasthan);
(5) Precision instruments project (Kerala);
(6) Ophthalmic glass project (Durgapur);
(7) Raw film project;
(8) Expansion of the three public sector steel plants;
(9) Expansion of Hindustan Machine Tools;
(10) Basic refractories project (Bhilai);
(11) Gujarat oil refinery (Koyali);
(12) Heavy plate and vessel works (Maharashtra); and
(13) Security paper mill (Madhya Pradesh).

Coming, finally, to projects in category (1), i.e., projects carried over from the Second Plan and execution of which was already under way at the beginning of the Third Plan, the completion of the three steel plants is a landmark. Other projects in this category which have made considerable progress are the heavy electrical plant (Bhopal), the fertiliser factory, the thermal power plant and the briquetting and carbonisation plant—all at Neiveli. The Nunmati oil refinery has been commissioned while the second public sector refinery at Barauni is expected to go on stream in October this year, which is well behind the original schedule. Projects which have made some progress are the completion and expansion of the heavy machinery plant (Ranchi), the foundry forge plant (Ranchi), the mining-machinery plant (Durgapur), the heavy machine tools plant (Ranchi) and the fertiliser factories at Trombay (Maharashtra) and Nahorkatiya (Assam). However, even among projects in this category which should have been expected to make rapid progress, the list of those whose progress has been unsatisfactory is by no means short. These include:

(1) Synthetic drugs plant (Sanatnagar, Andhra).
(2) Antibiotics plant (Rishikesh, UP).
(3) Phyto-chemicals plant (Munnar, Kerala).
(4) Surgical instruments plant (Guindy, Madras).

Shortfall in Strategic Industries

Industry	Unit of Account	Expected Production in 1965-66	Plan Target
Finished steel	Mn tons	5.8	6.8
Alloy, tool and stainless steels	'000 tons	Nil	200.0
Aluminium	'000 tons	68.0	87.5* (110.0)
Copper**	'000 tons	17.4	22.0
Steel castings**	'000 tons	150.0	200.0
Steel forgings**	'000 tons	120.0	200.0
Machine tools	Rs crores	25.0	30.0
Automobiles:			
Commercial vehicles	'000 Nos	54.0	60.0
Passenger cars	'000 Nos	25.0	30.0
Ball and roller bearings	Mn Nos	12.0	15.0
Fertilisers:			
Nitrogenous	'000 tons	500.0	800.0
Phosphatic	'000 tons	200.0	400.0
Sulphuric Acid**	Mn tons	1.5	1.75
Automobile Tyres**	Mn Nos	4.6	3.7* (5.2)
Cement	Mn tons	12.0	13.0
Refractories	Mn tons	1.1	1.5

* Figures in brackets is the revised target.
** Figures are for capacity.

(5) Organic intermediates plant (Panvel, Maharashtra).
(6) Expansion of Hindustan Antibiotics (Pimpri, Maharashtra).
(7) Fertiliser factory (Gorakpur, UP).

Disturbing Implications

The progress of the major public sector projects as revealed by this sketchy survey, based mainly on the investment made in them in the first two years of the Plan, has two particularly disturbing implications. Insofar as the public sector has the overwhelming responsibility for developing the basic capital and producer goods industries which are necessary to ensure that "the requirements of further industrialisation can be met.... from the country's own resources," the delay in the public sector projects has implications far more important, from the point of view of the growth of the economy, than a shortfall in immediate output. To take but one telling instance, if the heavy-machinery complex for which the Soviet Union had offered aid quite early in the Second Plan, had been taken up in the Second Plan and completed in time, the bulk of the equipment for the fourth public sector steel plant could have been fabricated domestically.

The other implication of the slow progress of projects in all the three categories mentioned above is that shortage of foreign exchange is not the only, or even the principal, reason why the public sector industrial programme is lagging behind schedule. The poor performance of a large number of projects for which foreign aid has been secured indicates that the real causes of delay lie elsewhere—in faulty and incomplete planning of projects and in slothful implementation. An instance which has been in the news recently is that of the phyto-chemicals plant in Kerala. The project has reportedly run into such heavy weather that the possibility of abandoning it altogether is by no means ruled out. The reason given is that tea waste and prunings, the raw materials for phyto-chemicals, are not available at economic prices. One would expect that availability of raw materials was one of the first things to be considered in the planning of any industrial project. It can hardly inspire confidence in the planning system if, after being on the anvil for full two years, a project has to be abandoned because it is discovered that raw materials are not available.

The large amounts of unutilised foreign aid tied to specific projects are enough to raise doubts whether foreign exchange is in fact the principal constraint on industrial development. The progress of public sector industrial projects in the first two years of the Third Plan shows that availability of foreign exchange is really an enabling factor. In addition to sound advance planning and efficient execution, about which much is talked though not as much done, a careful enquiry will no doubt show that many of the lags in the industrial programme can actually be traced to the persistent failure to translate industrial priorities into reality. Thus the completion of the complex of heavy machinery and structurals and forgings projects will obviously make its impact on the execution of a wide variety of projects. A scheme of execution of projects on the basis of availability of foreign exchange cannot substitute for one based on the relations of complementarity and inter-dependence among projects.

Private Sector's Failures

The complementarities and interdependencies are as much a fact in the private sector and between projects in the private and the public sectors. In the case of the private sector, however, industrial targets and programmes have a different meaning from those of the public sector. The control exercised by the Government through the industrial licensing policy is essentially negative and efforts to give positive direction to private industry have to be in the form of incentives and concessions.

In aggregative financial terms private sector investment in industry has been in keeping with the Plan targets. But an industry-wise survey would soon reveal that the progress in such crucial sectors as steel castings and forgings, special steels, aluminium, machine tools, cement and fertilisers ranges from nil to below expectations. High priority projects have faced difficulties in arranging for foreign collaboration and even in raising funds locally, while relatively low priority projects have sailed ahead fairly smoothly—as in the Second Plan. To direct private investment into the high priority industries the Plannnig Commission is known to be considering price incentives to controlled industries and higher development rebate in selected industries. These are not novel suggestions and were mentioned in the Third Plan though the Government has yet to act on them.

Structural Base Still Weak

The overall picture of industrial development that emerges is presented in the Table on page 1282 which shows the original Plan targets and the production that may be achieved in 1965-66 on the basis of current trends for some important industries.

Reviewing industrial development in the Second Plan period, it was stated in the Third Plan: "There can be no doubt that in the industrial field far-reaching gains have been secured. It must, however, be recognised that this success, considerable though it is, **has so far been insufficient to....radically alter the structure of the economy....** The main industrial targets which have not been achieved are those set for iron and steel, fertilisers, certain items of industrial machinery, heavy castings and forgings, aluminium, newsprint, raw films, chemical pulp, soda ash, caustic soda, dyestuffs, and cement. 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" (emphasis ours).

A similar epitaph, it appears, can be written in advance for the Third Plan.

Everest Advertising Scholarship

EVEREST Advertising Private Limited has instituted a full-term scholarship for a deserving candidate for the Diploma Course in Advertising at the Bharatiya Vidya Bhavan's College of Journalism, Advertising and Printing. The scholarship will be given to a meritorious student deserving aid, who is not employed and who is interested in taking up advertising as a career.

Chemical Industry—A Link Missed

A Gupta

The review of industrial development in the first two years of the Third Plan attempted in the previous article throws some light on the complementarities among different sectors of industry and indicates how failure of certain strategic industries to develop according to schedule may hold up the progress of a whole range of related industries.

In this article this point is illustrated with an example from the chemical industry.

THE reported decision of the Government to drop the public sector primary intermediate chemicals project at Panvel, Maharashtra, (*The Economic Weekly*, July 6 1963) raises many important questions relating to the development of the dyes and pigment industry in the country. The dyes industry has by now got well-established. Some of the important categories of dyestuffs at present manufactured alongwith the production capacity in respect of them and the future demand for them are given in the table below.

Dyestuffs are complex organic compounds and the manufacture of these involves complex processes. There are three stages in the technology of dyestuff production :

(1) manufacture of primary intermediates from basic chemicals,

(2) conversion of primary intermediates into secondary intermediates or complex intermediates, and

(3) conversion of complex intermediates into dyestuffs.

Collaboration Agreement

Complex intermediates are now imported and are converted into dyestuffs in the dyestuff factories. The Government of India decided in 1960 to start the Panvel project for the manufacture of primary intermediates from the basic raw materials available in India. This was expected to save a large amount of foreign exchange. The public sector project was planned at a cost of Rs 12 crores of which Rs 6 crores was the foreign exchange component. It was planned to manufacture about 300 different intermediates, mainly for the dye industry and also for the drug and pharmaceutical industry.

It was planned that the dyestuff manufacturers would produce the secondary complex intermediates from the primary intermediates supplied to them from the public sector project. On the basis of this, many of the big dye manufacturers planned huge plants for the manufacture of secondary intermediates and have already spent large amounts of money on these plants. The question is, if the Panvel project is abandoned, from where will these manufacturers get the primary intermediates ? Either the primary intermediates may have to be imported at a cost of foreign exchange or the plants will have to be kept idle.

Why Germans Lost Interest

Reports that the German manufacturers who were to help build the Panvel plant have backed out because they now feel that the project is not a viable one sound strange because the project was launched four years ago and a great deal of preparatory work has been done and a lot of money spent on the project, including by the Germans. According to more informed sources, however, the story is somewhat different. In 1960, when the agreement with the German consultants was signed, it was arranged that apart from their contribution to the capital, the Germans would provide additional foreign exchange required for the imported equipment as loan and would be paid 7 per cent interest on the loan. Subsequently the Government of India felt that it would be cheaper to use money out of West German aid to India for import of equipment for Panvel since the West German loan carried a lower rate of interest. The German industrialists were upset about this and relations between them and the Government were strained. Meanwhile it was found that money from West German aid would not be available after all. The Government was in a dilemma.

Other difficulties also arose. It was discovered that the intermediates planned to be produced at Panvel would not be sufficient even for a part of the requirements of the secondary intermediate manufacturers. The big dye manufacturers then approached the Planning Commission and the Government agreed that some of the primary intermediates could be manufactured by the dye manufacturers. But it would not be surprising if in course of time it is found that it is not economical for isolated manufacturers to go into the manufacture of the whole range of primary intermediates at this juncture. This requires heavy investment, and the reason why manufacture of primary intermediates was taken up in the public sector was that the task was beyond the competence of the private sector. All these considerations make it imperative that the Panvel project be salvaged. The German consultants may yet agree to complete this project provided financial arrangements agreeable to them are made.

Dyestuffs : Capacity and Expected Demand

(*Tons*)

Dyestuffs	Present Capacity	New Capacity Licensed	1965-66 Requirements	1970-71 Requirements
Azo Dyes	1,500	2,600	3,000	3,700
Basic Dyes	100	1,000	900	1,100
Fast Colour Bases	1,000	300	1,300	1,600
Naphthols	1,100	200	1,300	1,600
Organic Pigments	700	800	1,200	1,500
Sulphur Black	1,800	500	2,300	2,800
Vat Dyes	200	1,100	1,200	1,500
Total, including miscellaneous	6,600	6,700	11,400	14,000

Export Strategy for the Take-Off

Manmohan Singh

It is now widely recognised that India's export receipts will have to be more than doubled by 1970 if the Indian economy is to become self-reliant even by the Fifth Plan.

From the short run point of view also, the case for a vigorous export drive is not less strong. A large part of the industrial capacity of the country is lying unutilised for want of imported components and raw materials. Thus the availability of extra foreign exchange made possible by an incremental rise in export earnings would increase the country's national income by nearly the full amount of value added in manufacture in sectors of idle capacity.

In addition, if the output of some crucial bottleneck products could be raised through an increased supply of imported materials, the gains to the economy would be further increased insofar as the output of many complementary industries would also rise.

Above all, the country's foreign exchange reserves having been nearly exhausted, we face a situation where even a minor shortfall in the amount of aid or a decline in export earnings could induce disproportionately adverse effects on the country's economic health. Thus the task of increasing export earnings here and now assumes a new urgency.

OUR official policy has been far too slow in recognising the necessity of a sustained export drive. As is now admitted "one of the main drawbacks in the past has been that the programme for exports has not been regarded as an integral part of the country's development effort under the Five Year Plans" (*Cf* "The Third Five Year Plan", p 137). As with planning in general, the greatest weakness of our export policies has been more in implementation rather than in formulation. For instance, take the case of ensuring that our exports conform to certain minimum standards of quality. The Department of International Trade is planning to move into the matter. Meanwhile as recently as last month we find Australian importers complaining of the defective quality of jute goods shipped from India (*Economic Times*, June 7, 1963). Furthermore, while we have even now not fully succeeded in preventing the export of sub-standard cotton textiles, it is instructive to know what our principal competitor, namely Japan, has done in this field. As early as April 1951, the Japanese Ministry of International Trade made it compulsory for all Japanese cloth to bear a label indicating whether the colour was fast and washable. In 1955 the Japanese Government ruled that nothing but the cloth of washable colour or better could be exported to the designated areas; and in March 1958 this ruling was made applicable to Japanese exports of textiles to all destinations.

Measures of Export Promotion

Fortunately in the last two or three years, there has been a tendency for attitudes to change in the right direction but the movement has not gone far enough. The situation was aptly summarised last year by the Import and Export Policy Committee when it pointed out that "while targets of a high order have been theoretically drawn up, adequate steps have not yet been taken to dovetail the import-export targets with the plans and projects of development in the private and public sector and to lay the foundation of a big trade" (*Ibid* p 24).

In the last few years, Government has no doubt taken some useful steps to promote exports. Some new institutional arrangements like the Export Promotion Councils have been brought into existence. Attempts have been made to abolish any remaining disincentives to exports by a systematic review of export controls and export duties and by arranging for a speedy refund of import and excise duties on the raw material content of the exported articles. Furthermore, in order to ensure that manufacturers participating in the export trade are not hampered by a lack of a sufficient supply of raw materials, Government has arranged to provide the necessary raw materials, local as well as imported, by granting appropriate licences to such firms. Lastly, some more positive incentives to exporters have also been offered. These take the form of a rebate of income tax on export earnings, freight rebate on specified export shipments on the Indian Railways and the supply of raw materials at concessional prices to exporters of specified products. (In an economy where imports are severely controlled, the permission to the exporters to retain a part of export receipts for the import of specified raw materials has also an element of incentive attached to it).

Cumulative Impact not Significant

All these are helpful measures. However, in their cumulative impact they are unlikely to be of a very great significance because positive incentives to exports are so far greatly limited in their scope and they do not cover some of India's major export items. Considering the fierce competition in the world markets and the growing profitability of the home market in India (as a result both of rising incomes and severe import controls), the existing measures are grossly inadequate. That this is so is proved by the failure of existing export promotion scheme for cotton textiles in boosting our exports. As is well known, despite the incentives under the export promotion scheme for cotton textiles, some textile mills chose to pay premiums at or near the penalty rates to avoid exporting 12.5 per cent of their pro-

duction under the scheme of compulsory exports introduced last year. The moral is that the present export promotion measures are halting in their incidence and extremely inadequate to meet the challenge of the situation. Unfortunately, it appears that apart from these measures, Government seems to have been left only with exhortations to manufacturers to export more. A typical case is the Government's reported response to the jute industry's request for some countervailing action to neutralise the effects of Pakistan's export bonus scheme. This scheme has been in operation in Pakistan since 1959, and as a result, Pakistan has made heavy inroads into our traditional markets for jute sacking. Until now we have failed to take any action to meet this "unnatural" competition and the official view seems to have been that the growth of an export based jute industry in Pakistan was inevitable and could not be checked. But now that Government is reported to be seized of the problem, it has gone no further than asking the jute industry to subsidise exports out of a pool to be created from its own resources. Such a device has previously been used in the case of bicycles as well as sugar and the results are well known. Since the bulk of the export activity is being carried on by the private sector, it is necessary to realise that exhortations and appeals to patriotism are hardly an adequate substitute for positive economic incentives. In this connection it is well to remember Marshall's dictum: "Progress chiefly depends on the extent to which the strongest and not merely the highest forces of human nature can be utilised for the increase of social good".

Elements of Export Strategy

Broadly speaking, our objective should be at least to hold on to our present share of world exports for those commodities where we are a leading exporter and world trade displays oligopolistic tendencies: for those commodities of which we are only a marginal exporter, sustained efforts should be made to increase our market share. It is sometimes asked how far is it justifiable for India to increase her exports at the cost of other underdeveloped countries? The simple answer to this is that India is perhaps the poorest country in the world and she, therefore, need not suffer from any pangs of conscience in pushing forward her exports as part of her programme of economic development. Besides, it need not always be that our exports must compete against those of other underdeveloped countries. For example, in cotton textiles our chief competitor is Japan. Moreover, it is quite possible that a rise in our exports of such items as raw cotton, tobacco and vegetable oils may affect rich countries like the USA more than underdeveloped countries since the USA is also a major exporter of agricultural commodities.

Role of Traditional Exports

There is a widespread feeling that since our traditional exports do not offer much scope for expansion, export promotion measures need not cover them. It is no doubt true that our traditional exports do not offer very exciting opportunites but it does not follow that we can afford to leave them alone. Considering that other countries are out to increase their exports of such items as jute goods, tea, cotton textiles and manganese ore, we may not be able to maintain our present exports of these items without a conscious policy of protecting our position. Unfortunately our neglect of the traditional exports in the last decade has cost us dearly. In almost all traditional items our market share of world exports has been falling in the last decade. For example in jute manufactures, our share of world exports fell from 97 per cent in 1948-50 to about 76 per cent in 1958-60; in tea our share fell from about 50 per cent to 43 per cent over the same period; before the war India normally supplied 45-50 per cent of world exports (excluding China) of groundnuts and groundnut oil (in terms of oil equivalent), but in 1958-60 India's share had fallen to 3 per cent. During 1948-50, both India and Japan accounted for about 11 per cent of world exports of cotton textiles each; in 1958-60, Japan had managed to raise her share to about 18 per cent while India's fell to about 10 per cent. At a time when previously major exporters like the UK and the USA were resigned to a reduction in their exports of cotton textiles, an export oriented policy in India could have turned this fact to her advantage. But whereas Japan, Hong Kong and Pakistan have all cashed on this opportunity, India has not. My investigations have shown that if India's relative share of world exports of her principal traditional exports in 1958-60 had been the same as in 1948-50, the country's export earnings would have been higher by about Rs 90-100 crores a year than they actually were. One gets an idea of the opportunities which have been lost when one remembers that this is roughly the entire foreign exchange cost of a steel plant with an annual capacity of one million tons.

The point I wish to emphasise is that India's traditional exports are far too important to be left alone. We must urgently do something about the competition offered by Pakistan in jute manufactures; similarly, we must greatly strengthen our competitive position with regard to common teas; we must bring our prices of cotton textiles to a level where we can effectively compete against Japan; in manganese ore, we must face the Russian, African and Brazilian competition more effectively; in vegetable oils we must do something to recover at least part of the lost ground. I shall come back to these points again in a later section.

Crucial Importance of Agricultural Production

In order to increase our exports it is necessary not only to ensure that adequate export surpluses are forthcoming but also that they are made available at competitive prices. The future of our traditional exports is crucially dependent on the trends in agricultural production. We cannot increase our exports of raw cotton, vegetable oils and tobacco unless production rises faster than the contemplated additional consumption. Similarly, the performance of jute and cotton textiles will greatly depend on the country's ability to provide sufficient raw materials at competitive prices. I am one of those who do not take a very rosy view of the

export prospects of "new manufactures" from India. (See my article in the Special Number, July, 1962). Such products of new industries as we can readily export are unlikely to be much in demand abroad in view of the growing emphasis on import substitution in other underdeveloped countries while in some really promising lines, the creation of sufficient capacity to allow for export possibilities is currently being hampered for want of an adequate supply of foreign exchange. On the other hand, in agriculture, now that vast investments in major and medium irrigation works have already been made, progress is most likely to depend on the adoption of improved techniques. Hence it is time that we start measuring the success of our Food Ministers not by their ability to negotiate for PL 480 imports (important though they are) and to sell a few thousand tons of sugar abroad but by the extent to which they can deal effectively with our agricultural stagnation.

Competitiveness of Exports

It is necessary to emphasise that in the modern world, international trade is not a simple arbitrage operation between prices of the same things in different centres. Prices apart, such things as salesmanship, attractiveness and consumer appeal, provision of after sale services, the length of delivery dates, a steady availability of supplies and credit facilities also exercise an important influence on exports, especially of manufactured goods. In the case of agricultural commodities with internationally recognised standards, prices are no doubt the most important determinant of export performance but here too frequent changes in prices and availability of supplies may hamper the export effort. Thus insofar as export commodities are subject to export control (raw cotton, vegetable oils for example) the export controls ought to be so administered as to lead to a steady availability of supplies from India. Too frequent changes in export quotas should be avoided as far as possible.

However, there is no doubt that prices still play the crucial role in a competitive strategy. Where there are other competing sources of supplies, our export prices must compare favourably with them if our goods are to hold their own in foreign markets. In some commodities where we are a monopolist or an oligopolist in world trade, it may be possible to pass on higher cost to foreign consumers without much adverse effect on export earnings in the short run. But such policies must give rise to the development and expansion of non-Indian sources of supplies or the use of some substitutes (for example, paper bags in place of jute bags). Thus it appears that the recent device of imposing minimum export prices as in the case of cardamom, lac and tobacco seems to be ill-conceived from the point of view of long run interests of the country. The official justification for such a measure seems to be that in the absence of such controls, there would be wasteful competition among exporters, leading to an excessive fall in export prices. But the great weakness of an officially imposed price control is that it will deprive the industry of the much needed flexibility in face of foreign competition. If the Government is really worried about wasteful competition the best method would be to help reorganise the trade eliminating uneconomic exporters from the field.

In the last few months there has been some controversy whether the rupee ought to be devalued in order to improve the competitive position of our exports. I cannot go into this controversy here but it appears that the gap between the views of the two opposing schools is rather narrow because the opponents of devaluation readily admit the need for export subsidies. Those who prefer export subsidies presumably think that such subsidies are needed only for non-traditional exports, and in their view in the face of an assumed inelastic demand for many of our traditional exports a devaluation may well worsen the terms of trade without bringing much relief to the country's balance of payments. On this view, export subsidies would bring about a given improvement in the country's balance of payments with the minimum necessary deterioration in our terms of trade. In theory the answer to this is that if there are any items with an inelastic demand and if it was found that exporters not knowing their own self-interest, were charging unduly low prices they could be taken care of by a simultaneous levy of export duties on them along with an act of devaluation. In practice, we have to face the problem that most of even our traditional exports are in need of some defensive action on our part if we are to preserve our existing share of world trade.

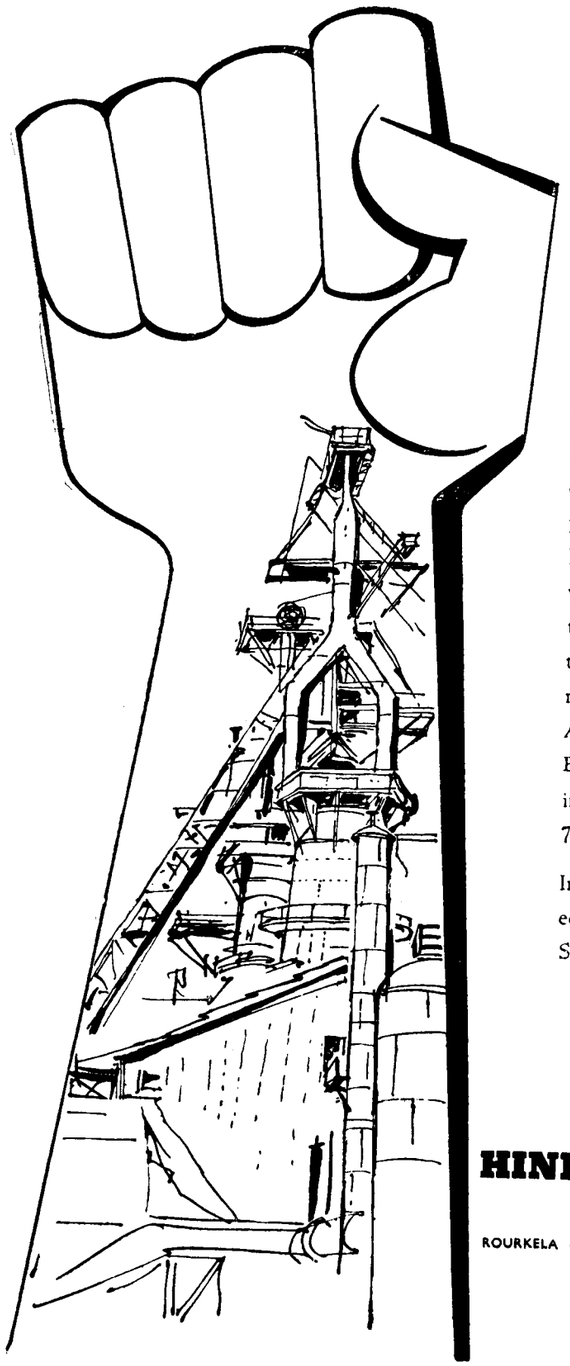
Up to a point the choice between export subsidies (combined with import duties) and devaluation (combined with export duties on export goods with an inelastic foreign demand) is largely a matter of administrative convenience. And if subsidies have to be given to a large number of items, a general price adjustment like devaluation is to be preferred on account of administrative convenience. A country like India which is desperately short of foreign exchange needs a policy which would make the earning of foreign exchange as a whole more attractive. If we were to rely on export subsidies, some needy cases may still be left out even if the authorities are very careful in favouring all deserving cases with export subsidies.

Currency Retention Schemes

Export subsidies may also take the form of currency retention schemes whereby exporters can make good their losses on export sales by importing scarce commodities. Such schemes have a much greater scope in a relatively free economy which does not lay emphasis on the fulfilment of physical tragets so that importers can be given a great degree of freedom in choosing their imports. In a planned economy the exporters' choice in the use of their "free" foreign exchange has necessarily to be limited to only the essential items which may not offer the most exciting profit opportunities.

Even otherwise a straight forward export subsidy is to be preferred to a currency retention scheme which grants import rights to a large number of exporters. The resulting displacement of large established import traders with their special knowledge of foreign markets by a large number of actual users may well lead to an unnecessary loss on terms of trade insofar as the exporting countries may appropriate a

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part of the difference between the demand price and the supply price of imports by raising their export prices. Besides, if economies of scale are important in the import trade, there may be an unnecessary rise in the landed cost of imports. For example, the cost of transport may be lower for bulk cargoes than for small quantities of shipments.

Curb Domestic Demand

Devaluation or export subsidies seek to promote exports by increasing the profit margin to be earned on export sales in relation to home sales. However, business firms may fail to respond if they are already earning "normal" profits on their home sales. Business men may not be as interested in a single minded pursuit of maximum profit as is often assumed and the incentive to do so is particularly weak if they are already reaping reasonable profits on the existing turnover.

The opening up of a foreign market calls for special efforts and willingness to bear risk, and firms may let opportunities pass by even if there is the lure of additional profits. But such disinclinations would be much weaker if the home market were to decline absolutely in profitability. Faced with the prospect of a fall in domestic demand and hence profits, firms may be much more willing to seek export outlets for their products. Hence it is necessary to combine devaluation or export subsidies to a restraint on the domestic absorption of exportables by such measures as fiscal levies, controls on prices or profits and even rationing of export commodities for home use.

Export Planning for Individual Commodities

It is beyond the scope of the present note to lay down an export policy which is applicable to all commodities. However, it is possible to give an outline of some of the major problems faced by our important export products which ought to be taken into account in the framing of export policy.

Jute Manufactures

It is quite likely that due to increasing international pressures, countries of Western Europe (which have a sizeable jute industry of their own) will liberalise their imports of jute manufactures from Asian countries. Until now these countries have been heavily protecting their local industries through both tariffs and import quotas. Even otherwise, my studies show that in the present decade the volume of world trade in jute manufactures may be expected to grow moderately. From India's point of view, however, the growth of an export based jute industry in Pakistan poses a very serious problem. Assuming that Pakistan has merely to produce more in order to sell more. her Second Five Year Plan aims at increasing her exports from 197 thousand tons in 1959-60 to 290 thousand tons by 1964-65 *(ibid*, p 238*)*. With only a very moderate expected growth in the volume of world trade, Pakistan's success in the export markets is bound to affect India's exports severely.

Normally, India produces jute goods cheaper than Pakistan. But with the introduction since 1959 of an export bonus scheme in Pakistan which involved an export subsidy of nearly 25 per cent in 1960 (as officially admitted in the Report of Pakistan Jute Enquiry Commission, 1961, p 142-46), that country's cost disadvantage in relation to India has been more than neutralised. Backed by this export subsidy, Pakistan has made heavy inroads into India's traditional markets for jute goods and during 1958-60 Pakistan's exports had risen to nearly 25 per cent of India's exports. Until now Pakistan's exports have consisted mostly of sacking and have been directed mostly to countries of the Far East. But considering that Pakistan has the advantage of having a superior variety of jute, suited for the manufacture of hessian, India will soon face a severe competition from Pakistan in the vital U S market as well.

Ideally, one would expect that the two countries should work out a common policy with regard to the export of raw jute and jute manufactures. It is well known that the existing capacity of the Indian jute industry is more than adequate for meeting the entire world demand so that any further extension of capacity in Pakistan will lead only to wasteful competition between the two countries. Unfortunately, the climate of opinion is not very conducive to a joint approach. In these circumstances, India faces a dilemma. If she does not neutralise the effects of Pakistan's export subsidy, India's share of world exports will further fall. On the other hand, an attempt to match Pakistan's export subsidy will lead to a reduction in export earnings in the short run (in view of the inelastic demand). However, a failure to act now might impose much more serious losses on India in the long run when Pakistan's industry would have grown in experience. Therefore, there is a strong case for India to give a countervailing export subsidy so as to induce Pakistan to withdraw her own subsidy.

Tea

In tea we have to face two major problems. The first is created by a continuous fall in India's relative share of world trade and the second is due to the growing fears that the world tea economy may enter a phase of over-production in the present decade. As we observed previously, India's share of world exports fell from about 50 per cent in 1948-50 to 43 per cent in 1958-60. During the same period, Ceylon, the second leading producer, improved her share from 35 per cent to 37 per cent. India's position is the weakest in common teas which are also grown in Africa. Exports of tea from Africa rose by over 100 per cent in the last decade and since nearly 60 per cent of Indian exports consist of common teas (as against only one-third in the case of Ceylon) the growth of African exports is bound to affect India more than Ceylon. Africa is known to be a low cost producer. According to an F A O estimate while costs of production were estimated at 14 to 21 pence per pound in Africa, costs for the comparable Indian teas worked out btween 27 to 31 pence per lb (Cf FAO *"Tea-Trends and Prospects"* Rome, 1960, p 44). Thus there is need to neutralise our cost disadvantage in common teas. The export duty on tea has been abolished but the withdrawal of the refund of excise duty makes the step not very progressive.

Secondly, it appears that the tea industry has taken the FAO forecast of likely excess production by the end of this decade rather seriously (Cf a speech by the late Sir James Jones as reported in the "Tea", Cal-

cutta, June, 1961). This outlook may well hamper the growth of tea production in accordance with the targets of the Third Plan and we may thus well end up with a situation whereby a rising domestic consumption would eat into export surpluses. As was pointed out by the Plantation Enquiry Commission some years ago, the pace of replantation in the post-war years has been very slow and in the Darjeeling area, producing some of the finest tea, about 80 per cent of the area is in need of immediate replantation. The fear of a coming recession will further dampen the enthusiasm of planters. Therefore, in order to inspire greater confidence among planters, it is necessary for Government to consult other leading tea producing countries with a view to devise an international stabilisation scheme to be put in operation in the event of a phase of over-production. The very existence of such a scheme would help an orderly growth of tea production since the planters would have a greater degree of confidence in the future than they presently seem to have.

Cotton Textiles

We have already referred to India's disappointing export performance in cotton textiles in the last decade in comparison with the performance of such countries as Japan, Hong Kong and Pakistan. Clearly, Indian goods are being priced out of the world markets. Whereas the wholesale prices of cotton textiles in Japan in 1960 were 23 per cent lower than 1953, in India the prices rose by 23 per cent between 1953 and 1960 (See U N *Monthly Bulletin of Statistics*, June 1961). Raw cotton accounts for nearly 50 per cent of the cost of production of cloth. But whereas countries like Japan which depend largely on imported supplies find that raw cotton in recent years has become cheaper than before (thanks to U S subsidies on exports since 1956) prices of comparable cottons in India since 1959 have been above the world prices. Thus the first necessity is to stabilise prices of raw cotton at a reasonable level.

Furthermore, it is necessary to keep our cotton industry in a state of high efficiency for it is quite likely that the present decade will witness a further liberalisation of textile imports by the developed countries. Thus if it is true that the preference abroad is for the flawless cloth which cannot be manufactured on ordinary looms, we must be willing to instal more of automatic looms. Obviously, adoption of automatic looms on a large scale will cause a lot of unemployment but the burden would be much more tolerable if the Government were to revise its attitude towards the expansion of the mill sector of the cotton industry. The performance of the handloom sector has been far from satisfactory, despite many incentives to increased production. The official estimates of the production of handloom cloth are known to be an over-estimate, computed as they are by the application of an arbitrary conversion factor to the delivery of yarn by spinning mills to the handloom sector. A large part of this yarn is sold in the black market to the powerlooms. Thus Government's willingness to face economic realities and allowing the mill sector to expand its capacity would greatly reduce the burden of unemployment resulting from a widespread adoption of automatic looms.

Finally a word about the export strategy. By and large India has been able to hold on to her share of important export markets despite the growing competition from Japan in the last five or seven years (Ceylon, Malaya and Singapore are exceptions). The success of Japan on the export front has been due not so much to a rise in her relative share of individual markets but to her ability to find new markets for her textiles. For example, in 1960 Asian countries took nearly 40 per cent of both the Japanese as well as Indian exports. For the rest, leaving aside the U K, Indian exports went mostly to Africa. The Japanese exports were, however, more uniformly distributed among the African, European, American and Oceanian markets. Recently, there has been a good deal of talk of encouraging the export of finer varieties of cloth. In my view there are not much chances of our being successful in this venture since the bulk of raw cotton needed for these varieties has to be imported. Our natural advantage seems to be in the cloth of coarse and medium varieties where we can compete even against Japan. Let us supply these varieties to more countries than we have been doing in the past. Furthermore, if the developed countries should liberalise their imports, the pattern would be one as we find in the U K, i e, the import of grey cloth for being processed at home, in accordance with the changing demands of fashion. Thus the best policy seems to be to specialise in those varieties of cloth where our comparative advantage seems to be the greatest.

Vegetable Oilseeds and Oils

We have already commented upon the havoc played by the growth of domestic demand with India's exports of vegetable oilseeds and oils. The world outlook for vegetable oils is encouraging, despite the growing use of synthetic detergents and competition from other animal fats like butter. We should try to take advantage of the very rapid expected growth of imports of vegetable oils into Japan in the present decade. (The available F A O projections provide for the growth of net imports from an annual level of 200,000 tons during 1957-59 to 500,000 tons by 1969-71). In Western Europe, the tariff preferences for oil from the Associated territories notwithstanding, India should be able to increase her exports if only she has adequate export surpluses. As is well known, in the case of groundnuts almost the entire land suitable for cultivation has been brought under cultivation in the former French West Africa so that the immediate prospects for a further expansion of output are not very good. India should try to cash on this opportunity. Unfortunately, the Government has so far been unable to curb the domestic demand for groundnut oil. At one time it was hoped that policies to crush substantial quantities of cotton seed (which presently go waste) would release large quantities of groundnut oil for export. Yet the production of cotton seed oil in the organised sector which was 12 thousand tons in 1956 rose only to 15 thousand tons in 1960-61. Vegetable oilseeds and oils present a case where we could easily earn foreign exchange worth about Rs 70-80 crores a year, if only the Government were to become a little less soft to the domestic consumers.

Tobacco

India's failure to increase her exports of tobacco very significantly in the last decade is due primarily to our failure to improve the quality of our tobacco. The Virginia flue cured variety is increasingly in demand in Europe and this variety is not grown in Europe so that despite the ECM tariff of 30 per cent, we should be able to export more tobacco to Europe if only we have the tobacco of high quality. The Indian Virginia tobacco is the cheapest as compared with both the Rhodesian as well as the American Virginia. But because of its poor quality, there is only a limited demand for it and that too for the top grades. The future of our tobacco exports is, therefore, crucially dependent on our ability to greatly improve the quality of our product.

Manganese and Iron Ores

In manganese ore we have been steadily losing ground for the last many years in face of Brazilian, African and Russian competition. No doubt we face difficulties in increasing our exports as mining companies in Africa and Brazil are often interlinked to the steel companies in metropolitan countries. However, it is worth investigating whether our selling methods need to be changed. Unlike iron ore, manganese ore is demanded in small consignments and we really ought to find out how far is the State Trading Corporation ideally suited to handle this trade.

The export prospects for iron ore are very good and if supplies are forthcoming we should be able to step up our exports to about 25 million tons by 1970. However, it is worth exploring whether additional exports could not take the form of pig iron rather than ore. Before the war Japan used to import considerable quantities of pig iron from China and Korea and in the last few years she has negotiated agreements with South Africa for the supply of pig iron. If successful, such a development would bring us additional foreign exchange to the extent of value added in manufacture. From the point of view of the importing countries, it would mean a considerable saving of investment in blast furnace capacity as well as in shipping space.

Raw Cotton

The latest FAO estimates (see Agricultural Commodities — projections for 1970) point to a further expansion of world trade in raw cotton, the competition from synthetic fibres notwithstanding. Moreover, many underdeveloped countries which are now installing cotton textile factories are dependent on imported supplies. Besides, some varieties of Indian cotton, like the Bengal Deshi, have a special market of their own suited as they are for non-spinning purposes and also for being mixed with other fibres. India is only a minor exporter of raw cotton and her share of world exports in the last decade never exceeded 2 per cent. Thus regardless of conditions of overall world demand, India should be able to increase her exports if only she can generate adequate export surpluses. The Third Plan provides for an increase of 37 per cent in the production of raw cotton and one can only hope that not only will production live up to the expectations but that exports will rise proportionately to the growth of production.

Cashew Kernels

Until now India has held a monopoly of cashew kernels. There is a vast potential market for edible nuts in Western countries so that export prospects for cashew nuts are really good. However, India has to import large quantities of raw nuts from East Africa for processing. In due course, East African countries will start shipping cashew nuts directly to Europe. Therefore, in order to strengthen India's competitive position it is very essential that the production of raw nuts should be greatly stepped up. It is heartening to note that the Third Plan visualises a rise of 105 per cent in the production of raw nuts. One can only hope that this target will be fully realised.

New Manufactures

There is a great lack of clear thinking in India with regard to the export of new manufactures. While great hopes continue to be pinned on the export of products of new industries, not much thought has been given to the selection of the most promising fields. Government's current policy seems to exhort everybody to export but exhortations are hardly a substitute for a well planned export policy.

In choosing the most promising lines of export, we have to look for those commodities which are likely to be increasingly demanded by the importing countries and in which we would be in a position to compete effectively against other established exporters. Insofar as exports are to be directed to the neighbouring countries, we must take note of a strong desire on the part of developing countries to industrialise themselves. This means that many simpler types of consumer goods that India has started exporting in the last few years are unlikely to provide a large scope for expansion. Being relatively easy to manufacture, the importing countries will soon want to meet all their requirements of such goods from local production.

Secondly, insofar as foreign aid from the developed countries continues to be "tied" to imports from the donor country, we should concentrate on such goods which are not usually financed by foreign loans, i e, essential consumer goods which cannot be locally manufactured like drugs and medicines, intermediate products like fertilisers, cement etc. Since the International Bank for Reconstruction and Development usually grants loans which are not tied to any particular currency and since public utility works seem to be a special favourite of the Bank for lending, we should try to develop the export of transport and other public utility equipment like the railway rolling stock.

Thirdly, it is quite possible that simpler types of goods which offer a limited scope in the underdeveloped countries may well find a market in the developed countries. A helpful beginning seems to have been made in items like cast iron pipes, wood screws and sewing machines. We ought to explore systematically such industries which have an export potential in the developed countries.

Fourthly, having got an idea of the commodities which are likely to remain in good demand, we shall have to choose those commodities in which we have a reasonable chance of exploiting most of the economies of large scale so as to enable us to compete against other established exporters. * While in the short run the need for restraining domestic consumption is obvious, in the long run a substantial home market will in fact contribute to the efficiency of the export trade provided tastes and styles dictated by the home market are not very different from those of the overseas buyers. A large home market permits the exploitation of economies of scale and often enables industrial technology to be acquired and developed in the easiest way; and further, by providing a relatively stable and predictable home demand, secure for the firm an established position from which commercial sorties overseas can be launched without endangering its stability if they fail.

Plea for Study Group

Clearly it is beyond the scope of the present paper to suggest more precisely the really promising fields of exports. That task can be attempted only with access to a great deal of engineering data. Therefore, there is a need for constituting a study group consisting of engineers, industrialists and economists which ought to examine regularly the export potential of various industries. Furthermore, to ensure that our costs and standards of quality compare favourably with those of other countries, teams of experts (like the postwar Anglo-American Productivity Teams) should be sent to various countries to bring to the notice of the Indian industry new developments in the field of technology and latests improvements of quality and design.

* India has by now acquired considerable experience in the construction of irrigation projects and other public utilily works. Indian contractors therefore need to be encouraged to tender abroad for the construction of such projects. If necessary, they could pool their resources to form a corporation for this purpose. Apart from bringing invisible earnings, such a step will also greatly encourage the export of builders' hardware and machinery from India.

Industrial Finance Corporation of India

(Incorporated under the Industrial Finance Corporation Act, 1948 (XV of 1948).

* * * * * *

ESTABLISHED IN 1948

PAID-UP CAPITAL : Rs. 7,00,00,000 (£ 5,250,000)

RESERVE FUND & OTHER RESERVES: (As on the 31st December, 1962) Rs. 2,21,69,062 (£ 1,662,680)

TOTAL LOANS OUTSTANDING : (As on the 31st December, 1962) Rs. 53,81,55,000 (£ 40,361,625)

AUTHORISED BUSINESS :

(a) Granting of loans or subscribing to debentures in rupee currency repayable in not more than 25 years.
(b) Granting of loans in foreign currency.
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Rupee Payment Arrangements

An Appraisal

S K Verghese

Though the complementarity of the economies of Eastern Europe and India is obvious, with the Communist countries fast stepping up their production of capital goods which we need, and still short of consumer goods and raw materials which we can supply, the author contends that India's trade with these countries is not based on comparative advantage.

The spectacular increase in our trade with East European countries in recent years has been made possible by the rupee payment agreements which are at best an artificial devise effected through administrative machinery.

In this lies danger, for in the event of cancellation or expiry of these arrangements, not only our expanding trade with the rupee payment countries may be forced to a grinding halt, it may create difficult problems of adjustment for our industries, particularly those developed for new markets.

The net gains so far, however, have been substantial and it has not been at the cost of exports to the free markets. A careful study clearly indicates that the trade diversion argument is untenable.

About the competitiveness of the imports from these countries in terms of price and quality, it is difficult to arrive at a definite finding. This is because most of these imports are capital goods for which price comparison is always difficult and differences in delivery terms, after-sales services and complementary technical assistance, terms of instalment payment according to delivery and installation, etc. make such comparison almost impossible.

Nor is it possible to say to what extent trade with rupee payment countries helps us in stabilising our export trade in traditional markets. No adequate data are available on the subject on the basis of which a judgment can be formed.

While these agreements have enabled substantial expansion of exports and also obtained for the country the much-needed imports in exchange, they have not so far succeeded in bringing about any significant diversion of our export trade by commodities.

THE rapid rate of growth of the Indian economy, as formulated under the Five Year Plans, depends a great deal upon heavy imports of capital equipment and technical 'know-how'. The high foreign exchange content of the investment outlay has created a wide payments gap and this has intensified the need for increasing exports both from the short-term point of view of meeting the demand for imports and the long-term objective of attaining external viability. Experience with export promotion policies and measures relating to specific commodities go to show that though they may have helped to create a more favourable export climate and to remove certain barriers to exports, they cannot be relied upon as the principal remedy for our foreign exchange problems. In order to provide an immediate and more or less a definite relief to our balance of payments position, the Government tried another weapon in its armoury, viz bilateral payment arrangements.

Bilateral Payment Arrangements

Bilateral payment agreements are made between two countries by which a definite or indefinite margin of credit is provided in the current account balance making it possible to adjust current account transactions, both commercial and non-commercial, between the partners without the transfer of any gold or convertible currency between the two parties during the period of agreement. They provide a general method of financing current trade between two countries, "giving rise to credits which are freely available for use by one country in making payments for goods and services imported from the other".[1] These agreements aim at achieving balance in the external payments of the partners over a period of time although an imbalance may exist at any point of time. Provision of credit at official level is the underlying principle of all payment agreements. It would be practically impossible to attain a bilateral balancing at all times or to settle the deficit by transfer of gold or convertible currency as and when the deficit appears; such a rigid provision in a bilateral agreement would, in fact, defeat the very purpose of the agreement itself.

These arrangements had been tried during the immediate post-war years by various European countries with varying degrees of success. By providing an alternative to the traditional liquidity of gold and convertible currency settlements, they did help to enlarge intra-European trade at a time when there was general scarcity of means for effecting multilateral payments. But these arrangements, in effect, embody the principle of buying only from those to whom one can sell, and they inevitably tend to restrict trade. This is, of course, widely recognised, and hence the recent trend towards greater multilateralism. However, bilateral payment arrangements merit attention as a temporary device for dealing with certain immediate balance of payments problems.

In India the effective use of payment agreement as a weapon, for

ments been fulfilled or are likely to be fulfilled in future? An objective appraisal of the imports under the scheme leads to the conclusion that rupee payment scheme has helped India in obtaining certain capital goods and industrial raw materials without strain on her scarce foreign exchange resources. Since these capital imports are paid for by exports, it can be said to be financed by domestic resources.

Greater imports under the inconvertible rupee payment scheme provide an automatic device for expansion of exports. Thus, the expansion of trade witnessed in recent years with East European countries is by and large attributable to the payment arrangements. However, the full extent of the expansion is not due to payment agreements, as India also, in the natural course of events, would have had a share in the general growth in the foreign trade of East European countries. It may be recalled that the average rate of growth of development in these countries during the postwar period had been 10 per cent as against an annual average of 4 per cent in other developed countries. An important feature of the development of the East European countries has been the high rate of increase of industrial production viz, 13 per cent annually, and the main expansion has been in capital goods. The process of economic growth was accompanied by a remarkable growth in foreign trade also. Between 1950-1959 the foreign trade of East European countries increased by 81 per cent as against an increase in world trade by 78 per cent.[4] Thus even without rupee payment arrangements a certain degree of expansion in our trade with East European countries would have taken place although the present high level would not have been possible without the non-convertible rupee payment scheme.

The Federation of Indian Chambers of Commerce and Industry pointed out that "... these agreements have not been instrumental in giving either a boost to exports or in saving foreign exchange ... 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."[5] The Ministry of International Trade, however, maintain that exports to rupee payment countries have not been at the cost of exports to other markets and insofar as these exports pay for the needed imports, this arrangement does earn foreign exchange for the country.[6] A careful study of the foreign demand for India's traditional exports,[7] which form the bulk of our exports to East European countries, as well as the domestic consumption figures, particularly when viewed in the context of the official policy for promoting exports even at the cost of domestic markets, clearly indicates that the trade diversion argument is untenable. India might not have been able to increase her exports of traditional items to traditional markets without lowering the prices.

Not Based on Comparative Advantage

If we agree to the view that rupee payment arrangements have led to an expansion of our exports to East European countries, logically we are also forced to concede the unpleasant truth that the agreement, which is at best an artificial financial device effected through administrative machinery, in the event of cancellation or expiry, may not only lead to a grinding halt to our trade expansion but even a return to the initial low level of trade. Such an eventuality may create problems of adjustment to our industries, particularly those developed for new markets. We must keep this aspect of the problem in view when we argue for inserting clauses in our rupee payment agreements requiring these countries to buy a major part of our non-traditional products. Although bilateral payment arrangements provide certainty of sources of supply of raw materials and consumer goods for our agreement partners as well as stable markets for their capital goods, we cannot overlook the fact that the underlying factor for increased trade with underdeveloped countries is mainly political in nature. The traditional principle of comparative advantage does not play a significant part in the pattern of trade of these countries.

Maximum advantage from rupee payment arrangement can be derived if the facilities are utilised for import of essential capital goods. There should be no relaxation of import restrictions merely because gold and convertible currency settlements are not necessary for such imports.

Price Comparison Difficult

Another key factor in deciding the advantage of rupee payment arrangement, of which unfortunately very little is known at present, is the price and quality competitiveness of the goods transacted under the scheme. Most of the goods imported under rupee payment scheme are capital goods and the competitiveness of such imports in terms of price and quality with similar imports from other countries is difficult to work out. Such comparison is made all the more difficult by the differences in delivery terms, provision for after-sale services, provision of complementary technical assistance, instalment basis of the delivery and installation of the equipment etc. It is possible that we may be able to buy more cheaply if imports are financed by freely convertible exchange. If, on the other hand, imports are financed by extended credit, to be liquidated over time by export of goods for which a demand may or may not exist in the markets of our creditors, compromise may have to be made in the price and quality of goods imported. However, greater care can be taken to avoid the double loss, viz higher prices for imports and lower prices for exports. The success of our trade negotiations depends on the extent to which this double loss margin is narrowed.

In this respect it has been pointed out that as most of the imports are contracted by private traders through the S T C, they can be expected to take care of their own interests. This argument does not seem to have much validity when we remember that in actual practice for most of the importers the choice is not between the capital goods from different countries but between imports from rupee payment countries or no imports at all. In such a case the question of a comparison between prices and quality from different countries does not arise. In their anxiety to get

import licences, the importers may overlook the price and quality disadvantage. It has been observed that "the Government's own experiences in this field eg., in purchasing equipment for the Bhilai Steel Plant and for oil exploration from the U S S R and ships from Yugoslavia has been uniformly satisfactory."[8] From these isolated cases it is not possible to conclude that the price and quality of goods transacted under rupee payment scheme compares favourably with similar goods from other countries.

Stabilising Export Prices

It has been contended that trade with rupee payment countries helped India in stabilising her export prices in traditional markets.[9] Two cases cited in this respect are tea and cashew kernels. There may be some instances where temporary fillip might have been given by the entry of East European countries in the market. However, any precise correlation between rupee payment agreement and price increase of traditional items is difficult to work out.

Rupee payment arrangements have so far failed to bring about any significant commodity-wise diversification of our export trade. The bulk of our exports to rupee payment countries consist of traditional items of export trade. One of the disadvantages of rupee payment arrangement is the possible adverse reaction which it might create in our traditional trading partners. In this respect special care should be taken to see that the supply to these markets is kept steady. It has been alleged that some of the East European countries re-export goods bought under the rupee payment scheme at lower prices to the embarrassment of Indian exporters. As a precaution against re-exports, there is already a provision in all payment agreements that the goods exported under the scheme would not be re-exported. The Government of India may impress upon the agreement partners the necessity for implementing this clause of the agreement. Our trade missions abroad may also be asked to keep a check upon the goods imported from India by these countries so that they may not be re-exported to third markets.

Limited Agreements a Success

The rupee payment agreements with Egypt and Burma helped the Government in securing rice and raw cotton at a time when they were in short supply. The Indo-Pakistan payment agreement was entered into when the trade between the two countries was at a very low level. The scheme was intended to help smoother the flow of trade between the two countries in the face of foreign exchange difficulties. Another beneficial effect of the scheme was that it restored the confidence of the traders in the intention of both governments to promote trade between the two countries. The Indo-Afghan payment agreement obviated the risk in the trade arising from the fluctuating value of Afghanis and promoted the export of textiles from India and the import of dried fruits into India.

Unlike in some western countries where the governments were under pressure from their business community to negotiate payment agreements for trade expansion with communist countries, in India, the business community viewed with distrust the payment agreements. The business community of India interpreted the payment arrangements as an important instrument for the S T C to extend its trading activities. However, as the private traders are getting more and more associated with the trade with payment agreement countries and with the greater difficulty experienced by them in obtaining capital equipment from other sources, they are veering round to recognise some of the immediate advantages offered by payment agreements. This change in attitude is evidenced by the following observation by a leading member of the Federation of Indian Chambers of Commerce and Industry. According to him "... the increase in trade is welcome to the extent to which it offsets the decline in trade with Western Europe. It will not mean any increase in the part played by the S T C. We are exporting directly and also importing our requirements from these countries without the S T C coming in anywhere."[10]

Inconvertible rupee payment arrangements have been an important instrument in bringing about, at least in the short run, expansion of trade in non-traditional markets. They have not helped much in diversifying our trade on a commodity-wise basis. But they have provided an immediate alternative to international liquidity without any gold or convertible currency settlements. However, to the extent to which the underlying motivation for trade is not purely economic alone, an eventuality that trade may come to a halt with the same speed with which it expanded must be faced. That does not preclude the fact that if properly handled, rupee payment scheme can be an effective short-term expediency to bypass the traditional payment pattern and instrumentalities of trade.

Notes

1 Mikesell, Raymond, "Foreign Exchange in the Postwar World" (New York, 1954) 84.

2 India had a rupee payment agreement with China but it had been allowed to lapse in 1959. With the expiry of the bilateral payment arrangements with the UAR in 1961, payments between India and the UAR were placed on a convertible currency basis with the exception of import of rice and export of tea, jute manufactures and certain non-traditional goods under the limited payment arrangement with the MISR Foreign Trade Company of Cairo. The trade agreement with Burma, to which there was a payment protocol, expired on 4 September 1961 and has not been renewed.

3 Government of India, Ministry of Commerce and Industry, "Report of the Import and Export Policy Committee" (Delhi, 1962) 43.

4 United Nations, *World Economic Survey* 1960 and 1961 (New York).

5 FICCI, "Memorandum Submitted to the Import and Export Policy Committee" 1961 (New Delhi, 1961) 15.

6 "Rupee Payment Agreements — A Balance sheet", *The Economic Weekly*, October 28, 1961, 1959.

7 See S J Patel, "Export Prospects and Economic Growth", *The Economic Journal*, September, 1959, 497.

8 "Rupee Payment Agreements — A Balance Sheet" *The Economic Weekly*. See also The Estimate Committee's Report 1958-9, 913.

9 "Rupee Payment Agreements — A Balance Sheet" *The Economic Weekly*. Also see Surendra Dave, "India's Trade Relation with East European Countries, 1952-53, A Study in Bilateralism". *Indian Economic Journal* (Bombay) July 1961, 63.

10 As reported in *The Economic Times*, September 14, 1962, 6.

No Plan for Cotton Textiles Exports

(Contributed)

No industry likes to be forced to export and cotton mills are no exception, nor has any compulsory export scheme succeeded.

It is no secret that the powerful millowners are trying to whittle down the 12½ per cent quota of exports which they are believed to have accepted voluntarily only a year ago!

But is that any reason why the country should resign itself to the present scale of exports of 500 million yards as the maximum ever attainable? Before giving up, would it not be more rational to assess the situation properly and at least try out a properly drawn up export plan for cotton textiles?

So far, believe it or not, the country has never had anything like an export plan for cotton textiles based on a scientific assessment of the existing and potential needs of different markets. Nor has any attempt been made to gear domestic production to the ascertained needs of export markets.

AT a time when the country's need for earning foreign exchange is so acute, the declining trend in cloth exports is most unfortunate, and it is all the more disappointing when viewed against the background of various incentives allowed since October 1958 under the export promotion scheme and the introduction of the compulsory scheme of exports from 1st July 1962. Indeed, the export performance is bad enough to discredit all the agencies concerned with the task of export promotion. Factors contributing to the declining trend in exports of cotton textiles are many; some relate to the steady increase in international competition while others, and they are more fundamental, concern the inherent weaknesses in the Indian cotton mill industry.

It is true that the volume of cotton textiles entering the international trade has not kept pace with the increase in world production and consumption. This is because quite a number of countries which had long been importers of textiles have set up their own textile mills and some of them have even started exporting their goods in a big way. And more recently, Communist countries, which often market their goods without serious consideration for costs and prices — it is not easily possible to assess their costs — have begun to figure prominently in world markets. Besides, there has also come about in recent years a considerable change in the dressing habits of the people with a marked preference for finer varieties and non-cotton fabrics.

If a country's exports suffer because of the shrinkage in the volume of world trade it is a different matter but it is a matter for serious concern when the country is unable to hold its own because of competition, when the world market is *expanding*, no matter how slowly. It is significant that while exports of Indian cotton textiles suffered a heavy decline — nearly 300 million yards — between 1959 and 1962, Japanese exports recorded an increase of about 133 million yards from 1267.25 million yards to 1399.82 million yards. India was unable to benefit from the marked increase in the off-take of cotton textiles by the industrialised countries of Western Europe and North America during 1958 and 1960. The changes in the complexion of international trade alone cannot explain the declining trend in India's cloth exports. Far more significant than increasing world competition is the Indian industry's failure to move with the changing times, which, it must be conceded, is in no small measure due to lack of initiative and foresight on the part of management.

"Export or perish" is more than a mere slogan for the country which has already accumulated a huge foreign debt and needs large foreign aid for its further economic development. But even though cotton textiles still rank third among the country's foreign exchange earners, exports do not really matter for the industry. With an overwhelming proportion of its production varying between 85 and 90 per cent readily absorbed in the domestic market, the industry has seldom felt a real need to give serious thought to the question of exports. It is only the present foreign exchange crisis which has produced a sense of awareness of the need to promote exports.

Production and Export Pattern Static

Year after year, the point is made about the change in consumer preferences here and abroad and about its impact on exports. And yet, neither the pattern of production nor that of exports has undergone any significant change over the years. Finer varieties constitute hardly 10 per cent of the total mill cloth output and anything between 5 and 9 per cent of the total exports. It is true that there has been no significant increase in the production of improved varieties of cotton despite various efforts made in that direction in recent years. But strange as it might appear, mill output of finer varieties of cloth does not seem to bear any close relationship to the availability of superior long staple cotton, both indigenous and imported. Superior long staple cotton consumed by mills as a percentage of total consumption of cotton amounted to 20.8 per cent in 1959-60, 21.6 per cent in 1960-61 and 18.3 per cent in 1961-62 — cotton years ending with August. As against this, the respective figures of fine and superfine cloth as a percentage of total mill cloth output were only 13.6, 8.4 and 9.8. This tends to support the popular belief that increasing supplies of superior cotton yarn have been absorbed mainly by the decentralised sector, presumably by the powerlooms which have been a source of constant irritation to the mills. It is presumably because of the stiff competition from the powerlooms that the mills have continued to restrict their cloth output.

Fine and Super-fine Cloth
(*Million yards*)

	Mill Production	Exports
1959	543	44.13
1960	530	33.78
1961	435	39.62
1962	491	43.72

Zone-wise Exports of Cotton Piecegoods from India
(*Million yards*)

	1959	1960	1961	1962
Asia	212	171	156	115
Africa	298	183	185	143
Europe	181	218	161	152
America	59	58	30	54
Oceana	65	66	41	43
Unspecified	—	—	1	1
Total	815	695	574	508

The mill industry had once strongly protested that its share of 5,800 million yards out of the Third Plan target of 9,300 million had been fixed on the rather low side. But its average monthly output in 1962, around 416 million yards, is even below the past ten years' monthly average of 419.7 million yards. And in spite of the abundant supply of cotton, cloth output in the current year is running below the 1962 level, the monthly average for January-May 1963 being just 399 million yards. Intriguing, isn't it?

To come back to the story of exports, over 30 per cent of India's exports are in the average counts below 17s (coarse) and another 50 per cent between 17s and 25s. (lower medium). Coarse and medium varieties account for anything between 91 and 95 per cent of the total exports. And about 95 to 97 per cent of the country's exports are in grey condition. The industry had no difficulty in exporting coarse and medium cloth so long as it enjoyed the advantage of cheap cotton and low wage costs. But these advantages have long since been lost. India continues to be the largest producer of short staple cotton used for coarse and medium cloth but its cotton is no longer cheap. Cotton prices have been moving up year after year because production has miserably failed to catch up with the industry's growing needs. The average annual consumption of Indian and foreign cotton by the industry in the period 1956-62 was 5.24 million bales. The average annual production of Indian cotton during this period was 4.70 million bales of which 300,000 bales were exported and another 100,000 bales went into ex-factory consumption. To make good the shortfall in indigenous supplies, the country has had to import large quantities of cotton — nearly 3.6 million bales in the past four years — with the result that the bulk of foreign exchange earned by exporting cloth has been spent on raw cotton imports and the net earnings are too small to substantiate the industry's claim to the country's third biggest foreign exchange earned after jute and tea. In fact, the industry is a net spender of foreign exchange if account is also taken of the import of dyes and chemicals and machinery.

Neither does the industry enjoy any more the benefit of cheap labour. Although expenditure per worker in India is lower than in many other countries, the wage cost works out considerably higher when necessary consideration is given to the productivity of the workers and quality differentials. The main reason for the low productivity of the Indian worker is that most of the equipment in India is old and inefficient. Besides, the industry is said to be carrying a labour force which is 30 to 50 per cent larger than needed even with the technology at present employed. About a third of the industry's 13.8 million spindles are more than 40 years old and hardly 9 per cent of its 200,000 looms are automatic as against 60 per cent in Pakistan, 70 per cent in Hong Kong and 100 per cent in the U S A.

Need for Modernisation

The need for rapid modernisation and rehabilitation of the industry has been emphasised by a number of expert committees. The Working Group of the N I D C, 1960, assessed the total rehabilitation requirements of the cotton mill industry at Rs 8,000 million of which a minimum of Rs 1,800 million were said to be required to be spent during the Third Plan period. In addition to this, the Plan has provided for an addition of 4 million spindles and 25,000 new automatic looms, raising the total investment for rehabilitation and new capacity to Rs 4,100 million without taking into account the rise in machinery prices. Investment of this order is considered to be beyond the capacity of the industry on the basis of its current rate of earnings. Notwithstanding the progress made in the manufacture of textile machinery in the country, indigenous production continues to be far short of the industry's requirements. The total production of textile machinery during the Third Plan is estimated around Rs 1,290 million whereas the total requirements for the Plan period are estimated at over Rs 3,000 million. The country will therefore need to spend fairly large amounts on imported machinery to meet the minimum modernisation and rehabilitation requirements of

Exports of Mill-Made Cotton Piecegoods: By Process
(*Million yards*)

Year	Grey	White	Printed	Piece-dyed	Yarn-dyed	Others	Grand Total
1957	477.03	181.00	27.70	85.76	67.52	4.90	843.91
1958	332.22	115.00	18.18	72.30	43.74	5.78	587.22
1959	501.04	150.31	31.65	82.30	44.77	4.53	814.60
1960	430.38	126.37	25.25	73.17	36.38	3.28	694.83
1961	329.13	110.04	35.60	78.78	19.27	1.48	574.30
1962	297.78	87.56	33.10	64.81	23.17	1.94	508.36

Exports of Mill-Made Cotton Piecegoods: By Category
(*Million yards*)

	Coarse		Medium		Fine		Superfine	
Year	Quantity	% of total	Quantity	% of total	Quantity	% of total	Quantity	% of total
1959	263.76	32.4	506.71	62.2	7.73	0.9	36.40	4.5
1960	203.24	29.3	457.81	65.9	6.44	0.9	27.34	3.9
1961	181.48	31.6	353.20	61.5	5.74	1.0	33.88	5.9
1962	167.20	32.9	297.44	58.5	3.97	0.8	39.75	7.8

Notes :
Coarse : Average count of yarn below 17s
Medium : Average count of yarn 17s to below 35s
Fine : Average count of yarn 35s to below 48s
Superfine : Average count of yarn 48s and above

the industry without which it cannot hope to compete in international markets. Besides, the manufacturers of indigenous machinery will have to intensify their research activity to ensure that their new machines do not get out of date soon.

Since the industry has lost the advantages of cheap cotton and cheap labour and its equipment is old and inefficient, it is scarcely surprising that India should continue to lose gradually its hold on world markets. Competition has already forced India to sell its cotton textiles at progressively lower prices not only in the non-traditional markets but also in the U K. Indian cloth has been priced out of world markets and exports are now possible largely because of the various export promotion measures. While modernisation and rehabilitation of the industry alone can strengthen its competitive position through more efficient production, the country can ill-afford to wait until the implementation of the modernisation programme involving a huge capital outlay including large expenditure of foreign exchange.

Sharp Setback

The sharp setback in exports over the past three years is a sad commentary on the efforts made by the industry or the Cotton Textile Export Promotion Council to promote cloth exports. The industry might say that the obligatory scheme of exports under which each mill is required to export its cloth and yarn production equivalent to 12½ per cent and 3 per cent respectively of its annual value is a clear proof of its earnest desire to earn the much needed foreign exchange for the country. But the scheme cannot be said to have yielded any worthwhile results, which, however, is not the least surprising. Nearly 45 per cent of the mills in the country are known never to have participated in the export trade and many of them have been finding it hard to compete successfully even in the vast protected domestic market. The compulsory scheme has benefited only a few mills which had already been doing well on the export front and that was perhaps about all that was expected from the scheme.

The plain truth is that so far the country has never had anything like an export plan for cotton textiles based on a thorough assessment of the existing and potential needs of different markets which calls for expert market research. Since the country can sell only what the buyers need, production has got to be geared to the needs of export markets. All this is very elmentary and yet surprisingly enough no serious effort seems to have been made in that direction. If the country cannot produce what the foreign buyers require it is a different matter and there is very little that can be done in that case. But if it is merely a question of making Indian fabrics competitive then it should not be difficult to devise measures to compensate for the loss on exports. If the international situation is such that exports of Indian textiles can not be increased appreciably then the Government should seriously consider restricting imports of cotton in order to save foreign exchange. The use of finer fabrics made from imported cotton is a luxury which the country cannot afford at this juncture.

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India Steamship Co., Ltd., has a steady record of progress . . . Since Independence, its tonnage has increased from about 85,000 D.W. tons to over 200,000 D.W. tons—more tonnage being still on order.

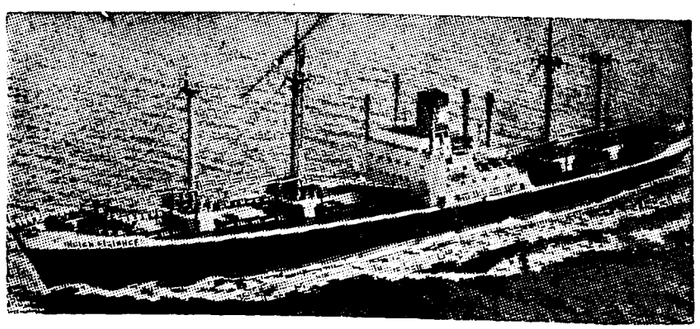
Its services are also extending to various trade routes. After initial consolidation in the India-U.K.-Continent trade—the Company entered the Indo-Soviet service to the Russian Black Sea ports in 1956 and later to Rumanian ports. In 1959 the Company forged still another link in the overseas with South America, and in 1960 it extended its service to Poland.

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Company Meeting

The Oriental Fire & General Insurance Co Ltd

Speech of the Chairman Shri B K Kaul

THE following is the text of the speech delivered by the Chairman, Shri B K Kaul, I C S, at the Fifteenth Annual General Meeting of the Shareholders on Wednesday, the 17th July, 1963.

The Report, Accounts and Balance Sheet for the year ended 31st December 1962 are already in your hands and, with your approval, I propose to take them as read. Before we proceed to consider these for adoption, I would like to review some of the points which had a bearing on your Company's working during the year.

The year 1962 witnessed an unprovoked and treacherous attack on India's northern borders by the forces of the Chinese People's Republic. The Government of India declared a state of emergency in the country and initiated steps to prepare the nation for the defence of the country and for the shift in the country's economy to cater to the defence needs on a priority basis. On the insurance front, the emergency resulted in the Parliament passing the Emergency Risks (Goods) Insurance Act, 1962, and the Emergency Risks (Factories) Insurance Act, 1962. On 26th December 1962, your Company was appointed by Government as its sole Agent in connection with the Schemes which were framed under these Acts and which came into force from 1st January 1963. As a result, the Company had to make arrangements throughout India at an extremely short notice for accepting applications and dealing with queries from the public in connection with the Emergency Risks Insurance Schemes. A very considerable amount of detailed work had to be done within a few days in setting up procedures and making arrangements at as many as 163 centres all over India and in preparing material for the purpose of explaining the Schemes to the public and answering their queries. I am glad to report that with the unstinted efforts put in by the officers and the staff of the Company, we were able to complete the necessary arrangements in time. During the first two quarters of 1963, the Company received over 2,50,000 applications under these Schemes and dealt with innumerable inquiries from the public and with voluminous correspondence relating to the Schemes.

I may mention here that this work is being done by the Company entirely on a non-profit basis. I am sure that Members will derive a feeling of satisfaction from our having been able to contribute in this manner to the defence effort and the requirements of the Emergency.

On the international scene, the recent years have witnessed the granting of independence to some of the territories in which your Company operates. Tanganyika and Uganda became independent on 6th December 1961 and 9th October 1962 respectively. As you will be aware, Kenya will be attaining independence in December next. We join in welcoming these countries to the comity of free nations.

I am also glad to note that the agreement to launch the Federation of Malaysia covering Singapore, Malaya, North Borneo and Sarawak has been reached very recently. I have every hope that the Federation will bring increased strength and prosperity to the people of these territories and in turn will provide further scope for insurance.

Amalgamations

Coming now more particularly to ourselves, the year 1962 may be termed our real first full year of working as an integrated entity after the passing of the Bombay High Court Orders in December 1961 regarding amalgamation of the National Fire & General Insurance Co Ltd, and the Asiatic Government Security Fire & General Assurance Co Ltd, with your Company.

The process of amalgamation was completed very smoothly both in India and abroad. We are functioning in India through a set-up of five Regional Offices at Bombay, Calcutta, Delhi, Kanpur and Madras which control, in turn, Divisional, Branch, Sub-branch and Inspectorate offices at a total of 85 centres in the country. The working of the Regional Offices is co-ordinated by the Central Office functioning at Bombay.

The foreign operations of the "Oriental Fire" before amalgamation were of a limited character and these have widened considerably with the accession to the now combined organisation, of the foreign operational centres of the "National Fire" and the "Asiatic". Our activity abroad is not yet very large and we are exploring the possibilities of expansion in this field. As, however, there are considerable changes taking place in the political as well as economic character of many of the foreign territories where such possibilities exist, we are progressing in the matter of expansion with caution. The present can therefore be considered only a formative stage for our foreign organisation.

Turning now to the results of the year's working, you will be gratified to note the increase in the balance for appropriation from Rs 20.50 lacs for 1961 to Rs 44.69 lacs for 1962.

The net total premium of all departments increased from Rs 434.30 lacs in 1961 to Rs 492.29 lacs in 1962, showing a rise of about Rs 58 lacs, i e, 13.35 per cent over the previous year's figure. This increase was made up of Rs 46.5 lacs from business effected in India and Rs 11.5 lacs from business outside India. Considering the market conditions in India and abroad, this rise may be considered satisfactory.

The ratio of net claims to net premiums in 1962 was 34.83 per cent for the Fire Department as compared to 28.97 per cent for the year 1961. The increase in the Fire claims ratio was mainly due to the adverse experience abroad arising out of some large fires. On the Miscellaneous side, the trend of rise in Motor accidents and their costs contributed to the increase in claims ratio from 48.56 per cent in 1961

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to 57. 79 per cent in 1962. Despite these increases, the claims ratios for both these departments can be considered satisfactory. On the Marine side, the general market experience continued to be unsatisfactory particularly in the Cargo section. The claims ratio in our case, however, has shown a small decrease from 96.45 per cent in 1961 to 93.26 per cent in 1962.

The overall ratio of commission and expenses of management to net premiums has been maintained around 32.5 per cent, which is very satisfactory.

The Company is liable to payment of Super Profits Tax in respect of this year's profit and the estimated tax liability has been provided in the Accounts.

Our investments as at 31st December 1962 aggregated to about Rs 399 lacs and the total depreciation in these investments was of the order of Rs 6.65 lacs and is fully covered by the Investment Reserve. Considering that the total investments in these investments was of the order of the "Oriental Fire", "National Fire" and "Asiatic" as on 31st December 1960 were only about Rs 175 lacs and that we invested Rs 224 lacs in the course of 1961 and 1962, it will be seen that the depreciation of Rs 6.65 lacs is very nominal in the light of the great fall which took place in prices of shares and securities during the last few months of 1962. The policy of the Company of exercising the utmost care and prudence in making investments during the period when the prices of most Ordinary Shares continued to be unrealistically high, has now paid us dividends in keeping down the depreciation to a very nominal value even under the present difficult circumstances. Whilst as a result of our policy, we did not make large book appreciations in our investments, we have neither been required to provide for large amounts by way of depreciation.

As in the past year, your Directors have recommended a dividend of 6 per cent (subject to deduction of tax at prescribed rates) on the paid-up value of the shares. In doing so, they have kept in mind the desirability of strengthening the reserves of the Company. Against the paid-up capital of Rs 110 lacs, we now have reserves totalling Rs 46.68 lacs (excluding investment reserves and dividend reserves). We have also additional reserves for unexpired risks of Rs 3 lacs each in the Fire and Miscellaneous departments in excess of the reserves maintained on the required basis of 50 per cent of the premium income for the year. The financial strength of the Company has, I am happy to say, increased considerably after amalgamation.

Coming to staff matters, your Company signed a new agreement on 1st June 1963 with the Staff Union. The agreement provides, amongst other benefits, for merger of Dearness Allowance by an amount ranging from Rs 47 to Rs 55 per month in the basic salary of the employee, and of the linking of the Dearness Allowance scale with the All India Working Class Consumers' Price Index (Base 1949 = 100). This agreement is the first of its kind in the General Insurance Industry and marks a departure from the old practice of having an arbitrary system of Dearness Allowance. The agreement applies retrospectively from 1st July 1962 and the relevant increase in the Management Expenses for the year 1962 has been fully provided for in the accounts.

In conclusion, I take this opportunity to express my thanks to our clients and well-wishers both in India and abroad who have continued to extend us their support. I also thank the officers, staff and development officials of the Company for their loyalty and good work.

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

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From the Chair:

Tata Engineering & Locomotive Co Ltd

Statement of the Chairman, Shri J R D Tata

THE following is the statement of of Shri J R D Tata, Chairman of the Tata Engineering & Locomotive Co Ltd, for the year 1962-63:—

The year under review was a somewhat disturbed one for your Company marred by shortages of materials and foreign exchange as well as the aftermath of the declaration of the National Emergency. But for the shortage of steel, particularly flat products and specials, the output would have been appreciably greater.

2. In spite of this shortage, your Company was able to increase its turnover by about 5% over that of the previous year. The establishment of production of excavators and Diesel shunters has helped to diversify the range of products manufactured. The successful execution of these two projects as well as the completion of the detailed planning for the expansion of the Automobile, Foundry and Forge Divisions is a matter of satisfaction to your Directors as I am sure it will be to you.

Profits and Appropriations

3. In spite of an increase of Rs 2 crores in the year's turnover, the gross as well as the disposable profits are lower than those of the previous year. The reasons for this setback, which were beyond the Company's control, have been explained in the Directors' Report. I am sure the shareholders will approve of the action taken by the Directors in drawing a sum of Rs 6 lakhs from General Reserve No 1, in order to make it possible to maintain the dividend on ordinary shares at the same level as in the previous year. I trust, however, that shareholders will not interpret such action as any kind of commitment in regard to next year's profits or dividend. It would naturally be the wish of the Directors to maintain the present rate of dividend, and I hope that profits will in fact prove to be adequate for the purpose. At the same time, it must be borne in mind that we live and operate in difficult and uncertain times in which our own wishes and intentions are necessarily conditioned by circumstances and developments beyond our control. Much will depend, amongst other factors, on whether the Finance Minister will find it possible or be willing to repeal the super profits tax, and also on the level of production we are able to achieve in the current year. This itself will depend, to a large extent, on the availability of raw materials and foreign exchange. Notwithstanding the minor setback in profits in the past year and the difficulties and uncertainties which we may have to face in the current year, the fact remains that your Company's productive capacity and financial strength continue to grow and its prospects therefore continue to be bright.

Expansion Programme

4. The shareholders are aware of the Company's expansion programme, referred to as the "C" Programme, intended to double the output of Tata Mercedes-Benz vehicles from 12000 to 24000 per year. As I said in my statement last year, the Government of India desired, in view of the critical foreign exchange situation, that this programme should be spread over two stages and that only the first stage — limited to an increase in capacity to 18000 units per year — should be taken in hand for the present. Accordingly, during the year under review, the Company submitted, with Government's approval, an application to the Agency for International Development for a loan of $ 13.65 million (Rs 6.5 crores) for implementing the first stage of expansion. This loan has been approved by A I D and an Agreement has been executed. Government have also released to the Company, as agreed, a sum of Rs 1 crore of foreign exchange from "free sources" for import of special items to be purchased from West Germany.

5. Since the advent of the National Emergency, and in view of the accelerated demand for our products for defence purposes, Government have now decided that the second stage of expansion should be implemented as soon as possible. We are accordingly submitting a second application to A I D for a further loan to cover the foreign exchange requirements of the second stage.

6. The most appropriate method of securing the Rupee finance for the contemplated expansions is receiving the consideration of your Directors.

Automobile Division

7. It is only in times of emergency such as the one we are now experiencing that the vital importance of an efficient and self-supporting automobile industry can be properly evaluated and appreciated. This emergency has also revealed weaknesses in the structure of the Indian automobile industry, particularly for meeting the requirements of the special types of vehicles needed for our Defence Services. There are reasons to believe that Government is now directing its attention towards eliminating some of these.

8. Immediately after the declaration of the Emergency, with a view to raising to the maximum the output of Tata Mercedes-Benz vehicles for the Army, additional shifts and overtime working were resorted to and the output was stepped up by as much as 20 %. Unfortunately, this high rate of output could not be sustained for more than a couple of months as Government could not provide the additional foreign exchange required for the import of raw materials and components.

9. The first stage of the expansion from 12,000 to 18,000 vehicles per year has been planned in such a manner that the additional output will be secured sometime towards the end of 1964. Deliveries of plant and equipment from the United States are reasonably short, varying from 9 to 12 months. As all the buildings and services will have been completed by then, the Company will be in a

position to secure additional output no sooner this equipment is installed.

10. Commercial vehicles continue to be in short supply. The position has become particularly acute as a result of the diversion of a major portion of our output for Defence purposes. During the Company's financial year 1962-63, the production of commercial vehicles in the country totalled 25,385, of which 12,200 or 48% were Tata Mercedes-Benz. The commercial vehicle target for the Third Plan has been set at 60,000 vehicles by 1965-66, but this, of course, will not be attained because there is just not enough capacity either with the main manufacturers or with the components' industry.

11. The Commercial Vehicles (Distribution and Sale) Control Order, which came into force in May, 1963, is evidence of the deteriorating position regarding the availability of commercial vehicles. The directions issued by the Controller of Commercial Vehicles result in 80% of our output being reserved for priority allocation by Government. Whilst the preference of the Government authorities for Tata Mercedes-Benz vehicles is a matter of gratification, the reservation of these vehicles for non-Defence purposes not only operates unfairly on our dealer organisation, but is also likely to influence adversely our long-term market position. These facts have been brought to the attention of the authorities and we are hoping that suitable modifications to the Control Order will be issued before long.

12. Our dealers, whose reasonable expectations of continued supply of vehicles have been greatly and unexpectedly upset, have shown a great deal of patience and loyalty to the Company. During the past several years, a first class sales and service organisation has been set up, the successful functioning of which depends on a steady supply of vehicles and spare parts. Not only has the vehicle supply to our dealers dwindled to a mere trickle, but the spare parts position also is becoming critical due to a decision of Government not to grant import licences to manufacturers even for such items which are not currently being produced in the country by component manufacturers.

13. The growth of the road transport industry has always had to contend with high taxes and duties, multiplicity of regulations and inadequacy of good roads. At present the magnitude of the tax burden on road transport is so great that a recent estimate made by the Indian Road Transport Development Association reveals that taxes and duties on goods transport average 6 Naye Paise per ton-mile or approximately equal to the average freight per ton-mile charged by the Railways. This industry whose growth is vital for the development of our nation will now suffer additionally from the non-availability of vehicles. The inescapable conclusion is that the vital importance of encouraging the vigorous growth of the automobile and road transport industries has yet to be appreciated by our Planners and Government. If there is any appreciation, it has certainly not been translated into any effective action upto now.

General Engineering and Foundries Divisions

14. The release of production facilities as a result of the planned reduction in steam locomotive output has made possible a worthwhile increase in the turnover of the General Engineering Division, the performance of which would have been very much better if operations had not been plagued by several handicaps which appear to have become an inherent part of the Indian engineering industry. Though our excavators, shunters and paper & pulp making machinery contribute significantly to the country's development and save a great deal of foreign exchange, the actual position is that engineering companies such as ours are unable to obtain any assurance of supplies of steel in adequate quantities and of the required types; numerous orders for steel placed over the past couple of years remain outstanding without even an indication of when we may expect deliveries. It has to be appreciated by the controlling authorities that for the effective utilisation of high grade engineering capacity put up at considerable cost by companies such as ours, it is vital that the flow of materials through the shops be planned in detail and long in advance of actual operations. The uncertainties created by material shortages result in the processing of uneconomic batches, frequent setting, low labour productivity and lock up of funds in works-in-progress. Such inefficient operations inevitably raise our costs and lead to a wastage of production facilities, which is as undesirable as idle plant and equipment, even though this may not be equally evident.

15. Discussions are in progress with Government regarding the continuance of manufacture of steam locomotives after the current order for 325 units which will be completed during the latter half of 1966. We have brought to the notice of the Railway Board that the new projects which we have undertaken are very high up on the list of foreign exchange savers and the increase in their output and the rapid growth in their indigenous content is dependent on the availability of the skilled men and machines to be progressively released by the reduction in locomotive production. We have drawn their attention to the fact that further large scale investment by the Railways in obsolete motive power such as the steam locomotive, which in any case will have to be prematurely retired, is not calculated to solve the nation's transport problem. We are pursuing this matter with Government.

16. In Jamshedpur, as in most of India, industrial production has been hampered by power shortages. The Company's Foundries Division has been particularly affected; frequent furnace shut downs due to power cuts have limited the tonnage of both the foundries to about the same levels as during the previous year. It is to be hoped that the additional power to be generated by a number of Government projects in eastern India will become available according to schedule so that the crippling effects of such shortages on industrial production can be avoided.

17. The installation in the Alloy Iron Foundry of the new equipment ordered from the USA under the AID loan will greatly increase its capacity and further improve its efficiency. Some of the latest techniques and processes of foundry practice are being introduced and it is confidently expected that the performance and quality of the foundry products will compare favourably with those of automobile foundries in other parts of the world.

New Projects

18. The execution of the projects undertaken recently and the implementation of our expansion programmes have fully extended our financial and managerial resources. Your Directors, therefore, consider as inadvisable at this stage any new venture which might detract from the major task to which we are fully committed. An exception has, however, been made in regard to a plant which we propose to set up with the technical collaboration of a German firm for the production of press tools, dies and production devices needed in increasing quantities by the repetitive engineering industry. Such an operation apart from saving and earning foreign exchange, will result in the development of those priceless assets — the skills and techniques required for designing and producing various types of production devices. This is a specialised field in which a beginning has scarcely been made in India, but one which forms an essential element in the country's engineering industry.

19. The Government of India have granted to the Company a licence to establish such a plant. Though the location of the project has not yet been finalised, negotiations are in progress for securing suitable land in the Poona region.

Labour and Personnel

20. During the past years I have referred to one of our most important though intangible asset—our engineers, administrators and craftsmen. The attention that we have paid to the training and development of our personnel resources constitutes the principal assurance of our future vigorous growth. We have now over 700 persons on the Company's rolls who have obtained one or more University degrees in a wide range of technical, commercial and other subjects. The number of our engineering graduates exceeds 400, apart from over 1300 employees who hold engineering or technical diplomas and certificates. These constitute an asset that we must maintain and develop with as much care as we devote to our plant and equipment. It will continue to be the Company's policy to provide adequate compensation to its employees and to keep the avenues of promotion open for those who prove their ability to undertake greater responsibilities.

21. Our growth and expansion will continue to demand an increasing number of skilled and qualified personnel. The pool of trained and experienced men in the country is strictly limited and in view of our increased demand we shall need to establish in due course additional facilities for their training and development. Towards the end of the year under review there were under training at the Telco Works 473 trade apprentices and 125 graduate engineers and supervisors.

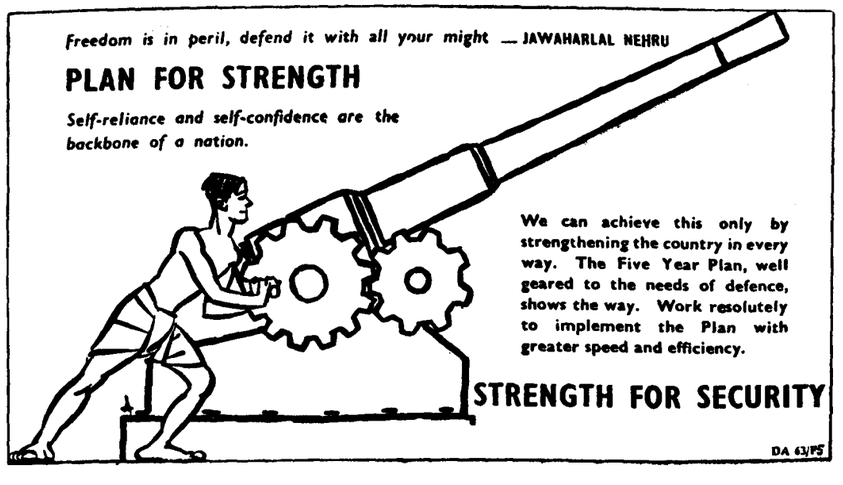
22. The labour situation at the Works continues to be satisfactory. There were no strikes and other disturbances to production during the year under review, although during May this year there was a stoppage of work in the Rear Axle Section of the Automobile Division resulting in a loss of 13,901 man-hours.

23. Your Company is taking active steps to build up a co-operative relationship with the recognised Union so that the productivity of our labour can increase and emoluments and conditions of work improve.

24. In conclusion, on behalf of the Directors and your behalf, I would like to express my thanks to the Company's workers and staff for the results achieved during the year in the face of so many difficulties, only some of which I have mentioned.

J. R. D. Tata
Chairman

Bombay, 5th July, 1963.



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Trials of Non-Alignment

IT has always been painfully obvious that much of the bravado that non-alignment had survived the Chinese onslaught was premature. A policy may be discarded at one stroke or it may be sold down the river by bits. Any political realist should have known all along that in the case of non-alignment the latter was the real danger to be guarded against. The Chinese attack did not immediately drive us into a military alliance with the West which rushed military assistance without insisting on any formal commitment on our part. But this did not mean that non-alignment could be taken for granted. The stresses and strains on our foreign policy began to be felt as we started the task of working out long-term military and political policies to face the Chinese. This was inevitable since non-alignment as we had hitherto practised it had been worked out at a time when the many military and political compulsions which the Chinese aggression of last October thrust upon us were not visualised. It is, therefore, easy to see in every unfamiliar act or turn of policy a threat to non-alignment. This is unjustified, for the form of non-alignment today cannot be what it was before the Chinese aggression. To take but one instance, we had in the past consistently opposed military aid from either bloc whereas now we are actively trying to secure such aid from both blocs. Changes and adjustments are certainly necessary. What is important is their qualitative content and their effect on our freedom to decide for ourselves in international affairs, including, of course, on questions relating to how best to face up to the Chinese threat.

Two recent developments which have been intimately linked with the prospect for non-alignment are the proposed Indo-Western air exercises and the agreement with the United States for setting up a powerful radio transmitter beamed at South-East Asia and intended to counter Chinese propaganda in this region. Of the two developments, the details of and the issues involved in the latter are fairly clear. The political implications of the transmitter deal are infinitely more important than its commercial wisdom which has also been questioned. Politically it is repugnant to our foreign policy and to our very self-respect. However great the need for a powerful transmitter, it cannot justify the arrangement to allow the Voice of America to spout U S propaganda at a group of friendly countries who will certainly view the stepping up of U S propaganda aimed at their people with grave concern. If we were hankering after a powerful transmitter to promote better understanding of our policies among the people of South-East Asia, then the manner in which we have secured the transmitter very effectively defeats our purpose. The agreement also defeats one of the basic objectives of our foreign policy since the Chinese aggression which is to do nothing to alienate the Soviet Union. Even in the delicate matter of military assistance, we have, with obvious demonstrativeness, made equal approaches to the West and the Soviet Union. The VOA agreement makes nonsense of such efforts.

The agreement raises serious questions about the manner in which vital matters are decided in the Government of India. The Prime

Minister's frank admission that he was unaware of the implications of the agreement makes it abundantly clear that a powerful group in the Government pushed through this obnoxious deal knowing it to be contrary to the Government's basic policies, deliberately keeping the Prime Minister in the dark. The implications are without question dangerous and justify an enquiry to uncover the persons in the Government guilty of such a transparent attempt to subvert the country's accepted policies. But this should not come in the way of immediate steps to disentangle ourselves from this disgraceful agreement. This will not be easy and will entail considerable embarrassment, particulaary since the U S is showing signs of obduracy, but this would do far less damage than the continuance of an arrangement which makes the country a handmaid of U S propaganda.

As for the agreement with the U S and the U K for carrying out joint air exercises, certain vital aspects of it remain shrouded in mystery, making it difficult to assess its precise implications. The Ministry of External Affairs has issued an official communique, but it is more an attempt at whitewashing rather than at explaining the scope and implications of the agreement. It is pointed out that the exercises would be conducted under the "aegis" (*sic*) of the Indian Air Force, that they do not commit the U S and the U K to come to our assistance in the event of a Chinese attack or the Government of India to accept such assistance. It is also stressed that while the Government of India has accepted the Western offer of valuable radar and communications equipment, it is also actively seeking Soviet assistance in strengthening our air defence. The aim obviously is to dispel any suspicion that the air exercises are the prelude to the acceptance of some kind of air umbrella which had earlier been rejected by the Government, and rightly, as being repugnant to non-alignment.

The facts which are available are not, however, at all sufficient to convince one of this. True, the radar equipment to be supplied may be absolutely essential for an effective system of air defence. But radar merely spots the enemy; to complete the defence system, we need fast intercepters and anti-aircraft missiles, among other things. Are the U S and the U K going to supply us these? Judging from what has appeared in the press, no. Are they then agreeable to our using the ground equipment supplied by them with planes and missiles secured from other sources? This is even less likely. What then is the picture that emerges? That the U S is supplying us with the ground quipment; that the Indian Air Force is to be trained in the use of this equipment; that ground facilities are to be created which will enable the Western air force to go into operation swiftly and effectively in the event of a Chiness attack.

Now, just as acceptance of military aid did not vitiate non-alignment in certain circumstances, it is possible to envisage a situation when some such arrangement as the air umbrella may be actually justified—say, if we were expecting an imminent Chinese attack of sufficient magnitude, to endanger the safety of our cities and industrial centres. It is to be expected that our long-term military policies would be based on an assessment of Chinese motives and likely actions. Acceptance of military assistance of any type or magnitude may not imperil our policies provided a corresponding military threat exists. But if we hanker after assistance of an order not justified by the military situation on our borders, then the results are bound to be disastrous for our policies. This is the danger that we have to guard against.

Shipping Freight Rates

THE decision of the Karmahom Conference to increase West-bound freight rates by 12.5 per cent against the Maritime Freight Commission's recommendation of a general increase of only 7.5 per cent, has created a piquant situation. It is now abundantly clear that the Governmet of India has failed to acquire sufficient control over ocean freight in spite of the vital importance of freight rates for the country's export drive. The Government has been putting increasing pressure on the various Conferences to reduce freight rates on particular commodities shipped to particular destinations. The efforts of the Freight Investigation Bureau in this direction have been attended with considerable success. In most cases, the Bureau has been able to show that the rates are excessive in comparison with those applicable to other commodities or to other destinations. But while the Bureau has been able to take a firm line on individual freight rates, it is apparent that at the higher level at which the question of the general level of freight had to be tackled, the Government failed to take as firm a line.

Whatever action the Government may decide to take on the Karmahom Conference's decision to go ahead with an increase in freight rates higher than that recommended by the Maritime Freight Commission, it will be faced wth many difficulties because the Conference decision is within the framework of consultation and discussion on which agreement had been reached earlier. Since the Conference is not required to get the Government's approval for increases in freight rates, it is technically free to make its own decisions despite the disapproval of the Government. It is quite likely, however, that the Conference action may precipitate a situation in which the Government may have to consider whether it can enact legislation to take powers to control freight rates more effectively.

The ineptness with which the Maritime Freight Commission has tackled its first major task may have well encouraged the Karmahom Conference to fix the general increase in freight rates higher than recommended by the Commission. The serious adverse effects that any general increase in West-bound freight rates would have on India's export trade have been so frequently stressed that the Commission would have been justified in recommending any increase at all only after the strictest examination of the arguments put forward by the Conference delegation and the closest scrutiny of the facts presented by it. The Commission's report reflects, on the contrary, an extremely casual attitude to the question. Though it has emphasised the need to take care that nothing is done to affect our export plans, it seems to have accepted the arguments of the Conference delegation without much critical examination and to have been quite willing to accept their facts on trust.

The Commission accepted, for instance, the argument that the costs of the shipping lines have increased substantially since the last freight rate increase in 1957 even though no precise data were presented to the Commission. It is not surprising that the Commission could present no arguments to support its own recommendation of a 7.5 per cent increase, and this knowledge presumably emboldened the Conference to fix the actual rate of increase at 12.5 per cent, only 2.5 per cent less than what it had originally proposed. That some cost increases must have taken place seems obvious. But the question is: what was the magnitude of these cost increases in particular items and to what extent were they offset by cost reductions brought about by the recent rationalisation of services and by other steps taken to introduce economies in operation? It was also relevant, surely to ask whether the freight rates in operation in the base period were not too high.

This latter question is of special significance in the light of the arguments advanced by the Karmahom Conference delegation and accepted uncritically by the Maritime Freight Commission that over the period under consideration, freight rates in coastal shipping, railways and road transport in India increased significantly and that Conferences and shipping lines had recently announced increases in freight rates on other routes. Freight rates in coastal shipping, railways and road transport have been abnormally low for many decades. Railway rates in particular, being fixed by Government, have been extremely uneconomic for certain commodities. Because of the inflationary pressures within the economy, the costs of these sectors of domestic transport have risen sharply.

For ocean freights, on the contrary, it has neither been true that the original level was too low nor that subsequent cost increases have been as high. Besides, the economies in operation that have been achieved and those which it should be possible to achieve in future ought to compensate for any increase in costs that may have taken place. At any rate, the Maritime Freight Commission should have considered it its duty to investigate the question from this angle.

If India succeeds in bringing about a rapid expansion of its exports in the near future as it has planned to do, the economics of the liner trade serving this country should be basically transformed. This is because there is bound to be an increase in the proportion of capacity which is utilised on the West-bound traffic. The Conference should take this into account and realise that any contribution it can make towards an expansion of India's exports by keeping rates as low as possible and improving services, will ultimately benefit its member lines. Surely, a body like the Maritime Freight Commission should have gone into this aspect of the matter as well.

All this suggests the need for the Government to make a very careful examination of its policy with regard to shipping. It is not enough merely to increase the volume of Indian tonnage, as the concurrence of the Indian shipping companies in the Conference to the freight increase has shown so clearly. Of course the effort to increase Indian tonnage will no doubt form an important part of an overall policy directed towards ensuring that shipping operating in our overseas trade shows due consideration to the country's basic interests. What is really necessary, however, is a revision of policy on the use of tramp tonnage, and a reconsideration of the attitude towards the system of deferred rebates which helps to keep shippers within the control of the various Conferences.

How Not to Look Back

THE silver jubilee of Shri J R D Tata as head of the Tata group of companies was not accompanied by any great fanfare. The public relations handouts did not even mention the well-known fact that he heads the largest group of companies in the country. They modestly described the group as just one of the largest. On occasions like this, the general tendency is to extol the achievements of the person concerned in the past and what are described as his qualities of head and heart. This treatment hardly does justice to a man who, far from being about to retire, is perhaps more active and clear-sighted than ever before.

Regardless of how others took the occasion, Shri J R D Tata himself has celebrated it in his own characteristic manner. He has looked forward, not back. Witness his firm support to the Bokaro project in the public sector on the ground that "it would be both unreasonable and unpatriotic of any one to place the interests of private enterprise above those of the nation as a whole". The man, who was born into the family of India's greatest captain of industry and whose group has the largest stake in the steel industry, made it clear that "the private sector, even if permitted to do so, would not be able to undertake on its own a programme of expansion at an average rate exceeding a million tons of new capacity per vear".

The second item on J R D's jubilee celebration programme was the announcement that Tata Iron and Steel has accepted in principle an expansion of its capacity by upto one million tons at a cost of a little more than Rs 100 crores. While assuring the shareholders that the scheme would be undertaken only if it is possible on terms fair and attractive to them he has also emphasised that the company can never afford to sit back so long as it exists. The shareholders may not so far have profited as much from the expansion as they had a right to expect; but J R D also has no doubt that if the company had not doubled its plant capacity, the position of the shareholders would have been even less favourable than it is now.

To this may be added the important role which J R D Tata has played in the negotiations for military aid, especially for the expansion and modernisation of the air-

force. While another leading group was creating trouble in the U S over Bokaro, Tata had no hesitation in extending the full benefit of his long experience in aviation to the Government, even though, unlike the other group concerned, he is not particularly enamoured of the socialist pattern of society.

Weekly Notes

Not Mere Decontrol

THE demand of the Maharashtra Minister for Industries for the abolition of the office of the Iron and Steel Controller highlights the continuing dissatisfaction of government agencies as well as steel-consumers with the working of this office. The Minister was, of course, fully aware that this demand was of an extreme nature. But the fact that he made it nevertheless, is an indication of the trend of opinion on this controversial subject.

Decontrol of steel has been in the air for some time but the interests concerned disagree on the extent to which decontrol should be permitted. The private steel producers want complete decontrol because they would stand to lose if only the freely available varieties are decontrolled. The small consumers are afraid that they would have to pay much higher prices; why this should worry them so much is not so clear, since at present they get only about one-fourth of their requirements at controlled prices. The registered and controlled stockists have their own reasons for opposing any change in the existing system of distribution, for they would be displaced by government stockyards on the one hand, and new traders on the other.

The complexity of the dilemma which the Government faces has to be fully appreciated. The prices of most varieties of steel were raised with effect from July 1, but the question of retention prices to producers is still hanging fire. As the Raj Committee made it clear in its preliminary report, the issue is not a simple one of just full control or partial decontrol or full decontrol. Various steps have to be taken simultaneously at a number of points to rationalise the system of steel production, pricing and distribution. Any single step taken in isolation will tend to make the position worse, not better. To give only a few details, any step in the direction of decontrol and joint planning of steel production by the three producers requires a drastic rationalisation of the number of sections and sizes, a substantial increase in storage capacity near the centres of consumption, creation almost from scratch of new arrangements for distribution and extension of credit, and basic change in the Tariff Commission formula for the assessment of capacity utilisation, not to mention a thorough reorganisation of the functions and working of the Iron and Steel Controller's Office. In other words, the problems under discussion now cover for the first time the entire range of issues concerning the steel industry. It would be idle to pretend that any simple, easy and universally acceptable solutions can be found for them. While it is desirable to reach decisions quickly, that should not be an argument for pushing through hastily conceived and piecemeal measures.

Price Support : for Grower or Trader?

THE machinery that has been created for supporting the price of raw jute is nothing if not elaborate. In the first place, the Central Government's Jute Commissioner in Calcutta is empowered under the Jute (Licensing and Control) Order to require the jute mills to purchase certain minimum quantities of raw jute every month. Then there is the Jute Buffer Stock Agency formed in 1961 for the express purpose of supporting prices. In addition, some 600 cooperative marketing societies in the jute-growing States purchase raw jute from the growers. Finally, the State Trading Corporation also entered the raw jute market last year to support the cooperative societies by taking over against cash payment the jute purchased by them.

The operation of these agencies affects the price received by the grower quite differently. While the cooperative marketing societies make their purchases directly from the growers, the jute mills and the buffer stock agency buy mostly from traders. The jute mills and the buffer stock agency between them make the bulk of the purchases, the scale of operation of the cooperative societies being relatively small. In 1962-63, for instance, the mills and the buffer stock agency between them bought 6.7 million bales while the purchases of the cooperative societies were not even a lakh bales.

It is thus clear that the impact of the support operations on the price received by the cultivator was at best indirect since the bulk of the purchases were made from traders. It has been pointed out in these columns that the buffer stock agency is by its constitution eminently unsuited to the task of maintaining prices at the level stipulated by the Government. It is managed and controlled by the Jute Mills Association which is yet to reconcile itself to the minimum prices fixed by Government. The minimum prices fixed for the last two seasons, and which have been continued for the 1963-64 season, are based on the price of Rs 30 per maund for Assam bottoms in Calcutta. The jute mills have maintained that this price is too high and not justified by the prices of finished jute goods.

Not surprisingly, therefore, the buffer stock agency has never committed itself to maintaining the price fixed by the Government and much of its purchases in the last season were in fact made at lower prices. In any case, as noted above, the buffer stock agency as well as the jute mills made their purchases from the traders so that while their operations did help to avoid severe depression arising from glut in the raw jute market, they could not ensure that the grower received the minimum prices fixed by Government.

This was the reason why it was decided to encourage cooperative marketing societies to purchase and hold raw jute. Since the societies would buy the jute directly from the growers in the primary markets, it was expected that they would exert a more decisive influence on the price received by the grower than the activities of the jute mills and the buffer stock agency. But the scale of operation of the cooperatives last year was too small to make an impression on prices. It was hoped, however, that with the entry of the State Trading Corporation into the field, to take over the jute bought by the cooperatives and to provide them with funds to make further purchases, the cooperatives would be able to play a more important role. It has been officially announced that purchases of raw jute by cooperative societies in 1963-64 would be four times as much as last year. This is most welcome because unless large purchases are made direct from the growers, the objective of fixing minimum prices is not likely to be realised.

In the context of the projected increase in the purchases of the cooperative societies, a report appearing in the press last week is particularly disturbing. According to this report, some of the jute purchased by the State Trading Corporation from the cooperative societies last year carried the tickets of jute traders operating in the open market. In other words, the traders used the cooperative societies to sell raw jute to the S T C at the Government-fixed prices which were higher than those prevailing in the open market. Not surprisingly, therefore, the S T C is reported to have suffered a loss of Rs 4 to Rs 5 on every maund of raw jute bought by it last year. If this loss had gone to subsidise the jute grower, then the S T C would have been furthering the aims of the Government's minimum price policy. But what, it would appear, was happening was that some clever traders were making a nice profit for themselves by selling to the S T C at prices higher than they could realise in the open market.

It is to be hoped that the lessons of the S T C's experience last year would not be entirely lost on the Government. It is all right to claim that the cooperatives will increase their purchases four-fold this year, but before the S T C buys up the jute from the cooperatives at prices higher than those prevailing in the open market, it must be ensured that the cooperatives are in fact genuine and are making their purchases from the growers and not merely acting as covers for jute traders, out to make a profit for themselves at the S T C's cost.

U S Balance of Payments

THE persistent deficit in the U S balance of payments, which has been causing U S authorities considerable anxiety for some time now, has been primarily due to the high level of its military expenditure abroad and the continuous outflow of both short-term and long-term capital, including in this latter term, official U S assistance to underdeveloped countries. Apart from this, tourist expenditures abroad have also been high. All these together combined to produce an overall deficit despite the existence of a surplus on the trade account. Until recently U S efforts were directed in general at expansion of exports, which were already high. Some success attended these efforts but the overall balance of payments continued to remain in deficit.

During the last year or two, the authorities tried to deal with the resulting drain of gold from the country by persuading other countries to hold more dollars in their reserves. Different countries have different practices in this regard, but almost all of them agreed to modify these practices so as to hold more dollars. In effect, they helped to maintain the *de jure* convertibility of the dollar by agreeing not to press their convertibility rights *de facto*. The accumulation of dollars in their reserves in this manner subjected these countries to the risk of heavy loss in case of a devaluation of the dollar and there was, therefore, increasing resistance to this practice as the proportion of dollars in the reserves of these countries increased over time. Some countries made substantial pre-payments of loan instalments in order to reduce this proportion, yet they found themselves from time to time pressing for payment in gold. Whenever this happened there was a substantial outflow of gold from U S reserves.

While pressing other countries to hold dollars in their reserves, the U S Government consistently refused to give a gold guarantee on such holdings. They argued that this was not necessary because they had given an assurance that the dollar would not be devalued, but this argument could hardly satisfy those who were asked to hold dollars. Assurances about the maintenance of the value of a currency have very often in the past been followed by a reduction in that value, the change having sometimes been made overnight.

The other countries concerned have, therefore, been quite restive for some time, particularly so because the measures taken by the U S Government could only postpone the day of reckoning. More effective measures to tackle the basic factors responsible for the gold drain could not, however, be taken easily. The reduction of military expenditure was bound up with the country's foreign policy. The reduction of foreign aid to underdeveloped countries was ruled out if the United States was to play the role that it had marked out for itself in this sphere. The only apparent way of tackling the flow of capital was through interest rate policy, given the desire to abstain from physical controls. There were, however, special difficulties in adopting the obvious remedy of higher interest rates because of the domestic situation.

Domestically, the U S economy has been showing signs of stagnation: rate of growth of national income during the last few years has been insignificant and unemployment has tended to grow. A cheap money policy formed an obvious part of any scheme for accelerating the rate of economic growth and reducing unemployment. If high interest rates were necessary to reduce the outflow of capital from the United States, low interest rates were necessary to stimulate the economy. The Administration preferred to give priority to the needs of domestic economy while trying other methods to deal with the balance of payments situation. These other measures proved, however, no better than palliatives and last week, the realities of the situation caught up with the Administration.

Effective Measures at Last

IT was apparent that other countries would not be willing much longer to accept additional dollars in their reserves. It is probable that some of them actually pressed the United States to discharge its responsibility to convert the accumulated dollars into gold. Such a conversion would have involved a a gigantic drain of gold from U S reserves within a relatively short period and this might have caused a flight of capital from the United States. The U S Government decided that it would be better in these circumstances to deal with the situation directly.

The first measure announced was an increase in the discount rates of the Federal Reserve Bank, i e, a rise in short-term rates. It was made clear that the authorities did not want to allow long-term interest rates to rise, so that domestic investment in the United States could continue at a high level. However, something had to be done to stop the outflow of long-term capital also. The measure proposed to deal with this is an interest-equalisation tax which will raise the effective rate of interest at which foreign governments and companies can raise long-term capital in the United States while leaving the rate of interest actually received by U S residents at the same level. By this method, domestic rates are allowed to remain low. As a result the outflow of capital should narrow down to a small trickle compared with the flood of recent years.

U S borrowing from the International Monetary Fund is the other important measure, which together with the interest equalisation tax, was announced by the President in his special message to Congress. This amount will presumably be used to pay off the various countries with accumulated dollar balances, so that this conversion operation will leave U S gold reserves untouched. While the overall position of the United States will remain the same whether it allows dollars to be accumulated in other countries' reserves, pays them from its own reserves or borrows from the Fund in order to do so, the psychological impact is quite different. The U S Government has thus managed to stave off the crisis that a large scale conversion of accumulated dollars would otherwise have produced. It remains to be seen whether the other measures proposed will succeed in bringing about a more basic improvement in the balance of payments.

No Ore for Mangalore?

THE progress of the scheme to develop Mangalore into a major, all-weather port has been so slow that the report appearing in the press last week that the Mysore Government is at last beginning to sit up and take notice is heartening. The Central Budget for 1962-63 earmarked Rs 12 lakhs for the Mangalore port. The actual expenditure during the year was, however, only about Rs 4.6 lakhs. The provision made in the 1963-64 Budget is also depressing: it is only Rs 10 lakhs, so that (assuming expenditure does not fall short of Budget provision this year also) the total expenditure on the Rs 15 crore project which is scheduled to be completed by the end of 1966, by April 1964 would be no more than about Rs 15 lakhs.

The reason given for the shortfall in expenditure in 1962-63 was delay in the acquisition of land and consequent slow progress of construction work. It is, therefore, all to the good that the State Government's efforts are centred on speeding up acquisition of land. The Government has ordered acquisition of about 1,400 acres and appointed a special officer to expedite the process. It has also set up a high-power committee to study the progress of acquisition. It is to be hoped that as a result of these steps a repetition of the unhappy experience of last year would be prevented.

Railway Minister Swaran Singh also had a heartening word to say about the Mangalore port last week. He assured a press conference in Bangalore that work on the Mangalore-Hassan railway line was proceeding satisfactorily and that it would be completed simultaneously with the port. The railway would link the port with the hinterland and would be the major means of transport of goods for export from the port.

There has been, however, one major development of vital interest to the Mangalore port project which has not found a mention in either the Mysore Government's announcement or the Railway Minister's statement. This is the reassessment of the iron ore reserves position in south Mysore. The Mangalore port, according to the Third Plan, "is proposed to be developed primarily to handle about 2 million tons of iron ore expected to be exported from Chitaldrug and other mining areas in the vicinity of the port". However, recent investigations by the Indian Bureau of Mines are reported to have indicated that the iron ore reserves in this region are much less than originally estimated. The scaling down of the estimate of reserves is believed to be as steep as from 276 million tons to a mere 12 million tons. Another study, this time by a foreign team, is reported to have cast doubts also on the quality of the ore reserves in this area.

Of course, substantial iron ore reserves have been confirmed in the Bellary-Hospet region in Mysore and the need for a major port with modern facilities through which to export these ores is unquestioned. It has been calculated that the most important factor determining the c i f cost of iron ore is sea freight; and sea freight is to a great extent affected by the time taken in loading and discharging cargo and by the sort of vessel that is used. (see the Weekly Note "Exports of Iron Ore" in the issue of June 23, 1962). This calls for ports which can accommodate large ships and which have the facilities for fast mechanical loading. For this reason there may still be a case for developing the Mangalore port to export Bellary-Hospet iron ore. But the fact will remain that this would mean much longer rail haulage of the ores than would be the case if the exports were made through Marmagoa or Karwar.

Tinkering with Capital Market

THE stock markets have been in the doldrums since the emergency in last October. Share values have slumped along a wide range and many observers seem to think that there is no quick recovery in prospect. Apart from the private sector's discomfiture from this state of the markets, from time to time the Government of India has also felt the need to take some action to revive confidence. It is reported that recently there has been a series of discussions between top industrialists and the Government in this matter.

The reported opposition of certain sections of the private sector to the proposal that the LIC be used to support selected scrips is, however, not easy to understand. Since the LIC was set up, the private sector has more than once asked the Government to use the resources of the LIC in support of the investment market. The present opposition is said to be on the ground that such support by the LIC would involve the Corporation in "speculative operations" which would violate previous assurances given by the Government. But, surely, if the present level of share prices is considered low because of lack of investors, the spokesmen of the private sector cannot, in the same breath, judge support by the LIC at these levels to be speculative. Or, is it their fear that by this support the LIC would gain substantial interests in many companies?

The latest report from Delhi that the Government of India has approved a proposal to use the resources of the Industrial Credit and Investment Corporation of India and the Industrial Finance Corporation to give limited support to the capital market by underwriting new issues is indeed a very poor outcome of the high-level discussions that have been going on. The two institutions, particularly the ICICI, have been supporting the capital market through underwriting operations almost ever since they were set up. They have also been making judicious direct purchases of the equity of selected concerns and such purchases have proved useful in a number of cases. All these activities will doubtless continue, but these are of too small dimensions to give a shot-in-the-arm to the stock markets, even assuming that this can at all be done by institutional support.

Ikeda's New Cabinet

Our Japan Correspondent writes :

CONTRARY to my belief expressed in the last letter from Japan (Special Number, July 1963) Eisaku Sato, brother of ex-Prime Minister Kishi, has been included in the New Japanese Cabinet announced on July 18. He has been given the rank of State Minister in charge of Olympic Affairs, Director of the Science and Technology Agency, etc. There is no doubt that this unexpected inclusion is due to the advice of ex-Prime Minister Shigeru Yoshida, the aged *genro* (adviser) of the Liberal Democratic Party. Four days ago Premier Ikeda visited Yoshida and rumours of expansion of the Cabinet followed almost immediately afterwards.

As readers of this column will recall, Japanese cabinets are constituted not on the basis of efficiency or ability to handle departmental affairs but on the basis of the number of political followers each member is able to bring into the Liberal Democratic Party. Immediately after Ikeda's first election three years ago, he tried to reconcile in the one cabinet members of the *tojin* (career) faction and the bureaucratic faction, but dissatisfaction between Sato and Kono caused a break-up of the cabinet and in the second cabinet Sato was not included. Having the most powerful section of the party outside the Cabinet has made things difficult for the Prime Minister but because of the rapidly increasing living standards, the ability of Ikeda not to offend any person in the opposition by his "low posture" or polite attitudes, and general good luck, the bureaucratic faction could not cause excessive harm. But now another attempt is to be made to bring all the Liberal Democratic factions into the cabinet.

In the new cabinet the Foreign and Finance Ministers have remained unchanged (Masayoshi Ohira and Kakuei Tanaka, respectively) but the Education Minister has been replaced by Hirokichi Nadao, former Education Minister in the Kishi Cabinet. There is also a new appointment in the powerful Agriculture-Forestry Ministry, Munenori Akagi. The Agriculture-Forestry Ministry is one of the most powerful posts for political patronage inside the government. Mr Akagi also held a position as cabinet secretary in the Kishi government.

The main criticism of the previous cabinet by the "bureaucratic" wing of the party was that Prime Minister Ikeda had not been outspoken enough. I think it is likely that the new cabinet will tend to take a stronger line than the previous one even to the extent of carrying out policies against the wishes of the "man in the street". One of the most ticklish of these problems is that of normalisation of relations between Japan and South Korea. At present there is no official diplomatic representation, but it is likely that there will be increasing trade and aid relations between the two countries in the future. A few months ago, the Japanese government encouraged a semi-government agency to give a large quantity of surplus grain to the South Korean government. For one living in Japan it is undisputable that the ties between Japan and South Korea should be much closer as each can assist the other. But there is also no doubt that there are very strong left-wing elements in both Japan and Korea which are likely to cause difficulties by whipping up mass feelings on both sides.

Another issue on which strong feelings are usually aroused is the price farmers should be paid for their rice. This has now been raised by over Y 1,000 per 150 kilograms. The price is widely regarded as too high, but necessary because so many of the Liberal Democrats derive their political support from the rural areas. The more difficult question has yet to be resolved which is fixing the price at which rice is to be sold to towns-people. At present there is a big difference between the two prices necessitating heavy Government subsidies. Here again Prime Minister Ikeda has in a sense given in to political pressure instead of dealing with the problem rationally. It is known that the price of rice the Government had recommended was much below that advocated by the Liberal Democratic Party.

Altogether one can expect a slight movement to the right during the coming year, growing bad relations between the Socialists and the Liberal Democratic Party and more outspokenness from the cabinet members.

Capital View

Who Leads the GOI?

Romesh Thapar

CURIOSER and curioser becomes the situation in the Capital. Naturally, for the moment, all conversation converges on the reported mobilisation of the Chinese armies in Tibet — a fact which is challenged by supposedly well-informed western observers and rejected outright by Peking, but which is powerfully asserted by the G O I. Indeed, these mobilisations have been so frequently reported over the past few months that even in official circles there is a tendency to adopt a wait-and-see, non-commital attitude about what is impending along the Himalayan border. Only the stock markets respond, with 'prominent operators' always managing to unload holdings just before these reported mobilisations are announced!

It must be admitted that on this occasion officials have acted on a rather elaborate scale. Top Cabinet Ministers have returned to Delhi. The Army Chief was also summoned from his foreign tour. The representatives of the non-aligned nations were called for a briefing. And our ambassadors abroad were requested to keep foreign offices around the world posted with the latest facts. Now, if nothing happens, we are going to appear thoroughly ill-informed and seemingly incapable of understanding what goes on along the Himalayas.

China's Motivations

Basically, the trouble is that the gentlemen who interpret the developments along our borders do not make any sustained or probing study of the motivations of a power like China. In their limited diplomatic vocabulary, a mobilisation somewhere in Ladakh or in the North-East inevitably suggests an invasion. No attempt is made by them to locate possible limited objectives which the Chinese may be pursuing. Several theories are current, including the explanation that the 'mobilisations' are an attempt to make the army in Tibet self-sufficient and no longer dependent on a 3,000-mile communication link with China. Another interesting theory suggested to me recently is that Peking intends to make India talk of 'imminent invasion' over and over again until the world is so sickened by this performance that it begins to accept the Maoist charge that Nehru is an adventurer who assumes certain postures in order to 'squeeze' aid out of the West.

Actually, this is precisely the impression that is beginning to take shape. Foreign diplomats in the Capital now joke among themselves about the similarities of invasion-forecasting and weather-forecasting. The joint air exercises and the V O A deal are described as marking the beginning of 'aligned non-alignment'. Only the representatives of the Afro-Asian group are perturbed because they feel that a friend is making an unnecessary mess of his case and losing out to an unscrupulous enemy. In their own way these elements have tried to help India realise that there is a possibility of China, mobilised and all, accepting the Colombo proposals, and that Delhi should move diplomatically with this possibility in mind. But nobody in a position to influence policy has responded.

Role of Bureaucracy

Of course, there is a small and coherent group which firmly believes that Peking will launch another limited attack to topple the Nehru government, to baptise India's commitment to the West and to drive another nail into the coffin of the communist co-existors. It is an attitude now reinforced by the theory that the Sino-Soviet split will encourage Peking's adventurism. While this group stands on the outer fringes of policy-making, it has apparently made a sizeable impact on the bureaucrats who handle our foreign policy. For, what other reason could there be for these repetitious reports about an 'imminent invasion' along the Himalayan border? This extraordinary state of affairs needs study and investigation, to say the least.

That the Prime Minister is a party to this rather inept diplomacy no longer surprises. He is too overwhelmed with routine decisions and the business of 'meeting-the-people' that he has little time for anything else. The V O A experience has made it clear that it is possible for a small and determined group of policy-wreckers to push in secrecy the most disastrous of schemes through governmental procedures and to obtain the assent of an overworked and exhausted leadership by twisting the real objectives of these foreign sponsored projects. The V O A agreement, in fact, caused the greatest surprise in the U S State Department — and rightly so, for while it broke the back of our non-alignment policies, it had the 'okay' of the Prime Minister. Similarly, the joint air exercises. The way in which they have been elaborated suggests that there is little point in having them at all. But who will say so?

A New Morarji

Cerainly not the Prime Minister. He feels the absence of trusted political colleagues and is now too easily swayed by those bureaucrats who can fill his ears with their 'research'. He does not have political assistants who can sift the material. Certainly not the Defence Minister. For several months now, he has been unhappy and frustrated. Too much interference. Too little over-all direction. He would much rather be back in Bombay — possibly in November when the Union Cabinet will be re-shaped depending on whether the deputy leadership is to pass to Lal Bahadur Shastri or Morarji Desai. Both now seek the shadow of Nehru, the latter surprisingly enough, with a bold Nehruist line. Until the decision on the deputy leadership is taken, we will continue to wait for the clarification of policies and perspectives.

At the moment, the betting in alert political circles is 60 : 40 in favour of Lal Bahadur Shastri. He is non-controversial, retiring, cautious, able to meander through the factions which riddle the party in power, an image which might preserve the amorphousness of the ruling Congress Party. But a new Morarji Desai looks like emerging, politically flexible, receptive to fresh ideas, less dogmatic, seemingly anxious to press forward with the policies associated with the Nehru era. The post-budget reactions are believed to have strengthened his resolve to plan for a society which can resolve the contradictions between defence and development. Many political surprises are in the offing.

Even as large sections of the newspaper-reading public look around for a leadership which makes sense in the changed conditions of today, and the speculation on Chinese intentions grows, Delhi will soon yawn back to life with Parliament re-convening. Everything is conspiring to make August a rather tempestuous month. The V O A deal will be under heavy attack. Advance radar crews will be reaching India to spark beginning of the joint exercises. The Communist Party will be organising the protest march against rising prices and taxes to Delhi. Other opposition groups will be demonstrating, boycotting or launching strikes. And the Chinese will be massing in strength along the border. The Pakistanis, too, in collusion or otherwise — that is, if the assumptions of the Ministry of External Affairs are correct.

Fundamental Ailments

In addition, MPs are likely to be terribly upset by the official announcement from Washington that there will be no decision on the Bokaro Steel Plant this year. This massive project, vitiated by too much publicity and the activities of an Indian private sector lobby in the USA, will probably never be launched. Next year, the US presidential elections will again force a postponement of a decision. And Indian planning, capable of all kinds of dilly-dallying, will have to face the brutal fact that it cannot do without the steel which Bokaro was to make available — particularly now, when the demand is mounting from both the defence and development sectors. These facts, together with the report that a World Bank study of the Third Five Year Plan is most critical of our efforts, should inject further excitement into the Parliamentary proceedings.

In whichever direction one turns, there is the same story of *ad hoc* decisions, often conflicting, no clear-cut idea as to objectives, and policy-making through hunches or momentary impressions which can be as varied as the policies enunciated. The disease which afflicts us is not spread by this or that leader. It seems that we have got used to a way of work which feeds confusion. Only a drastic overhaul of the system, and the outlawing of many supposedly 'respectable' notions inherited from the British Raj, can free us from the grip of a self-imposed paralysis. Perhaps, Parliament would do well to reserve a few days to debate these fundamental ailments.

However, if we continue to shy away from fundamentals and lose ourselves in the superficial play of personalities in politics we will persist in the intolerable habit of speaking in many voices and in subtleties which only we can understand. And that old question will continue to form in all its harshness : Who leads the G O I ? A shattering question for a nation which claims to be preparing for the 'take-off'. Even more shattering is our inability to answer it.

A Calcutta Diary

A Genius and A Government

THE Government of West Bengal lately displayed its concern over the State's film industry, Mother India's pride — and sorrow. A Film Inquiry Committee has been in existence for some time: and Mr Justice K C Sen reportedly expects to submit his report "soon". Meanwhile the Government has decided to underwrite creditworthy, whatever that means, film producers' efforts, which will enable them to get loans from the Film Finance Corporation. After its brilliant success in the deep sea fishing business, which is to be wound up shortly after sinking lakhs of rupees from public funds, the Government's venture into the film industry will be watched with more anxiety than hope. What is not in doubt is that the industry's 30,000 employees face uncertainties out of all proportion to its international prestige, that the market for Bengali films is shrinking not only outside West Bengal but in the State itself, that somebody ought to do something about it all.

The Government has in fact been in the film business for some time: and that is what worries friends of the cinema. Apart from producing a number of documentaries, mostly indifferent, the Government was in some ways associated with Satyajit Ray's "Pather Panchali"; it is the profits from this film, a classic, which went into financing the Film Finance Corporation. And thereby hangs a tale, which does little credit to anyone except Satyajit Ray who, significantly, has not made a second film with help from the Government of West Bengal despite overtures from Writers' Building. How did the original association come about?

The Go-Between

The late Dr B C Roy was justly renowned for his many qualities. Love of the arts, however, was not one of them; he did not mind saying what a Philistine he was. (It still breaks a great Bengali novelist's heart that Dr Roy never got his name right.) The story, mothered perhaps by only a little malice, is that when Satyajit Ray was stuck with his unfinished film and could borrow no more from any quarter, someone related to Ray approached Roy. The latter would not hear of any such nonsense as his Government financing an arty-crafty film by an unknown crank crazy enough to chuck a good job as a commercial artist to stake his all on a film that did not even pretend to be popular. Pleading continued, for the woman concerned is nothing if not persistent. She knew her Dr Roy. When every other

argument had failed to make the slightest impression on the Chief Minister she said how sad it would be if a gifted Brahmo young man failed to finish his film for want of funds; and this when the great Dr Roy himself was the Chief Minister.

The greatness, Roy's, is said to have broken the ice; it melted into money at the mention of the magic word "Brahmo". Allowing for exaggeration, it seems quite possible that the film might not have been made at all if the aforementioned arguments had not arranged themselves as related. The film unmade, Satyajit Ray might still have been an unknown genius; the Indian film industry might still have been known abroad by "Aan" and "Awara"; P S Mathur, the Director of Publicity, might still have been without the President's medal; there might have been no Film Finance Corporation at all.

Ere It Ends

This, however, is not the end of the story of "Pather Panchali". When the film had been completed, it was reported to Dr Roy that the end-product was depressing in the extreme and that its exhibition abroad would give foreigners a dim view of the brave new India created by Nehru, Roy & Co since independence in 1947. Publicity expert Mathur was not lacking in ideas; it was his serious suggestion, noted in files at considerable length, that the film could be released only if two reels of one of his own creations on community development were tagged at the end to convey the impression that, although rural life in Bibhuti Bandyopadhyay's time had been miserable enough, it was all very different now after years of Dr Roy. It may not be true that Satyajit Ray seriously contemplated suicide. The film was saved only after very high-level intervention. To such fortuitous circumstances does the world owe its masterpieces.

It is this same Government which is now coming to the aid of West Bengal's dying film industry. Since money is about the only thing it may be able to contribute to the making of films, it is being suggested that money is all the industry needs for survival. No film is made without money; no good film is ever made only with money. It needs to be made quite clear that Satyajit Ray is totally unrepresentative of Bengal's film makers, that his is a lone genius, that his success has stuffed a whole lot of lightweights whose ambitions bear no relation to their talents.

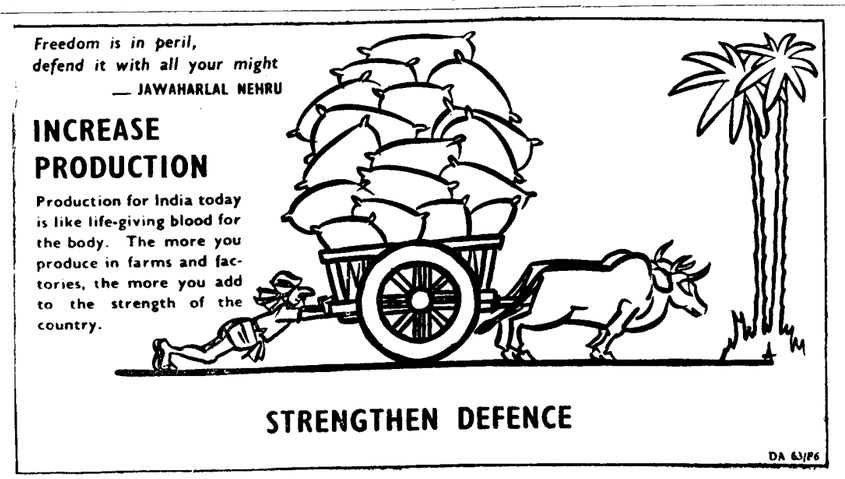
What to Do

What, then, is the Government of West Bengal going to do? If it wants its money back, it will have to back "popular" films, which will be Bengali only in their dialogue. When the Government speaks of limited opportunities of exhibition for Bengali films, it does not face up to the unpleasant truth that the taste of Bengali film-goers has been so debased that they have to be coaxed or forced to see Bengali films; left to themselves they would rather see the Hindi cheesecake made in Bombay and Madras. Hence exhibitors prefer Hindi films to Bengali. It is easier to make more houses than to pack them with paying audiences. A people get the film industry it deserves; to seek a solution of the Bengali film industry's troubles without a closer look at the state of Bengali taste in entertainment is to court disappointment.

Loss of Character

Then there is the suggestion of dubbing Bengali films into other languages. As if it were only, or even mainly, a question of language! It had better be understood that the Bengali film and the Hindi film are made by and for two very disparate classes of people. Like Bengali literature, the Bengali film's producer as well as consumer is the middle class, a class flourishing only in numbers and declining in all else. The Hindi film is made for a vast proletariat, daily getting vaster, vulgarer and richer. It is altogether an illusion that one can meet the other's demands without a complete transformation of the essential character of one or the other. There is no evidence that the Government of West Bengal has the faintest clue of what it is up to —except, of course, wasting public money for an undefined and unattainable purpose. Another deep sea fishing project, in fact.

—Flibbertigibbet



From the London End

Rethinking on International Liquidity

THE urgent need for radical rethinking on the allied problems of aid, trade and international liquidity, have been brought into prominence once again by the recent moves of President Kennedy to deal with the persistent balance of payments problem of the U S. The Kennedy administration inherited the deficit from the Eisenhower administration, but until recently, has been unwilling to take more than stop-gap action to deal with the problem. There is a growing realisation that these piecemeal measures will no longer work. Hitherto, the U S has persuaded foreign Governments and Central Banks, to hold dollars which they would prefer to convert into gold and has built up a system of temporary swap arrangements in order to defend the dollar. European bankers, however, are beginning to look upon these arrangements with suspicion, in view of the persistence of the U S balance of payments deficit. The willingness of Continental countries to go on adding to their dollar stockpile has weakened. It is perfectly true that there are a number of measures which the U S could take to deal with this problem, as, for example, increasing the price of gold, but this the administration will not even consider. Reductions could, of course, be made in U S defence and economic aid, but since much of this is tied to American exports, the net effect on the balance of payments would not be very helpful.

Turning Point

The new departures made by the Administration include the $ 500 m standby arrangement with the International Monetary Fund. This is the first time since the present international monetary structure was created at Bretton Woods, that the U S has entered into a standby arrangement with the I M F which would enable it to draw up to $ 500 m (£ 180 m) in the 12 months from July 22. This is a sign of the changing pattern of the monetary world.

The decision of the U S to ask the I M F for help to stem the outflow of gold is a major turning-point in international monetary affairs. It marks the end of the post-war dominance of the dollar, or rather it confirms a state of affairs that has been generally recognised for the past two or three years. The significance of the move is greater than the amount involved. The I M F has too many dollars and too little of other currencies, to accept dollars in repayment of loans. A debtor country will now be able to buy other convertible currencies from the U S for dollars and avoid straining American gold reserves. But the really significant result of this development is that it will make applications for standby arrangements to the I M F far more automatic and frequent than they have tended to be so far. It could be the first step towards making the use of Fund resources a technical arrangement, rather than a crisis operation.

It is also, as President Kennedy promised, a prelude to a proper examination of the whole international monetary system. The way now seems clear for an exploratory discussion of the problems at this year's I M F meeting in Washington at the end of September.

Wilson's Proposals

There is, however, no evidence that the U S administration may at last be willing to discuss plans to increase international liquidity by agreeing to changes in international financial arrangements. Perhaps at the next meeting of the International Monetary Fund in September, a more positive attitude will be taken by America on the many schemes which have been put forward in the past to deal with the obviously inadequate gold exchange standard.

Schemes for improving world liquidity are legion; to name but a few: the Triffin plan, the Bernstein plan, the stamp plan, the Maudling plan or the Roosa plan.

During his visit to Washington in May, Mr Harold Wilson also put forward a proposal for reforming the International Monetary Fund so as to increase world liquidity. His proposal aims at a reformed International Monetary Fund with full central banking powers and the capacity to create additional liquid reserves. This will be achieved by giving the I M F full powers to issue certificates "in terms of gold and equivalent to gold" to countries with payments difficulties, and unemployed resources. He suggested that the I M F should assign £ 200 m to £ 300 m of these certificates annually to a new international investment fund, to link the needs of the under-developed countries with the unemployed resources of the industrial nations.

Inherent Contradiction

There is no doubt that international trade will never increase as rapidly as it should, as long as the monetary system remains what it is. While speedy and effective action to increase international trade is being endorsed through G A T T and suggestions are made to remove and reduce tariffs, quantitative restrictions and other barriers, it is ironic that the more successful these efforts are, the quicker the international trading system is liable to be faced with a shortage of liquidity.

Because of the continuing obsession with gold, the growth of world liquidity tends to be limited by the growth in free gold supply, regardless of the needs of expanding world trade. The present gold exchange standard system is self-contradictory and must sooner or later end in crisis. It has been rightly said that the gold exchange standard "has a built-in disequilibriating mechanism which tends to act against the balance of payments equilibrium of key currency countries". He points out that the American deficits of recent years have maintained the world monetary system in a condition of liquidity, while sapping, at the same time, the foundations of confidence in the dollar. Examination of the U S and British economies shows that what is wrong about the "key currency system" is not any weakness of the key currency countries; the fault lies in the mechanics of the existing international monetary system.

As *The Economist* points out, under the present international monetary system, if the United States manages to wipe out its defi-

cit in international balance of payments, which is at present running at a rate between $ 3,000 m and $ 3,500 m a year, this means that the balance of payments of the rest of the world would then necessarily have to deteriorate by an exactly equal amount. This deterioration would have to be in the combined payments position of Britain, Western Europe, Canada, Australia and Japan. In order to avoid this, obviously another $ 3,000 m or $ 3,500 m a year of new international liquidity should be created. The best and also most idealistic method would be to establish a new international central bank which would create $ 3,000 m to $ 3,500 m a year of new deposits with itself which it could put to the credit of underdeveloped countries; when they spend these newly-created funds the export earnings of whichever developed countries provides goods more competitively on the market will go up.

U S Still Cautious

At a meeting of the European League for Economic Co-operation in Brussels in June, Sir Roy Harrod put forward a plan of his own for enabling the U K and the U S to lower their internal interest rates without facing a dangerous outflow of foreign-held capital. He pointed out that the payments problems arise from the high level of balances of the two reserve currencies, the dollar and sterling, held outside their own countries. The ratio of the foreign balance of these reserve currencies to the gold reserves of the U S and Britain has caused much anxiety. The U K has been dogged by these anxieties ever since the end of the war, and in the last few years they have spread to the U S.

It is no secret in Washington that the Secretary of the Treasury, Mr Dillon, has been reluctant to attack the long range problem of liquidity until the U S can enter such negotiations with its balance of payments position secure. But there are influential economic advisers who question whether Mr Dillon's cautious approach can work. And their questioning has taken on more force with the worsening of the payments deficit. The President said, during his trip to Europe, that "the great free nations of the world must take control of our monetary problems, if these problems are not to take control of us".

In this connection, a special enquiry into the U S balance of payments outlook, conducted by the Brookings Institution at the request of the Administration, is particularly interesting. The main recommendation of this report is a strong plea to the Kennedy Administration to press immediately for an agreement to strengthen world liquidity and to create new institutional arrangements for financing deficits in international payments. The study takes an optimistic view of the payments outlook, believing that the "basic deficit" (excluding short-term capital flows) will be eliminated or possibly converted into a surplus by 1968. But it warns that a surplus, even if attainable, will not restore the dollar's former prestige, free the U S from undesirable constraints, nor provide for the necessary expansion of world monetary reserves. It is clear, therefore, that the present problem is not primarily a balance of payments problem. More fundamentally, the problem is the inadequacy of the international liquidity in relation to the world's requirements. The Report refers to "the basic inadequacy" of the world monetary mechanism which obliges deficit countries to achieve equilibrium only by sacrificing economic growth and other vital objectives. The dilemma can only be overcome by devising new means of increasing world reserves. Since 1950 most of the increase has taken the form of liquid dollar claims, but this can no longer be relied upon, since neither the U S nor any other country willing to allow its currency to be used as international reserves, can be confident that the holders will keep their reserves in the form of this currency over a long period. After noting the increasing reluctance of Western Europe to continue propping up the present dollar exchange standard the study proposes arrangements that would permit the liquid claims of surplus countries and the liquid liabilities of the deficit countries to be denominated in an international unit of account, either with the I M F or with a new international payments union associated with it. This would involve curtailing the role of the dollar as a reserve currency.

Common Market View

If this could not be agreed upon, an alternative suggested by the report is a dollor-sterling bloc (consisting of the U S, the U K, and countries economically aligned to them, including Scandinavia, Latin America and much of Asia and the Middle East) and an E E C bloc (consisting of the E E C and associated countries). This proposal envisages relatively fixed rates within each bloc and flexible rates between them. Such a system would eliminate the deflationary bias inherent in fixed rates with inadequate liquidity.

There are now signs that the U S Treasury, which has opposed change, is gradually coming round to a more liberal view. Even Mr Roosa was quoted as acknowledging that a monetary system based solely on the dollar was becoming lopsided. Although the Americans are still maintaining that long-range reform of the international monetary system is not the solution to their present difficulties, President Kennedy has at least said that he will continue to discuss such plans with other countries. This is a clear indication that there has been a change of heart about reforming the present international monetary system. While repeating that there will be no change in the gold price, and stressing that "careful joint deliberation" is necessary President Kennedy has said that the U S intends to discuss possible improvements in the system. The main difficulties will come from the Continental countries: the prevailing Common Market view is that there is nothing wrong with the international liquidity system that could not be cured by a decision on the part of the U S and the U K, the principal deficit-prone countries, to mend their ways. Judging by his initial statements, this is a view that seems to be shared by the new managing director of the International Monetary Fund.

Letter from South

Nehru in Andhra

NEHRU'S visit to Andhra has seen the emergence of a new theme in his political pronouncements. Since the emergency he had been emphasising defence of the national policies of non-alignment against vociferous critics of the Right. This he continues to do, but spiced with special pleading for the consistency of the joint air exercises with non-alignment. Such defence of non-alignment will find few opponents on the Right — Rajaji, after all, has said that handing over of our entire defence to the West is quite compatible with non-alignment.

The Prime Minister has reiterated the continuing danger from China. He has also talked of the menace from Pakistan but in a more subdued key. It is almost as if Pakistan is a threat only *via* China. One wonders whether this weighing of menace is either quite accurate or whether its subtlety made much sense to the enormous crowds which greeted him wherever he went.

The new theme, however, which he took up in every one of his speeches here, was the danger from mass agitation. He named no names and used the general umbrella-term of opposition but the specific reference to signatures and marches indicated clearly enough that it was the Community Party and other Left parties' campaigns that he had in mind.

There was quite a touch of banter in his approach. He said that the opposition parties consisted of men with no courage, lacking the stamina to persuade people to accept sacrifices. They were keen on *tamashas*, on making a noise, he said.

Congress Tamashas

The less said about *tamashas* the better. Even his presence in Hyderabad and the nuclear test-ban treaty could not steal the headlines in the southern press from the Congress circus in Uttar Pradesh. Nearer was another fun fair in the probe demand by the organisational wing of the Kerala Congress against the Chief Minister and one of his colleagues. And right in Hyderabad, press correspondents noted with appropriate cynicism the rush of Congress notables at Begumpet airport when Lal Bahadur Shastri arrived — for Congress organisational elections and the appointment of returning officers are round the corner.

It was noticeable to the point of embarrassment — especially at the very large public rally in Hyderabad — that the audience just would not allow local Congress dignitaries to address them, even when they were exhausting the stock of superlatives in Telugu to praise the Prime Minister. It was Nehru alone they wanted to see and hear, even though he spoke in Hindustani and in a fatigued voice without even the occasional flash of fire that normally comes and lives in the mass memory.

The Image Persists

Apart from the theme of "no agitation till India is free from peril" — when will that day come? — what was new was the lack of argument. The sponsors of the signature campaign and the proposed march to Delhi have very clearly laid down alternative methods of raising resources — nationalisation of banks, oil and the export-import trade. Morarji and a few others have at least had the courage to reject such measures. The silence of the Prime Minister was discreet but unexpected.

He certainly can feel the pulse of the people — hence the new theme. Very many, perhaps, a majority, of those who sat and looked at him had already signed the petition of the "agitators" or would soon do so. They could not find the contradiction between their adoration and their action. But the Prime Minister obviously could.

Amorphousness, to borrow a term from Romesh Thapar's article in the latest Special Number, can survive a further shift to the Right but not the mass pressure for radical democratic policy and institutional changes. India may be a mixed country but to the vast masses who throng wherever he goes, Nehru is not a symbol of this mixture. He remains a symbol of radicalism and, whatever he may say, his presence always makes alive the strong radical orientation of the Indian national movement. Hence, the Right always hopes that the Nehru magic or era is over.

Meeting the people and hoping to stave off agitations was not, however, the only reason for the fairly long stay at Rashtrapati Nilayam. There was an evident desire to get away from the pressures of Delhi and to think out some sort of solutions for the problems of policy and administration. The sudden air dash by Kamraj and Subramaniam was made, it is widely reported, on the Prime Minister's request.

There is strong speculation that Kamraj would lead the way in leaving Ministership and going over to organisational work. And, despite talk of recent personal friction, in that case Subramaniam might take over as Chief Minister in Madras. This would give yet another chance to Nehru to do a Cabinet reshuffle, even if other Ministers did not follow Kamraj's example. It is also said that the strong man from Madras came to make a powerful plea for the scrapping of the Compulsory Deposit Scheme, or at least for exempting the agriculturists from its coverage.

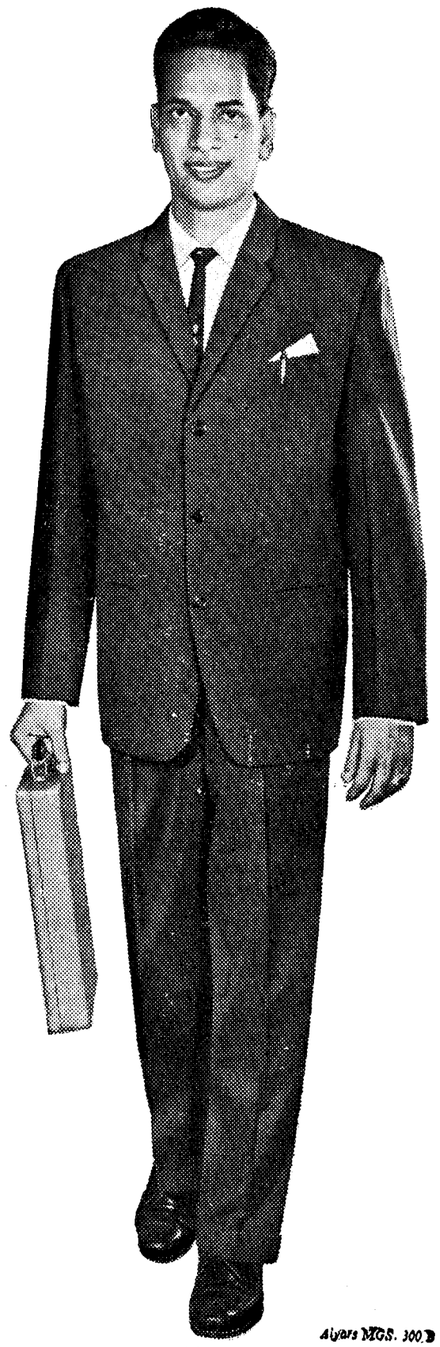
Ministers in Humbler Posts

The idea of voluntary return of powerful Ministers to humbler organisational posts has caught the imagination of quite a few seasoned political commentators and some journals and papers, rightly reputed for their leftism, have seen in it a possible way out of the present impasse of wrangles, paralysis and erosion of popular faith in the Congress, which, they feel, is still committed to non-alignment and the socialist pattern of society.

It is not to be denied that the implementation of this idea may do the Congress a certain amount of good. A certain activisation of the organisation and a better machine to face feudal loyalties and communal passions might become possible. Some education of the rank-and-file Congressman and the

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more active Congress voter in the fundamentals of Congress ideology might also result.

Beyond this nothing else can be achieved by this particular panacea. The Congress is the ruling party and its chief function must be to rule. The best talents must be concentrated on this crucial job, unless we are to hand over the reins of power to the civil and military bureaucrats — and get more Voice Of America deals!

Besides, there has never been a lack of switches and transfers from Ministerships to organisational jobs and *vice versa*. The Andhra Chief Minister's post and the office of the Congress President have been adorned by Sanjeeva Reddy and Sanjeevaiah without any noticeable difference at either end. Atulya Ghosh in West Bengal is more powerful than P C Sen but this is hardly a cause for joy. And Kamraj quite over-shadows whoever is the Congress chief in Tamilnad without this leading to disaster or chaos.

Limits of Amorphousness

To put this idea forward as the prescription for India's ills is to avoid the main issue. Whether in ministerial or in organisational offices, the problem is the same—to what end is power to be used. We are reaching the limits of what can be achieved by the politics of amorphousness. This does not mean that the day-after-tomorrow either revolution or disaster will visit us. It does mean that under the banner of this type of politics we can only become a second class and a second-rate nation. We cannot measure up either to our potentialities or to the expectations of the world. We can creep along in a world that leaps ahead. Amorphousness is rightly associated with the smell of swamps.

Thus, if this bright new idea is all that catches Nehru's imagination, the immediate future is dim. Yet there is hope. The enormous pull of the Nehru image, which is the pull of radicalism, shows signs of taking some form as the push of radical mass activity. This, too, the Prime Minister might have felt while in the South.

Letter from America

The Conservative Challenge

BARRY GOLDWATER is riding high. The Gallup polls and 'grass-roots' movements boisterously indicate that he is the GOP's leading contender for the 1964 Presidential nomination. Also, the Senator himself is less reticent now than two months ago about his desire for the Presidency. Goldwater fans think their man is already committed to the race and "cannot turn off a prairie fire with the twist of a wrist". Goldwater is a reassuring name to many Republicans who, despite a succession of 'liberal' Presidential candidates, have always wanted to put up a candidate who would represent the old-line political philosophy against Democratic New Dealism and New Frontier programmes.

Republican Nomination

Aside from the much publicised grass-roots sentiment there are some detached observers who also feel that the case for a Kennedy-Goldwater race is a good one. For this would pit the twentieth century against the ninteenth — as many people would have it — and give the country clear-cut political alternatives. Certainly, for a long time in the past the country's Presidential contest has been devoid of any real ideological confrontation. Let, therefore, the people at last fight out the issues at the polls.

All this, however, should not imply that the Republican nomination for 1964 is going to be an easy matter. Already, in the face of the Goldwater boom, a slowly expanding list of 'favourite sons' has begun to show itself. Evidently, also, 'dark horses' will continue to show up, although none will probably be able to catch up with the Arizona Senator's charisma or national popularity. The 'favourite sons' list — with the wavering spotlight falling now on Pennsylvania's Scranton, now on Michigan's Romney — is a barometer of the Republican inner party weather.

The inner party political weather, though not quite turbulent at the moment, does contain germs of a possible storm right before the Convention time. There are strong pressure groups which may not be able to come to terms with each other, especially when there is not a single 'liberal' around who is nearly as well known nationally as their principal 'conservative' adversary. Nixon is already out of the running and Rockefeller may even be deliberately fading from the picture. In fact, the Governor himself seems to have read his last gubernatorial results carefully so that his matrimonial plans were the result of much more cool-headed thinking than most people still believe. Rocky, it is said, has always got what he has wanted. But the fact also remains that he has always taken care to know which moons he could not ask for.

Opposition to the Conservatives

The strongest opposition to the Conservative line of thinking has come from the Eastern wing of the party and the big city-states of the North. Together they provide a large share of the Republican election money and, accordingly, wield considerable power. They strongly differ with the pro-'conservatives' on matters of election strategy which, however, betrays an amount of Eastern and Northern parochialism. They simply do not want to stake their own Senate seats and Governorships by backing the 'conservative' creed. To them, the re-election of Senators such as Keating and Scott seems to be more vital than an ideological gamble involving uncertain returns. The big city-states' resistance has been a source of much bitterness in past conventions, especially in 1952 when the late

Senator Taft was let down by the Easterners.

While, therefore, all this furore over the Goldwater nomination goes on, the 'liberal' wing will be likely to continue weighing their favourites against each other hoping for the emergence of one figure who could crystallise anti-Goldwater sentiments. If the past pattern has to repeat itself, the 'liberal' thus selected would obviously resemble such 'me-too' men as Dewey, Eisenhower and Nixon. For the whole idea of this strategy is to put up a candidate who would sell essentially the same package of domestic and foreign policies as his Democratic opponent and thus compete with him for the same big-city votes to win State and local elections.

No Eisenhower in Sight

Evidently, however, there is not another Eisenhower in sight who could be called upon by the 'liberals' in 1964 to outcompete Kennedy in the same Northern market. Neither Rockefeller, nor Romney nor Morton seems able to do that. On the other hand, a lot of change has occurred in Dixie over the past years. What was once the one-party Democratic solid South has been showing an unmistakably dramatic shift to a two-party system. In the 1930's and 1940's no Republican Presidential nominee ever got a single electoral vote in the South. Eisenhower got 57 and 77 votes in his two consecutive terms. In 1960, however, Nixon got 43 simply because Texas went against him. As far as the Congressional elections are concerned, the Republicans have raised their Southern votes by as much as 244 per cent between 1958 and 1962. Their House seats in the South increased from 7 to 12 in the last election. The figures for State and local elections reveal the same trend. It is also clear from recent developments in the South that a 'conservative' will enjoy solid republican support there while a 'liberal' might fare even worse than Nixon.

It is here that the Goldwater strategy begins to look impressive. If most of the 137 electoral votes of the twelve Southern states could be bought with the high-powered 'conservative' gospel, why not simply write off the East and the North for all practical purposes? With a solid South behind him, Goldwater can hopefully look for at least 30 electoral votes in the Mountain States, some 16 in the Pacific States, some 11 in the East, and about 106 in the Mid-West (especially in the farm states). This strategy — which completely writes off the three populous industrial states: New York, Pennsylvania and California — should still give him the necessary 270 votes needed to win. This regional nature of his strategy has in fact been underlined in Goldwater's San Francisco speech of June 27, 1963, in which his sole purpose was to vilify the 'liberals' as being "captives of the Northern big-city machines".

Thus Goldwater's strategy is quite clear and sharp in so far as it aims to hunt only where the ducks are. And not only does the Senator shine by contrast with the 'liberal' favourite sons, he also has a substantially larger and surer hunting arena.

Goldwater's Plans

Does all this imply that the 'liberals' will look upon 1964 as a rather strange and unfortunate year and will normally loosen their opposition to Goldwater? It is not entirely impossible that this will happen. But then Goldwater himself might pull out from the race too. Two months ago he said: "If I am nominated and then roundly beaten by Kennedy, it could be the end of the Conservative movement in this country. And I would be through in politics. So if I thought I'd get my tail whipped badly, I'd say the hell with it. But if I ran a reasonably close race — say within a 5 per cent plurality — this would be bound to act as a brake on the New Frontier philosophy. These things have to be weighed, and you can't weigh them accurately now".

In spite of all grass-roots hullabaloo, Goldwater is probably still saying the same thing to himself. And this is why, eleven months prior to the San Fransisco gathering of the Republican delegates, Goldwater is active but undeclared. If Kennedy looks too sure in 1964 — despite unemployment, deficits and Alabama — the Arizona Senator may choose to pull out and let a 'liberal' be badly beaten. At the same time, if "the grass-roots thing" is not phony, the chances are that during a second Kennedy term Dixie will be drinking deeper at the racist trough.

Goldwater will then simply prefer to wait. For, other things remaining equal, he will be in a much more solid position in 1968.

Limits of Republican Hopes

While the millionaire Senator from Arizona rides a wave of popularity that is as noisy as it is surprising, liberal Republicans are desperately trying to avoid drowning in its wake. We are thus treated to the sight of a group of politicians who could not become aroused at the prospect of fighting Jack Kennedy being galvanised into action by an impending battle with Barry Goldwater. The reasons are clear: they are undismayed at the thought of losing the White House which they have occupied for only eight of the last 31 years. But the halls of the Party itself are their private domain and those very halls are now threatened.

Political power in Western democracy lies as much in the power to control nominations as in the ability to win elections. Goldwater's nomination will signal, at least for the time being, a shift in the locus of power within the Party itself. Under the blade of that particular sword, liberal Republicans should find the necessary motivation to dispel their previous apathy.

If they don't, the major party realignment some experts have been predicting for years, may finally take place. It is fairly certain that with two large segments of the party pursuing a collision course, some efforts will be made to reach a compromise. A ticket split between Goldwater and perhaps Romney or Governor Scranton of Pennsylvania is bound to be mentioned. If that should in fact happen, and if the big-city Republicans still find it embarrassing to support Goldwater, they will have to face the obvious question of who they prefer, Goldwater or Kennedy. Their answers may prove surprising.

Letter from Paris

Good News Is No News

NO news, I used to be told by my elders and betters, is always good news. The reverse, I find to my chagrin, is also true. Good news is no news. At any rate, not news publish-worthy.

I have been, of late, reading a great deal about the doings and undoings of a bright young lady from Britain by name Christine Keeler. The papers, even the more serious ones, are full of them. What exactly the newspapers hope to achieve — apart, of course, from a boost in their circulation—I do not understand. Lapses in private morality are not unknown in France and as one Frenchman told me there must surely be many Ministers all over the world who reading about Mr Profumo's embarrassment said to themselves: "There, but for the grace of God, go I". Ministers being no better than other ordinary mortals and mortals being the same in any age and clime, what does it profit a newspaper to devote reams of space to the sexual prowess of a cheap model?

Such thoughts have been engaging me as I have been covering some of the quiet meetings at the UNESCO headquarters here in Paris. I remember, some time last year, querying about the particularly poor atttendance at a press conference held at UNESCO by a scientific body. Apart from the distinguished body of scientists present to answer questions and the immediate fringe of UNESCO officials, there were four correspondents, one of whom was a woman correspondent by courtesy, a second a correspondent writing for a Vietnamese paper not interested in science and only one another besides me, interested in coverage of scientific news. The Press Officer's reply to my query was simple: she was pleased to get at least four correspondents to attend. There were occasions when press conferences were held without the press being present.

UNESCO, in this sense, is in a particularly difficult position of not ranking as a news-maker. This year UNESCO hit it big — in a mild sense — with the stories about the Abu Simbel temples in Egypt, but it is very unlikely that UNESCO will have another break of that kind. When UNESCO makes news, it makes it in a quiet way.

I have a press release before me, for instance, about Mount Agung, that awful volcano in Bali which caused such havoc a few months ago. Soon after the volcano subsided, the UNESCO rushed a three-man team of experts to Indonesia, consisting of one Italian, one Japanese and one from the Soviet Union, to inquire into the volcano's action. Their report has now been made available.

Experts' Study of Volcano

I do not think any one had heard before of Professor B I Piip, a Soviet volcanologist from the Petropavlovsk (Kamachatka) Institute of Volcanology or of Dr Shigeji Suyehiro, a seismologist from the Metereological Research Institute in Tokyo or of Dr Franco Tonani, a geochemist from the Institute of Mineralogy at the University of Florence. I suspect they are three very serious men who have nothing to do with newspapers, except when they buy them for their breakfast fare. And yet, considering what they have done now, their names seem eminently worthy of being recorded.

Their primary job was to study the Mount Agung volcano which erupted on March 17 and May 16 this year, throwing out a volume of ash, sand, volcanic bombs and other debris estimated at nearly seven tenths of a cubic kilometer. It blanketed an area stretching 50 kilometers to the west and northwest with deposits 30 centimeters thick. The volcano struck its victims in two phases. First it shot up what the volcanologist calls "nuees ardentes" (glowing clouds) that proved lethal to life in their paths. Then tropical rains washed this huge deposit of volcanic materials into rivers where they turned into mud streams engulfing villages to the south and southeast of the volcano.

In its request for assistance, the Indonesian Government estimated that, after the March 17 eruption, 1,460 persons were killed and a quarter million were made homeless. Agriculture was hard hit, with 53,700 hectares of paddy fields flooded.

There is, incidentally, something significant about March 17. Mount Agung's last serious eruptions had occurred in 1611 and 1843. To the Balinese, the Mount has always been a meeting place of Gods who are said to sit there in judgment of island's people every 100 years. This year, according to the Balinese, was a year of judgment and special ceremonies had been planned in expectation of the meetings of the Gods. The date foreseen for the meeting was March 17! Be that as it may, the experts who had little time for Gods, have given more attention to men. And among their recommendations is a suggestion that a permanent volcanological observatory be established in Bali with two or three observation posts on the volcano's slopes. The experts also suggest that other similar observatories be set up in Indonesia where, according to their reckoning, there are 127 active volcanoes "which are all ominous, threatening and dangerous."

I suppose no press conference was necessary to release the report. No one would have attended it, anyway. UNESCO earlier had arranged a press conference to introduce the work of oceanographers. Good grief! There were actually three correspondents present and "voting"; there were seven international experts to answer their questions and it seemed to me that the experts, all busy men, with so many important things to do, could well have skipped the press conference.

Actually, the scientists had some breath-taking discoveries to announce about new ocean currents and fish-breeding grounds not only of academic but also practical interest. But who cares? What is a scientist in comparison to Miss Keeler?

Poor UNESCO. Last week it had another occasion to make news. The Governing Board of the International Institute for Educational

Planning met here to set the Institute afloat. The Institute was created as an autonomous body by a resolution of the UNESCO General Conference held in December 1962. It is financed by UNESCO, but more important, it is getting money from, of all bodies, the International Bank for Reconstruction and Development. This must be the first occasion when a banking institution has taken interest in education. Anybody thought anything more about it? Not on your life. What is interesting about the Institute is that on its Governing Board the six non-officials can out-vote the five officials and among the non-officials are India's Dr C D Deshmukh and the Soviet Union's Nicolas K Gontcharov, who is educational researcher, vice-President of the Academy of Pedagogical Science and editor of "Soviet Pedagogy".

Institute for Educational Planning

None of this has, to the best of my knowledge, interested the press so far in any part of the world. The Institute itself has fascinating possibilities. The chairman of the Governing Board is Sir Sidney Caine, formerly Vice-Chancellor of the University of Malaya and now Director of the London School of Economics. The director of the Institute is Mr Philip H Coombs, formerly United States Assistant Secretary of State for Education and Cultural Affairs. At a press conference these gentlemen gave (there were six correspondents this time, much to everyone's amazement) they could not have been more excited. The Institute apparently is something entirely new. It is not this and it is not that. It is not intra-governmental. It is not a permament body. It takes orders from nobody. It has the freest of all freedoms. Dr Coombs said it was "an insurance agency for people who put their money into education". "Out of the millions of dollars being put into education over the next one decade, if we get 1 per cent improvement in yield, it would all be worth the effort. Perhaps we can get more", according to Dr Coombs.

The idea, as I saw it, was to make the Institute into a sort of study and research centre for policy-makers whether in national governments or in international organisations. Here at the Institute a policy maker could come for a nine-month sabbatical to ask and inform himself of methods of educational planning, exchange ideas with other men similarly in search of information, guidance and understanding. Here men and women could come not only from any one particular discipline, but from all disciplines. Economists would rub shoulders with educationists, administrators, statisticians, planners. And with what aim? To stimulate thinking, to set in motion new ideas about education, to get countries and nations marching again.

In the words of Dr Coombs:

"Economists, bankers and development planners have become more acutely aware that a society can achieve sustained economic growth and build viable social and political institutions only if it invests adequately and early, in the development of its peoples' talents.

"Education's help is urgently needed to provide the trained and educated human resources essential for economic growth, for strengthening local institutions and for general social advancement. New steel mills, dams and jet airports can end up simply as expensive status symbols unless a nation's human resources are developed in balance with its physical resources. "For these resources to be effective, however, educational expansion must be carefully planned in relation to the rest of the economy. The developing countries must design their own educational systems to fit both their needs and pocketbooks. There is a serious shortage at present both of expert knowledge and of well qualified experts in this new field of educational planning. What is needed, essentially, is a new breed of animal which might be called an 'educational development strategist', able to see a whole educational system in perspective and its relationships to the complex process of economic and social development".

Dr Coombs, added, by way of example, that in India, secondary education was the poorest link in the entire educational set up. And science education was even more weak. (Incidentally, he thought this was true of almost all advanced countries as well). In regard to science, one had to run fast in order to stand still. How could scientific education and secondary education be changed in India? Or in any other developing country? The first task, was to get India's educational planners to get new insights into what was possible. Dr Coombs who is an American and was formerly also a high official of the Ford Foundation, was quick to state that in the matter of education, the Soviet Union had a lot to teach to the rest of the world. Of course, the Soviet plan for education may not be the most suited for India or for that matter, say, Nigeria. But an Indian planner could here at the Institute find a place to discuss his problems with others. That was the rationale behind the Institute. Dr Coombs said one of the problems that presented themselves for study was why enough talented men did not take to teaching as a profession. If teaching could be made to pay by raising "productivity of human talent in education industry" he said, it was possible the lacuna in qualified teachers could be met. It was the task of the Institute to study a problem like this.

Exception to Parkinson's Law

I, for one, believe that this Institute, of which there has not been any mention in the press, or very little, will do far more to make the world a better place to live in than one is predisposed to think. That it will enjoy much more freedom than a purely UNESCO body there is no doubt. This is all for the good. UNESCO-appointed bodies tend to be careful in making criticisms of member countries. I daresay that no UNESCO official will have the courage to say that India's secondary education is pretty poor. But Dr Coombs said it; all power to his elbow. He will have to do a lot of elbowing to make people think. According to him, ten years will suffice to meet the set purposes of his Institute. I doubt it. But it is nice to think that this Institute is establishing itself with the determination to dis-establish itself in ten years time. Parkinson's Law must have its exceptions. This is it.

Book Review

The Chicago School

Rajendra Kumar

"Landmarks in Political Economy": Selected Articles from **The Journal of Political Economy** edited by Professors Earl J Hamilton, Albert Rees, and Harry G Johnson, The University of Chicago Press, Chicago, 1962; 622 pages, price $ 10.00 (Paperback edition in two volumes $ 2.45 each).

IT is most gratifying to possess in one single volume reprints of some twenty-four 'path-breaking' papers published in the seventy years of *The Journal of Political Economy*, the bi-monthly journal of the Department of Economics, University of Chicago. As the editors of the book have said in the Preface, "the quality and importance of empirical data, originality and validity of analysis, general excellence, impact on professional economists or combinations of these factors have been paramount criteria in the selection".[1] By and large it is the work of (now) professors at American universities, with the single exception of Vilfred Pareto of the University of Lausanne. Of the twenty-five authors and co-authors represented in this book, seventeen have been, at one time or the other of their career, with the University of Chicago. Worthy of particular mention, are two of the authors: the oldest, William Hill born in 1865; and the youngest, Anthony Downs born in 1930.

Rigorous Discussion, Mathematical Approach

The book provides a varied fare covering the trends of thought in various aspects of Economics, and represents the Chicago tradition of rigorous and compressed (hence difficult) style of discussion, mathematical approach and positive thinking, well-stepped in liberal competitive ideology.

Arranged chronologically in the book, the articles reveal the preoccupations of economists with topical controversies from time to time: refinement of economic science and methodology, post-Depression re-examination of monetary policy and business cycle theory, and last but not least, the modern economic theories of utility, welfare, capital, underdevelopment, and democracy (*sic*). Above all one is impressed by the significant contribution of the Chicago school to strengthening the inductive and statistical bias of contemporary economic analysis. The book is likely to be extremely useful to post-graduate students at Indian universities, reprinting as it does some of the rare readings not available easily to all in the country; the less expensive paperback edition is likely to become popular with them.

On economic methodology see "The New Theories of Economics" by Pareto (Article No II, pp 45-60) and "Some Problems of Logical Method in Political Economy" by Jacob Viner (VI, 101-24). An engineer to start with for twenty years, Pareto upheld the use of Mathematics in framing economic propositions; similarly Viner stressed the importance of the quantitative inductive method in economic analysis.

Market theory is the theme of "Cost of Production and Price over Long and Short Periods" by Frank H Knight (VII, 125-55), "The Influence of Dumping on Monopoly Price" by Theodore O Yntema (VIII, 156-67), and "Demand under Conditions of Oligopoly" by Paul M Sweezy (XII, 262-7). Knight examines the immediate and ultimate stages of the production process and shows that decreasing costs are only a temporary condition very early in the expansion of demand. Yntema concludes that dumping would benefit domestic consumers by way of lower prices only if the articles are manufactured under decreasing costs. Inquiring into what Professor (then Mr) Kaldor had described as "imagined demand curve", Sweezy drew attention to the theory of oligopoly as an unexplored field for study.

Utility Theory and Analysis

In "The Utility Analysis of Choices Involving Risk" (XV, 297-336), Milton Friedman and L J Savage extend the orthodox utility analysis to rationalise individual behaviour with regard to risk and chance; this leads one to suspect the wisdom of a legal ban on gambling activities since these can be regulated through fiscal measures. George J Stigler's review paper "The Development of Utility Theory" (XVIII, 380-452) recapitulates the history of utility theory since Adam Smith, and enhances much the utility of the book to teachers as well as students.

Kenneth J Arrow in "A Difficulty in the Concept of Social Welfare" (XIX, 453-80) discusses the problem of social choice under market mechanism and the applicability of welfare economics to the solution of specific economic issues. According to him, individual "values" are reflected in the achievement of optimum social welfare which, due to difficulties of inter-personal comparison, refers to social states "such that no individual can be made better off without making someone worse off".

Abba P Lerner in "On the Marginal Product of Capital and the Marginal Efficiency of Investment" (XXII, 538-58) demonstrates how a good deal of the difficulties of applying the marginal analysis to capital theory arise from the common practice of measuring the quantity of capital by value.

[1] One of the editors' observations is noteworthy, especially by the Indian university authorities who are disappointed at the absence of quality research work by the teaching staff: "Heavy teaching loads may have been chiefly responsible for the fact that no 'landmark' was produced by a member of the faculty of any college (as distinguished from university)". Teaching load at Indian universities, particularly in departments of Economics, continue to be "heavy", allowing little time for continuous research. Add to this the extraordinarily large size of classes as another factor lowering teachers' efficiency.

William Hill's "Recent Utterances of Mr Hill and Mr Harriman on Railway Problems" (IV, 61-6) is a spirited note on the importance of transportation; hence the plea for government ownership of railways (in America). For American labour organisation, see Robert F Hoxie, "Trade Unionism in the United States: General Character and Types" (IV, 67-82)

Two essays, "The Price of Wheat since 1867" by Thorstein B Veblen (I, 1-44) and "Studies in the Supply Curve of Labour" by Erika H Schoenberg and Paul H Douglas (XI, 229-61), make expert empirical inquiry and comment. The latter relates a one per cent variation in hourly earnings to the amount of labour forthcoming and productivity; it ends with a succinct note on the significance of statistical methods in economics.

In "The 'Communist Manifesto' in Sociology and Economics" (XVI, 337-58), Joseph A Schumpeter points to the small intellectual performance of the 'Manifesto', it being only a prelude to the whole of Marx's later work.

The prognosis given by J Maurice Clark in "Business Acceleration and the Law of Demand: A Technical Factor in Economic Cycles" (V, 83-100) contributed much to the subsequent development of business cycle theory. He pointed out in 1917 that changes in the demand for finished products, through affecting the demand for intermediate products, transmit as well as intensify the state of the economy. In 1939, Paul A Samuelson's "A Synthesis of the Principle of Acceleration and the Multiplier" (XIII, 268-79) improved on Professor Harrod's treatment of the trade cycle by demonstrating how the amplitude of business fluctuations depended on the numerical values of the accelerator and the multiplier.

Monetary theory is the subject of four articles, the first three being well-known in Chicago's monetary tradition. Lauchlin Currie's "The Failure of Monetary Policy to Prevent the Depression of 1929-32" (IX, 168-98) was one of the few American writings which criticised the Federal Reserve policies for the Great Depression. Henry C Simons in "Rules versus Authorities in Monetary Policy" (X, 199-228) sought to remove monetary uncertainty for enterprisers by framing simple and unalterable rules with regard to money; he even favoured the abolition of private deposit banking in an attempt to avoid uncertain creation of 'money'. In his stimulating article "Commodity-Reserve Currency" (XX, 481-526), Milton Friedman outlines the ideal monetary compromise which is fascinating, but at the same time, unacceptable (as the author himself admits). "Saving and the Rate of Interest" by Martin J Bailey (XXIV, 583-622) examines with the help of the Hicksian wealth effect and substitution effect whether a rise in the rate of interest would increase or decrease saving; the conclusion: "nothing" can be said about the interest elasticity of saving.

Balance of Payments : Relevance to India

The two articles on foreign trade and payments are of relevance to Indian economic policy. Lloyd A Metzler's "The Transfer Problem Reconsidered" (XIV, 280-96), more familiar of the two to students, having been reprinted in the American Economic Association's "Readings in the Theory of International Trade", develops a general equilibrium theory of capital transfers synthesising the neo-classical shift of purchasing power theory and the modern foreign trade multiplier concept; it demonstrates that normally, the transfer problem remains unsolved when real income adjustments come to a standstill. The suggested solution to India's transfer problem following repayments of foreign loans would be to ensure "stability" at home and "instability" in the creditor countries through policy (*sic*). Moreover, according to the argument of Arnold C Harberger, "Currency Depreciation, Income, and the Balance of Trade" (XVII, 359-79), a general devaluation of the Indian rupee becomes worth considering in view of the imminent balance-of-payments difficulties.[2]

[2] Professor Jagdish Bhagwati has been working on this problem. For some of his findings, see *The Economic Weekly*, August 4 and October 6, 1962.

According to Simon Rottenberg, "Income and Leisure in an Underdeveloped Economy" (XXI, 527-37), the explanation of the backward-turning supply curve of labour in underdeveloped economies lies in social and cultural values that prompt workers to prefer "leisure" to "income". The same is true of developed economies, as is revealed in Article XI in the book, at higher levels of income. For low levels of income in the former type of economies, the precise choice is between earning and indolence, leisure being a 'luxury' which costs; leisure is a misnomer in underdeveloped economies. Rightly has Rottenberg pointed out: if workers opt for indolence at higher wage-rates, "an important objective of public policy ought to be to raise the level of aspiration for income and for the goods and services for which income exchanges". To the reviewer, provision of suitable house-room appears as the appropriate objective of such policy; a house supplies both the earning urge as well as the saving urge.

Often in discussions of policy, economists have to throw up their hands and say helplessly: "That's a political decision; let's keep aside". Anthony Downs comes to the rescue of the economist by building "An Economic Theory of Political Action in Democracy" (XXIII, 559-82). According to him there are three motives behind political choice: income, prestige, and power, operating under conditions of free information and imperfect information. Political behaviour then can be expressed in economic terminology and equations, also two-axes diagrams. The formulations are cryptic. For instance,

"Politician is an entrepreneur selling policies for votes".

"A state of political equilibrium exists when no new parties can successfully be formed and no existing party is motivated to move away from its present position".

"Ignorance of politics is not a result of unpatriotic apathy; rather it is a highly rational response to the facts of political life in a large democracy" (like India's !).

May a political scientist-turned-economist comment?

Political Systems: An Anthropological Approach — II

P G Ganguly

This paper, the first part of which appeared in the Special Number, is concerned with a critical appraisal of various models of politics, political systems and political organisations devised by anthropologists and reported in some of the major works of the last twenty years, with the objective of finding out whether there is an "anthropological" approach to the study of political systems as distinct from the approach of political scientists.

In the first part the author critically examined two major works, "African Political Systems" and "Tribes without Leaders" which attempt to apply the anthropological approach to the study of political systems. In this, the concluding part, the new trend in anthropological studies of political systems is examined.

This trend, in its positive and progressive aspect, explicitly or implicitly rejects the hitherto accepted model of the "political" and embodies attempts at reconstructing new models with different variables.

In its negative aspect, the new trend makes no attempt to try to profit from previous and contemporary works at theoretical levels. The result is much unnecessary duplication without commensurate theoretical or conceptual advances.

New Trends

A

I HAVE not yet come across in published literature either a critical examination or creative acceptance of Smith's formulations. Though published in a respectable and widely read anthropological journal, this important paper does not appear to have compelled an adequate amount of re-thinking among anthropologists writing on political systems.

Eisenstadt (1959), for instance, merely refers to it and then without a clear statement on his stand, proceeds to formulate his indicators for comparing primitive political systems. To my mind, this is a kind of self-imposed conceptual blindness characteristic of much anthropological work.

Professor J A Barnes refers to Smith rather hurriedly at about the end of his paper on Indigenous Politics and Colonial Administration with Special Reference to Australia (1960). Says Barnes:

> "One important distinction to make, in discussing forms of political structure, is that between administration and politics. M G Smith makes the distinction between what he regards as two aspects of the wider category of government." (p 12, roneographed).

From this it appears that Professor Barnes uses 'political structure' as the 'wider category' for which Smith uses 'government'. Smith does not talk about 'politics' at all; he writes about 'political action'. This is no facetious quibbling of words. For Smith 'political system' which is only a system of political action, is a specific category in the generic category of government; for Professor Barnes, 'political structure' or 'political system' (I believe the distinction between a 'system' and 'structure' for our purpose will be really pointless here), is the generic category and his 'politics' is what Smith means by 'political action'.

If we treat this difference between Barnes and Smith as only terminological, the point I am trying to raise will be completely blurred. I am not so much interested in terms as in concepts. How is it possible to accept Professor Barnes' 'political structure' while he is persuading us to accept Smith in whose terminology the concept of 'political' is something different. Briefly put, Smith suggests the category of government with its dual processes, political and administrative; Barnes, on the other hand, suggests 'political structure' — with its dual processes of politics and administration. Barnes, in using different terms, is either agreeing with Smith in which case there is no conceptual difference and therefore terminological differences are superfluous; or, he is rejecting Smith, but this does not appear to be the case; or else, he is suggesting some modification. For this, however, one would like to know the reasons but they are not offered. Probably the whole thing can be dismissed by saying that there is nothing so serious and, in fact, Barnes says the same thing which Smith does. This is a simple example of clearly avoidable terminological confusion which can and does breed conceptual confusion. This is probably also an indication of the fact — one example for several — that Smith's analysis has not yet made its full impact felt on anthropological thinking.

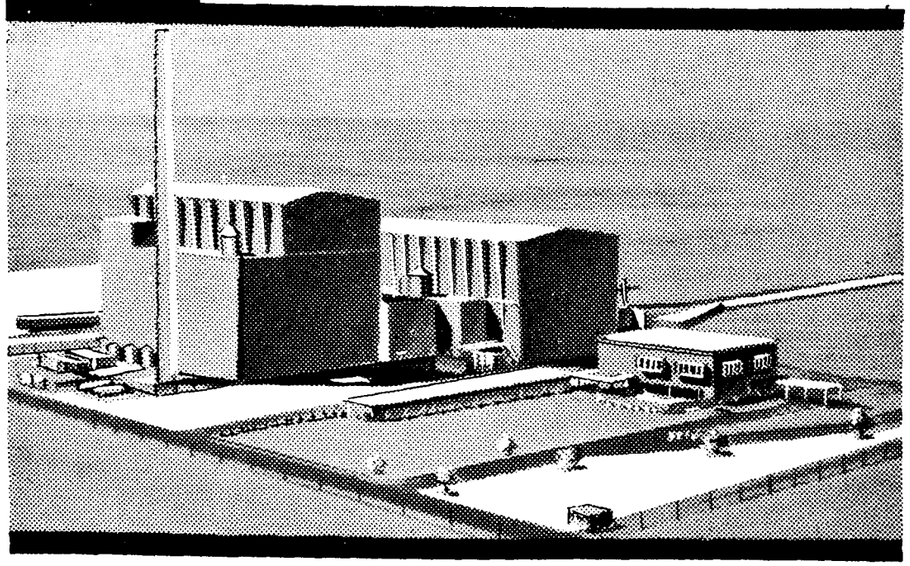
Barnes on "Village on the Border" : Frankenberg

Professor Barnes refers to Smith's paper again in his review of Frankenberg's Village on the Border, and there he says that Frankenberg in his study "brings a fresh approach to politics which seems to me of great value and relevant to investigations of primitive as well as advanced societies". Later on in the review, however, Professor Barnes says that we "can only indirectly infer what he means by politics in general". In analysis, I am afraid, all is not well with the "freshness' of an approach, the very foundation of which has to be indirectly inferred. Professor Barnes, however, compares and correlates this fresh approach with Smith's model of political action. Quoting Smith, says Professor Barnes, "action is political when it seeks to influence the decision of policy", and again, elsewhere, quoting Smith again, "actions associated with competition in terms of power. Here we come nearer to the very day meaning of 'politics' and to Frankenberg's usage".

Though once again we find that Frankenberg, writing in 1959, does

A DREAMING OLD-WORLD VILLAGE WAKES UPTO ATOMIC AGE!

India's first Nuclear Power Plant for Tarapur



Tarapur, 60 miles north of Bombay, was just a name on the map till yesterday. Today, it comes into the news as the site for India's first Nuclear Power Plant. The picture above is an artist's concept showing general site arrangement of Tarapur Atomic Power Plant.

The Department of Atomic Energy has named General Electric U.S.A., as its prime contractor for the Tarapur Nuclear Power Plant. Intended to serve consumers in the States of Gujarat and Maharashtra, the 380 MWE Tarapur Atomic Power Plant is scheduled to attain criticality by 1966.

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not refer to Smith's paper published in 1956 and thereby leaves us to the mercy of indirect inference of his meaning of politics, Professor Barnes' comparison seems to me quite valid. Frankenberg discusses in detail the moves of villagers in the football committee, the carnival committee and in the supporters' club. We learn about the strategems and intrigues of various groups and individuals who use them as instruments for competition for power for influencing decision. There is very little reference to H.M.'s government for politics at the village level, as mediated through the various committees described by Frankenberg, is only remotely influenced by it. In Smith's conceptualisation, Frankenberg, therefore, has analysed political action as a part of the dual process of government of the village at the village level — the other process being concerned with the administration of the village he has not analysed it. What is more, Frankenberg, in fact has analysed politics or political action within and between various committees, again, as one of the two aspects of the government of these committees. All this is very clear so far as Frankenberg's work is concerned, and, incidentally, is a better example of development in the studies of political systems by anthropologists since Radcliffe-Brown's classic formulations than "Tribes without Rulers" is.

Ambiguous Stand of Professor Barnes

What, however, remains somewhat confused in the review article is Prof Barnes' own stand. At one stage he writes that we talk of political system and disapprovingly points out that we often assume that 'politics' must be actions carried on in the political system. He continues:

> "But we also speak of 'academic politics' and 'ecclesiastical politics' without implying that a university has its own army or that the church is an organisation for maintaining social order within a territorial framework, to use Radcliffe-Brown's description. A real 'politician' among other things, gets his way without the use of force. Politics, then is not merely an aspect of political system, however that may be defined."

By posing the problem in this way, Professor Barnes seems to be unwilling to take a stand on the meaning of 'political system' and 'politics'. Later he refers to Schapera who recently drew attention to some of the contradictions in various definitions of 'government' and 'political organisation'. Once source of this contradiction is our reluctance to take a clear stand on grounds of differential conceptual advantages of explicitly accepting one approach rather than another. An advantage of a clear stand is the fact that even if the stand is wrong or inadequate, it is amenable to specific criticism. Professor Barnes does not in this respect help us much in reducing the existing contradiction pointed out by Schapera.

Back again to my main line of argument, I do not find any confusion or contradiction in the basic concepts of Smith — political action and administration as aspects of government. Smith formulates these concepts by examining and rejecting the concept of political system as formulated by Radcliffe-Brown and his followers, 'politics' of Professor Barnes seems to be Smith's 'political action'. If so, then what exactly should we mean when he says that politics is not merely an aspect of the 'political system', however that may be defined? If, for instance, political system is defined as Smith has done, then, obviously, politics is not merely an aspect of it but it is identical with it. Does this imply that Professor Barnes is willing to accept Smith's concept of political action and call it politics, but is unwilling to accept his concept of 'political system'? This logically implies that whereas we can accept Smith's definition of political action, the conception of a 'political system', which Smith defines as a system of 'political action', can be left to confusion or to Radcliffe-Brown. I am sure Professor Barnes is not suggesting anything of the kind but I think his stand here leaves a large range for ambiguities which are wholly avoidable and have nothing to do with the complex nature of human behaviour, generally alleged to be the basic source of all confusions in social sciences.

New Trends

B

I will now refer to a few works in which their authors have tried to operate with fresh models by avoiding the mainstream of relevant theoretical and conceptual problems. These authors neither agree nor disagree with early or contemporary students. This deliberate attempt to shut out the tradition of earlier achievements and failures, is quite inexplicable in scientific studies, in fact, it is not the usual rule in research even in humanities. It is true that in some of the works with which I am concerned here, you come across one or two suggestive thoughts but since their authors are unwilling to assess their ideas in the context of live, relevant, theoretical problems in anthropology, full significance of their contributions fails to emerge clearly. In some other cases, however, 'freshness of approach', in effect, is no more than mere novelty. The following analysis of representative works which share the common characteristic of being fresh in their approach — they do not refer to the model of African Political System — will illustrate the truth in my observations.

"Bantu Bureaucracy": Lloyd Fallers

Fallers' "Bantu Bureaucracy" is an important anthropological work of the last decade. Fallers analyses in this work the factors that have created an in-built system of strain in the Soga society. When one and the same man is expected to be partial as a clan member and put the clan ideology first and also to be a unit in the state bureaucracy (which is expected to stress impartiality, distinguished from clan nepotism, as a desired ideology) and put the bureaucratic ideology first, the social system is bound to bristle with inherent conflicts. Fallers shows this very clearly and ably. But he also says that his work is a contribution towards understanding 'political institutions' of the Soga, and as usual, trouble begins with his definition of political institutions as "rules governing the legitimate use of power and not as the social units to which such rules apply" (p 5). Earlier he says, "Institution means to me a pattern of behaviour which a group of persons consider 'right' or 'correct' — a norm or pattern of conduct. For a pattern of behaviour to be institutionalised means that persons approve of its being followed and disapprove of its not being followed".

(p 3). Then again: . . . in attempting to describe the political institution of Soga Society as a whole, I shall have to deal with the family, the lineage and the village as well as the state for all these units clearly have political as well as other aspects (p 5).

In so far as Fallers defines 'institutions' as a pattern of 'right' or 'correct' behaviour, one is led to expect in his description of 'political institutions' an account of behaviour pattern considered to be 'correct' for making a legitimate use of power. Now what is considered to be 'right' or 'correct' is one thing; what, however, actually happens may, more or less, be quite another matter. Fallers gives us the impression that his focal interest is 'what is considered to be right' behaviour for legitimately using power. In other words, Fallers in his conceptual formulations promises us a contribution towards Soga ethics of legitimate use of power. In fact, however, we get in the best anthropological tradition a description and analysis of actual behaviour of men caught in the conflict of the expected or the 'correct' clan behaviour patterns and bureaucratic behaviour patterns. According to his definition, Fallers should have given us an account of the normative pattern of behaviour — not the actual patterns — of people facing the predicament of clan and state: demands simultaneously. I am not picking at what Fallers has actually given us but I am pointing out that his concept of 'political institutions' does not seem to have helped him in any discernible way.

Fallers' definition of political institutions is also riddled with the pitfalls of the concept of legitimacy. First, there is a considerable body of literature in which it has been suggested that the concept of legitimacy should be associated with authority rather than with power. Bierstedt (*ASR*, *V* 15, No 6, pp 730-8, "An Analysis of Social Power") has convincingly discussed the need for distinguishing authority from power and has indicated that this distinction, involving increased specificity in the meanings of these terms, opens up ways for more refined analysis. Need for drawing this distinction clearly emerges from a careful study of a number of classical writers in political philosophy from Aristotle downwards if we consider only the Western thinkers in this sphere of knowledge. Closer to our own times, Weber's analysis of the concept, the bases and types of authority and his rather brief treatment of the concept of power, strongly suggest that it will be an error to confuse authority which raises the question of legitimacy and of differentiation of roles within a 'Verband' or a corporate group with power (Macht) which he defines as the probability that one actor within a social relationship to carry out his own will despite resistance, regardless of the basis on which this probability rests. (Principles of Economic and social organization, authority and 'Verband' p 56 and 'power' on 152). Max Weber appears to suggest that the concept of power is generic and authority is a type of power (p 153). Bierstedt assigns specific meanings to power and authority both and I personally find that his observations in this specific context are more suggestive than those of Weber.

My purpose, however, here is (a) to stress the point that the concept of legitimacy, used by Fallers in his definition of political institutions has to be operationalised in terms of observable behaviour and then (b) it is more fruitful to discuss legitimacy in the context of *authority* and not *power* as implied in Weber's treatment of these concepts as also in the writings of a number of earlier writers and explicitly discussed in the works of a number of sociologists as also in the works of a larger number of political scientists. Fallers, therefore, does not consider the conceptual distinction between authority and power and operates with undefined terms like legitimacy and power for defining 'political institutions'. In all definitions some elements are likely to remain undefined or have to be taken for granted. But the concepts of power and legitimacy are certainly not such elements considering the attention they have received from a variety of students of social sciences. Since Fallers does not offer his own definition of these terms, his special definition of political institutions does not say anything specific or even clearly intelligible and, inter alia, he supports my contention — in order to make anthropology or sociology a body of knowledge in which successive integrations at theoretical levels will be possible, a careful and critical appraisal of earlier works is imperative not merely at the so-called 'factual level' but at the conceptual level. We have to conclude, therefore, that though Fallers has successfully analysed the in-built strain of the Soga society arising from a conflict of claims of two 'corporate groups' in Weber's sense (clan and the incipient bureaucracy), his contribution, if any, towards an analytical clarification of the concept of 'political', remains completely invisible. Freshness of approach here is distressingly deceptive.

"The Political Systems of Highland Burma" : Leach

I will now comment on "The Political System of Highland Burma" as the next representative work which shows the new trend with its positive and negative aspects.

"In any political system", says Leach, "we usually find sub-groups which stand in opposition to one another as factions. Such sub-groups may be of equivalent status or they may be regarded as superior and inferior". (Leach 1954, p 50). This is obviously an emergent orientation and it directs our attention towards certain types of behaviour for inclusion in a study of political systems, no matter in which society or culture, as it directs our attention also towards excluding several other systems of behaviour. According to Leach, if in some societies we do not find sub-groups which are opposed to each other as factions or sub-groups related as superiors and inferiors, we must conclude that the society concerned does not have a political system. This is analysis and not ethnocentricity.

Now if we carefully look into Leach's analytical model, we find that in a general category of political systems he has included two sets of behaviour which in some cases might be empirically related but, nevertheless, they are analytically distinct-factional behaviour in which sub-groups are opposed to each other and actions in which the sub-groups are inferiors or superiors, super-ordinate and sub-ordinate. In so far as a system of behaviour is mediated through

super-ordination and sub-ordination, it is a clear case of management or administration, a structure in which each layer in the hierarchy is a policy-making layer for the one below it. If this system of behaviour is lumped up together with another system in which the constituent elements are sub-groups of equivalent status and are opposed to each other, administrative behaviour in our analysis will get mixed up with political behaviour. I will pursue this idea later in this report but I want to point out here what can be easily demonstrated that if Leach could keep this analytical distinction in mind, his analysis could have produced more suggestive and substantiative formulations.

The main interest of Leach in "Political Systems of Highland Burma", however, seems to have been to show the inadequacies of an 'equilibrium' model of society which is always in flux. In Highland Burma, 'political systems' used to swing between two ideal types according to Leach — one of them a type of aristocracy, the other a type of anarchy — Gumsa and Cumlao. Keeping the distinction between administrative action and political action in view I would rather say that the Highland Burma people used to compete for power under certain circumstances and at certain times and at other times and different circumstances, the competition, as it were, reached a phase of temporary conclusion thereby pushing the units which had equivalent status during the competition into a hierarchic situation of super-ordination and sub-ordination. The way I have phrased the conclusion of Leach, presumably, opens up a number of problems for detailed enquiry while excluding a whole lot of material in the book which do not seem to be strictly relevant for a study on 'political system'. Despite these comments, the fresh approach of Leach enables him, unlike Fallers, to have something clearer in mind when he talks about a political system at an abstract level.

"Politics in an Urban African Community" : A L Epstein

I now pass on to a book which is among the best in anthropological literature describing in detail what I will like to conceptualise as 'political action'. Epstein's Politics in an Urban African Community describes over a period a series of actions mediated through groups, actions which brought old (tribal and new ('urbanised tribals') groups leaders into various degrees and stages of competition for power for influencing or controlling policy decisions of different types of intra-group and inter-group relations. Epstein documents these processes in detail and thereby gives us a competent description of 'politics' of common parlance and 'political action' of Smith, Weber and, going back in time, of Machiavelli.

The most remarkable fact, however, about this book at a theoretical level is the fact that although Epstein writes about 'politics' and occasionally speaks of the political *and* administrative systems of the Copperbelt towns in Northern Rhodesia, he no-where distinguishes the two systems conceptually. Only once towards the end of the book Epstein volunteers the following by way of what he takes as political action:

> "In our account of the growth of Luanshya we saw the political development of the community in terms of the emergence of new groups and associations and new social personalities, and the forms of authority associated with them. More precisely, we noted a tendency for new groups to emerge in opposition to existing groups, or at least to come into conflict with them. At Luanshya we saw, for example, how over the period of a decade the Tribal Elders and the Tribal Representatives who had formerly dominated the Council were gradually ousted from membership by an emerging urban leadership". (pp 229–30).

Then again:

> "Stated briefly, the urban African is involved in a number of different sets of social relations which stem from forms of social organisation distinct from, and in many respects opposed to, one another. Nevertheless, because they operate for the most part in different spheres of his social life, the African in the towns is able to handle the various sets without obvious difficulty .... The conflict between these opposed principles of social organisation goes on through time. It is marked by the emergence of new associations, societies, and groups, which claim to be more truly representative of the urban community than the established bodies, with which they become joined in a prolonged struggle for power". (p 47).

Elsewhere referring to the growth of Native Welfare Association:

> "Here my theme will be the prolonged struggle that went on between them for power within the existing administrative order". (p 47).

At one stage he promises:

> "In the following chapter I will show how, as the Welfare societies developed, they immediately began to assume political functions which brought them into conflict with the established bodies". (p 47).

The main theme in all these passages is struggle for power embodying "the political development in terms of emergence of new groups and associations and new social personalities, and the forms of authority associated with them — more precisely .... a tendency of new groups to emerge in opposition to existing bodies, or at least to come into conflict with them."

Obviously this is quite a different model of political action when compared with the models of the contributors to the "African Political System" or the authors in the "Tribes without Rulers" or, for that matter, the model of Fallers in his Bantu Bureaucracy. A detailed comparison of "Politics in an Urban African Community" with all these works instantly reveals that Epstein succeeded very much in analytically isolating a domain of behaviour which, say, in Gluckman's description of the Zulu Kingdom in African Political System remains unanalysed, embedded in a matrix of data on constitutional law and sidelights on administrative behaviour. If I am permitted to quote from memory, Gluckman describes at a certain stage that a certain Zulu King was murdered by a rival. If Gluckman had a clearer concept of the 'political', he would have told us in detail how for instance, the rival within the specific social structure of the Zulus, with its customs and practices, restrictions and prescriptions, succeeded in mobilising support for his murder — who was bribed, who was threatened, who was persuaded and how, whose daughter was given in marriage and to whom — these are the actions which need be described and analysed when one is concerned with political action. It is likely that Prof Gluckman did not have materials for such a description in the historical documents. Then one should note a gap in the material instead of filling it up with data on a system of behaviour of different



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nature, say, for instance, the one arising from the rights and obligations of a Zulu office-holder in a hierarchic system, with the paramount chief at the top and the ordinary Zulu villagers at the bottom. Unlike Gluckman, Epstein succeeded because of his concept of 'politics' or political system in focussing his attention towards the details of a specific system of behaviour without which, I wonder, if he could make the following illuminating comment (referring to a labour disturbance in 1935 in the Copperbelt mines):

> "thus for many Administrative Officers the emergence of the urban communities on the Copperbelt did not appear to involve the posing of administrative problems very different in kind from those they were accustomed to handling in remote tribal areas. Rather, they tended to explain events on the Copperbelt in terms of their own failure to follow closely the principles and methods which already prevailed elsewhere. They saw their problem as the need for reorganisation so as to reduce the 'distance' that had grown up in the town between Administrative Officers and the people. The basic assumptions underlying administrative policy were left unimpaired. The point of reference for administration remained the tribe, and not the town" (p 31).

I have been so often referring to Epstein's model of political action. This model, however, largely remains implicit. As noted earlier, the closest he comes to defining his model is nothing more than "political development .... more precisely .... a tendency for new groups to emerge in opposition to existing bodies or at least to come into conflict with them". (pp 229-30.) It is not at all clear to me why Epstein in a work on Politics, after taking the right start, did not go into the details of a more adequate model for political action. It was possible, for instance, following the lead of his orientation model politics as competition for power, there was scope for examining the meaning of power in the background of existing literature. It was also possible to break a 'power situation' into the concept of possible lines of action open to an individual for moving men into action even against their will, to serve his objective or the objective of the group to which he might belong. Then Epstein could also have suggested categories for classifying different types of 'lines of action' or moves permissible within the social structure of the Copperbelt towns. Then again a fruitful range for a conceptual exercise existed in the analysis in abstract terms of the relationship between the political system and the administrative systems in the Copper-belt town. Starting from the proposition that among the people in Luanshya, there was struggle for demonstrating who the true representatives were, the situation could be conceptualised as a series of political activities characterized by struggle for power reaching a settlement (the game is up!) for a period with the consequent emergence of a formalised system of differentiated levels of authority. Then again the system is 'politicised' (as Morris-Jones put it) and the units of the hierarchic model become contraposed. These are some of the considerations which arise from the basic proposition of Epstein but he refrains from analysing them. This is why he occasionally lapses into a statement like:

> "(tribal elders) lacked the legal powers with which to enforce their authority".

He probably means that tribal elders were ineffective because they had no authority — in Weber's sense formal, legitimate power. This sentence may also mean that the system in which the tribal elders had to operate, did not enable them to take steps for compelling people to accept their decision or for punishing those who flouted their decision. For instance, they could not get the people arrested or get them hanged and so on.

I have demonstrated how Epstein's analysis of 'political system' is superior to most 'anthropological' studies on the problem. I also pointed out that his success primarily lies in his model of political action, a model which is implicit in the presentation of his data. I then tried to indicate that Epstein could have followed up his model construction but for unknown reasons he refrained from following up his own thoughts that, I imagine, branch forth from his basic notion of political action. This is why the book ends with the concept of situational selection rather than a model for analysis of political action. Nevertheless, Epstein certainly and effectively shows the positive new trend, not yet widely prevalent, in anthropological studies of political systems.

"Tribe, Caste and Nation": F G Bailey

Bailey's "Tribe, Caste and Nation" falls in the category of works in which a certain conscious effort has gone into the construction of a model of political action in terms of competitive behaviour. Says Bailey:

> "Through political activity a man achieves command over resources, or power over men, or both these things. Political relationships are those through which he achieves the same ends. These definitions are used widely and are offered not so much as criteria of relevance but to show the assumptions which underlie my approach to political problems. Society is an arena (or 'field') in which men compete for prizes : to control one another; to achieve command over property and resources (in the Kondmals this has generally meant land) : and, negatively, to avoid being controlled by others and to retain such resources as they already possess. In order better to achieve these ends (and, of course, for other reasons which are not specifically political) men combine into groups, and competition lies not only between individuals but also between groups. I assume that the individual's motive in giving or continuing to give his allegiance to a political group is that in this way he expects to gain his ends and retain or achieve command over men and resources. If, by experience, he finds that he can retain or better achieve command by giving his allegiance elsewhere, then he will do so; and if sufficient people do this, then one type of group is likely to disappear and be replaced by groups of a different kind". (pp 10 and 11).

I wish to begin my comments here with what appears to me to be the weakest aspect of Bailey's formulations. He adroitly dodges the issue by saying that 'these definitions are used widely and are offered not so much as criteria of relevance but to show the assumptions which underlie my approach to political problems'. Bailey clearly realises that the problem of "criteria of relevance" is bound to arise, but I do not know why he drops this problem immediately after raising it and he drops it almost with a curse — may it die a natural death! Never again he raises the problem of relevance, i e, the critical variables to be considered in the construction of a model of political activities, an urgent task which, however, cannot be effectively undertaken without a systematic critical appraisal of earlier efforts in this direction.

Bailey is reluctant to undertake

this task and, therefore, his 'assumptions which underlie my approach to political problems' develops without the benefit of awareness of the way in which earlier students successfully or unsuccessfully faced the analytical problems arising from the basic postulate of his model:

> "Through political activity a man achieves command over resources or power over men. Political relations are those through which he achieves the same end."

Elsewhere he visualises society as an arena in which men compete for prizes. Bailey's description of the goals for this competition is as follows:

(a) to control one another
(b) to achieve command over property and resources
(c) negatively to avoid being controlled by others
(d) to retain such resources as they possess.

Though Bailey does not specifically say so, it appears from his formulations that these four propositions can be taken as describing the basic attributes of Bailey's model of political action. Now let us examine these attributes briefly to see what light we can get from Bailey's guidance.

The first thing that appeals to me in Bailey's formulations is his stress on action in all the four attributes. His foundation is essentially operational for he is referring broadly to certain activities that can be observed or inferred from observation with comparative reliability. Then I think the concept of competition is the critical concept of the model. Men can control one another in various ways. An employee, for instance, is controlled by his employer. Police men control thieves by apprehending them according to 'law' and, at least in some countries, police men are controlled by thieves by being bribed. I know for certain about a city where drinks are not available after ten at night in the open market. You can, however, buy your drinks surreptitiously from the shops at that time from the shops which are supposed to sell only soft drinks. Under normal circumstances, policemen on their beat in that street will take no notice of you. But once in a while, there will be a huge raid, the shopkeepers will be completely terrorised and you can be arrested if you are detected by the police while soliciting for a stealthy bottle. This happens, I understand, when the illegal dealers in liquor fail to pay the police their 'due'. As soon as the arrears are paid, it is all quiet again, business becomes brisk and the police is controlled by the shopkeepers.

There are, then, cases wherein control is unilateral. The Town Superintendent in Jamshedpur controls allotment of houses to the Company employees but, normally, employees do not control him in any way. When two persons talk to each other, they control each other's behaviour, if both of them are sane. We can think of many types of control in day-to-day social life but in the situations cited above, we do not normally speak or think in terms of political action. When my boss tells me that he cannot grant me leave for no leave is due, he is not behaving politically though he is controlling my behaviour beyond doubt. In fact, if I understand Bailey correctly, he is not suggesting at all that the act of controlling in itself will constitute political action. It is due to the element of competition — action in which the participants try to push each other out for reaching the goal of control over men and resources — which transforms the general category of action, that is here, control, into political action. When my boss does not give me leave for no leave is due, the reciprocal relationship between me and and my boss is administrative. But if I raise the question of the validity of the rule or if I act on the assumption that he has no right to decide my case and if my boss does not agree with me and continues to take steps for controlling my action, then our relationship becomes political for the duration of this competition. But as soon as the competition is settled one way or another, in that given context, our relationship ceases to be political and once again becomes administrative. Say, if I am discharged and I leave the firm, there is no more competition and my boss has used the rule that for an act of insubordination an employee can be discharged. But if through manipulation, I am able to get my boss discharged and if he has to leave, then again, our relationship, which during the period of manipulation was political, does not remain so any more. The system, if it continues, swings back to an administrative state again. The key concept of competition in Bailey's model to my mind gives us a valuable insight into the nature of political action as it is understood in common language and also technical writings of a number of social scientists.

Bailey, however, does not go into the details of some of the considerations that arise from this basic postulate. He does not, for instance, specifically try to distinguish administrative behaviour from political behaviour and, to my mind, one cannot be understood without the aid of the other. They can be best treated as two polar models between which behaviour swings in actual life. In addition, if we consciously try to analytically distinguish the two systems, we sharpen our tools for analysing the system, out of the two, in which our interest lies.

Rest of the four attributes of political action in Bailey's model have also to be understood in the context of competitive action. All actions directed towards achieving command over men, property and resources are not political actions. 'Men' have already been considered in the previous paragraphs. Now let us consider resources as a general category including property, though there is some difficulty here, for property is a legal concept and is likely to create confusion in the context of our analysis of political action in the sense that Bailey wants us to take it.

If a dam is constructed over a river, we have a clear case of action directed towards achieving command over resources, in this case, the water power for generating electricity and the irrigation potentials of the river. Construction of a dam like this is not normally taken as an instance of political action though it certainly is an action for achieving command over resources. Let us take another example. A new industrial town is to be built at a site occupied by a number of villages. The industrial company pays compensation to the villagers, acquires command over property as stipulated in the terms of payment of compensation and the villagers go away. This is buying and selling and not political action. These acts of building a dam and buying land and villages are not political action, if the element of competition is missing in them.

Now, if it happens, as it quite often does in India, one or more states begin to compete for the location of the dam in their area, we must say that the purely technological proposition — construction of a dam — has triggered off a political situation. If a dam is not constructed in a certain state, the ruling party may lose support among its followers in that area with disastrous results during elections. Quite a few projects in India had their location decided by political action and not so much by efficient technological or economic considerations. In the same way, if the villagers after receiving compensation for their land hang on there on the ground that they should be given jobs in the new town and, if the company which acquired the land thinks that it is under no obligation to do so since in a modern mechanized industrial town no jobs can be given to illiterate, untrained villagers, then the villagers and the company may find themselves involved in incipient political relations. Here is competition for jobs, the displaced villagers want them for themselves and the company wants them to go to trained personnel. Villagers under these circumstances may gang together and may refuse to move out of the land which they sold off, and the company might ask the police to throw out the illegal occupants of its property. The chain reaction might proceed: a certain number of the state legislative assembly might take up the cause of the villagers and then politics changes its level. All this is to point out that without the element of competition, achievement or actions directed towards achieving command over property or resources cannot be normally taken as an instance of political action. A little thought will reveal that this argument is also applicable to Bailey's last two propositions:

(i) to avoid being controlled by others
(ii) to retain such resources as they possess.

We see, therefore, that Bailey's acceptance of the action frame of reference and his critical concept of competition take us considerably farther in our analysis and criticism of his model of political action than we could go guided by the other models discussed in this report. The very virtues of Bailey's model compel us to subject it to a more searching analysis and in the following paragraphs I will touch on one or two points.

'Power Model'

Bailey offers us what essentially is a 'power model'. Since a considerable body of literature in sociology and political science already exists on the controversial concept of power, Bailey could, at least, have taken the first steps towards operationalising this concept. He has, instead, used the concepts of 'control', 'command' and 'power' interchangeably and thereby has somewhat confused the issue. His proposition about 'command over resources' also lands us into serious difficulties. Let us imagine two business firms competing in the open market by lowering the price, or improving the service, selling a better brand or through more impressive public relation. This is essentially a situation in which men are competing for controlling more and more as consumers of their products. Will it be correct or analytically helpful to say that the two firms are in an arena of political action? A formidable body of opinion in economics and political science is likely to say no while if we accept Bailey's model of political action it will be necessary to say yes. In order to introduce the concept of competition as the critical concept of a model for political action, we have to face the economists who after all have been largely responsible for developing various models of competitive behaviour directed towards command over property and resources. Only once Bailey comes close to facing this problem with his postulate of a 'political man' analogous to an 'economic man' but he deals with the problem on a metaphorical level (pp 253-4).

Bailey's four propositions include almost all possible cases of competitive behaviour among human beings: to control one another; to achieve command over property and resources; to avoid being controlled; and to retain such resources as they possess. Does this mean that all competitive behaviour no matter who the participants are or what the goals are should be considered as political action? Bailey's model suggests an affirmative answer to this question but he does not take a specific stand on it, though obviously this question arises almost spontaneously, if the basic postulates of his model are accepted.

It is, however, likely that Bailey does not adequately realise the critical significance of his concept of competition in political action and the model, as it were, is really not so self-conscious and suggestive of specificity as I have described. I am led to this doubt on account of — one example for many —the following passage in "Tribe, Caste and Nation". Bailey's description of the situation of 'dominant caste' here does not refer to a competitive situation, and if a certain caste has the virtual monopoly of 'power', then as long as this monopoly lasts the units of the caste hierarchy are not interrelated 'politically' as conceptualised in Bailey's model. This is due to the fact that in this particular case, Bailey is describing a situation in which competition does not seem to be a property of the relationship among various castes constituting a system which is dominated by a particular caste. This is a clear case of administration, a system of behaviour which does not receive Bailey's attention in his formulation of a model for political action. Says Bailey:

> "*Equality of rank is so manifestly false when applied to a caste system* that the final step in the argument is seldom taken, and the exposition rests upon a presentation of mutual interdependence, and the hint that one caste could bring the system to a standstill by refusing to play its part. Castes do in fact use this sanction to maintain their rights against the rest. In fact, of course, the system is held together not so much by ties of reciprocity, but by the concentration of force in one of its parts. The system works the way it does because the coercive sanctions are all in the hands of the dominant caste. There is a tie of reciprocity: but it is not a sanction of which the dependent castes can make easy use.
>
> "Power is concentrated in the hands of the dominant caste. The main features of this system are well known and have been for many years. The administrators who had to deal with the caste system, as distinct from the writers who merely thought about it, could not afford to miss so important a feature as the dominance of one caste. One caste has direct

> control over economic resources and it alone has a corporate political existence : the other castes derive their living by a dependent relationship upon the dominant caste, and in themselves they have no corporate political existence. Their political relationships are as individual clients of a master in the dominant caste. Political ties run vertically in the system and not horizontally : political and economic rank tends to be consistent with ritual rank : the dependent castes are not all of equal rank but are organized in several grades, and this is apparent in ritual usage. ...These are the main features of caste seen as a political system". (p 258).

The above description shows that Bailey is dealing with an administrative system in which the units are in a superordinate and subordinate system of relationship and, according to Bailey's model of political action, he is obviously not dealing with a political system since we do not have any competitive action. Still, he writes in terms of the 'corporate political' existence of the dominant caste : then, that subordinate castes have no corporate political existence and, finally, their (referring to the subordinate castes) political relationships are as individual clients of a master in the dominant caste. After arguing in this vein, Bailey informs us that the above description is an 'abstraction of a high order' and the picture changes when it is put against reality. The changed picture is as follows :

> (In Bisipara, Bailey's village) "There is not one dominant caste, but two castes, who stand towards one another not in relations of ordination, but of equality as rivals. Their mutual ritual 'abhorrence' symbolises not ordination, but equality" (p 260).

Later on :

> "I am interested in political organization, and I was able to get at least a prima facie distinction between the segmentary political system of the Konds based on agnatic kinship, and the Oriya political system which is characterized by ordination". (p 264).

Thus we see that Bailey began his analysis by postulating a model for political action as competitive behaviour for command and control over men, property and resources. He, however, ends his analysis by postulating two types of political system (a) segmentary, (b) based on ordination. But a system based on ordination, insofar as the system is viable, does not admit of competition and hence, if Bailey's model for political action is to be accepted, a political system based on ordination is simply impossible. If, however, we accept his two types of political system, we have to abandon his model of political action as essentially competitive action and, evidently, we shall have to accept that if we talk in terms of a segmentary political system and a political system based on ordination, we are conceptualising political behaviour as sometimes competitive (segmentary) and sometimes hierarchic (ordination). In other words, competition is not a critical concept in the construction of a model of political action. What is the critical concept then? We return to our starting point : What is a political system? What is the distinctive set of properties of political action? Anthropological studies of political systems, based on thorough fieldwork of two full decades are silent. No, they speak in a language of internal self-cancellation. Tailpiece: When self-cancellation comes, can synthesis be far behind? Shelley sang of winter and spring and Marx wrote of internal contradictions leading to synthesis. But the creative value of self-cancellation? I do not know.

Conclusions

After this facetious flight into poetry and dialectics — a cover for disappointment, perhaps — I now pass on to summarize the results of my critical appraisal of the anthropological works on political systems in a more formal and, I am afraid, in somewhat irritating language.

(a) In the very first systematic work, "African Political Systems", need for developing a model of political behaviour was stressed by Radcliffe-Brown on the ground that without such a model, not only analysis will suffer, but also, even preliminary steps in fieldwork cannot be undertaken. Without a model of political behaviour, we simply cannot know the significant relevant questions that we have to ask ourselves during fieldwork which, after all, is undertaken to collect data to answer certain questions. This advice of Radcliffe-Brown, the soundest point of his introduction to "African Political Systems", appears to have been largely ignored by subsequent students. Construction of model has been generally taken as a ritual act and its basic and critical methodological role has not been realised. This fact has liberated most anthropologists from deliberate, explicit and rigorous efforts that are necessary for concept-formation and has given them an inordinate respect for field-work, the mystique of contemporary anthropology. It does not seem to be necessary so much as to pause and ask: Fieldwork, certainly — but on what?

(b) The most confused thoughts of Radcliffe-Brown, embodied in the particular model of political behaviour propounded in "African Political Systems", have, however, been a great fertilizer in research, producing, of course, theoretically and conceptually, their own kind. Radcliffe-Brown's model could not draw the distinction among government, political action and administration and, therefore, could not conceptualise their interrelation. M G Smith's classic paper clearly diagnosed the malady which was bound to develop due to this inadequate conceptualisation. He also showed that the malady was infectious. Among other things, it prevented the development of segmentary theory in the context of political action, and even 18 years after Radcliffe-Brown's formulation, we find the infection very much present in "Tribes without Rulers" and many intervening works.

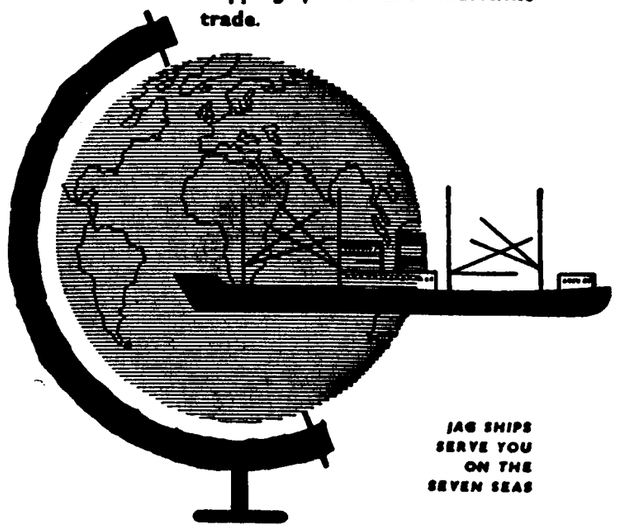
(c) One reason that I can offer for this state of affairs is that there is a general mood in anthropological thinking, particularly, in anthropological studies on political systems, which weakens the willingness to take a specific stand on theoretical and conceptual problems and prevents the growth of awareness of the need for building one's ideas on the foundation of a critical appraisal of earlier works on a theoretical and conceptual level. I gave quite a few examples of this mood. In anthropological works, reference, no doubt, is made to earlier works and there is generally a bibliography at the end of each paper or book which anthropologists publish on political systems. But reference is one thing and creative, theoretical and conceptual use of earlier works, assimilation of their achievements, realisation of the reasons behind their failure and further work based on knowledge of both of them are, indeed, quite another matter.

(d) Does this mean that 'anthropological' studies on political systems add nothing new to our knowledge? The answer is a definite no so far as knowledge here means conceptual precision, theoretical formulations or even terminological agreement. Differences among students here are indications of a kind of sterility and not of conditions of possible creativity. But if we take everything new as an addition to knowledge, then, of course, these studies have a positive value. They have, after all, produced quite a mass of 'facts' on a number of culture and societies which earlier were unknown or inadequately known, to conventional students of economics, political systems, law and so forth.

(e) This analysis was a search for an 'anthropological' approach to the study of political systems, an approach denied to political scientists. I failed to discover anything of the kind on a theoretical or conceptual level. One might object to this and say that anthropologists study a political system in its relations to other systems of behaviour. This would be a sound argument if anthropologists could clearly say what they mean by a political system. In view of their inability here, this argument is an indication of a very laudable ambition which, however, is still far from actual achievement. As a last resort, fieldwork might be pleaded as the distinctive feature of the 'anthropological' approach. To my mind, stress on fieldwork during Malinowski's times was very necessary as a reaction to the enthusiasm of the stalwarts of the school of unilineal evolution; but it has now, more or less, become the accepted method, where possible, for collection of data, in all social sciences. Some branches of knowledge with a heavy hangover of speculative traditions, for instance economics and political science, may perhaps have to learn a lot from anthropologists so far as fieldwork, as such, is concerned. But only fieldwork is not anthropology, whatever may be the way in which anthropology is defined. Since fieldwork is now gradually being adopted by others, we might, perhaps, console ourselves with the thought that the 'anthropological' approach is spreading. If we accept this consolation, we are on the way to admit that 'anthropological approach' will soon cease to have anything *'anthropological'* about it and will be called merely *'fieldwork'* by those who use it. The 'anthropological approach', as applied to the study of political systems can be conceptually considered to be different from the approach of political science, if this difference can be shown to the credit of anthropology in practice. This being not possible at the moment, 'anthropological approach' towards political system remains a fruitless article of faith.

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Compulsory Savings and Economic Development

Ramgopal Agarwala

While the basic idea behind the Compulsory Deposits Scheme is no doubt sound, the scheme as it has been formulated is not at all suited to the requirements of long-term economic growth.

The principal objection against the scheme is that the deposits are for a period of only five years. Even if the scheme is continued beyond five years, the receipts from it will roughly balance the re-payment of old deposits.

The scheme would have been more effective if the deposits had been made repayable after a longer period, say, 15 years. Further, could not the deposits be paid back in the form of equity shares in public sector enterprises?

THE basic idea behind the Compulsory Deposits Scheme, in our present context, is quite sound. Indeed, I believe that the application of this idea in some suitable way provides the best means of achieving rapid economic development without allowing the inequalities of income and wealth to grow rapidly. For meeting the two-fold requirements of defence and development, the public must be made to save more; and if this is to be done by taxation, or inflationary credit, it is likely to increase inequalities of income and/or affect incentives adversely. A scheme for borrowing (either voluntary or compulsory) may be better in both these respects in so far as it allows the savers to retain the proprietory rights in the funds that they are made to save*.

Insuitable Form

However, the form in which the present Compulsory Deposit Scheme has been prepared is not at all suitable from the point of view of long-term economic growth. These deposits are said to be repayable after five years. After five years we shall be in the middle of the Fourth Five Year Plan which is likely to be 'ambitious' and to contain considerable inflationary potential for the economy. Now if the CDS is to be discontinued after five years and the entire deposits repaid at once it will increase considerably the danger of inflation. Even if the repayments are made in five annual instalments, it will add to a certain extent to the inflationary pressure. Again, if the Scheme is continued after five years, the receipts on this account will roughly balance the payments of the old deposits (the difference between them because of the increase in income over the period being rather negligible). And it is difficult to justify the introduction of such a complicated scheme involving so much of administrative and political difficulties for such a short-run benefit. The important point is that the C D S will be helpful only if these loans are (a) of long-maturity and (b) non-negotiable, as far as practicable. The present scheme satisfies the criterion of non-negotiability but it is not of sufficiently long maturity.

Compulsory Insurance

The above argument suggests that the deleterious effects of the present scheme could be reduced to a certain extent if the deposits are made repayable after, say, 15 years by which time, many of our projects may be expected to produce results. However, it will be better to explore the possibilities of repaying these debts in the form of the equities of public sector enterprises. This may be more acceptable to the public in so far as it reduces the danger of the erosion of the real value of loans as a result of rising prices; and it may also introduce the urgently necessary sense of economic calculation in the management of public sector enterprises.

Apart from the above, it may be suggested that the value of compulsory savings scheme be enhanced by a suitable combination of the following methods: (a) make life insurance compulsory for all married persons with incomes above a certain limit; (b) encourage schemes of bonus shares in public limited companies.

The scheme for compulsory life-insurance will have the virtue of long maturity. If the average age of marriage may be assumed to be 20 and the expectation of life at 20 is 45, we may well introduce a scheme of 40 years' maturity. No big repayment problem will have to be faced in 40 years and the annual repayments falling due will be rather small. In this case, of course, the net additions to the volume of savings because of the payment of premiums will not be very great after 40 years; but by this time we could be expected to have overcome the problems of initial shortages. In addition to this the scheme would serve an important humanitarian purpose by providing for the maintenance of the widows and of children of a certain section of the population at least. Further, it would serve as a reminder of the responsibility of marriage and may act as a determent to early marriages, and thus help in birth control to a certain extent.

Bonus Shares in Public Enterprises

It may be argued that many people are already having life-insurance policies and the increase in savings by making it compulsory will not be great. But the answer is that there is actually considerable scope for extension of the scheme to low-middle class and low income groups; and also that there is always the possibility of increasing it in depth i e increase the rate of premium and accordingly the value of the policies.

For workers and salary-earners in public limited companies, it may also be useful to explore the possibilities of extending the scope of bonus-shares. For utilising our industrial capacity to the maximum, it is desirable to allow for overtime work and progressive piece rate system of payments wherever possible. Now if these are paid in cash, the possibility of increasing investment will be reduced to a certain extent. A scheme of bonus shares while providing the incentive for better work will not add to the inflationary pressure. Apart from this, this may effect important changes in industrial relations in the long-run. This will extend ownership amongst the workers and create a sense of proprietory interest in the firms and thus act as an incentive to greater productivity and more peaceful industrial relations. The schemes of worker's participation in management and profit sharing by workers will get an automatic and strong sanction.

* For details of this argument see my article "Economic Development without Increasing Inequility", *The Economic Weekly*, November 4, 1961. Also see Hugh T Patricks' criticisms of my article in the issue of April 28, 1962, and my reply in that of July 7, 1962.

Business Notes

Tata Engineering and Locomotive Co

THE Annual Report of Tata Engineering and Locomotive Co for the year ended March 31, 1963, bears the impact of the national emergency in several respects. First, even with a rise in the sales turnover, excluding excise duties, by about Rs 2 crores, the profit turned out to be less by Rs 35 lakhs, due to (i) delay in Government's sanctioning an increase in selling prices of diesel vehicles to compensate increased custom duties and higher cost of imported components, (ii) special rebate on vehicles supplied to defence services, and (iii) new SPT levy of Rs 23.30 lakhs. Second, shortages of essential materials and foreign exchange affected output which otherwise would have been still larger. Third, in view of the increased demand for the Company's vehicles for defence purposes, Government has, in revision of its previous suggestion, now desired the Company to go ahead and implement the second stage of expansion for increasing the output capacity of Tata Mercedes-Benz from 18,000 to 24,000 vehicles a year, for which the Company is now submitting a second application to A I D for a further loan to cover foreign exchange requirements. Fourth, as a result of reservation of about 80 per cent of the output to Government, the reduced allotment to non-defence purposes is affecting the dealer organisation, and spare parts availability position.

Efforts were made during the year to increase the indigenous content of the vehicles to 90 p c. Production in the automobile division was satisfactory and output of diesel vehicles rose from 12,100 vehicles in 1961-62 to 12,200 in 1962-63. Owing to the excellence of the vehicles, the bulk of the output was allocated to Government. In the engineering division, production of steam locomotives was carried out according to schedule and the number of vehicles delivered during the year was 93 with the indigenous content as high as 98 per cent. However with reduced orders on hand, a part of the capacity released will be effectively utilised for the production of excavators and industrial shunters. Demand for diesel industrial shunters continued to be good and 11 shunters with an indigenous content of about 80 p c were delivered during the year. The demand for Tata — P & H earth moving equipment increased substantially and the Company is now licenced to double its output. The paper and pulp machinery project did not make expected progress. In the foundries division, operations in the steel foundry were interrupted by power shortages, but the planned output of steel castings was maintained. Besides supplying special alloy steel castings for the manufacture of excavators, some high quality steel castings were also exported.

The Chairman of the Company, Shri J R D Tata, in his statement attached to the Directors' Report, has brought into focus some of the material facts concerning the present working and future prospects of the Company. In spite of the shortage of steel, particularly flat products and specials, the turnover was about 5 p c higher than in the previous year. The establishment of production of excavators and diesel shunters has helped to diversify the range of products manufactured. But for the shortage of essential steels, the output would have been appreciably higher. For implementing the second stage of expansion programme which is now accelerated at the instance of Government, to increase the output of TMB vehicles, the rupee finance required will be raised in an appropriate manner and is now under the consideration of the Directors.

Shri Tata has stressed the need for additional foreign exchange for import of raw materials and components without which, he says, the present enhanced rate of output by additional shifts and overtime working cannot be sustained. He has also drawn attention to the fact that owing to the diversion of output to meet defence needs, the commercial vehicle target for the Third Plan which has been set at 60,000 by 1965-66 will not be attained. Want of capacity with the main manufacturers and the components' industry will also account for the short-fall.

Turning to the engineering division where progress is handicapped, mainly by non-availability of the required types of steel, Mr Tata expressed the view that the uncertainties created by the material shortages result in processing of

Tata Engineering and Locomotive Co

(*Rs Lakhs*)

	1962-63	1961-62	1960-61	1959-60	1958-59
Sales (excluding excise duty)	3989	3793	3427	2803	2645
Income before taxes & Reserves	327	378	313	222	154
Net profit before reserves	143	190	191	128	141
		(*Rs*)			
Earnings per ordy share	16.83	22.97	22.58	15.03	24.44
Dividend per ordy share	14.50	14.50	14.50	12.50	9.00
Retained earnings per ordy share	2.33	8.29	8.08	2.53	15.44
Book value per ordy share after excluding allocation to dividend reserve	141	138	130	122	119

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uneconomic batches, frequent setting, low labour productivity and lock-up of funds in works-in-progress. All such inefficient operations inevitably raise costs and lead to wastage of production facilities. As for new projects, the Chairman states that although having regard to the financial and managerial resources, it will not be advisable for the Company to take up any new ventures which might affect the tasks already committed, the Company as an exception will go ahead with the project to set up a plant in collaboration with a German firm for the production of press tools, dyes and production devices needed by the repetitive engineering industry. This project, according to Shri Tata, will, apart from saving and earning foreign exchange, develop skills and techniques.

The operations of the Company for the year to March 1963 reveal that sales and other incomes were up by about Rs 2.12 crores at Rs 44.36 crores, i e by 5 p c, while profits before taxes and allocations declined by 13.2 p c from Rs 3.78 crores to Rs 3.28 crores. Costs of operations went up by Rs 2.62 crores with rise in raw materials, components, salaries and wages, manufacturing, administration and selling, and interest charges. Taxation provision and development rebate reserve have absorbed Rs 2.12 crores as against Rs 2.28 crores in the previous year. The balance of profit has thus amounted to Rs 115.53 lakhs compared with Rs 150.47 lakhs. Adding the previous year's balance of Rs 3.62 lakhs and transferring Rs 6 lakhs from General Reserve No 1, the amount available for disposal is raised to Rs 125.15 lakhs (Rs 152.94 lakhs). The transfer from General Reserve No 1 is necessary owing to the inadequacy of the year's profit to maintain last year's dividend. A sum of Rs 125 lakhs is transferred to Dividend Reserve (leaving Rs 14,962 to be carried to the next account) and from the Dividend Reserve, the Directors have recommended the payment of a preference dividend at Rs 5.55 per share of Rs 100, subject to tax, (total dividend Rs 8,32,500) and an ordinary dividend at Rs 14.50 (same as in last year) per share of Rs 100 (Rs 10.15 p c free of tax, being subject to relief under Sec 84 of the Income-tax Act) absorbing Rs 116.00 lakhs.

Metal Box

SALES of products of Metal Box Co of India during the year ended March 31, 1963 increased by Rs 136.89 lakhs to Rs 1208.33 lakhs, i e, by about 13 p c. Profit after depreciation but before taxation has increased by Rs 9.85 lakhs to Rs 123.60 lakhs, but the profit margin has slightly gone down from 10.6 p c to 10.2 p c. Provision for taxation is made at Rs 79 lakhs which is Rs 21 lakhs more than in the previous year. The profit after tax is however lower at Rs 44.60 lakhs as compared to Rs 55.65 lakhs in the previous year showing a reduction of about 20 p c. Including a balance as per last account of Rs 29.83 lakhs, the amount available for disposal aggregating to Rs 74.48 lakhs has been appropriated to Development Rebate Reserve to the extent of Rs 2.50 lakhs (Rs 4.20 lakhs), to General Reserve Rs 39.50 lakhs (Rs 10.00 lakhs), dividend on preference shares (at 6 p c subject to deduction of tax) Rs 1.50 lakhs (Rs 1.60 lakhs), dividend on equity shares Rs 30.59 lakhs (Rs 40.25 lakhs) at the rate of Rs 1.90 per share (inclusive of the interim dividend of Rs 0.90) subject to deduction of income-tax and super-tax. Net earnings per preference share works out to Rs 148.6 per share and net earnings per ordinary share to Rs 2.68. Thus the preference dividend is covered 24.7 times and the ordinary dividend 1.41 times. At the current quotation of about Rs 49.87 per share, the equity yields 3.9 per cent.

In his review of the Company's affairs, the Chairman states that

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Directorate of Industries
Small Industries Service Institute
National Small Industries Corporation

Issued by The Development Commissioner, Small Scale Industries, Government of India, Udyog Bhavan, New Delhi.

many of the adverse features which marked the Company's operations during the earlier part of the year gave way to a new impetus under the shock of emergency resulting in increased productions and demand for the Company's products. Direct defence supplies will form a substantial part of the Company's activity during the year. Sales of non-tinplate products are increasing, making up about 25 p c of the total sales.

Brno Trade Fair

CZECHOSLOVAKIA'S annual International Trade Fair will be held at Brno from September 8 to 22. The main emphasis at this year's Fair will be on the following exhibition groups:

- Chipping machine tools, forming machines and attachments.
- Machinery and equipment for the chemical industry.
- Transport engineering, building and road-building machines, interplant transport.
- Agricultural machines and equipment.

Exhibitors from a large number of countries will take part in the Brno Fair. They will display their products in individual expositions arranged according to industrial branches and trade sections and also set up their own information stands in the Pavilion of Nations.

A scientific-technical event of top importance preceding the Fair will be the Thirtieth International Foundry Congress to be held in Prague from September 2 to 6. The Congress is organised by the Czechoslovak Scientific-Technical Society in cooperation with the Trade Union of Engineering Workers.

Besides the Foundry Congress, the Czechoslovak Scientific-Technical Society will organise, within the framework of the Brno Fair, eight specialists' days of new technology and two scientific symjosia with international participation.

Money Market

Thursday, Morning.

THE inter-bank call money rate which fell to 0.75 per cent on July 5, continued unchanged until July 22, on which day it spurted to 3.5 p c owing to some demand



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for funds for subscription to the new Government loans which opened on that day. The continued easiness was not surprising in view of the inflow of funds during the past several weeks as reflected by the rising deposits of banks and declining bank credit. The spurt of July 22, however, proved temporary as from the next day the rate began to decline again to settle at 1 p c from July 26. This confirms the comfortable money supply with the banks despist the loan subscriptions. During the week ended July 19, aggregate deposits of scheduled banks went up by Rs 26 crores while bank credit fell by Rs 13 crores, and the steady increase in the gap between the two has brought down the credit-deposit ratio to 68.84 p c on July 19 from 74.34 p c on June 7.

According to the latest statement of the Reserve Bank of India for the week-ended July 26, notes in circulation contracted further by about Rs 29 crores. The continued decline in notes in circulation despite the issue of Central loans would appear to indicate that subscription to the loans had not put any special pressure on funds. The contraction in notes has enabled the Reserve Bank to transfer Rs 25 crores of rupee securities from the Issue department to the Banking department. Central Government balances with the Reserve Bank have shot up by Rs 94 crores owing mostly to receipt of loan subscription. The fall of Rs 26 crores in deposits of scheduled banks with the Reserve Bank also indicate diversion of the banks' funds to the Government loans. That the scheduled banks' resources have increased further during the week is evident from the repayment of their borrowings from the Reserve Bank to the extent of about Rs 12 crores.

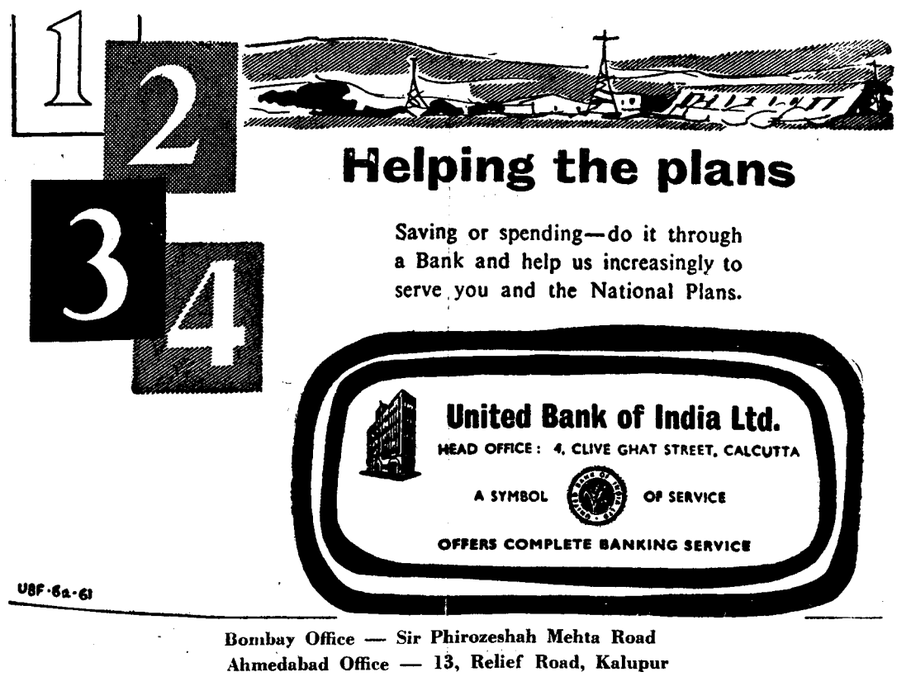
A Reserve Bank press note announces that the total subscriptions to the further tranche of 4 p c 1969 Loan, and the 4¼ p c 1973 Loan amounted to Rs 226.17 crores (against Rs 225 crores invited) of which conversions amounted to Rs 19.14 crores. The 4 p c 1969 fetched Rs 117.17 crores while the 4¼ p c 1973 yielded Rs 109 crores. The closing of the list a day earlier than notified would appear to indicate that the response was quite good, although there was clearly no rush for the loans. According to reports, major subscriptions came from the L I C, State Bank, and Reserve Bank while commercial banks' offtake was comparatively small.

Despite the absorption of funds by the Central Loans, the general buoyancy in the gilt-edged market continues owing to the interest exhibited by the institutional investors and commercial banks, attracted by higher yields, particularly in some loans, as for instance in the 3 p c 1970-75 which was outstanding, rising from Rs 87.55 to Rs 88.25 within a fortnight. The new 4 p c 1969 began to ease off from the issue price of Rs 99.50 probably due to stag selling, but recovered later due to support.

Around Bombay Markets

As our Market Correspondent is indisposed, "Around Bombay Markets" does not appear this week.

— Ed.



Bombay Office — Sir Phirozeshah Mehta Road
Ahmedabad Office — 13, Relief Road, Kalupur

CURRENT STATISTICS

BANKING RETURNS

(*Rs crores*)

Reserve Bank	July 26	July 19	June 28	June 29, '62
1 Note circulation	2208.91	2237.58	2259.50	2076.68
2 Rupee coin	120.08	117.48	115.32	116.24
3 Deposits				
(a) Central Govt	149.27	54.95	65.07	53.36
(b) Other Govts	9.11	15.82	14.49	25.49
(c) Banks	85.87	112.07	101.59	98.70
(d) Others	209.63	207.05	156.49	149.65
4 Foreign securities	95.26	95.26	99.83	91.68
5 Balance abroad	5.56	6.29	6.51	5.64
6 Rupee scurities	1901.31	1926.31	1966.70	1794.31
7 Investments	331.56	318.17	272.80	282.27
8 Loans and advances to Govts	56.33	50.84	58.11	34.89
9 Other loans and advances	129.70	123.51	141.67	134.93
Scheduled Banks	**July 19**	**July 12**	**June 21**	**June 22, '62**
1 Aggregate deposits (net)	2180.07	2154.44	2123.28	2028.49
Demand (net)	920.15	909.60	894.57	789.31
Time (net)	1259.92	1244.85	1228.71	1239.18
2 Cash in hand	52.06	53.46	53.57	49.05
3 Balance with Reserve Bank	103.32	87.20	85.00	102.65
4 (2)+(3) as % of (1)	7.13	6.53	6.53	7.48
5 Borrowings from Reserve Bank	0.47	1.57	1.36	0.63
(a) Against usance bills and/or promissory notes	0.09	0.94	0.46	0.22
(b) Others	0.38	0.63	0.90	0.41
6 Advances	1287.54	1303.95	1304.70	1227.26
(a) State Bank	252.83	256.25	262.25	273.07
(b) Others	1034.71	1047.70	1042.45	954.19
7 Bills discounted				
(a) Inland	160.98	158.33	170.39	123.01
(b) Foreign	52.14	51.51	48.81	44.73
(c) Total	213.12	209.84	219.20	167.74
(i) State Bank	16.46	17.18	17.06	16.54
(ii) Others	196.66	192.66	202.14	151.20
8 (6)+(7) as % of (1)	68.84	70.26	71.77	68.77
9 Investment in Govt Securities	697.08	691.03	642.82	620.03
10 (9) as % of (1)	31.98	32.07	30.27	30.57

Bombay Money Rates

(*Per cent per annum*)

	July 19	July 12	June 21	June 22, '62
Call money from Banks	0.80	0.80	2.99	1.71
Deposits				
Seven days	3.00	3.00	3.00	2.71
Three months	—	—	3.50	3.50
Six months	3.75	3.75	3.75	3.75

INDEX NUMBER OF WHOLESALE PRICES

(*Base*: 1952-53=100)

	MONTHLY AVERAGES		
	June 1963	May 1963	June 1962
Food Articles	**134.8**	**131.5**	**125.5**
Cereals	112.1	109.9	105.0
Pulses	108.5	106.2	102.5
Fruits & Vegetables	139.2	140.9	142.0
Milk & Ghee	130.9	127.2	126.7
Edible oils	150.9	147.3	152.2
Fish, Eggs & Meat	147.1	144.9	141.4
Sugar & Gur	187.9	173.8	138.9
Others	178.9	178.8	170.3
Liquor and Tobacco	**119.2**	**118.4**	**99.7**
Tobacco	116.3	115.4	96.2
Fuel, Power, Light & Lubricants	**137.1**	**136.9**	**123.9**
Industrial Raw Materials	**138.7**	**137.3**	**136.1**
Fibres	133.6	134.4	127.3
Oilseeds	152.4	148.2	151.6
Minerals	93.4	93.4	93.6
Others	125.2	125.4	126.7
Manufactures	**130.5**	**130.7**	**128.9**
Intermediate Products	**139.0**	**138.6**	**139.5**
Finished Products	**129.1**	**129.4**	**127.2**
Textiles	127.2	127.7	126.9
Cotton	135.3	135.0	129.5
Jute	101.3	102.7	118.1
Woollen	142.7	142.4	141.3
Silk & Rayon	136.9	140.2	129.1
Metal products	161.5	161.2	160.3
Chemicals	127.3	117.4	113.8
Oil cakes	166.5	164.8	154.7
Machinery & Transport Equipment	123.2	123.3	117.8
Others	128.1	127.9	125.2
All Commodities	**133.9**	**139.1**	**127.5**

INDIA'S FOREIGN EXCHANGE RESERVES

(*Rs Lakhs*)

End of		Amount	Variations over the previous year/month
1963 :	May	306,39	+11,65
	Apr	294,70	—40
	Mar	259,09	+16,58
1962 :	Dec	243,60	+ 3,88
	May	250,37	—23,83
1961-62		297,31	— 6,30
1960-61		303,61	—59,26
1959-60		362,87	—16,05
1958-59		378,92	—42,30
1957-58		421,22	—259,88
1956-57		681,10	—143,51

Source : Reserve Bank of India.

COAL PRODUCTION AND DESPATCHES

(Monthly Averages or Calendar Months)

('000 *Metric Tons*)

		Raisings	Despatches	Stocks at pit head
1963:	Mar	5,810	5,230	—
	Feb	5,643	4,733	—
	Jan	5,840	5,010	3,761
1962:	Mar	5,190	4,576	3,767
1962		5,130	4,573	3,483
1961		4,675	4,190	3,290
1960		4,384	3,860	3,458
1956		3,338	2,959	2,810
1951		2,915	2,473	2,824

Source : Ministry of Mines and Fuel, Government of India.

SMALL SAVINGS

(*Rs Lakhs*)

	May '63		April '63		Mar '63		May '62		1962-63 Total		1961-62 Total	
	R	O	R	O	R	O	R	O	R	O	R	O
Total Small Savings	—	—	—	—	—	—	49,03	939,85	355,88	939,85	341,48	872,39
National Savings Certificates												
5 years	—	—	—	57	—	59	—	80	—	59	—	86
7 years	—	—	—	1,35	—	1,39	—	1,80	—	1,39	—	1,89
12 years	—	—	—	47,00	—	48,48	—	63,07	—	48,48	—	65,52
National Plan Certificates												
12 years	—	—	—	—	-1	368,44	5,51	355,31	42,15	368,44	79,81	347,96
10 years	—	—	—	—	—	16,23	—	17,28	—	16,23	—	17,91
Annuity Certificates (15 years)	2	3,83	3	3,83	5	3,83	5	3,69	50	3,83	49	3,63
Cumulative Time Deposit												
5 years	—	—	42	7,94	51	7,54	26	4,38	3,78	7,54	2,33	3,96
10 years	—	—	16	3,69	19	3,54	11	2,17	1,65	3,54	1,01	1,91
Post Office Savings Bank Deposits	—	—	—	—	29,78	346,64	19,89	339,57	236,68	346,64	241,05	347,90
Cash Certificates, Defence Savings Certificates and Defence Savings Bank Deposits	—	—	—	-42,66	—	-42,63	—	-42,51	—	-42,63	—	-42,43
Treasury												
10 years Deposit (3½%)	—	19,37	—	19,90	—	20,38	—	26,11	—	20,38	—	27,50
Savings Certificates (4%)	—	60,62	—	60,66	—	60,76	92	55,69	7,32	60,70	16,79	53,35

Note : Annual figures relate to the year beginning April. R = Receipts; O = Outstandings.

Source : Accountant General, Posts and Telegraphs Department, Government of India, and Reserve Bank of India.

INDUSTRIAL FINANCE CORPORATION

Liabilities and Assets

(*Rs Lakhs*)

	Figures for the last Friday of			
	May '63	April '63	Mar '63	May '62
Liabilities				
Reserve funds	2,22	2,22	2,22	1,75
Reserve for doubtful assets	14	14	14	14
Provision for taxation	59	59	59	59
Bonds and debentures	28,24	28,24	28,24	22,24
Borrowings	26,38	25,07	24,85	17,89
(i) From R B I	1,12	—	—	—
(ii) From Govt	23,75	23,75	23,75	17,75
(iii) In foreign currency	1,51	1,32	1,10	14
Other liabilities	21,15	20,97	21,04	19,08
Total liabilities or assets	**78,74**	**77,24**	**77,09**	**61,69**
Assets				
Cash in hand and balances with banks	1,82	3,64	3,59	1,10
Loans and advances	57,60	56,52	55,63	47,40
Other assets	19,32	17,08	17,86	13,19

Foreign Trade of India

Merchandise Value

(*Rs Crores*)

	May '63	April '63	May '63	1962-'63
Exports	66.49	58.93	50.09	699.48
Imports	97.27	84.33	83.60	1,009.58
Balance of trade	—30.78	—25.40	—33.51	—310.10

Source : Department of Commercial Intelligence and Statistics, Ministry of Commerce and Industry, Government of India.

STATE FINANCIAL CORPORATIONS

Liabilities and Assets

(*Rs Lakhs*)

	Figures for the last Friday of			
	May '63	April '63	Mar '63	May '62
No of SFCs	15	15	15	15
Liabilities				
Capital and reserves				
(i) Paid-up capital	15,32	15,32	15,32	15,82
(ii) Reserve fund	14	14	13	14
(iii) Provision for bad and doubtful debts and other reserves	32	31	26	16
Bonds and debentures	18,48	18,51	18,29	14,99
Other liabilities	16,53	14,81	13,76	10,22
Total liabilities or assets	**50,79**	**49,09**	**47,76**	**41,32**
Assets				
Cash in hand and balances with banks	4,13	4,25	4,12	7,90
Investments in Government securities	4,52	4,61	4,61	4,52
Loans and advances	33,04	32,49	31,83	23,96
Debentures	22	22	22	14
Other assets	8,83	7,52	6,98	4,80

Employment Exchanges

(*In '000 **)

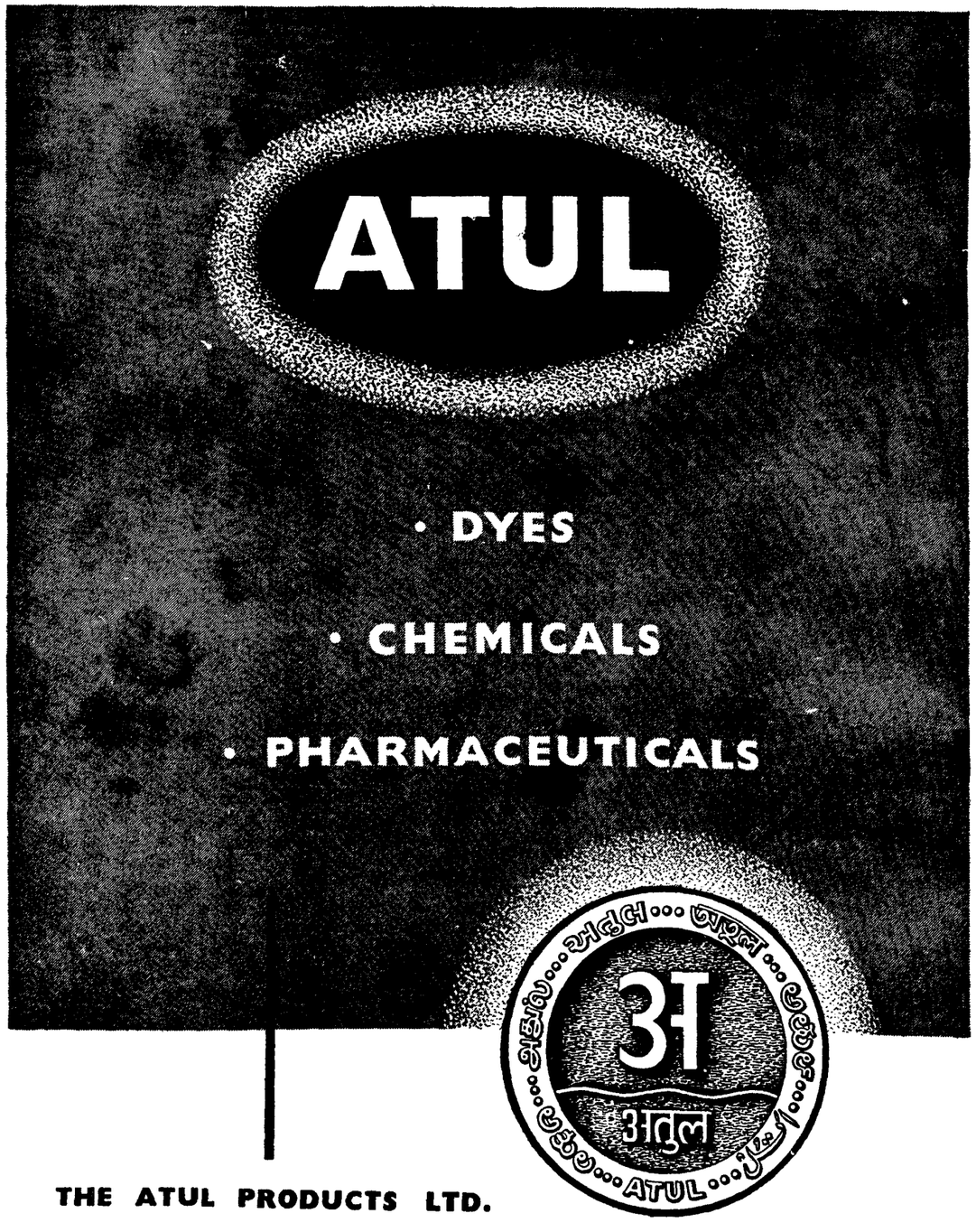
	April '63	Mar '63	April '62	1962 (Total)
No of employment exchanges†	350	349	341	342
No of registrations	356.5	320.9	309.3	3,844.9
No of vacancies notified	80.2	76.0	69.9	790.4
No of applicants placed in employment	41.0	41.1	33.4	458.1
No of applicants on live registers †	2,562.8	2,483.1	1,924.2	2,379.5

* Except number of employment exchanges.

† At the end of the period.

Source : Ministry of Labour and Employment, Government of India.

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The Party or Office?

THE All-India Congress Committee, the highest policy-making body of the Congress Party, did not meet to discuss the emergency until six months after the Chinese aggression. The AICC, however, has taken much more serious notice of the failure of Congress candidates at a series of by-elections. It is now meeting in a special session to consider the organisational problems in the light of these electoral reverses. The session has been convened in response to a requisition signed by more than eighty members. The sharp contrast in the AICC's response to the two events — the Chinese invasion and the electoral reverses — would be something worth taking serious note of, had it not been for certain subsequent and last-minute developments which seem to be convulsing the Party.

For convulsion it is and nothing short of it, when the AICC proposes seriously to debate that senior Congressmen should give up their ministerial posts and take up organisational work. Yet that is the proposal put forward by Shri K Kamaraj (who has dropped his caste surname of Nadar, in keeping with the spirit of emotional integration, to which the Congress stands committed, and as also more becoming the citizen of a secular State). If the slothful response of the AICC to the Chinese aggression and its alertness in being energised into action by electoral reverses suggest that the Congress puts the "Party before the country", the proposal of Shri K Kamaraj that Congress Ministers should give up office and devote themselves to strengthening the Party surely fits the slogan "Party before post".

Kamaraj's proposal has already been discussed by the Congress High Command, approved and passed on to the AICC to be debated. While the debate on the resolution calling for an enquiry into the causes of the electoral reverses has been restricted to one day only, contrary to an earlier decision of the Working Committee, the whole of the second day of the session, the Working Committee has now decided, would be devoted to the debate on the "Party before post" resolution.

That top Congress Ministers should leave office is so startling a suggestion that it has naturally taken the country by surprise. Though presented with a dramatic suddenness, it is not, however, a sudden thought. It has been brewing for some time. It seems to have taken shape at the meeting of the leaders of South India called by Pandit Nehru at Hyderabad during his last visit to the South. Panditji at the time cancelled some of his prior engagements in order to thrash it out and Kamaraj was then very near the centre of the picture.

Who is to bell the cat? Which Ministers are to go? Who is to decide? According to press reports, which are somewhat speculative, Panditji was offered a free hand to decide who should continue in Government and who should leave for party work. The Prime Minister, however, is understood to have declined this offer on the ground that it would be too big an undertaking for him. That task, it appears, is left to be carried out by a high-powered committee to be set up for the purpose. No such committee has been appointed yet, nor have the names of likely members been reported.

All this may betoken a sense of crisis within the Congress, but how keen is the awareness of the Congress of the causes of its failure and what is it going to do about it? Is this heart-searching so very new? More than five years ago it was remarked in these columns:

"Since the last general elections, it (the Congress) has been talking about streamlining its organisation. ... The Congress is losing its hold on the people. As crucial domestic, political and economic issues have cropped up one after another, it has been proved time and time again that the Congress can no longer equate itself with the country, nor can the Congress Government claim the status of a representative National Government. ... It will be argued that, as the Party in power at the Centre and in all States but one, the Congress has now lost the services of its ablest members who are now in the Government. There is something in this argument. But it is no less evident that the Congress is no longer attracting the best among the present or the coming generation. There is no nourishing infusion of new, rich, blood. Within the Congress, an old organisation led by old men, factionalism is rampant. It exists in many States, particularly in Bihar, Punjab and Assam. To not a little extent, these factions within the Congress are responsible for militant parochialism in some States, as also for the gradual loss of prestige of the organisation. Its other fatal defect — which it shares with the Government — is its inability to reach firm decisions, as well as to own its mistakes ...

"These organisational defects have an ideological basis. Within the Congress, the Old Guard is half-hearted in its acceptance of Avadi. A section of the Congress is aware of this duality. It hopes to maintain the popularity of the Congress by persuading it to adopt policies and practices which are more to the Left. By such tactics, the Congress hopes to steal the thunder from the Left parties. Pandit Nehru has so far succeeded in maintaining a balance both in the structure and in the ideology of the Congress. But it becomes increasingly evident that the balance is too precarious". ("State of the Republic", Annual Number, 1958)

Is the situation really so very different today, except in one respect? The challenge that the Congress had to meet then was internal. Today, the threat on the borders looms large. Five years ago the Congress had to talk Left while acting Right. The latest electoral reverses might suggest a need to talk Right also, but do they, really? A continuing crisis stretching over more than five years —perhaps much longer—appears to be a contradiction in terms. Pandit Nehru, as always, stands poised, hesitating to act. He cannot perhaps any longer *act*. Many things are needed. The Party is to be streamlined, there has to be better coordination of policies, improved Plan performance and strengthening of defence. None can be separated from any of the others. But first things must come first. And what comes first is a government which can formulate the right policy and implement it.

If the Congress is to run the government, Congressmen have to come to the fore who are conscious of and willing to carry out the pledges which their Party has given to the country. What the Party is doing today is to foster and run a campaign through devious means of character-assassination and, by creating an atmosphere of suspicion and distrust, to keep people guessing which heads will fall next. If Pandit ji is unable to grasp the nettle firmly and pull it out, the new slogan 'Party before Post' may lead to a non-violent version of the sort of political liquidation by which dictatorships maintain themselves in power. The weeding out of the undesirable elements can be carried out by the Prime Minister himself without conjuring up the spectre of a party caucus. The enemy is knocking at the gate.

Wrong End of the Plough

THE differences between the Planning Commission and the Ministry of Food and Agriculture have exploded into the open with S K Patil's dramatic gesture of sending in his resignation from the Cabinet to the Prime Minister. These differences, it has been known for long, have been over a number of issues, including the responsibility for the poor performance of agriculture in the Third Plan, the measures necessary to stem this rot and to arrest the rise in food prices. However, on one point there appears to be agreement — viz on the need to increase the financial allocation for agriculture. In a somewhat plaintive speech for one who is usually so cocksure, Patil admitted to the joint meeting of State Agriculture and Community Development Ministers in New Delhi last week that there had been "shortfalls" and "defects" in the last two years, but he blamed them principally on lack of financial resources. He singled out in particular the programmes of minor irrigation and soil conservation which, according to him, required larger financial allocations than made in the Plan.

And this week the Planning Commission at a meeting on Wednesday is reported to have decided to raise the allocation for agriculture by Rs 85.5 crores. The most spectacular increase proposed is in the allocation for minor irrigation which is to be raised from Rs 175 crores to Rs 247 crores. This increase is considered necessary to raise the target for additional area irrigated from 12.8 million acres to 13.8 million acres. A 40 per cent increase in outlay for an eight per cent increase in the physical target can only mean that the Plan provision was grossly inadequate. On what basis was the original estimate made and what is it that has convinced the Planning Commission of the need for such a sharp increase? The rest of the proposed increase in financial outlay is allocated to soil conservation, the physical target in respect of which has been raised from 11 million acres to 11.7 million acres.

The decision to increase the financial outlay on agriculture has to be viewed against certain facts. First, expenditure on agriculture during the first three years of the Plan is expected to amount to only 50 per cent of even the original Plan outlay, leaving the remaining 50 per cent to be spent in the last two years. Second, in both the first and the second years of the Plan actual expenditure on agriculture fell short of the Budget provisions. Thus a higher financial allocation, however justified, will not automatically mean that the money will be spent — and spent properly. The progress of expenditure depends on the availability of physical resources and, even more important, on the ability of the administrative machinery to carry out the tasks entrusted to it.

It is not questioned that if more fertilisers, improved seeds and water were used in our agriculture, yields would go up and production would increase. What is questioned is that the allocation of more financial resources would make more of these essential inputs available or that, even if they become available, they would be efficiently used. The Weekly Note "Unwanted Fertilisers" in this issue discusses how as a result of faulty distribution and the lack of a properly thought out production programme, fertiliser factories are having to carry from year to year vast quantities of unsold fertilisers at a time when the needs of agriculture are only fractionally met and that also partly from imports at the cost of much valuable foreign exchange. The case of irrigation is similar and well known. A recent study showed that in most States as much as one-third to one-fourth of the irrigation potential created remains unutilised. It is questionable, to say the least, whether either the wasted stocks of fertilisers or the unused irrigation waters can be explained as being the result of lack of finance.

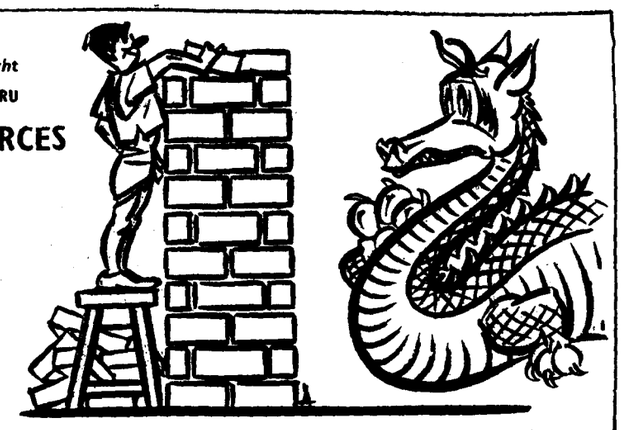
The study teams sent out by the Planning Commission to the States some time ago to probe the causes of the stagnation of agricultural production are believed to have underlined the harm done by the multiplicity of agencies responsible for agricultural programmes and the lack of coordination among them. As the recriminations between the Planning Commission and the Ministry of Agriculture amply show, it is impossible under the present set up to fix the responsibility for failure. This holds true at all levels of the administrative hierarchy, beginning at the very top with the Planning Commission and the Ministries of Agriculture, Community Development and Irrigation and extending right down to the village. A major suggestion of the Planning Commission's study teams is reported to be that each village should be collectively committed to its annual farm production targets and that all financial assistance should be channelled through the village body which should be made responsible for achieving the production target. But made responsible to whom? And how, when the dispensers of Government assistance are so numerous and so uncoordinated?

It remains to be seen whether the current agitation in the Planning Commission and in the Ministries concerned over the failure of agriculture will spend itself without something being done to remove the basic factors which have held down agricultural production far below the levels justified by the financial expenditure, inadequate though this might have been. All that can be said at this stage is that past experience in this matter is far from encouraging.

Freedom is in peril,
defend it with all your might
— JAWAHARLAL NEHRU

CONSERVE RESOURCES

India's resources are precious. All of them must be pressed into the vital task of strengthening the country. This is the only way we can meet the threat to our freedom. Extravagance and waste will injure the nation. Freedom has its price and it is we who have to pay it in full measure.



PRESERVE FREEDOM WITH ALL YOUR STRENGTH

DA 63.F7

Weekly Notes

Aid Club's Disenchantment

IT is no use pretending that the Indian image in the western mind which inspired the creation of the Aid-India Club is the same any longer—it has been changing and getting tarnished. That India and the West do not see eye to eye on external aid had been *suspected* for some time; it is now becoming clearly *evident* from the declining figures of aid commitments. And the difference is not just of magnitude. That understanding on both sides of the common interest in banishing poverty from the greater part of the world without impairing peace and independence is being undermined.

When the World Bank and the United States took initiative in forming an Aid-India Consortium for meeting the external assistance requirements of the Indian Plan, the major argument was that India was the only developing country which was making good use of external assistance and was very near the take-off stage. For accelerating this process very substantial external assistance was required and justified. This attitude was strengthened when the Third Plan was drawn up and it was hoped that the Consortium would meet the external assistance requirements of the Plan.

This informal commitment was reflected in the substantial assistance of Rs 616 crores which the Consortium pledged for the first year; at this annual rate, the Third Plan requirements of Rs 3,200 crores would have been met. The situation since then has been taking a turn. The Third Plan got into difficulty right in the first year. National income rose by a bare 2 per cent a year during the first two years and industrial and agricultural output showed no substantial increase. On top of this poor performance came the realisation that the extent of assistance required would considerably exceed the figure of Rs 3,200 crores mentioned in the Plan, and would be of the order of Rs 4,000-4,500 crores.

These developments did not brighten the image of Indian planning and there was a sharp decline in the assistance by the Consortium in the second year (by more than Rs 100 crores to Rs 509 crores); U K and West Germany cut their contributions by about half. Since then political and economic developments in the country as also the changing international political climate have created fresh doubts about the wisdom of aiding India on a substantial scale. The poor economic performance in India, her inability to defend herself against China and the utter abandon with which she has gone about asking for all types of aid has sullied the image of India and strengthened the hands of those, especially in U S, who are hostile to India and her aspirations.

Wisdom of Self-Help

THE result is the Consortium aid for the third year of the Plan. About two months ago, the Consortium pledged Rs 430 crores, while India had asked for about Rs 600 crores (her actual requirement being in fact much higher). As a result of the concerted efforts of the friends of India, the Consortium countries were persuaded to review their pledges in July but the meeting had to be twice adjourned. Finally, the Consortium met this week and increased the pledged assistance to Rs 500 crores, Rs 100 crores short of India's request and far below her actual requirement. The shares of the U S and and the U K are the same (Rs 207 crores and Rs 40 crores) as last year, while West Germany has further reduced hers from Rs 66 crores to Rs 47 crores. Only Japan and Netherlands have raised their contributions but their assistance is only marginal (Rs 30 crores and Rs 5 crores). Some countries, which chose to remain unnamed (probably U K, Germany and Japan), may give, outside the Consortium aid, some Rs 15 crores on harder terms and some others may match this assistance.

There are, however, some favourable features about the Consortium aid this year. About 38 per cent of it is non-project aid, for which India has been clamouring and about 50 per cent of assistance will be in the form of grants or loans at very low rates of interest. Of the balance of Rs 250 crores, more than Rs 150 crores would be in the form of loans extending over 15 years at slightly higher rates of interest but with substantial grace periods.

Whichever way one may look at it, this year's experience does not hold out very bright prospects for the remaining years of the Third Plan or for the subsequent Plans. India has to learn now, more than ever before, that, however essential, external assistance is no substitute for self-help and it is only the latter which can attract external support. Time is ripe for hard and purposeful thinking on our planning and external relations. There is not much time left.

Tunku Has His Way

LONG before the conference of the heads of State of Malaya, Indonesia and Philippines met at Manila last week, Indonesia's and Philippines' opposition to Malaysia had been reduced to manageable proportions. The two opponents of Malaysia had in the beginning seen it as a British-inspired neo-colonialist scheme but on the eve of the Manila meeting their differences with Malaya were on two specific issues. These were : the manner in which the wishes of the people of North Borneo and Sarawak on the question of joining Malaysia were to be ascertained and, second, whether this was to be done before or after Malaysia came into being.

President Soekarno insisted that only a referendum in Borneo and Sarawak would reveal whether the people of these territories wished to join Malaysia. And such a referendum, to be meaningful, must be held before the formation of Malaysia. Tunku Abdul Rehman, who was committed to the formation of Malaysia by August 31 and gave the impression of being determined to stick to the calendar as a matter of prestige, opposed a referendum and maintained that the purpose could be achieved by a team of U N representatives visiting the two territories and ascertaining the wishes of the people. And, in view of his anxiety not to delay the formation of Malaysia, he insisted that this should be done after the Federation came into being.

The Manila conference has produced a compromise which appears to have satisfied all the three countries. According to the agreement, while there is to be no referendum, the task of ascertaining the wishes of the people of North Borneo and Sarawak has been left to the U N Secretary General who will also decide how best this can be done. He has been asked to particularly verify whether in the recent elections in the two territories Malaysia was a major issue, if not the main issue, and whether these elections were fair and free. In effect he is being asked to decide whether these elections which the pro-Malaysia parties had won had not clearly indicated the wishes of the people making a referendum now quite unnecessary. This is to be done before Malaysia is formed. Since U Thant has indicated that it would take six weeks to complete the task, Tunku Abdul Rehman has agreed to relax the deadline of August 31. As for Philippines' claim to North Borneo, the agreement states that the formation of Malaysia will not in any way prejudice this claim and that efforts to achieve a negotiated solution would continue.

Tunku Abdul Rehman's great concession at Manila was to agree to the postponement of Malaysia. But only his fanatic insistence earlier on forming the Federation on August 31, come what may, makes this appear as a concession of any substance. For, no one, not even President Soekarno, seriously expects that the U N teams which are to visit Borneo and Sarawak will return a verdict adverse to Malaysia. So Malaysia will be formed, only with a delay of a week or two. How can this satisfy President Soekarno who had opposed the Federation lock, stock and barrel and condemned it as an imperialist plot ?

Indonesia's opposition to Malaysia really stems from the fear that the formation of the Federation will greatly enhance Malaya's power and influence in South-East Asia. Considering the embittered relations between Malaya and Indonesia for years, this is a prospect which naturally causes Indonesia the gravest concern. It is possible that the recent meetings between Tunku Abdul Rehman and Soekarno have succeeded in easing tension between the two countries and reducing Indonesia's distrust of Malaya to some extent. Such a conclusion is not unwarranted even if not much importance is attached to the agreement to set up Maphilindo, a loose confederation of Malaya, Philippines and Indonesia.

But possibly a more important reason for Soekarno toning down his opposition to Malaysia may be found in developments within Indonesia. As discussed in these columns in the issue of June 8, political and economic compulsions appear to have persuaded Soekarno to decide in favour of reducing expenditure on the armed forces and clipping the army's wings. This naturally required a reversal of the militant opposition to Malaysia. True, Soekarno did not commit himself at Manila to give up his 'confrontation' policy against Malaysia, but it appears unlikely that it will be revived.

Unwanted Fertilisers

ALL hopes of achieving the Third Plan target for fertilisers appear to have been given up; indeed, expectations that production in the last year of the Plan may amount to 60 per cent of the target are now considered optimistic. The latest estimates of the Planning Commission and the Ministry of Heavy Industries of production of nitrogenous and phosphatic fertilisers are given below:

(In '000 tons)

	1962-63		1965-66	
	Anticipated Production	Actual Production	Target	Anticipated Production
Nitrogenous Fertilisers	258.3	200	800	500
Phosphatic Fertilisers	129.0	80	400	200

The reasons for the shortfall in production of nitrogenous fertilisers are by now well known. Principal among these is the failure of the private sector to make use of the licenses issued to it. None of the major private sector projects has so far advanced beyond the preliminary stage. In the case of phosphatic fertilisers, however, it is not so much a question of lack of production capacity as of poor demand for what is produced.

In view of the stagnation of agricultural production and low availability of fertilisers compared to requirements, it is a matter for grave concern that even what is produced in the country or imported from abroad at the cost of much valuable foreign exchange is not fully utilised. Fertiliser stocks carried over from year to year have been increasing. For instance, the stocks of ammonium sulphate carried over rose from 3.57 lakh tons in 1961 to 5.44 lakh tons in 1962 and to 9.74 lakh tons in March 1963. Thus at present nearly a million tons of ammonium sulphate is already available against the estimated requirements of 1.46 million tons in 1962-63.

As for phosphatic fertilisers, as stated above, the whole production programme has been throttled due to poor demand. Unless, therefore, steps are taken to popularise their use, the estimated target of production of phosphatic fertilisers of 200,000 tons by the end of the Third Plan is unlikely to be achieved.

Another type of fertiliser which is being produced in large quantities but which is not being made use of is double salt of calcium ammonium nitrate. Both Sindri and Nangal are producing enormous quantities of this fertiliser and Rourkela is rated to produce another 80,000 tons. But farmers almost all over the country are reluctant to use this fertiliser because of the excessive salinity of our soils. Consequently huge stocks are piling up in factory godowns. Efforts were made to export this fertiliser to neighbouring countries but failed because of high prices.

Proper use of fertilisers and manures calls for knowledge of soils, crops and systems of farming. Nutritive requirements of different soils vary and different types of fertilisers may have to be used in different soil conditions for the same crop. For instance, nitrogenous fertilisers are commonly applied to wheat in Europe, while in Australia phosphatic fertilisers are preferred. In Indian soils generally, it is nitrogen which is the main limiting nutrient.

Field experiments and soil surveys are necessary to determine fertiliser requirements. The knowledge gained from soil analysis is

used to prepare soil maps and fertiliser treatment has to be based on these soil maps. Preparation of soil maps for different regions will help in more efficient utilisation of the fertilisers produced so as to maximise yields in agriculture. To a great extent, therefore, it is true to say that the problem at present is not shortage of production of fertilisers but faulty distribution and our inability to make proper use of the different varieties of fertilisers that are produced.

Too Much Coal ?

COAL production continues to lag behind Plan targets. Starting from about 53 million tons in 1960, output of coal has to increase by about 8 million tons annually on average, if the target of 97 million tons in the last year of the Third Plan is to be achieved. At this rate output in 1962 should have been about 69 million tons whereas actually it was only about 62 million tons. Production in the current year is running at the rate of about 69 million tons which is also considerably below what it should be in view of the Plan target.

In spite of the shortfall in production, however, stocks of coal at pithead and, what is even more important, with consumers are mounting. Stocks at pithead went above 4 million tons for the first time in February this year while stocks with industries stood at about 3.6 million tons in March this year compared to 2.2 million tons a year ago. The growing stocks at pithead and with consumers, despite below-target production can only mean one thing: demand for coal is not increasing as expected.

The 'glut' in coal may have taken the industry and the Government by surprise, but it is by no means inexplicable. The estimates of demand were made at a time when there was acute shortage of coal, largely because of transport bottlenecks. In that context, industries might well have deliberately overstated their requirements. Besides, the slow tempo of industrial development during the last two years and the tardy progress of power projects cannot but have had an impact on the offtake of coal. Finally, faced with shortage of coal, many consumers in West and South India have shifted to fuel oil during the last two years.

One way of looking at the current excess production of coal is that it is not a matter for serious concern since in any case the Third Plan production target is not likely to be achieved. It is not known how far this type of logic commands respect in New Delhi, but if it does, the results could be very damaging to the coal industry. As indicated by the coldness of coal producers to the World Bank loan, investment in the industry has been far from satisfactory. If the easing of coal shortage is made an excuse to evade a careful examination of the reasons why much-needed investment in modernisation of collieries has not been forthcoming, the prospects of meeting future demand for coal will be jeopardised.

Far from justifying a policy of letting sleeping dogs lie, the current overproduction lends special urgency to rationalisation of the coal industry. Whatever reasons there may have been for condoning obsolete and wasteful methods of mining in a situation of coal shortage, they no longer exist now. This is in fact the time to take long-overdue steps (see "Coal Industry's Problems" in the issue of March 30, 1963) to reduce costs of production and conserve reserves.

Nor does the present situation make the problem of coal prices, which the Government has been systematically evading, less urgent. In fact, the overproduction of coal is only in aggregate. Once total production is broken down into different categories, production of the superior grades of both coking and non-coking coal is seen to be still short of requirements. Additional production of the superior grades has to come largely from the private collieries and the case for a price incentive to these grades deserves careful consideration. The World Bank team which studied the progress of the Third Plan is reported to have urged that the price of the best grades of coal should be raised by as much as 20 per cent. Making the superior varieties of coal more costly could also lead to economy in their use and prevent their diversion to uses where inferior grades would do, which controlled allocation of coal to consumers has not been able to eliminate.

Letter to Editor

Free Trade Zone for Haldia

I REFER to the Weekly Note appearing under the above heading on page 1022 in the issue of June 29, 1963.

The choice by the Indian Engineering Association of the expression 'free export zone' should not be regarded as "an unintended terminological inexactitude". The title of free *export* zone has been deliberately chosen in order to emphasise the main objective of the scheme, which is to encourage Indian and foreign firms to set up manufacturing or assembly units in the zone with a view to producing goods for export. The objective of promoting purely trading operations is a secondary one, though it is agreed that Haldia could also form an important centre for entrepot trade and for stocking or storing goods which may be imported into India.

It should also be made clear that the Association's scheme for Haldia does not envisage any special privileges for firms operating in the zone by way of 'exporting' their products into India. Firms operating in the zone would be outside the Indian market and any import of their goods into India would be subject to the same restrictions, duties, etc, as are imposed on imports from foreign countries. Accordingly, the Association's scheme does not violate the principle of import control in any way.

The Association's proposal for a special currency in the Haldia zone is no more than a suggestion. If operations within the zone can be financed, without complications, in ordinary Indian currency, this would seem to be preferable. Any transfer of currency from India into the zone or vice versa, however, would have to be subject to the same restrictions as are in force for currency transactions between India and foreign countries.

SECRETARY,
Indian Engineering Association.

Calcutta,
July 12.

A Calcutta Diary

Love - Hate for Nehru

THE late Dr Syama Prasad Mookerjee added something to India's constitutional equation: "India that is Bharat"; he said, "India that is Bharat that is Uttar Pradesh". This was when Mookerjee had parted company with Nehru, Uttar Pradesh's brightest jewel. The identification of the man with the State was not very fair and was the product, one suspects, of a moment of disenchantment, which itself would have been impossible without previous enchantment. Truth to tell, Nehru, being largely de-Indianised, is perhaps the only true Indian. The rest are Biharis, Madrasis, Oriyas, Bengalis or Punjabis. Resentment against the monster that Uttar Pradesh is, in numbers and in size, was expressed by Sardar Panikkar, representing a real feeling. Yet Jawaharlal Nehru's association with Uttar Pradesh is, one feels, incidental. When he was in Calcutta recently he was not treated, despite demonstrations, as a U P-wallah.

At the opening of the Tagore centenary year in Bombay, Nehru said that although, politically, he was a disciple of Gandhiji, spiritually, he often felt more in tune with Tagore. This was not a politician's platitude, designed to please the immediate audience. Nirad C Chaudhuri, the no longer unknown Indian, once wrote, if memory serves, that in many ways Nehru was the finest product of the Bengal renaissance. That Chaudhuri is not an uncritical admirer of the Prime Minister hardly needs to be emphasised. The remark remains valid. And although Nehru has in his time said not a few uncomplimentary things about Bengal in general and Calcutta in particular, his love-hate for Bengal fully reciprocates Bengal's love-hate for him. The latest Brief Encounter was formal; he had come hither to open or lay the foundation stones for sundry institutions. If in Raj Bhavan in an introspective moment Nehru recollected in tranquility his long connection with Bengal, he may well have been stirred. Bengalis with a sense of history, as distinct from journalism, may also have sadly pondered the connection.

Uncommitted Man

A point not often noticed about the foreign policy of Nehru, some of whose militant admirers have lately turned critics, is that his policy of neutralism, non-commitment, is an extension of the man's whole attitude to life. Come to think of it, he has never committed himself to anybody or anything. There is no value judgment in the statement; it is for everyone to decide for himself whether it is a good thing or a bad thing to be committed. Let a representative instance be cited. Some time after Tripuri the Congress Working Committee decided to teach Subhas Bose a lesson; they resigned in a body. Nehru resigned too; but not with the rest of the gang. He issued a separate statement, saying something vaguely philosophical about round pegs in square holes or square pegs in round holes or something, but dissociating himself from Bose just the same. He was not committed to the Old Guard; he was not committed to Subhas Bose. The present writer has a phrase for it: innocence by dissociation. To dismiss this as opportunism is to oversimplify the complex phenomenon that is Nehru. Bengal's virtue or vice is also uncommitment, unidentification, retention of individuality, giving so much to the national upsurge and no more. Nehru, like Bengal, has sacrificed much for the country; he has never sacrificed himself.

No wonder both Nehru and Bengal are lonely. So lonely that one will give the other his or its company. Nehru has come and gone, uninfluenced and influencing none; speaking much and saying nothing, exchanging each other's silences; communion lost in communication. Nehru cannot do much for Bengal or Bengal for Nehru. Both seem defeated. For all their brief moments of glory, both may be remembered only as not very significant interludes in the history of India that is Bharat.

Alien Corn

Until the renaissance went out of the Bengal renaissance, there was nothing very Bengali about the Bengal renaissance. Its import content was so high that when the import ban came, with Gandhian nationalism, all production came to a halt. Bengal ceased to be creative, for in the name of nationalism it had bartered away its best qualities; it became a camp follower and the leadership was lost to men with other values. Look at Bengal's slogans: Jai Hind, Inquilab Zindabad, Up Up the National Flag, Bande Mataram. Not one is in Bengali, for the sentiments were un-Bengali. Today workers can be heard to shout "Amader dabi mante habe", our demands must be met; this is Bengali all right; but it relates to wages or a Puja bonus — not to any unselfish ideal.

The transformation of Jawaharlal Nehru is not vastly dissimilar. His values too were wholly alien, totally out of tune with anything this country cherished or could call its own. (It is significant that the militant Hinduism of Bepin Pal repelled young Nehru when the former spoke at Cambridge.) Brought into contact with the masses through Gandhian nationalism, Nehru developed an ineradicable sense of guilt and ever since he has been trying his damnedest to live his western upbringing down. It was not merely a question of discarding the hat and the tie; nothing easier. Lost was one's personality, the essence of one's personal values. The rest compromise followed by compromise followed by compromise followed by compromise — leading to total futility.

Lost Leaders

Bengal is unfair to others when it blames all and sundry for its misfortunes; there was a certain inevitability about it all; its ceaseless sulking whine bores others and does itself no good. It has been noticed abroad, even if not in India, that Nehru too has of late been sulking, blaming now the Left and then the Right, forgetting all the while that

at no time had he committed himself to either, that rarely had he done much to strengthen either. He surrendered his essential aloofness, his individuality, for power; and power, bought at that price, usually eludes the buyer in the end.

Ditto Bengal. After some resistance to the Gandhian tide in the nation's affairs, Bengal opportunistically thought that, by breaking bread with the Devil, as Gandhi was once actually described, it could break his back, that by adopting other people's values, surrendering its own, it could take over the management of the flourishing business of nationalism. Soon nationalism had little use for Bengal; meanwhile it had lost its soul.

Bengal and Nehru are in many ways two studies in self-defeat. One says such things about living entities only with unmixed sadness. A personal statement may be in order. This writer discerns the love-hate complex not only between Nehru and Bengal but also between himself and Nehru and Bengal.

— *Flibbertigibbet*

Capital View

Events Are Conspiring...

Romesh Thapar

AUGUST, the month which used to remind us of drama of the transfer of power in 1947, is now fast becoming the herald of the 'aggressive season'. For many years to come, every August, this country will look anxiously towards her land frontiers in the West, North and East for signs of aggressive action. Any deployment or concentration of troops is likely to cause grave apprehensions—at least until such time as we are in a position to bloody the nose of an intruding neighbour. This year has given us the first sampling of what it is going to be like in the Augusts yet to come.

However, the alarums about the situation on the frontiers are obviously designed only for the vulgar populace, not the ruling elite. Even as the government of Uttar Pradesh came to a grinding halt following the resignation of eight ministers, and S K Patil launched on the resignation - offered - resignation - withdrawn techniques at Union level, Finance Minister Morarji Desai decided to show us how aloof he is from alarums and the dirt of politics by taking off on a pilgrimage to Amarnath accompanied by Deputy Finance Minister Mrs Tarakeshwari Sinha and personal secretariat. The emergency is certainly very distant from the consciousness of the leadership.

Developments on the S K Patil front did not come as a surprise, but we have been somewhat jolted by the extraordinary indecision of the Prime Minister. I remember that when K D Malaviya was being pushed into a corner prior to his removal from the Cabinet, the weakened left wing of the Congress Party did expect the *factional balance* to be maintained by the expulsion of certain prominent right-wingers from the Prime Minister's entourage —and S K Patil's was to be the first head to fall. The monsoon failures, the food crisis and runaway prices also deepened the crisis around Patil.

The Prime Minister initiated a rather complicated gambit to arrange the exit of his Food and Agriculture Minister from the Cabinet when he indulged in a minor reshuffle last month. He asked Patil to transfer himself to Railways and to hand over Food and Agriculture to Swaran Singh. Politically, this would have been disastrous for Patil —and the expectation was that he would resign in protest. No such reaction was forthcoming. Patil merely refused to transfer himself. And, what's more, he found a supporter in Lal Bahadur Shastri.

Coming Trial of Strength

From fairly reliable accounts, the pressure on the Prime Minister to 'make an example' of Patil continued to increase, what with proddings from Gulzarilal Nanda and an angry Planning Commission. The Prime Minister was persuaded to pen a letter to Patil which would revive the question of his resignation. Patil took the plunge, and surprised his opponents by sending in his resignation. Again, Lal Bahadur Shastri intervened to re-establish the *status quo*, to postpone drastic decisions until November when the snows descend on the Himalayas.

Those observers who see Lal Bahadur Shastri as the leader who is second only to Nehru argue that the Home Minister correctly surmised that S K Patil outside the government would be a source of considerable embarrassment. They dismiss as false the report that Shastri's insistence on Malaviya's resignation was effective only after he had agreed to the Patil purge at a later date. On the other hand, the cynical in the ruling party would have us believe that Shastri has only one motivation—to keep Patil 'in reserve' for his trial of strength with Morarji Desai when the question of deputy leadership comes on to the political agenda.

I have gone into this business only to show that it is not the faltering monsoon, or the confusion in agricultural policies, which condition the crisis around Patil. New alignments are developing within the ruling party. They find inspiration in the fact that the more coherent of the leftists in the Congress Party are no longer able to assert their influence directly on policy-making, and the vacuum so created has to be filled. In other words the High Command has to prepare a new mixture of so called 'rightists' and 'leftists' to preserve the legend that the Congress Party represents the nation, for without a Menon or a Malaviya the legend does not impress.

Even as the most unlikely elements present themselves in Nehruist trappings in careful preparation for the next act of the drama, hard headed organisation men are turning towards leaders of the calibre of Atulya Ghosh and K Kamaraj as the only persons capable of taking firm hold of a crumbling but massive political machine. Here again, in the choice of the candidates can be seen the subtle differentiations between opposite groups of the Congress Party. Kamaraj is the natural choice of the more enlightened, but lobbyists claim that for some inexplicable reason Lal Bahadur Shastri prefers Atulya Ghosh who, believe it or not, is also being dressed up as a Nehruist.

When this is the staple dirt of the politically-conscious in the Capital, the fate of policy planning can well be imagined. We are still content to repeat the *cliche* arguments for and against non-alignment, socialism and democracy when the pressing need is to thrash out a policy which would be viable in the new situation and would preserve our national interests. Quite clearly it is not enough to be just anti-China and to see every development through this self-destroying obsession —somewhat like Pakistan and her anti-India phobia.

When we speak of the massive targets of the fourth five-year plan, it is no longer enough to assume that increasing foreign aid will solve our problems; we have to organise more zealously to raise resources from within the country in various ways and to link defence needs with development perspectives. When we view the widening rift between the Soviet Union and China, it is shortsighted to consider only the repercussions on the border conflict; we have to probe the impact of this split on thinking in Asia and Africa and move with skill and flexibility to assert our views on colonialism, economic development and peace. When the test ban treaty is signed, it is native to rest content with a declaration in support of it; we should urge that the savings which result from such a ban be diverted through the United Nations for the economic uplift of the under-developed — a position which would expose the pretensions of those who oppose the treaty. Only this kind of creative approach to the issues which present themselves will help us hammer out a policy which makes sense and which pays dividends.

Our policy-makers are now likely to realise that our concentration on obtaining military aid only from the West was a grave error, but can we say with confidence that our West-oriented politicians and bureaucrats will not repeat their mistakes ? The suggestion that the Prime Minister visit the Soviet Union — now being actively discussed — can repair only some of the damage done by our antics during this year. Is it too much to expect that the cogitations within the Congress Party and the continuing moves to re-organise the Union Cabinet will give us back a sense of direction ? The next few weeks, or months, will provide the answer.

Income Tax, Please Note

The State Trading Corporation has just concluded the sale by a sealed tender system of a number of 'diplomatic cars' which *did not interest* government offices and public sector undertakings. The following are the highest prices offered:

Sunbeam Alpine Sport Model (1960 model) Rs 50,600; Rover 3 Litre Saloon 1960 model Rs 60,000; Chevrolet Saloon 2 door 1959 model Rs 51,351; Pontiac Katalina 1960 model Rs 80,000; Ford Fairlina 500 model 1960 Rs 70,000; Opel Kapitan model 1959 Rs 25,000; Sunbeam Rapier model 1962 Rs 42,501; Standard Triumph model 1960 Rs 13,106; Mercedez Benz 220-S model 1960 Rs 70,501; Plymouth Belvedere S W model 1957 Rs 33,200; Austin 1960 model Rs 33,333.33 nP; Ford Falcon 1961 model Rs 55,000; Ford Sedan model 1961 Rs 45,101; Chevrolet Imphala 1960 model Rs 70,000; Open Kapitan Sedan 1961 model Rs 48,100; Mercedez Benz 220S model 1960 Rs 71,201; Mercedez Benz 190D model 1961 Rs 47,100; Austin A/55 model 1960 Rs 33,200; Ford S W model 1961 Rs 39,000; and Ford Zephyr model 1960 Rs 35,000.

Who are the gentlemen who could afford to pay these fantastic prices for second-hand cars which were not even road-tested by them ?

From the London End

No Rosy Prospect for Conservatives

WITH Parliament now in recess for the summer, it is perhaps appropriate to assess the prospects of the Conservative Government. Recent events have certainly been dramatic, the failure of Britain to enter the Common Market, the refusal of the economy to live up to the forecasts of Whitehall, the Vassal affair, the Profumo scandal, the Ward trial, the crisis in the Conservative Party which has raised the prospect of an early change in the leadership. Never before has the prestige of the Tory Party fallen so low. In the last month, however, the Labour Party, perhaps through a misguided sense of chivalry, has not been able to cash in fully on the misfortunes of the Conservatives to advance in any startling way their own popularity in the country, which rose to a peak after the Profumo affair but has now started to decline. With the recess before him, Mr Macmillan now has three months in which to decide if and when he should resign. There is no doubt that the success of the Moscow test-ban agrement has transformed his personal position and re-established his prestige within the Party. On present showing, there is little indication that the Conservatives propose to hold an election this autumn.

Opinion polls are notably unreliable, but they do at least give a general indication on the trend of public opinion. Towards the end of July, a *Daily Mail* opinion poll showed that Labour's lead had fallen from 18½ per cent in mid-June (after the Profumo affair) to 8 per cent. The Express poll showed a 9 per cent drop. The Gallup poll, on the other hand, showed a Labour lead of 18½ per cent.

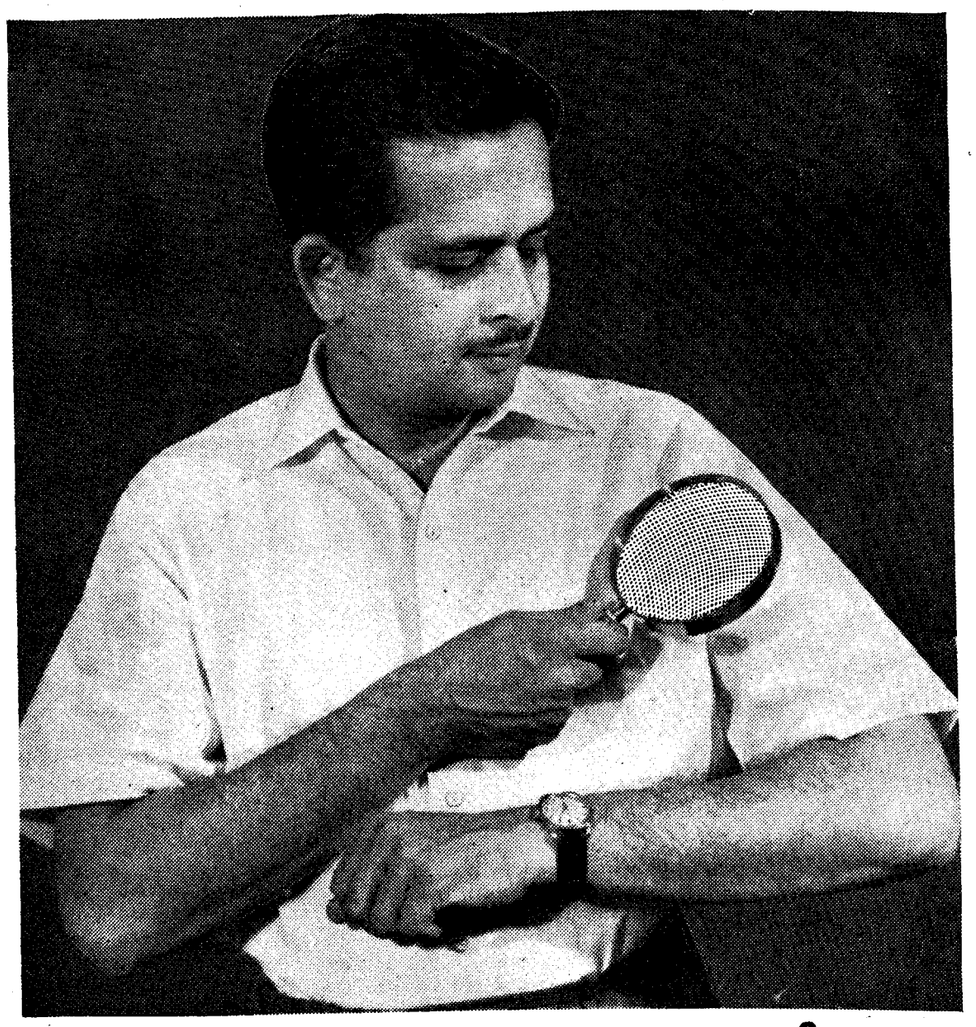
All the latest economic indicators, even interpreted in the most favourable light, do no more than show that the industrial barometer is set fair. There is still no sign of a dynamic upward swing. All that can be said is that a slow expansion of business activity has started. The Chancellor of the Exchequer, however, remains optimistic. Recently he told Parliament: "The prospects of securing expansion in the

Labour's Lead

	Mail	Gallup*	Express
Now	8	18½	9
Mid-July	—	15	9
Mid-June	18½	18½	14½
Pre-Profumo	16½	10	8½
Early May	8½	9	5

* Adjusted for "Don't Knows".

departmental secretary. Ministers can always appoint a competent officer with proper orientation and authority to decide on such matters; but that is never done. The result is, as was nicely summed up by a civil servant of long standing, that year after year the same subject is being discussed with no progress being made. There were some hard boiled bureaucrats at the Conference who were opposed to all types of delegation of authority. There were also civil servants eager to show results, but they could not find a way out of the maze of administrative procedure which our politicians are unable or unwilling to change.



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Book Review

The Evil the British Did

S C Misra

British Rule in India : An Assessment, by Ram Gopal; Asia Publishing House, Bombay, 1963; pages X+364, price Rs 18.

INDO-BRITISH history has had several schools of writers. During the early years of the John Company when its affairs were still current politics, its critics liked to bring out the darker aspects of its rule, as the classic indictment of Warren Hastings and John Mill's history amply testify. As the contacts deepened, British administrators like Elphinstone, Grant-Duff Malcolm and a host of others depicted in terms favourable and otherwise, an account of the land in which they found themselves. Later still, as the 19th century moved to a close and the rumblings of nationalism were heard, critical studies of this movement were written, generally unfavourable and echoing the sentiments which Lord Curzon had expressed forcefully and volubly.

Simultaneously, an academic school also developed which concentrated on detailed and meticulous studies, especially of the administrative aspects. It naturally underplayed the nationalist sentiment and sought to bring home to the Indian people the benefits which the establishment of *Pax Brittanica* had secured for this land. *Per contra*, nationalist writers, wrote bitterly portraying the humiliation of the Indian people as a subject nation and the unscrupulous and brutal tactics by which the British empire had been acquired. *Albion perfide* and *Divide et impera* became the major themes of nationalist writers.

Indian Counterblast

The coming of Independence in 1947 could have closed this era of academic recriminations. This has however not been so; British writers still find it hard to get over the traumatic experience of quitting India and seek to prove that the Necessary Evil was after all, not so evil and that though this Empire might have been created by force and by fraud, it was tolerably well administered and the people were not too unhappy under it. And it was the lever which brought India and the Indians into the modern world.

"British Rule in India" reads like a counterblast to books of this kind which attempt to soft-pedal the admittedly deleterious effects of British rule in India. The first ten chapters of his book, Shri Ram Gopal devotes to an examination of the economic and political aspects of this age in which he seeks to discover the "extent (to which) India progressed or declined under British rule". In the last three he tells the story of Indian nationalism, its birth and its Odyssey "Through Fire to Freedom".

Objectivity in History

Shri Ram Gopal has participated in this freedom struggle and he is conscious of the fact that he may be accused of "retaining prejudices in his mind". "This aprehension" he writes, "heightened my sense of objectivity, as a similar one did when I was writing my 'Indian Muslims : A Political History'". The latter work he writes, won praise from Rushbrooke-Williams for its objectivity and he has "taken all care to maintain the objectivity of a detached historian".

Historical objectivity however is more a quality of the mind than an attribute of style which may be assumed at will. There is not the least doubt that Shri Ram Gopal has sincerely and unremittingly tried to maintain this objectivity; but of this also there can be no doubt that what has issued from his pen is not an assessment but an indictment of British rule in India. It is hard to find a favourable reference to the British rulers in his book. Plassey is a "treachery" and 1857 "the Great Revolt". Indo-British trade is a "story of exploitation". British agrarian policy proved ruinous to Indian peasantry; their "samples of modern equipment pertaining to agriculture . . . . remained as mere exhibits and . . . . the Indian peasant remained a relic of the middle ages; nay he was now a skeleton of his former self". The Industrial progress made by India was negligible and increased the pressure on land while diminishing the number of those dependent on industry. The Government earned the "wages of sin" in laying open the "trail of opium and liquor". While the Government maintained neutrality on religious issues, "Englishmen did not mind ruining Indians for their fun". Humiliation led to cosciousness and the emergence of the press, though it itself had to face severe persecution at the hands of the Government. The police served the ends of the oppressers; "throughout British rule, he (the policeman) obstinately retained his traditional characteristics of bribery, exaction and oppression".

In this set-up, judicial administration itself suffered. Discrimination between the Indian and the European was rampant. "The absence of proper judiciary from the administration of criminal justice remained a stigma on British jurisprudence throughout the British rule in India and this impropriety manifested itself more poignantly in political cases". Expense on education was meagre and tardily sanctioned and totally inadequate. "The British civilian's main concern was to maintain British rule and an important aspect of the system the bureaucracy created was to ensure Indians' submission to it and to create envy for greater loyalty".

Damning Indictment

In the midst of this foreign-imposed rule, the ideas of democracy entered India, sparked by the revolution which was taking place in England itself during the 19th century. "British rulers though they had adopted India's traditional feudal ways of administration could not, in the very nature of things remain wholly unaffected by the current of new political thought and quite a number of them gave, by word of mouth and writings, broad hints to the effect that victimisation of the poor called for modern remedies". In addition there was the ferment in the late 19th century, "preparations and manifestations"

though they did not equal the "magnitude of the Revolt of 1857". And this finally led to the "Rise of Nationalism" symbolised in "The Indian National Congress (which) was the first and only national organisation the people of India gave themselves".

All this is true and probably much more can be added. There can be no more damning indictment of a regime than the fact that it exacted more than fifty per cent of the total produce from the cultivator and spent it on the maintenance of a foreign army on its soil—a fact true for most of the British age. But then the British had not come to India to benefit Indians—no Imperialist power can or does rule in the interests of its subjects.

British *vs* Other Imperialisms

Once this has been said and granted, the need for an objective, dispassionate and factual study arises. The distinguishing feature of British rule in India was the organic link which subordinated the interests of a static and agrarian economy to that of an expansive and industrialised British system. Once this unequal relationship had been stabilised and institutionalised, its consequences followed.

The British were not alone in imposing this sort of unequal relationship, as is well-known. Any assessment of British rule in India has, therefore, necessarily to bear comparison with the effects of Dutch rule in Indonesia and French rule in Indo-China to say nothing of other European powers: the Belgians in Congo and the jackal imperialism of Portugal in Asia and Africa.

In this comparison, it must be admitted that the British come out much better than their less-favoured compeers. Theirs was a long-term policy which recognised the necessity of allies, of forging subsidiary indigenous classes which would function as ancillaries both in the task of ruling and in the process of exploitation. Shri Ram Gopal does not deal with this aspect of British rule, the extent to which the Indians helped their masters in the spoilation of the Indian people. If he had sketched the history of Indian India, the "native" states, the zamindari terror in U P and Bengal, it is possible that, by comparison, he might have found the British civilian beneficent!

Positive Achievements

Besides, with all their shortcomings, the British did recognise their obligations to the ruled, an obligation which was undoubtedly flouted repeatedly but which never entirely lost its validity. Possibly, the Parliamentary system at home was responsible for this, a system in which men like Dadabhai Naoroji pinned their faith. The Indo-British link also saw, it cannot be denied, some significant steps in the moral and material improvement of the Indian people. Such positive achievements, it is possible to say, were incidental rather than intentional, the bye-products of an imperialist age. This may be true, but is social engineering always a deliberate process?

By contrast, the rule of other European nations in their countries of occupation presents a shoddy picture. The Dutch, to quote Panikkar, "carried out a policy which systematically reduced a whole population to the status of plantation labour". For the Portugese, proselytisation and religious persecution remained the primary goals. Only the French in Indo-China resembled the British in attempting to provide good rule but even they found, as the British discovered, that good rule was no substitute for self-rule. The competitive imperialism which opened China to the West in the middle of the 19th century with its short-sighted, short-lived policies in that land of long memories, illustrates the disruption which could be caused even in a land which escaped political domination.

Indians' Role

An assessment of British rule is difficult to arrive at unless a critical examination of the two-way process is made—of the British policy and of the Indian reaction. How was it that the Indians helped the English to conquer India, that the British ruler's Indian army revolted not when it conquered Bengal, Bihar and the rest of India for them but when it had to bite an objectionable cartridge? What enabled China to keep the foreigner out till 1842, fifteen years before the Mutiny? A whole array of problems arise which have to be satisfactorily answered before an *assessment*—neither an encomium nor an indictment—can be made.

The book is excellently written and excellently produced. It deserved a bibliography and a fuller index. It presents a certain point of view with lucidity and clarity and while it may not be possible to agree always with the writer's assumptions or his presentation, he must be given credit for having presented it with sufficient care and documentation. It is hoped that it will be widely read.

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Puri: Impact of Socio-Economic Changes on a Religious Complex

Nityananda Patnaik

The decline of the great religious traditions of the Jagannath temple at Puri has been linked to the downfall of the Gajapati Kings of Orissa who were the guardians of the temple traditions.

This is by no means the whole story.

Other factors like the rising cost of living, the impoverishment of the temple estate, the changing attitude of the literate population and attempts by the Government to take a hand in the administration of the temple are all responsible for the decline of the religious complex at Puri.

PURI, a small town with a population of about 50,000 in Orissa, is a famous place of pilgrimage for Hindus because of the temple of the great God, Jagannath. Besides being a place of pilgrimage, it has now also become a summer resort, being situated on the shore of the Bay of Bengal. With the journey from Calcutta reduced to 12 hours by rail, Puri is visited by people from Bengal and other neighbouring places in increasing numbers. During the Car Festival of the Lord Jagannath thousands of people from different parts of India gather in this town. Being the seat of the Lord Jagannath, it has been known as the heavenly city, particularly after the Gajapati kings of Orissa shifted their palace from Khurda to Puri.

Puri has thus two faces: it has a holy aspect centred on the Jagannath temple and other sacred places in its precincts which the pilgrims are solemnly enjoined to circumambulate; it also has a profane aspect confined to the sea shore and the modern hotels which the holiday-makers swarm in thousands during holidays and in the summer season.

The Gajapati kings of Orissa were, and still are, looked upon by the peasantry as gods, like the Lord Jagannath. The people address them as God-King (Thakur-Raja) or mobile God (chalanti Vishnu) as contrasted to Lord Jagannath known as immobile God (achalanti Vishnu). The intimate relationship between the paramount king of Orissa and the Lord Jagannath, the paramount deity of the State, has long been recognised. That relationship has both mythical and ritualistic expression. But there are also strong economic and political bonds reinforcing the symbolic ones.

The two-class system which was once the characteristic feature of society in Orissa upheld this mystic-ritual association between God and king. In this class system there was on the one side the magico-religious God-King of old aristocracy and power living in the capital city and on the other the vast rural peasantry living round the city in small compact villages. The God-King lived according to a hierarchical pattern of power and privileges whereas the peasantry, subservient to the king, lived on a basis of communal democracy, mutual obligation and subsistence.

Though the kings are no more in power and the people live in a free state and under much improved economic conditions, the attitude of the rural people towards the king as God remains unaltered. From the point of view of historical impact, Orissa in this respect represents a survivalistic phenomenon in the rising tide of secularisation in modern Hinduism.

Decline of Great Traditions

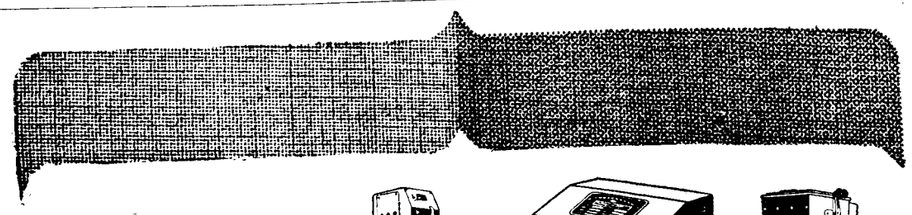
To maintain the kings' position there were parallel rituals in the palace and the Jagannath temple of which they were the absolute authority. Due to economic impoverishment of both the palace and the temple and with the growing secularisation of the personal behaviour of the kings who were the guardians of the temple tradition, there is evidence of ritual attenuation and deterioration in ritual standards in both the palace and the temple. The performance of duties has been irregular and there has also been a deterioration in both the quality and quantity of consecrated food. Quarrels among the temple functionaries, between functionaries and kings, and administrative staff occur now more frequently than previously. On the whole, the administration of the temple is now in such a state of disrepute and disorder that one wonders if the temple may not be about to become a national antiquity, the pilgrims turning into tourists, and the pilgrim rest houses (*dharmasalas*) into tourist hotels (*pantha nivas*) in future.

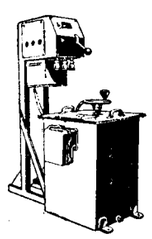
The decline in the great traditions cannot be attributed solely to the decline of the kings. The decline is due to several other forces. The attitudes of temple functionaries and the public and the Government's interference in the temple administration are all contributing forces. The rising cost of living and the inadequacy of food gifts to maintain their growing families have compelled the temple functionaries to find other sources of income to supplement the declining temple income. They have become less religious and more money-minded and business-like in the performance of their ritual services. And monasteries like Sankaracharya, Jadu Math and many others have been engaged in litigation and luxurious living, neglecting their duties in the temple for which they are granted landed property belonging to the temple.

Many of the changes can also be attributed to the impoverishment of the temple estate of which the steady inflation is one of the major causes. Under the new tenancy acts the share-croppers holding the endowed lands of the temple are making new demands and no longer pay their full dues. In the past the kings' personal expenses proved a drain on the temple estate; now the maintenance of the temple office staffed by officials is an equal burden on the temple treasury.

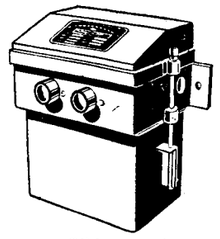
The Government authorities have by law made the king withdraw his administrative control over the temple. They are also trying to bureaucratise the services of the temple functionaries by enforcing record-of-rights. They are attempting to transfer patterns of secular administration to a sacred institution even though the secular administrative structure is often far from successful even in the realm for which it was devised.

Nevertheless facts change before theory — theory is more tenacious than reality. People in the rural areas have not downgraded the kings of Puri in their estimation as the leaders of the state and the literate city people have done. All the complaints of the leaders against mismanagement in the temple have no effect upon the villagers. They continue to believe in Jagannath as the Great Lord of the Universe and in the king as the mobile form of that great God. The struggle for secularisation goes on to a great extent only within leadership groups.

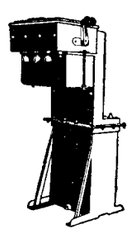




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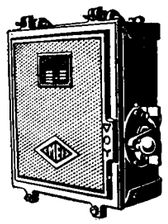
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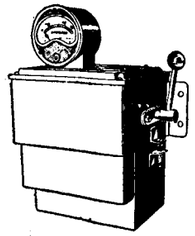
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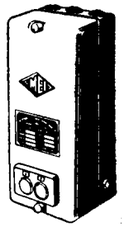
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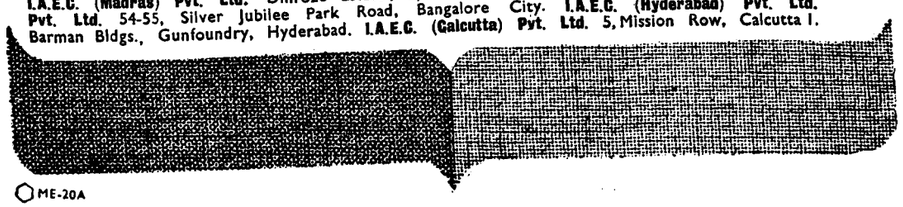
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ME-20A

What is Wrong with Our Administration

P K Chaudhuri

All committees and experts called upon to suggest measures of administrative reform have been, almost without exception, content with recommending changes in secretariat procedure, amendment of finance and audit rules and delegation of more power to the man in the field.

While the importance of these measures is not underrated, it is suggested here that they touch only the fringe of the problem.

The ills of our administration require more drastic remedies. Is it surprising then that though the recommendations of a number of committees and experts have been acted upon, albeit in a piece-meal manner, the problem remains and is probably getting worse?

THE First Five Year Plan included a whole chapter on "Administration and Public Cooperation". It asserted: "The pace of development will depend largely upon the quality of public administration .... The principal objectives to be achieved in public administration are integrity, efficiency, economy and public cooperation". During the First Plan an "Organisation and Methods Directorate" was set up at the Centre in the Cabinet Secretariat and individual Ministries also set up special organisation and methods units. In a number of States as well steps were taken to set up organisation and methods units. But to-day, after over a decade, it is anybody's guess how far these arrangements have helped to expedite the dispatch of business and to create greater interest in and understanding of matters affecting administrative efficiency.

The Second and Third Plans reiterated the need for increased efficiency in the administration. Quite a number of studies in administrative reform were undertaken at the instance of the Government. As a result of these studies some procedural changes and improvements in the conduct of Government business have been effected, but the overall tone of the administration has not undergone any change at all.

To talk of administrative reform has become the fashion, and the State Governments cannot be expected to lag behind the Centre. They have also appointed committees under various titles to report on the subject. The reports of some of these committees, e g, of Andhra, Kerala, Mysore, etc, have been published. The Governments of Maharashtra and Rajasthan have appointed high-power committees on administrative reform during the current year.

Heads Must Roll

According to the report of the Mysore Committee, "the real test of efficiency of administration in a democratic set up of Government is, of course, the reaction of the people to the way in which it is being run." Judged by this yard-stick the Central and the State Governments will undoubtedly rate very low. The image of the administration as it exists to-day has become inseparable from inefficiency, delay and corruption. The other day the Union Minister for Steel and Heavy Industries was reported to have declared that explanations and excuses would no longer be tolerated and that "heads will roll" in the public sector. But when?

All the committees on administrative reform, almost without exception, have been content to suggest changes in secretariat procedures, amendment of finance and audit rules and delegation of more power to the man in the field. I don't underrate the importance of these suggestions. But they only touch the fringe of the problem. The malady requires a deeper operation. It is not surprising, therefore, that though these recommendations have been acted upon, albeit piece-meal, the problems are very much there and probably getting worse.

One of the most important causes of administrative delay in Government is the tendency to concentrate more and more power at the secretariat level both at the Centre and in the States. And this applies also to the heads of executive departments. This sounds a bit strange when every day we are growing more eloquent about Panchayati Raj and decentralisation.

It was noted in the First Plan that "during recent years as new responsibilities have been assumed, there has been greater concentration of work in secretariats both at the Centre and in the States and the stage at which effective decisions are taken within any department has tended to be pushed upwards". To-day, after a decade of planning and administrative reform, this tendency to concentrate power at the top continues unabated. The Third Five Year Plan mournfully records: "As was pointed out both in First and in the Second Plan, Central Ministries and perhaps Secretariat Departments in the States have tended to assume responsibilities for an increasing amount of original work. This has reduced the initiative of the executive departments and their ability to function on their own". But the political bosses and bureaucrats demur: no parting with power for them. In spite of expert opinion and recommendations of various committees and the repeated urgings of the Planning Commission that the Ministries and the secretariat should rid themselves of necessary functions and duties, hard ly anything has been done in the matter. The top-notchers are just not prepared to part with power.

The findings of the Mysore Resources and Economy Committee are revealing in this connection. The Committee says: "This simple investigation was sufficient to bring out the astounding fact that, exclusive of time covered by cabinet consideration, it takes normally 272.2 days on the average for a file to be processed in the secretariat. A paper has to pass through 19 stages in the secretariat". A case study

conducted by this Committee brought out the fact that out of 7,157 petitions entertained in a period of six months in the Revenue Department only 78 pttitions pertain to the secretariat, being in the nature of appeals for review. And out of the rest, 35 petitions call for no action and need not have been entertained. The balance of 6,111 petitions need not have come to the secretariat at all. This is a staggering amount of unnecessary work with which the the secretariat is burdened. The affairs of the Government at other state capitals as well as at Delhi are no different. To eliminate delay all the recent studies have suggested a cut in the proliferation of secretariat functions and duties. They have all stressed the need to confine the secretariat to its legitimate functions, that is, assisting the Minister to frame policies, laying down rules and principles of procedure, work connected with legislation and evaluation of achievements of the various State programmes.

Nobody's Responsibility

The other important cause of delay and inefficiency in Government business is the lack of individual responsibility in the administration. Dr Appleby in his second report on Indian Administraiton remarked: "In India by a curious proliferation of the conception of parliamentary responsibility and cabinet responsibility and by reliance on excessive procedures of cross references there has been built an extraordinary evasion of individual responsibility and a system whereby everybody is responsible for everything before anything is done". In actual practice, unfortunately, nobody is held responsible when anything goes wrong or remains undone. Without building up individual responsibility it is futile to talk about administrative efficiency. Let us illustrate the point. When the Bhakra hoist chamber was flooded was anybody in the administration held responsible for the failure? When the sheet-piling process failed during the construction of the Kotah barrage on Chambal was anyone held responsible? Or for bungling in Rourkela? These are only a few well known cases. In almost every irrigation project in the country the actual area which is found to be irrigable after the completion of the project falls far short of the estimated command area. Not only this, the actual cost of these projects far exceeds the original estimates. Such shortfalls and wrong estimates put the entire plan out of gear. In a communist country people responsible for such bungling would have been severely punished and in a capitalist economy they would lose their jobs. But, then, ours is a mixed economy !

One of the basic tenets of sound administration in a parliamentary democracy is the responsibility of the Cabinet Minister for the departments under them. But in India this responsibility is systematically evaded. Last summer's power failure in Delhi is an instance. Neither the Delhi Electric Supply Undertaking nor the Punjab Government nor even the Union Cabinet Minister in charge of Power and Irrigation accepted responsibility. Ultimately, under bitter criticism and pressure from Parliament, the Union Home Minister had to own responsibility. Similarly, how ludicrous and infantile it appears when the Union Agriculture Minister blames the Planning Commission for the failure of the agricultural programme or when the Union Railway Minister and the Minister in charge of Mines and Fuel blame each other for the failure of the Railways to carry sufficient quantities of coal to the consumer. The people at the top have become past masters in the game of passing the baby on. If such are the traditions set at the highest levels how can we expect an ordinary public servant to be more responsible.

Too Many Rules

Proliferation of rules and statutary laws is another important cause of delay and corruption. Rules and regulations are pouring out of Government presses everybody at a rate that neither the public nor the Government officials can hope to keep abreast of them. Take, for instance, the provision for tax relief when a person purchases a tractor for agricultural use. He is entitled to relief from excise duties and sales tax to the tune of, say, Rs 3,000 or more for a 28 HP tractor, depending on its price. Besides this he has to pay only a nominal registration fee for its use on the road. However, to get this tax relief he is required to procure a certificate either from the Tehsildar or the Agricultural Officer (both of whom are non-gazetted) to the effect that the tractor will be used for agriculture. And if he is detected using the tractor for any other purpose he is liable to pay the full amount of the tax. But with the implementation of land reforms in almost all the States there is hardly an agriculturist left with a holding big enough to provide work for his tractor throughout the year. In practice almost 90 per cent of the tractors purchased by agriculturists are utilised for commercial purposes outside the agricultural season. An agriculturist of common means who has invested nearly Rs 15,000 (probably with loans from the Government) in purchasing the tractor cannot afford to keep the tractor idle for nearly six months in a year. So he becomes a ready prey for the unscrupulous elements in the administration. The officials who frame rules and take decisions little realise the impact of these rules and decisions on the lives of ordinary citizens. But this does not stop them from being extremely self-righteous. Take the case of the Community Development Projects or the Industrial Estates; barring a few exceptions, they have turned out to be complete failures. But none in the Government will concede this.

Nearly a decade has passed since the publication of the Kripalani Committee's report on corruption in Indian Railways, but is there any improvement in the working of the Railways in this respect ? Ask any business man or industrialist who has to book parcels in smalls or goods in wagon loads regularly by rail. He will tell you that there is a fixed fee (not accounted for), according to the traffic importance of the station, which he is required to pay to the station staff for every wagon or package of smalls booked by him.

The Chief Minister of Orissa spoke about the people's court the other day. If things continue as they are to-day, some day the people may in despair take the law into their own hands. What is needed are not palliatives but a radical change in our very conception of administration. The administrators are there not to rule but to minister to the needs of the people.

GATT: Promise and Fulfilment

(From a Special Correspondent)

The resolution on the trade problems of developing countries adopted at the GATT Ministerial Conference held in May this year was a masterpiece of prevarication. It set up an Action Committee and suggested that the Council of Representatives should take procedural steps necessary to establish this Committee.

What that would achieve was nowhere clear but the vagueness was probably deliberate.

The disappointment of the developing countries with the outcome of the Conference was well known. Dr Sicco Mansholdt, one of the vice-Chairmen of the E E C, was among the first to agree that the developing countries were getting a raw deal. At a press conference he admitted that all the aid given to these countries was not sufficient to offset the losses sustained by them as a result of continuously falling commodity prices.

The developing countries have supported a U N Conference on Trade in the hope that what the GATT has denied them can be achieved through this organisation. This may be a forlorn hope, but if the Soviet Union backs it up, the Western countries may yet realise that trade is the best form of development aid.

WHEN GATT came into being on January 1, 1948, three years after the last gun had been fired in World War II and an uneasy peace had settled in the West, the international political and economic picture was still blurred. Such organisations as the EEC or the Comecon had yet to come into being. Scores of countries had yet to be set free. India, it is true, had become independent, along with Pakistan, Ceylon and Burma. But India pressed by enormous problems was yet to lay down the principles that were to guide her economic future, still to relate fully her economic development with external trade. The talk was on the after-effects of partition. Attention was more on the refugee problem than on industrialisation, more on food than manufactured products, more on Kashmir than on foreign aid.

It was a different world in every way.

India's independence had stirred up the latent demands for freedom in other countries in Asia and Africa. In Europe itself the effects of the Marshall Plan were still to manifest themselves. France was engaged in a bitter war in South East Asia; Britain was in the throes of tremendous social and political changes and Germany was walking the road that was to lead her to a miraculous economic recovery.

The United Nations had already come into being, with fifty-five members. But GATT had only twenty three. The United Nations was predominantly a "western" club, voicing the views largely of western Powers. So, in a sense, was GATT. The United Nations still had to give birth to the Asian-African Group. The latter was non-existent in GATT. Both at the United Nations and in GATT, such of the Asian-African countries as were in, had to tread softly, for they were in such a minority.

It is salutary to read the minutes of the five important tariff negotiating conferences under GATT held in 1947, 1949, 1951, 1956 and 1960. Equally instructive are the minutes of the meetings of Ministers of GATT member countries held at times when guidance and directives were called for at the political level, notably in November 1954, October 1957, October 1958, October 1959 and November 1961. By 1961, however, vast transformations had taken place; political patterns had changed to an enormous extent. The old world had given birth to a new one.

Membership

Membership of GATT, however, was not to keep up pace with that of the United Nations which now has more than one hundred. The Contracting Parties to GATT still number only fifty, if one does not take into account those who have acceded provisionally, or those who participate in its activities under special arrangement or those whose membership has yet to be accepted.

An analysis of the membership of GATT is educative. Of the fifty Contracting Parties:

Two are from the North Atlantic: the United States and Canada.

Sixteen are from Europe: Austria, Belgium, Czechoslovakia, Denmark, Finland, France, Federal Republic of Germany, Greece, Italy, Luxembourg, the Netherlands, Norway, Portugal, Sweden, Turkey and the United Kingdom. Of these, Austria is a neutral State, like the Scandinavian countries, and like them, a member of EFTA. Finland, is neutral, but with one foot in the western camp and another in the Soviet. Czechoslovakia was a member before the Communist coup, but has been permitted by COMECON to continue its membership of an otherwise "capitalist" organisation. Portugal remains the only colonial power, and at the same time the "underdeveloped" member of NATO. French and British interests clash over membership of Britain of the European Common Market. Greece and Turkey are the other two members of NATO specifically designated as "underdeveloped", with special problems of their own.

Two are from Oceania: Australia and New Zealand, both members of the Commonwealth and therefore ill-disposed towards Britain joining the Common Market.

Twelve are from Africa: Cameroon, Central African Republic, Brazzaville Congo, Gabon, Sierra Leone and Upper Volta, which are French-oriented, Ghana, Nigeria, Tanganyika and Uganda which are British-oriented, not to mention the Federation of Rhodesia and Nyasaland, now under the hammer, and the Union of South Africa, the lone wolf.

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One is from the Caribbean with strong pull towards Britain: Trinidad and Tobago.

Eight are from Latin America: Brazil, Chile, Cuba, Dominican Republic, Haiti, Nicaragua, Peru, Uruguay.

Nine are from Asia and the Middle East: Burma, Ceylon, India, Indonesia, Israel, Japan, Kuwait, Federation of Malaya, Pakistan, population-wise, the most numerous and with the exception of Japan, all grievously under-developed.

Five countries have acceded provisionally to GATT. They are: Argentina from Latin America, Tunisia and the United Arab Republic from North Africa, Switzerland and Yugoslavia from Europe.

Cambodia and Spain are expected to accede this year. Poland, another Communist country, participates in the work of GATT, like Cambodia and Spain so far, under special arrangements.

Fifteen countries have their application to GATT membership pending, though GATT has been applied to them since 1948. They are: Algeria, Burundi, Chad, Leopoldville Congo, Cyprus, Dahomey, Ivory Coast, Jamaica, Madagascar, Mali, Mauretania, Niger, Rwanda; Senegal and Togo, all former colonies and with a couple of exceptions, French-oriented.

Who are the non-members of GATT? The Outs?

Firstly, the entire communist world, with the delicate exceptions of Poland, Czechoslovakia and Yugoslavia.

From among the Latin American countries: Paraguay, Ecuador, Colombia, oil-rich Venezuela, Panama, Costa Rica, Guatemala, Honduras, Mexico, Bolivia and El Salvador.

From Asia, Africa and the Middle East: China, the Philippines, Thailand, Korea, Laos, Vietnam, Saudi Arabia, Yemen, Jordan, Iran, Iraq, Syria, Lebanon, Afghanistan, Nepal, Morocco, Somalia.

From Europe: Iceland and Ireland.

Clash of Interests

GATT—General Agreement on Trade and Tariffs—is a misnomer. The "Agreement" has never been truly voluntary; it has always been imposed by the strong over the weak. Those who had the political and economic power, have ruled the roost.

That the politically strong are now being challenged is the result of the new international configuration which has brought into being a host of small countries, once colonies, but now full-fledged nations, all seeking a place under the sun.

It is also the result of an inevitable process whereby former Powers have been made to realise the enormity of their social crimes that condemned large masses of people to a stature no higher than hewers of wood and drawers of water.

Two equal and opposing tendencies have become noticeable in GATT talks now. One is that of the Haves who frankly do not want to give up their stranglehold on the economies of the developing countries. The other is of the Have-nots who are in no mood to tolerate their hardships any more.

The position of the Haves was stated eloquently by the Belgian delegate to the GATT Ministerial talks held in Geneva in May. Belgians are a very forthright people, entirely ignorant of the niceties of diplomacy which the more seasoned practitioners of the art employ in their dealings with poor countries. When the Belgians want to say that they intend to keep what they have, they say so in plain terms. This is literally what the Belgian Minister said in Geneva. Europeans, he said, were in no position to give up some of their hard-won gains. Their living standards had to be taken into consideration. They could not be sacrificed for the sake of the developing countries who could do no better than trade among themselves, instead of wanting to sell their manufactured goods to the developed nations.

It must be noted that Belgium was the spokesman for the entire European Economic Community and spoke not only for itself, but for the other five members of the Community as well. The Community's attitude towards tariff reduction and giving openings to the produce of developing countries was one of "we will keep what we have and give thought to what we can do for you in due course". Very diplomatically, the chairman of the Ministerial meeting, the Swiss representative, pointed out that the Europeans, of course, had a point there and their standards of living needed to be appreciated. But the philosophy of "everything understood, everything forgiven" could lead to inaction and GATT, he hinted, was in danger of sliding into inaction.

GATT being what it is, it had every reason to take recourse to inaction on the principle of "when in doubt, do nothing". For some years now, it had been under pressure to do something for the developing countries, until the Contracting Parties at their twentieth session held in November 1962 had no other option but to call for a Ministerial Meeting in 1963. This meeting, it was decided, should consider "a programme for effectual liberalisation and expansion of trade in both primary and secondary products". It went further. "In this connection, full weight should be attached to the importance and urgency of negotiating solutions to the problems of trade in primary products and to the additional trade problems of the less-developed countries". The GATT Council of Representatives was called upon to prepare an agenda for the meeting and to make adequate preparations.

The Council at its meeting in February 1963 decided that the Ministerial meeting should be held in May. Preparatory work for the meeting was undertaken by three subsidiary groups:

(a) Committee III of the trade expansion programme, which is primarily concerned with expanding the export-earnings of the less-developed countries,

(b) the Special Group on Trade in Tropical Products, which is concerned with finding ways and means of widening the access to world markets for exports from countries in the tropical zone and,

(c) the Working Party on Procedures for Tariff reduction which was created at the last ministerial meeting in 1961, for the purpose of "examining new procedures and techniques for the further reduction of tariff barriers on a most-favoured nation basis, in accordance with the terms of the General Agreement".

The Council then drew up concrete suggestions and submissions which were largely based on the preparatory work of the three groups.

Council's Submissions

The Council's recommendations were of two kinds: general and those bearing on particular products. But the Council was far from unanimous. Opinion was sharply divided as between members of the European Economic Community and Associated States on the one hand, and the rest on the other. That the Associated States from Africa, were all underdeveloped and would have done better to cast their lot with similarly handicapped nations did not seem to have occurred to any of them.

The Council's recommendations, therefore, are strictly those of the Contracting Parties not belonging to the EEC and Associated States. These recommendations suggested that the Ministers should be invited:

(a) to endorse the general objective of free access to markets for tropical products, in view of the great importance of these products to the foreign exchange earnings and economic development of many less-developed countries;

(b) to agree that the instability of prices and inadeqcacy of earnings are the principal problems affecting producers of tropical products;

(c) to agree that, in the interval before action is taken to remove the existing trade barriers, there should be a "standstill" and governments should refrain, as far as possible, from any measures which might represent an intensification or extension of these barriers. If, in fact, a government felt that it has to take any measures of this kind, it should have prior consultations with the exporting countries mainly interested in trade in the product concerned;

(d) to give special attention to the problem of revenue duties and internal charges, with particular regard to the difficulties which have delayed the implementation of the relevant part of the Ministerial Declaration of November 1961 and to the steps which need to be taken to speed up such implementation;

(e) to decide that, where this has not already been done by prior action and the desirability of such action is recognised, barriers to trade and restraints on consumption of tropical products should be dealt with in the context of the forthcoming GATT trade negotiations.

The EEC States and States associated with the Community did not support the inclusion of general recommendations. Representatives of States associated with the Community stated, however, that their delegations supported the removal of revenue duties and internal charges. The States associated with the EEC and the Community itself stated their belief that the general and primary objective was to increase the export earnings of the less-developed countries in order to promote their economic development by all appropriate means. Freedom of access to markets for tropical products was only one of those means. Such freedom would be truly effective only to the extent that all the pre-requisites to its full effectiveness had been completely achieved in all these countries. In the meantime, such freedom should only be implemented gradually, to the extent compatible with the existing situation and the specific needs of some of the countries concerned, in order not to hinder their economic development on a sound and balanced basis, until such time as their full integration into the world economy could be effected without harmful consequences.

On the question of recommending action on individual products, there were once again differences between the two groups in regard to cocoa, coffee, bananas and tropical oilseeds and oil. Only in regard to tea and tropical timber was their unanimity that the Ministers should be invited to agree that the customs duty should be removed with the least possible delay, if practicable, before the end of 1963.

Committee III's Report

Committee III had submitted a plan of action to be adopted by the Ministers under seven headings:

(a) A standstill on new tariffs and non-tariff barriers.

(b) The elimination of remaining quantitative restrictions affecting exports of less-developed countries.

(c) Action by industrialised countries which would permit duty-free entry of tropical products into their markets.

(d) The elimination of tariffs on primary products important in the trade of less-developing countries.

(e) The reduction by atleast 50 per cent within a period of three years of tariff barriers to the processed and semi-processed goods of export interest to the less-developed countries.

(f) The progressive reduction of internal charges and revenue duties on products wholly or mainly produced in less-developed countries, with a view to their elimination by December 31, 1965 and

(g) The establishment of an annual reporting and consulting procedure by Contracting Parties on progress made in removing restrictions and implementing measures designed to provide larger access for the products of less-developed countries.

Besides, the Committee also said that in view of the progress already achieved in the removal of trade barriers in the way of less-developed countries, it would be useful and desirable to intensify work aimed at assisting the less-developed countries in diversifying their export economy and increasing their foreign exchange earnings generally.

Point, Counter-Point

When the GATT Ministerial meeting convened in Geneva on May 16, the seeds of failure had been duly planted. The Americans came to the conference table with one over-riding aim in view: to get a straight across-the-board cut of 50 percent in tariffs. As the **Guardian** put it, the Americans had armed themselves with the Trade Expansion Act of October 11, 1962. This was Mr. Kennedy's Congressional showpiece. "In the face of the protectionist pressure groups which thrive in Washington like ants under a warm stone, Kennedy had obtained unprecedented powers to slash existing tariffs and resist demands for new ones; a dramatic negotiation was dreamt of between the United States on the one hand and an enlarged European Economic Community on the other with all nations, and especially those struggling to develop, benefitting from the trade liberalisation."

That was to prove to be only a dream.

The French came to the table in a strong position **vis-a-vis** both the EEC and the United States. Within the Community they could trade their consent to common concessions to the US for concessions to their own economic interests in Europe, notably an enlarged market for cereal products in protectionist Germany. With the United States, in the words of the **Guardian's** Peter Jenkins, they could "play upon European differences in order to drive the hardest bargain, whether with the view to obtaining worthwhile new opportunities in the North American market or to registering a failure to agree which could be blamed on American obduracy."

The Germans came to the scene greatly perturbed. They were unwilling to accommodate the French in the agricultural sector, but were afraid that any failure of the talks might compel the Americans to withdraw into their shell. For them, with everything to lose, the Ministerial talks were a great balancing act.

The British had little to lose and little to gain; they were content to watch from the sidelines and make sympathetic noises when the Americans spoke. The developing countries were in a sad state of disarray. The Associated States of the EEC had practically been bought over; the rest, with no effective leadership, could only make their voices felt by shouting the loudest. The shouting was done by practically all of them, for every one of them was feeling strongly the pinch of sliding prices for primary products. They also knew that their voices would be of no avail so long as there was no agreement first among the EEC States themselves and then between the EEC and the United States.

It proved that from the very beginning the going was hard—for everybody.

Indian Viewpoint

The Indians came to Geneva in a highly sceptical mood. Experience had taught them—especially at the Common Market talks in Brussels—that the Europeans had little idealism when it came to doing business and could be talked to only from a position of strength. The Indians knew their limitations, but did not let that deter them from making their point.

Their spokesman, the energetic Shri Manubhai Shah, had evidently been fully briefed by his permanent officials. In his first speech—despite the bullying tactics of the Western Powers who wanted remarks to be short—Shri Shah decided not to mince matters, but state the unpleasant facts of underdeveloped economies as they were. Exports from developing countries, he pointed out, showed no signs of increasing. The terms of trade in primary products continued to be unfavourable to them. In respect of processed and manufactured goods, discriminatory quota restrictions and high tariff walls remained intact. And worse of all, tariffs on those few industrial products which could reasonably be expected to increase the export earnings of developing nations were higher than those on products traded among the industrialised countries themselves.

Shri Shah made a number of proposals. In the first place, he said, no product which could help the less developed nations increase their export earnings should be included in the exceptions to the across-the-board cuts proposed by the United States. Also, industrialised countries which have considerable experience in making adjustments in their economies should change their national laws to provide for suitable openings for industrial products from less-developed countries by removing the barriers to their free entry. Finally, the Trade Negotiating Committee of GATT should set up a suitable machinery for examining and implementing tariff preferences on selected products of interest to the less-developed countries.

Speaking later in the course of the general debate, Shri Shah made it clear that industrialised countries cannot expect to receive from the less developed nations reciprocity when across-the-board cuts were comtemplated. He also demanded that whenever there was any discussion on the list of exceptions, the developing countries should be consulted.

Such plain speaking was sorely wanted. It had not been heard in the halls of the Palais des Nations for a long time. Whether Shri Shah threatened that he will take his trade elsewhere is not known. But it was well-known that he was later on to go to Moscow for specific trade talks. The EEC States, however, knew full well that India had to come to them willy nilly for many things: not the least, technical and financial assistance and that, in the final analysis they held the whip hand.

US versus EEC

But the major issue facing the GATT Ministers conference was not how to go about putting the developing countries on their feet, but how to resolve the differences between the US and the EEC.

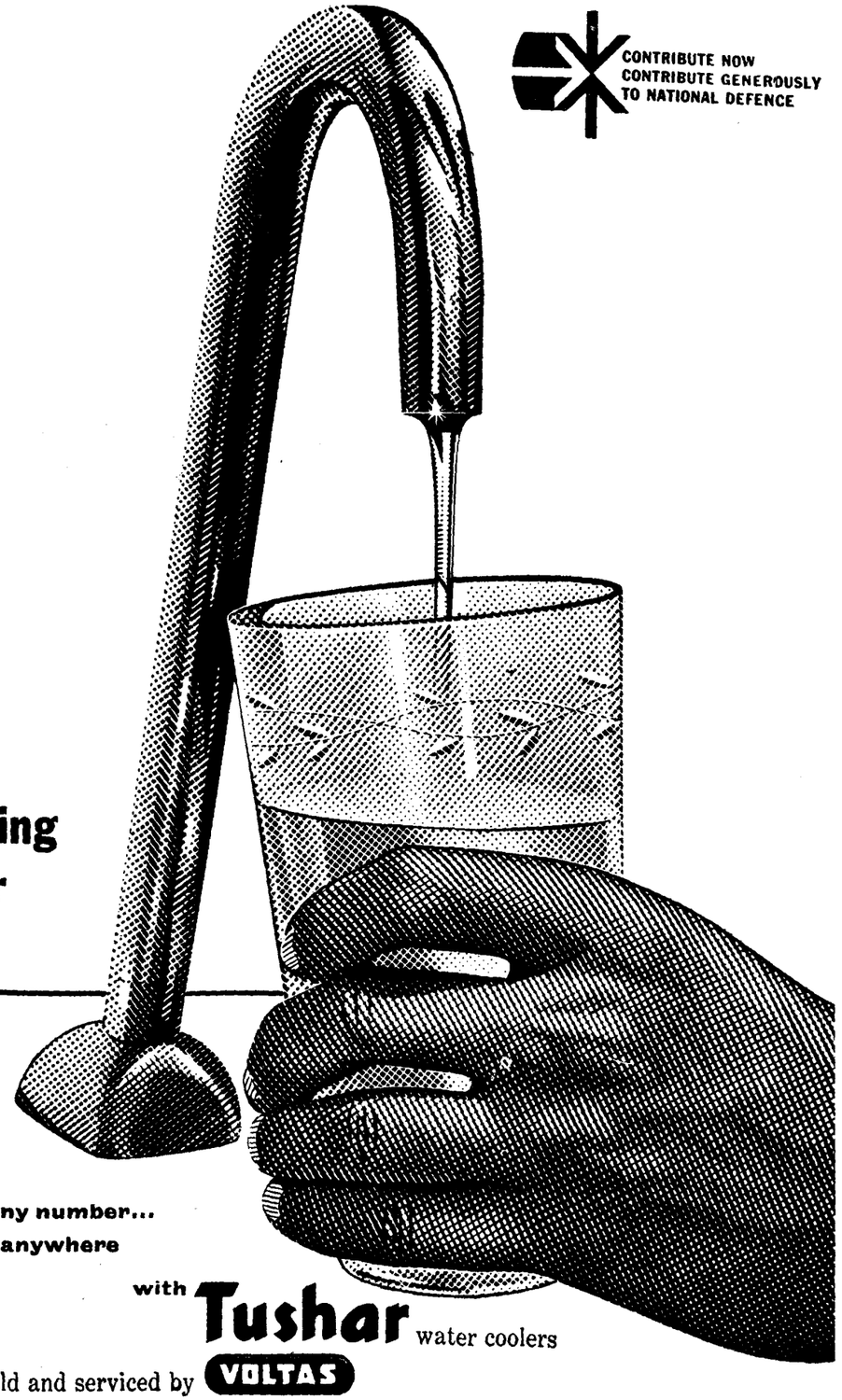
"Our choice of the basis on which the reduction of tariffs is to be carried out and of the manner in which agricultural trade is to be included in the negotiations will have much to do with the success or failure of negotiations," Christian Herter, the leader of the US delegation, said completely truthfully.

Herter reminded the Ministers that the US Trade Expansion Act of 1962 gave President Kennedy far-reaching powers to reduce, on a reciprocal basis, virtually the entire range of American tariffs by as much as 50 per cent, spread over a five-year period. He said America fully realised the linear approach to be more fruitful means of achieving major tariff reductions. The fundamental objective of the meeting was to bring about the greatest possible reduction in tariffs and other barriers of trade. He said:

> "I therefore urge that the Ministers reach agreement that the maximum liberalisation of trade can best be achieved by negotiation which begins with across-the-board, equal percentage linear cuts, with limited and narrowly defined exceptions. The working hypothesis adopted by the Working Party was based on linear reductions of 50 per cent. While we think this is a good working hypothesis, the actual figure would, of course, have to depend on the decisions reached later....any formula based on unequal linear cuts imposes a serious limitation on the amount by which the average tariff will be reduced."

The EEC countries, but specifically France, were opposed to the

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US standpoint. Their case simply was that the United States had far higher tariff rates on more products than EEC countries and accepting the US plea for equal linear cuts would be tantamount to the EEC countries having very low tariffs on American products while America would still maintain relatively high tariffs (even after the proposed 50 per cent cuts) on a relatively large number of items of European origin.

Discussion was bitter and at one point it was feared that the Ministers' meeting would end in dismal failure. But failure was unthinkable. It would have had grave political repercussions. Some compromise had to be brought about and the Germans alone seemed well fitted for the job. When it was all over, Ludwig Erhard had this to say of the compromise agreement: "We are agreed on the shell of an egg. What will be in the egg we do not know."

The **New York Times** gave a good account of what happened. It said:

"The United States concession lay in accepting what it had rejected all during the Ministerial conference. This was the principle, insisted upon all along by the six nation Common Market, and particularly by France, that high individual tariffs should be cut more than relatively low tariffs where there are significant disparities and where a substantial amount of trade is affected.

"In the long battle over wording, the United States won some small points, but the basic 'disparities' principle was accepted. For historical and other reasons, United States tariff structure has far more high points than the Common Market structure.

"In return, the United States won agreement from the Common Market that the general rule for tariff reductions should be equal percentage cuts. The percentage ultimately agreed upon will almost certainly be less than the 50 per cent urged by the United States. Acceptance of this principle was a major concession by France.

"A GATT committee of experts must still work out how many products will be subject to the general rule of equal percentage cuts and how many will be subject to the special rules governing disparities. Extremely tough bargaining is expected on this issue before basic rules for negotiation can be agreed upon."

The overall agreement at the meeting covered not only the formula for tariff cutting but also the questions of agriculture and the special trade problems of the less-developed countries.

As the **Times** said:

"On agriculture, the basic principle was accepted that farm products should be included in the overall negotiations. It was agreed that they would probably have to be treated differently from industrial products. It was also agreed to start immediately trying to work out new international commodity agreements for grains and meat. These agreements could profoundly affect domestic price support and subsidy programs as well as world trade."

Raw Deal for the Have-nots

Once the US vs EEC dispute was settled in a compromise, it did not take very long for the GATT Ministers to consider the problem of the developing nations. The resolution that was passed was a masterpiece of prevarication. It set up an Action Committee and suggested that the Council of Representatives should take procedural steps necessary to establish this Committee. What that would achieve was nowhere clear but vagueness was probably deliberately planned. A spokesman for GATT, never at a loss for words, explained that the Action Committee provided a legal and institutional framework to enable the Contracting Parties to carry out the work of expanding the trade of the less-developed nations. But the less-developed nations themselves were disappointed.

That this disappointment was known to leaders of industrialised countries and that they were uneasy about it was evident. Dr Sicco Mansholdt, one of the vice-chairman of the EEC, was one of the first to agree that the developing countries were getting a raw deal. At a press conference he admitted that these countries were steadily losing over the years and that all the aid given to them was still not enough to cover the losses sustained in continuously falling commodity prices.

The problem of developing countries has since then been beautifully described by a report published by the Atlantic Institute, an international, non-governmental study organisation which aims at working out common policies. The Institute has a high-powered Board of Directors and members ranking high in their respective countries and its Director General has been till now Mr Henry Cabot Lodge, former chief American delegate to the United Nations.

The names of the members is a roll call of the influential and the powerful. To name a few: Lord Gladwyn and Lord Franks from the UK. From the United States: Will Clayton, Lewis Douglas, Christian Herter Eric Johnston, Mrs Lord, and George Meany. From Canada, Lester Pearson, present Prime Minister. From Belgium, Foreign Minister Paul Henri Spaak; from France, Maurice Faure, Antoine Pinay. From West Germany, Fritz Berg, Karl Schiller, Baron von Oppenheim. The report of the Institute is aptly called "Partnership for Progress" and must be considered one of the frankest ever made—barring, perhaps, the more comprehensive report of the United Nations made in 1955—on the subject of aid and trade of developing countries.

The report said:

"Aid to be effective, needs above all, continuity. For the developing countries, the biggest obstacle to forming coherent development plans, and even more to putting them into effect, is the constant fluctuations of their external resources—whether from loans or grants or from the undependable value of their exports."

The report added—and this has been said so often and by so many responsible people as to almost become a cliche—that the fluctuation in prices of produce and raw materials has cost the developing nations more, over the past few years, than all the funds they have obtained by way of aid. This cost, said the report, has been in the falling prices of their own raw materials compared with the rising prices of the finished goods they must buy—the "terms of trade."

The report pointed out that prices have continually moved to the dis-

advantage of developing countries and to the advantage of industrialised countries. The gain for the developed countries represented an unearned increment, a windfall profit, unrelated to the efforts of the country which enjoyed it. It would, therefore be fair in principle to repay such windfalls. The report pointed out further that economic aid to developing countries should be increased, as a whole, when the terms of trade varied to the detriment of primary products. The report said that in the matter of tariff cuts, developing countries should be exempted from the obligation to offer reciprocal tariff reductions. But to facilitate the general acceptance of the principle of "tariff disarmament," the report added, the definitions that govern dumping must be rationalised and the procedures for implementing them speeded up.

The question of freer trade has been the concern of the United Nations itself and even as GATT was meeting in Geneva preparations were being made to hold the UN Conference on Trade and Development. This meeting is to be held early next year but whether it can be as active as GATT remains to be seen.

The fact of the matter is that a United Nations conference suffers from all the handicaps of a United Nations organisation where membership is even more complex than that of GATT. But the Soviet Union has been intensifying its campaign for the establishment of a new UN trade agency and even if much may not be achieved, the tardy manner in which the western nations have been treating developing countries may come to be exposed in greater detail.

Comecon

It is fruitful to inquire at this stage how the Communist countries among themselves have been trying to solve the problem of trade and intra-development. The Soviet Union has been lately making energetic efforts to make Comecon—Council for Mutual Economic Assistance (Soviet Economicheskoi Vsaimopomoshi)—into a workable instrument for communist cooperation.

Comecon was established in January 1949, a year after GATT, mostly as a counter-measure to the Marshall Plan which had been announced as early as 1947. Comecon failed to make any headway till 1954 but it was not until 1962 when the question of the developing countries itself started coming more and more into the fore at UN meetings, that the Soviet Union decided to strengthen the Comecon and make it more meaningful.

Comecon's membership consists exclusively of the Communist bloc in Europe: the Soviet Union, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland and Rumania. Albania was expelled from the organisation last year and Outer Mongolia newly admitted.

When the Comecon met in Bucharest on December 14, 1962 its goals were outlined as follows:

(a) acceleration of the division of labour among the Comecon countries,

(b) intensified efforts to boost output of raw materials, fuels and power output,

(c) better coordination of research and development work, and

(d) creation of more uniform methods of costs and price calculations.

The rationale behind all this was explained by one communist commentator. "The Socialist division of labour and specialisation must be placed on a much broader basis than hitherto, in order to make faster progress in the countries of the Council."

And he added: "In earlier periods, the Council did not eliminate the separatist aims of the national economies. Mutual relations were at best bilateral but never multilateral. In the past, it has happened—and it still happens—that when one of the Council countries had a passive trade balance, it had produced certain goods too expensively instead of importing them....from other socialist countries at more favourable conditions. This violates the principle of proletarian multilateralism." The first decisions were to coordinate efforts, to avoid unnecessary production, assure the most effective and rational employment of raw materials, and to develop for each country the most suitable production plan, taking into consideration economic, financial and raw material resources as well as the availability of labour.

Comecon now works under a system of specialisation, each member country specialising in a particular branch of industry. Thus East Germany has been entrusted with machine building, chemical industry, soft coal mining, metallurgy, precision engineering, optics and manufacture of complete plants and plant installations, Poland with hard coal, coal chemistry, shipbuilding, textiles and agricultural machinery, Czechoslovakia with machine building, metallurgy, chemical industry and plant installations, Hungary with bauxite mining, aluminium production, railroad equipment and rolling stock, Rumania with oil production, drilling equipment and foodstuffs and Bulgaria with non-ferrous metals.

Comecon has also set up a machinery to arrive at a more uniform price level and plans to eliminate the seasonal, cyclical or merely accidental short-term price changes which occur on the world market.

Is Cooperation Possible?

Is cooperation between Comecon, the EEC and GATT possible? Does Comecon show the way to the elimination of national rivalries and the rationalisation of production and distribution for the common good of mankind? Can this happen under the auspices of UN Conference on Trade and Development? These are some of the questions that naturally arise in any consideration of the goals that have been set up by each of the trade bodies. They call for a statesmanship of a high order. Democracy can have no meaning unless it means the right of people everywhere to live without the tyranny of economic pressures subtly exercised by one people over another. The GATT ministerial meeting showed how hollow were the pretensions of the European nations of aiding developing countries. These latter countries have supported the principle of calling for a UN Conference on Trade in the hope that what they have been denied at GATT can be pushed through in this organisation. This may be a forlorn hope, but if the Soviet Union were to back it up, the western powers may yet wake up to the fact that their days of economic "imperialism" are numbered. The time may come when trade no more is an instrument of tyranny and aid becomes superfluous and nations live side by side in dignity. The promised land may sound distant today, but so did space exploration a decade before.

Unemployment and Economic Growth

Reply

S K Nath

In a sense, it is surprising that there have been only two comments (May 25, 1963) on my article (May 4, 1963) by economists who consider it futile for India to try to achieve full employment at something like an adequate minimum wage in the near future.

Considering the very low priority that the objective of a substantial reduction in unemployment has received from the Indian planners all these years, and the apparent acquiescence of a large part of the Indian intelligentsia in this, one would have thought that there were many more economists so convinced of the impossibility of achieving full employment in the near future and that they would feel bound to protest at the recommendation of such a policy.

THE biggest hurdle that a policy directed at full employment has to face is lack of 'finance' or 'money', K R Gupta seems to think. I should have thought the biggest hurdle is insufficient real resources. Given insufficient real resources (in this instance the relevant insufficiencies being largely those of necessities) if unemployment is to be abolished — so that the demand for the necessities will increase — there are three broad classes of measures which may be adopted for increasing their supplies:

(i) Get gifts from abroad, a substantial part *in advance* of putting the policy of full employment into operation.

(ii) Cut out wasteful consumption by those who buy more of these things than they really need. This is likely to require rationing and price control. (These measures, of course, do not increase total supplies of necessities, but by limiting some unnecessary demands on them, they ensure that some more necessary demands will be met.)

(iii) This last class of measures is divided into two parts, short-run and long-run.

(a) Short-run: Make use of any spare capacity in plant by running more shifts; improve storing and transport methods to reduce wastage; increase weeding, hoeing, and guarding of crops; introduce carrying water by human chains where necessary to improve irrigation; increase gathering of manure, and composting of refuse; and adopt other such measures as can improve productivity per acre within a single season, provided labour is applied generously but in a systematic and sustained way.

(b) Long run: The remaining part of the hitherto unemployed can at the same time start work on the kind of projects which require little capital but will increase total output after more than just a few months. Here the list of possible jobs can be as long as you like, though perhaps most of them will be in the digging and building line. Some examples are: wells, tanks, canals, roads, dams and so on.

Examples of Russia and China

Gupta says that foreign aid, in the form of large food grants, for a programme of full employment (which would also necessitate some equalisation of consumption levels) will not be forthcoming, because "capitalist countries" may disapprove of the equalising process. However, there are few "capitalist countries" in that extreme, nineteenth century sense in the world today — the U S certainly does not seem to be one of them. There might be "capitalist" individuals in the aid-giving countries, but luckily they do not for the moment seem to have a great deal of influence.

Gupta reminds us of the hardships which Russians had to undergo during the initial stages of their development. But surely it is utter foolishness to jump to the conclusion that every developing country has to repeat exactly the same pattern. The hardships in Russia were caused by a disruption of society (which has yet to be proved to have been necessary), by widespread fear, suspicion and hatred to begin with, and then by a long-lasting hostility to the new government by large numbers of managers, technicians, workers, farmers, and peasants. These hardships were not caused by pursuing a well-thought out, systematic policy of achieving full employment. To cite the Chinese example is even more irrelevant. Who knows exactly what has been happening these last few years in China? It would seem that there has been widespread hardship, but was it the result of any sensible policy of full employment, or of some policy as mad as their foreign policy has been? In a discussion about economic progress, abolition of poverty and unemployment, Gupta's citing the example of a country whose government happily contemplates the prospect of nuclear war and the consequent risk of losing *just half* its population, can only be regarded as grossly irrelevant.

Gupta apparently is not against a policy of full employment, because he says: "Under present conditions .... employment can be given to everyone willing and able to work only at wages lower than what may be considered adequate". How *inadequate* are these wages going to be? Surely they will be at least adequate to live on and to enable a man to do a day's work. It would therefore seem that the only real difference between Gupta and me is that he thinks that a policy of full employment is possible at a not so adequate wage, whereas I think it should be possible at a more adequate wage.

The other comment on my paper is by I P Nijhawan. Unfortunatelv he appears to be still under the spell of words like development and economic progress. Consider his two remarks: "Increased employment opportunities must follow *in the wake of* economic progress" (italics mine); and "Rapid develop-

ment may come in conflict with increased employment". What does this "rapid development" consist of? One wishes Nijhawan had stopped to think about these terms.

But he is really too satisfied about the employment situation to consider full employment as the most necessary part of any set of aims of economic planning. Instead of regretting the Third Plan's intention of letting unemployment increase by 3 million by 1966, he flourishes this fact as a proof that nothing more can be done about the problem. Secure in his sense of satisfaction, he sees all my suggested measures for reducing unemployment as a series of 'assumptions' — 'ifs' which he can see no way whatsoever of being realised. It is, of course, a logically conceivable attitude to take, whenever any remedies for a grave social evil are suggested, to say that all these remedies depend on "ifs" which are "seldom likely to be realised"; but it is not a very helpful attitude.

I am glad that there has been at least one correspondent (N Das, May 18, 1963) who has appreciated my sense of urgency about our growing unemployment.



Company Meeting

The Tata Iron and Steel Company Limited

Statement of the Chairman

THE following statement by Mr. J. R. D. Tata, Chairman of the Tata Iron and Steel Company Limited, dealing with Company's working for the year ended March 31, 1963, has been issued to shareholders. The Annual General Meeting of the Company will be held on Thursday, August 29, 1963 at 4.30 p m at the Birla Matushri Sabhagar, 19, Marine Lines, Bombay 1.

The year under review has been a difficult one for India, overshadowed by the Chinese attack on our Northern Frontiers. While military operations, which ceased abruptly with the Chinese withdrawal in December 1962, left substantially unaffected the country's territorial integrity, the economic aftermath of the invasion has been a serious one. Although viewed in retrospect the limited Chinese attack on India may prove in the long run to have been a blessing in disguise for having swept away dangerous illusions and policies based on them, concerning China's avowed friendship for India, it has placed on us a grievous, and possibly permanent, burden of additional defence expenditure at a time when all our resources were required for economic development. With the realisation of our military unpreparedness against such a powerful and ruthless enemy, the need to strengthen and modernise our defence apparatus at the cost of a much larger part of total available resources, slender as they are, became inescapable.

The Finance Act has made only too clear to us all the magnitude of this new burden. While there is, I am sure, none amongst us who would deny the need to provide whatever funds are required to strengthen our defences, much concern and doubts have been expressed in regard to the specific provisions of the Act and particularly in regard to the Super Profits Tax. The matter was so fully argued and discussed both publicly and privately at the time that little purpose would be served by my using this occasion to repeat here what has been so thoroughly ventilated earlier. We can only hope that the Finance Minister who, much to his credit, gave the assurance that he would review this particular measure if it was found in practice to be detrimental to the country's economic growth, will, in fact, do so at a suitable opportunity. It is fortunate that, in our own case, the Super Profits Tax will place no burden on our Company, thanks to the large capital and reserves employed in our business.

Higher Dividend

Coming to our own affairs, shareholders will see from the Directors' Report and the Accounts that the Company made gratifying progress during the year under review. Both output and profits have risen appreciably and the Company has now begun to reap the fruits of its heavy investment in money and effort undertaken over the last seven years.

I am particularly happy, that the improved results have made it possible for the Directors to recommend a slightly higher dividend on ordinary shares. The fact that the dividend in the hands of the shareholders is still considerably less than prior to the Expansion Programme is solely due to the change in the tax laws of the country since 1960, but that is a matter entirely beyond our control the burden of which would have been felt even if the Expansion Programme had not been undertaken. In fact, there is no doubt in my mind that had we not grasped the opportunity of doubling the capacity of our plant, the position of the shareholders would be less favourable than it is today and it would progressively deteriorate year by year as the plant got older and more costly to operate.

Expansion Programme

Shareholders will remember that, when the Expansion Programme was first mooted and some of them expressed serious doubts as to the wisdom of spending so much money on expansion, I pointed out that the Company's prosperity and, in fact, its ultimate survival would depend on its continued ability to remain competitive in the changed situation in the Indian Steel Industry as a whole which would emerge from its rapid growth and the creation of a number of large modern plants.

Competitiveness, in a controlled industry like ours, means, in essence, the ability to produce steel cheaper, or at least at no higher cost, than the rest of the industry. We could never have achieved this with a plant most of which was built after the first World War and which required an unduly large labour force in relation to its output. In any field of industry, an enterprise that fails to grow and to replace old plant and machinery with new and more efficient equipment must inevitably decline and ultimately die.

I am sure that even our most sceptical shareholders are today glad that the Company embarked upon the Modernisation and Expansion Programme (MEP) and the Two Million Ton Programme (TMP) and I have no doubt that the wisdom of this step will become more evident as the years go by. I hope, at the same time, that they will realise that this process is a continuous one and that the Company, so long as it exists, can never afford to sit back and feel content that the modernisation and expansion achieved between 1956 and 1960 will be sufficient for ever after. We must be prepared not only to replace old plant and machines as they wear out and as new and better ones become available, but also to expand further if and when we are given the opportunity to do so on a sound and remunerative basis. Efficiency and low costs nowadays are increasingly linked with large-scale production. Whereas a few years ago, a million ton steel plant and, say, a thousand ton

a day blast furnace were considered exceptionally large and efficient, today even a two million ton plant is small by world standards and a two thousand ton blast furnace is by no means amongst the largest built. In this heaviest of all industries particularly, the size of steel plants and of the individual items in them has grown continuously over the years not only in order to make more steel, but because, by the better and more efficient use of materials, power, transport and labour, they are able to produce at lower cost. In addition, technological advances and new processes have increased efficiency and lowered costs.

Those, therefore, who intend to remain shareholders of this great Company of ours must, in their own interests, be prepared to take a long term view and allow the Company to accept the additional burdens and responsibilities involved in continued modernisation and, wherever the opportunity occurs, in further expansion. For only by such means can we remain strong, efficient and competitive and can dividends be maintained or improved.

Government's Feelers

An opportunity for further modernisation and expansion may, in fact, come our way sooner than expected. As shareholders will have gathered from recent press reports, Government, in their advance planning of steel-making capacity in the Fourth Plan period, are considering a further expansion of capacity in the Private Sector in addition to that proposed for the Public Sector. We have been asked whether our Company would be interested in a further expansion at Jamshedpur and willing to undertake it during the Fourth Five-Year Plan. This matter is still at an exploratory stage and no decision is likely to be taken for a considerable time. The Management of your Company is at present engaged in a preliminary study of such a project. In the meantime, we have informed Government that we would in principle be willing to play our part in the expansion of the Indian steel industry as a whole provided such an expansion could be financed without undue strain on the Company's resources and would safeguard the interests of the shareholders.

From the preliminary studies we have already made, it would seem that a further expansion of something between half a million and a million ingot tons could be undertaken economically within the existing plant area. In considering this matter, we will be guided solely by the technical and economic soundness of the project, the financial stability of the Company, the interests of the country and, by no means last, the interests of the shareholders.

The most important obstacle to surmount will be the question of finance. The cost of such a scheme, if for a million tons, would probably exceed Rs 100 crores, at least half of which would be in foreign exchange. The World Bank, to which we still owe Rs 34 crores, out of the Rs 51 crores they lent us for the Two Million Ton Programme (TMP), would obviously be primarily concerned in such a scheme, whether they financed it themselves or not, and we would have to satisfy them that it could be undertaken without affecting our capacity to service their existing loans, let alone any fresh borrowing raised for the new Expansion Project.

Shareholders would probably look upon such a proposal from their own point of view and particularly the effect it would be likely to have on their dividends and on the market value of their shares. It is too early for me to give shareholders any indication of how these will be affected by a further programme of expansion. I can, however, assure them on behalf of my colleagues on the Board and myself, that we will recommend a scheme of further expansion only if we are thoroughly satisfied that the project is technically and economically sound and that it can be undertaken on terms wholly fair, and even attractive, to the shareholders.

Towards 18 Million Tons

While on this subject, I may refer briefly to Government's plans for the expansion of the industry as a whole. While the present steel-making capacity of the five major plants in India is about six million ingot tons, the Planning Commission have estimated the country's requirements at ten million tons at the end of the Third Plan and eighteen million tons at the end of the Fourth Plan.

Because of the long time it takes to expand existing plants and to build new ones and the many and difficult problems involved in correspondingly increasing supplies of raw materials, coal, transport and power to cope with the increased output of steel, it is doubtful that these targets will be reached according to schedule.

It is my personal view that the maximum practical target that can be reached at the end of the Fourth Five-Year Plan will not exceed fifteen million tons which itself would be a considerable achievement and in my view adequate. Of the present firm decisions taken, the proposed creation of the Bokaro plant is by far the most important. Some shareholders and others may have been surprised that, as Chairman of the largest producer in the Private Sector, I should have gone out of my way to support publicly the Bokaro project both in India and abroad. I am sure, however, that most people, including our shareholders, will approve of my action. India's economy and the standard of living of our people cannot grow without additional steel and it is clear that the Private Sector, even if permitted to do so, would not be able to undertake on its own a programme of expansion at an average rate exceeding a million tons of new capacity per year.

Assuming a capital cost per ton of installed capacity of anything between Rs 1,500 and Rs 2,000 per ton, the sums involved are so enormous, as to be clearly beyond the present and foreseeable resources of the Private Sector. It would be both unreasonable and unpatriotic of anyone to place the interests of private enterprise above those of the nation as a whole, and I therefore had no hesitation in publicly supporting the Bokaro project, when it seemed that such support might help in allaying some of the doubts expressed in America in regard to aid for this project. I sincerely hope that the U S Government and Congress, who have contributed so generously upto now to India's economic development, will

find it possible to give their support to this vital project.

Decontrol

Shareholders will also have learnt from press reports that the Government of India were considering the possibility of abolishing wholly, or in part, statutory control over steel prices and distribution which has been in force since 1941. With the increased availability of steel from the five major plants in the country and the gradual narrowing and, in some cases, disappearance of the gap between retention and selling prices, the situation in the country in regard to steel supplies has materially changed, and Government have decided to review the whole question of continued control over the steel industry.

The Minister for Steel and Heavy Industries is to be complimented on taking a lead in reviewing Government's approach to the complicated and difficult problem of steel distribution and pricing. It is also gratifying to find that, before coming to a final conclusion on the subject, he decided to seek the views of the industry. For this purpose the Minister called a meeting of the three main producers early in July 1963, at which the whole subject was tentatively explored.

In expressing their views and suggestions in Delhi, the representatives of the basic steel industry informed Government that they would welcome decontrol provided that, at the same time, steps were taken to ensure that the transition was a smooth one and that reasonable prices were fixed which would be fair to both the consumer and the producer.

The meeting was purely of an exploratory character and no decision was taken. The tentative views expressed by the industry were sympathetically heard, and I am grateful to the Minister, who was good enough to preside over the meeting, for his fair-minded and pragmatic approach to the problem. The Minister asked the representatives of the three main producers to discuss the matter further amongst themselves and to place their considered views before Government as soon as possible.

At this early stage it would not be proper for me to express any views on the subject. I can only say that I personally believe that if the steel industry is allowed to conduct its own affairs in future, under a carefully thought-out scheme which will safeguard the public interests, a progressive step will have been taken to the advantage of all concerned and of the country as a whole. I therefore hope that these constructive discussions will fructify.

Alloy Steel Project

I regret to report that the Special Alloy Steel Project, which the Company has had under consideration for the last three years, has had to be shelved for the time being for two reasons : First, it has been found impossible upto now to interest a foreign collaborator in participating in the project on the condition imposed by Government that the whole of the foreign exchange cost should be wholly provided by the foreign partner and, second, the Government of India have decided that this project should be transferred to the Public Sector. I can only regret this decision and hope it will be possible to revive our project at some time in the future.

In last year's Directors' Report and the Chairman's statement a reference was made to Government's request that we should increase the output of our coal mines by about 1.5 million tons of raw coal or 1 million tons of washed coal so as to become self-sufficient in coking coal supplies. The study of this project has taken longer than expected mainly because, owing to the prohibitively high estimates of cost first submitted to us, we had to have the matter re-examined by another firm of consultants whose preliminary techno-economic report has just been received. The estimates contained in this second report are, I am glad to say, substantially lower than in the first. Discussions on the subject have been initiated with the World Bank, who have taken a special interest in the development of the Indian coal industry, and I hope that by the time the next annual report is submitted to you, a satisfactory decision will have been taken.

I have nothing special to report in regard to the operations of the Company during the current year, of which four months have elapsed at the date of this statement. A further advance in production may be expected during the year, particularly as a result of the commissioning of the Tonnage Oxygen Plant which is to supply oxygen to SMS 3. The erection of this plant will be completed shortly and should be in operation before the end of the year. I must, however, point out once again that in such a complex industry as ours, involving the close co-ordination of many elements and factors beyond our control, continuous operation at hundred percent of capacity is not an easy task. I can assure shareholders, however, that every effort will continue to be made to bring the plant to its full production and efficiency of which over ninety per cent was achieved by the end of the year under review.

In conclusion, I am sure the shareholders would like to join my colleagues on the Board and myself in thanking our officers, staff and workers whose sustained efforts over the past few years have been largely responsible for the continuous improvement in the performance of the Company.

J. R. D. TATA
Chairman.

Bombay, 25th July, 1963.

Sardesai Brothers

SARDESAI Brothers' net sales during the year ended December 1962 increased from Rs 37.47 lakhs to Rs 43.14 lakhs, and the Company showed a higher net profit at Rs 2.54 lakhs compared with Rs 2.05 lakhs in the previous year. The Directors declared a dividend of Rs 4 per share (4 p c) on old shares and Rs 1.09 per share (4 p c) on new partly paid shares.

The increase in the prices of raw materials used in the textile industry reduced the consumption of textile auxiliaries which affected the gross sales of the Company. The emergency had a further impact on sales in the last quarter of the year.

The Company effected necessary modifications in its Carboxy Methyl Cellulose plant and succeeded in making production more economical besides improving the quality of the product.

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 1963, has been issued to shareholders. The Annual Genral Meeting of the Company will be held on Tuesday, the 3rd September 1963, at 3 p m at the Royal Exchange Hall of the Bengal Chamber of Commerce & Industry, 6, Netaji Subhas Road, Calcutta-1.

The highlight of the year under review was the attainment by the Burnpur Works of a production of iron and steel approximating to the rated capacity of the plant, an achievement which reflects great credit on the entire operational staff, who have refused to admit defeat in the face of the many adverse circumstances with which they have had to contend.

Accounts

The effect on profits of the increase in production is not immediately apparent from the Profit & Loss Account. I should, therefore, perhaps point out that in the 1961-62 account there was included a sum of Rs 2,28,51,875 arising from the retrospective increase in retention prices but relating to the year 1960-61. Against this has, however, to be set the adjustment of Rs 1,40,01,141 relating to previous periods by which the value of the sales for 1961-62 had to be reduced by reason of the disallowance by Government of an element in the retention prices to compensate the interest chargeable on their Special Advance. The net special inclusion was accordingly Rs 88,50,734 and if this is deducted from the gross profit of Rs 9,18,78,416 shown for 1961-62, the comparative gross profit figure for that year becomes Rs 8,30,27,682 in relation to the gross profit of Rs 9,11,89,201 earned in 1962-63.

The 1963-64 Budget proposals in regard to the levy of a Super Profits Tax at penal rates on profits earned in excess of 6% on Capital and Reserves caused us grave anxiety, since in their original form they would have imposed on our Company a liability for the year exceeding Rs 1 crore. As a result of widespread protest, these proposals were however subsequently considerably modified, the concessions primarily affecting us being the allowance of a deduction of 10% of total income in the computation of chargeable profits and the inclusion in Reserves of Development Rebate Reserve (in our case amounting to some Rs 867 lakhs) not originally admissible. Although, in the result and in the circumstances explained in your Directors Report, the possible immediate liability for the year is in our case now small, I cannot but regard the tax as ill-conceived. I say this for the reason that the tax can so readily operate to impose a penalty on efficiency and to constitute a positive disincentive to the expansion of the indusrties of India on which the entire future of the country depends.

Operating Conditions

You will be fully aware from my previous Statements of the difficult conditions under which operations are perforce carried on at Burnpur, the transport position, both as regards irregularity in the movement of wagons and the utilisation of wagons of unsuitable types, posing a constant problem in the handling of raw materials and the quality of purchased coal and limestone being a matter of the gravest concern. The position in regard to the latter materials was rendered still more acute by the commissioning of the remaining blast furnaces of the Hindustan Steel Limited during the year which led to a further deterioration in the quality of our supplies, the average ash content of our coal being 18.22% as against 18.01% for the previous year.

We are, in the matter of raw materials, contending against conditions far worse than those being experienced by the other producers due to our very small allotment of washed coal (about 8% of our requirements against nearly 100% in the case of all other producers) and might, therefore, with some justification boast of our production achievements in keeping with the example set in certain other quarters. I must, however, confess to some feeling of inquietude at the position which has been forced upon the industry by the apparent view of the Steel Ministry that quantity of production alone shall be the criterion of efficiency without regard to quality. For the two years ended 31st March 1962, in our fight to maintain quality, we produced to approximately 90% of our rated capacity, about 80% of our outturn of saleable steel being of tested quality. This position was accepted by the Tariff Commission after full investigation and their recommendation as to the sales retention prices for the period based accordingly. Despite this and the fact that a basis of 90% capacity production constitutes also practically a world standard for the steel industry, these recommended prices, as I advised you last year, were cut by the Steel Ministry by no less than Rs 19.50 per tonne, the major part of this reduction being made on the grounds that "the plants should have worked at 100% of capacity instead of 90% optimum mentioned by the Tariff Commission." The effect of the cut made by Government was in our case to impose on us a penalty by way of loss of gross earnings for the two-year period of no less than Rs 405 lakhs. Faced with such a position where we have been penalised for our performance in place of the commendation we might justifiably have expected, we have had no option but with the greatest of reluctance to lower our standards, for the maintenance of which I have fought throughout my entire association of over thiry years with the Company, and the attainment of a production of 100% of rated capacity has been achieved only at the expense of a drop in the proportion of tested quality steel to about 60% of the total outturn, the rest being of commercial quality, with further reduction possibly still to come.

A constant drive for more and more production is fraught with many risks which, although apparently contrary to the views of those in authority, I cannot help but feel should not be taken, particularly having regard to the period of emergency through which the country is now passing. With the present quality of raw materials and the irregularity of their supply, the task of maintaining production is difficult enough in all conscience, for the efficient working of a steel plant is, in effect, a combination of art and science superimposed on an essential and fundamental background of rhythm. To the extent that more constants can be established so is the rhythm improved but where there are many and serious variables as now, then is the rhythm broken, this in turn cutting into production and quality — a set of conditions which the steel producer most dreads.

A modern steel plant is robustly built but nevertheless there are many delicate sections in it where constant care and vigilance is needed. Hence, maintenance must get the highest priority even at the cost of some loss in production. Just like the human body, where, although the stomach can stand a lot, the heart, brain and lungs are very delicate, so in a steel plant the Turbo-Blowers, the Ilgner Plant and the Cogging Mill are the vital points. Unless these are attended to regularly with special attention at the slightest sign of irregularity a major breakdown may ensue. The position is particularly hazardous in the case of our Indian steel mills where the holding of a large quantity of spares of all kinds is not possible owing to foreign exchange shortage and where any major breakdown could accordingly involve a prolonged and very serious loss in production. If, therefore, at the goad of the Steel Ministry capacity production must be obtained to avoid penalty, there is always the danger of chances being taken which might result in disaster. These are commonsense and practical matters allowing no scope for arbitrary decisions which, I suggest, should not have been and should not be made without the support of the highest expert advice available within or, if necessary, without the country.

Further Expansion

I advised you last year that dependent upon the availability of raw materials in general of the requisite quality and, in particular, of coking coal of reasonable ash content, there existed a potential for further expansion of the production capacity of the Burnpur Works by approximately one million tonnes of crude steel per annum and that such expansion for planning purposes had been phased into two parts. Phase I, which is that under immediate consideration, would cater for an increased annual production of some 300,000 tonnes of equivalent ingot steel to be processed in the existing Rolling Mills, while Phase II, to follow in due course to accord with the overall planning of Government, would cover the balance increase of some 700,000 tonnes of crude steel, the form of final processing of which would be dependent upon the future requirements of the country. The World Bank has expressed its interest in the implementation of Phase I and the position so far as Government are concerned is that they have officially announced that there is no objection in principle to the further expansion of the Private Sector steel plants and have called for technical and financial reports in regard to this first phase of the Company's expansion programme.

It has been pointed out to Government that the availability of adequate quantities of good quality metallurgical coal is a prerequisite to any further expansion and that since Government have previously indicated that the Private Sector plants must make themselves self-sufficient in the matter of their coal requirements, the position, of necessity, hinges upon the ability of the Company to implement the Chasnalla Project for the development of the Company's coal-bearing properties, for the finance of the foreign cost of which a loan of $ 19,500,000 has been negotiated with the World Bank as reported last year. The difficulty in this matter lies, therefore, not in connection with the foreign cost which is fully covered by the loan, but in the finding of the finance necessary to cover the local cost of the Project in view of the fact that the position in this latter respect has gravely deteriorated since arrangements were concluded with the World Bank in December 1961.

This deterioration is due to two factors. Firstly, an increase of Rs. 459 lakhs in the estimate of such local cost caused by (a) lack of Governmental support in the matter of land acquisition which has necessitated the abandonment of the proposed open-cast mining section of the project and a compensatory enlargement at considerably greater expense of the deep-mining section and (b) the very heavy impact of the 1963-64 Budget on construction costs by reason of the enhancement of import and excise duties, higher freight charges and increase in the prices of various controlled commodities, together with the general rise in the cost of all materials and services that must inevitably follow under the present economy of the country. And secondly, the severe loss of earnings, to which I have earlier referred, caused by the drastic cut imposed by Government on the sales retention prices of steel that were recommended by the Tariff Commission.

Certain proposals by which the position could be covered have, however, been put forward to Government whose reply is awaited.

In view of the remarks made in the Report by your Directors you may perhaps question my present reference to the Chasnalla Project and I should therefore explain that since the date of that Report, an Order has been promulgated by Government under the Defence of India Rules, 1962, relaxing the provisions of Rule 52 in their application to the Company.

Kulti Foundries

To prejudice still further the financial position, another adverse factor has recently been introduced in the shape of attempt by the Steel Ministry to impose a cut on the supply of pig iron from Burnpur to Kulti and to divert supplies to such extent for the benefit of other and competing iron founders and pipe manufacturers despite the fact that at the time the agreed decision was reached some years ago to scrap the two obsolete blast furnaces at Kulti it was made clear to and accepted both by the Ministry of Commerce and Industry (at that time having jurisdiction in the matter of iron and steel) and the Planning Commission that the full

requirements of Kulti must be met from Burnpur before any iron could be made available by the latter Plant to outside parties. The effect of the proposed cut, if imposed, would be a curtailment of operations at Kulti which, apart from rendering surplus 3,263 staff and workers involving payment of retrenchment compensation of approximately Rs 20 lakhs, would result in a loss of earnings to the Kulti Foundries to the extent of some Rs 55 lakhs per annum. Moreover, such a situation would inevitably lead to the gravest impairment of labour relations not only at Kulti but also at Burnpur, the possible result of which could be disastrous both to the Company and to the country.

The Company has naturally made the strongest representations in the matter the result of which is awaited and I may perhaps be forgiven if, in the face of the many adverse circumstances with which we have to contend, I confess to some feeling of frustration at times at the difficulties it would appear are unnecessarily and without due consideration thrown in the path of the Company in seeming discouragement of its efforts towards the advancement of the industry of the country.

Decontrol

You will doubtless be aware that Government have presently under consideration the possibility of decontrol of the distribution and prices of steel. In this connection a meeting was convened in New Delhi by the Steel Minister on the 6th July 1963 which was attended by the Chairmen of the Public and Private Sectors of the industry when the overall aspects of the matter were discussed. The relaxation of one of the multifarious Governmental controls over the industries of the country would naturally be welcomed. It must, however, be appreciated that the steel industry is not yet in a position to meet the full demands of the country and that the fullest and most effective utilisation of capacity must therefore be ensured, this involving the elimination of wasteful competition and the most economic usage of the over-strained railway transport system. It will be apparent, therefore, that in the interests of the country, the consumers and the industry, direct Govrnment control would of necessity have to be replaced by some form of possibly modified control on a voluntary basis by the industry itself and the detailed joint proposals of the main producers in this connection are now being worked out for submission to Government.

Acknowledgements

In conclusion, I would express on behalf of the Board of Directors our appreciation of the services rendered by the General Manager, Mr J McCracken, his Executive Heads and the entire Staff and Workers of the Company who by their ability, determination and wholehearted effort have made possible the results that have been achieved.

The above statement is not a document purporting to be a report of the proceedings of the Annual General Meeting.

On towards progress . . .

India Steamship Co., Ltd., has a steady record of progress . . . Since Independence, its tonnage has increased from about 85,000 D.W. tons to over 200,000 D.W. tons—more tonnage being still on order.

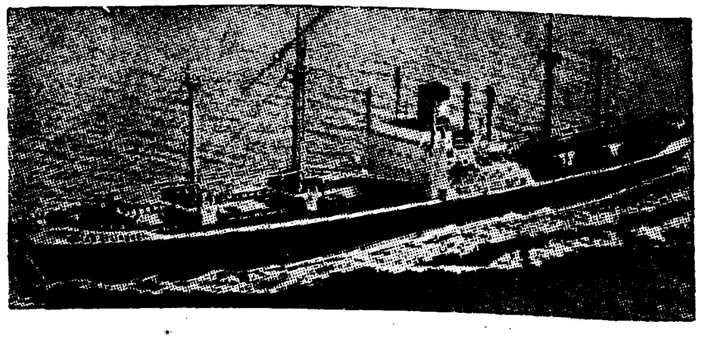
Its services are also extending to various trade routes. After initial consolidation in the India-U.K.-Continent trade—the Company entered the Indo-Soviet service to the Russian Black Sea ports in 1956 and later to Rumanian ports. In 1959 the Company forged still another link in the overseas with South America, and in 1960 it extended its service to Poland.

Their experience and reputation for fast, efficient and dependable service built on the personal care given by their experienced officers and crew to the cargo entrusted to them, have earned them the goodwill of their customers.

SHIP
BY INDIA STEAMSHIP COMPANY
REPUTED FOR ITS CARGO CARE, EFFICIENCY, DEPENDABILITY,
SPEED AND MODERN SHIPS BUILT TO SUIT THE NEEDS OF THE TRADE

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Business Notes

Tata Iron & Steel

TATA Iron & Steel has now begun to reap the fruits of its heavy investment in money and effort over the last seven years. The production of saleable steel during the year was 1,413,000 metric tons compared with 1,318,000 metric tons in 1961-62, showing a rise of 7.2 p c. Raw material supplies, which were poor last year, improved during the year. The Company started receiving washed coal from the Government's washeries at Bhojudih from October 1962.

Sales and other income aggregated to Rs 103.44 crores showing a rise of 12 p c over the previous year's amount of Rs 92.30 crores. The profits for the year are also gratifying, rising from Rs 6.09 crores to Rs 10.56 crores i e by 73.4 p c. However, the Directors are conscious of the fact that the net return on the total capital invested is still hardly adequate for an industry which continually needs large funds for expansion and modernisation. They feel that whatever efforts are made to improve operation, increase production and effect further economies, any significant improvement in the return on capital investment can, however, come only from a favourable price structure which would enable the Company to service past loans, provide funds for expansion and pay reasonable dividends to shareholders.

After providing Rs 80 lakhs (against nil in the previous year) for income-tax and corporation-tax (the Company has no liability for SPT), there has remained a balance of Rs 9.76 crores from which the Company has transferred Rs 8.70 crores to development rebate reserve leaving no arrears of development rebate allowance to be provided. This leaves an assessable profit — for the first time after 1957-58 — of Rs 1.06 crores. To this amount are added Rs 2.58 crores from General Reserve No 1 (taxed profits for the previous years) and Rs 1.26 crores from General Reserve No 2 and Rs 34,084 from last account raising the disposable amount to Rs 490.32 lakhs from which the Directors have transferred to Dividend Reserve Rs 490 lakhs and recommended out of the said Reserve, dividends at 9 p c, 7.5 p c and 7.5 per cent, all subject to tax, on First, Second and A Second preference shares respectively, absorbing Rs 84.39 lakhs and ordinary dividend at Rs 11 (Rs 7.70 net) per share of Rs 75 each absorbing Rs 404.17 lakhs.

The highlights of the Company's operations during the last three years are indicated in the table below.

As against a paid-up capital of Rs 38.97 crores, the Reserves and Surplus at the end of the year amount to Rs 42.99 crores (Rs 36.43 crores). Secured loans show a deduction at Rs 43.57 crores (Rs 52.84 crores). Gross block is increased to Rs 195.88 crores (Rs 190.23 crores) while the net block is brought down to Rs 103.32 crores (Rs 109.06 crores).

The Directors state that the increase in the retention prices sanctioned by Government in June 1963 amounts to Rs 10 per ton for the year 1962-63, an additional Rs 8 per ton from April 1, 1963 (to cover increase in the price of coal, railway freight, excise duties, the interim wage increase, etc,) and a further Rs 10 per ton from July 1, 1963 (to cover the cost of emergency risks insurance subject to actuals being adjusted against the Equalisation Fund). The selling prices of some of the finished steel products were also raised by Government during the year following the levy of excise duties thereon.

In his statement to the shareholders the Chairman, J R D Tata, justifies the Expansion Programme undertaken by the Company but for which the position of the Company would have deteriorated every year as a result of the plant getting older and becoming costly to operate. Whereas a few years ago, a million-ton steel plant and a thousand-ton blast furnace were considered exceptionally large and efficient, to-day even a two-million plant and a two-thousand ton blast furnace are by no means big by world standards. Besides, technological advances and new processes have increased efficiency and lowered costs.

According to preliminary studies, a further expansion of something between half a million and one million ingot tons could be undertaken economically within the existing plant area. The cost of a million ton expansion scheme might probably exceed Rs 100 crores at least half of which would be in foreign exchange. The World Bank to which the Company still owes Rs 34 crores will have to be satisfied of its ability to undertake such schemes without affecting its capacity to service existing loans. Since the expansion programme will, however, affect the shareholders' return for sometime to come the Chairman has assured the shareholders that the scheme will be undertaken only if the Board is thoroughly satisfied that the project is technically and economically sound and that it can be undertaken on terms wholly fair and attractive to the shareholders.

Tata Iron : Operating Results

	Year ending March 31,		
	1961	1962	1963
Production of steel ('000 tons)	1263	1318	1413
Gross revenue (Rs crores)	87.08	92.29	103.44
Profit before tax (Rs crores)	5.09	6.09	10.56
Taxation (Rs crores)	Nil	Nil	0.80
Net profit (Rs crores)	5.09	6.09	9.76
Net profit per ordy share (Rs)	11.55	14.27	24.26
Dividends, net of tax (Rs crores)	3.51	3.51	3.68
Dividends per ordy share, net, (Rs)	7.25	7.25	7.70
Retained profits, (Rs crores)	0.44	1.44	4.86
Retained earnings (Rs crores)	34.57	36.43	42.99
Shareholders' equity (Rs crores)	73.54	75.40	81.96
Shareholders' equity per ordy share (Rs)	169	174	192

Tata Oil Mills

THE operating results of Tata Oil Mills for the year ended March 31, 1963 were gratifying and the Company was able to maintain a satisfactory rate of growth in its output and sales and also, to a lesser extent, in its profits; thus observes J R D Tata, Chairman of the Company, in his statement accompanying the Annual Report and Accounts for the year. The results would have been still better had it not been for the temporary disrup-

tion of sales in Assam and Bengal as a result of the Chinese aggression.

The Company increased its production of soaps by 6 p c as against the all-India average of 2.5 p c for the organised sector of the industry. The Company's bulk licences for the import of raw materials were substantially curtailed for the first half of the year and completely stopped for the second half, but it was allotted foreign exchange to import raw materials like copra and palm oil to the extent of its exports of crude or refined groundnut oil. The Company effected exports of the value of Rs 79 lakhs and imported raw materials.

During the year sales of the products rose from Rs 10.92 crores to a record figure of Rs 12.47 crores, sales agency commission fetched Rs 28 lakhs as against Rs 17 lakhs and other incomes increased from Rs 10 lakhs to Rs 13 lakhs. The total income thus showed an increase of Rs 1.70 crores to Rs 12.88 crores. The pre-tax profit after providing depreciation and other charges was Rs 12 lakhs higher at Rs 50.74 lakhs and the gross profit margin rose slightly from 3.5 p c to 3.9 p c. The amount available for apportionment, after providing for taxation (including Rs 2.43 lakhs for S P T) and development rebate reserve and taking into account the previous year's balance, came to Rs 24.66 lakhs, being Rs 4.85 lakhs more than in 1961-62. The net profit margin thus rose from 1.7 p c to 1.9 p c. Of the amount available for apportionment Rs 2.75 lakhs is transferred to Plant Modernisation and Development Reserve, Rs 2.40 lakhs to General Reserve, and Rs 19.50 lakhs to Dividend Reserve and Rs 1,187 is left to the next year's account. Out of the dividend reserve, the Directors have recommended the payment of a preference dividend at Rs 4.50 per share of Rs 100 absorbing Rs 1.34 lakhs and an ordinary dividend at Rs 5.50 per share of Rs 25 (Rs 5.75 previous year) on old shares and at Rs 1.73 per share of Rs 25 on new shares, which in the aggregate absorbs Rs 17.84 lakhs (Rs 16.12 lakhs). The net earnings per ordinary share, including new shares, work out to about Rs 5.52 which just covers the ordinary dividend.

The Directors state in their report that the combined sales of laundry and toilet soaps improved by 8 p c and reached 29,500 tons; sales of refined glycerin declined by 6 p c; crashing operations at the Oil Mills slightly exceeded last year's tonnage despite reduced imports of copra; sales of 'Pakav' vanaspati registered a small rise of 3 p c; growth of sales of toilet products was somewhat lower than in previous years; and the Company's exports of branded products improved to Rs 19 lakhs in value. The aggregate value of exports amounted to Rs 1.6 crores as against Rs 71 lakhs in the previous year. The Company has explored new outlets and established several new contacts in the overseas market, particularly for refined groundnut oil. Exports of branded products have also increased. The Company

The Indian Iron and Steel Company Limited

NOTICE

NOTICE is hereby given that the Annual General Meeting (being the Forty-Sixth Ordinary General Meeting) of the Company will be held at the Royal Exchange Hall of the Bengal Chamber of Commerce & Industry, Calcutta-1, at 3 p. m. on Tuesday, the 3rd September, 1963, for the following purposes:

1. To receive and adopt the Audited Accounts for the year ended 31st March, 1963, and the Directors' and Auditors' Reports thereon.
2. To declare a dividend for the year ended 31st March, 1963, on the Ordinary Share Capital. The dividend if sanctioned will be paid on or after the 4th September, 1963.
3. To appoint a Director in place of Mr. R. G. Edwards, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. A. D. Ogilvie who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Dr. N. N. Law who retires by rotation and offers himself for re-appointment.

   In this connection a Special Notice as defined in Section 190 of the Companies Act, 1956 has been received by the Company under Section 281 of that Act to move the following Resolution at the meeting:—

   "That Dr. N. N. Law be and is hereby appointed a Director of the Company and that it is hereby declared that the age limit laid down in Section 280 of the Companies Act, 1956, shall not apply to him."
6. To appoint Auditors and fix their remuneration.

Special Business

7. To consider and if thought fit to pass the following as a Special Resolution in clarification of the Special Resolution passed at the General Meeting of the Company held on the 11th December, 1962:—
   "Resolved that the consent accorded pursuant to Section 314 of the Companies Act, 1956 to Mr John McCracken, a Director of the Company, continuing to hold an office of profit as General Manager of the Company's Works covered and was intended to cover the enjoyment by him of all such benefits as are or shall be admissible to all other overseas recruited staff of the Company of Non-Indian origin."

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.

7th August, 1963.

Note: An Explanatory Statement is annexed to the convening notice issued to members of the Company.

is taking advantage of Government schemes to import machinery and spare prats to modernise its laundry soaps plants at Bombay and Calcutta and to have a new modern plant at Ghaziabad.

The Government has granted the Company a licence to manufacture synthetic detergents and approved a foreign exchange loan from I C I C I for import of a plant in this connection. The Company, will invest shortly a further amount of Rs 37.50 lakhs in Tata-Finlay enterprises, which, in addition to the packaged tea project, will undertake a new project for manufacturing instant tea which will be largely exported to European and American markets.

The company's selling agency agreement with Tata Chemicals has, the Chairman revealed, now been revised and earnings therefrom have considerably increased.

Raymond Woollen

THE pre-tax profits of Raymond Woollen Mills for the year ended December 1962 have risen by 12.59 p c to Rs 50.44 lakhs, but as a result of the increased provision for income-tax and super-tax by Rs 3.30 lakhs at Rs 24.30 lakhs and the incidence of SPT at Rs 6 lakhs profits after tax are lower at Rs 20.14 lakhs as compared with Rs 23.80 lakhs in the previous year. The incidence of the taxes works out at 62.35 p c of the assessable income of the Company for the year.

The entire woollen industry has now switched over to defence production. The Company is therefore working with substantial orders on hand for defence materials. The Company is going ahead with a scheme of complete modernisation of its mills in wool combing, spinning and weaving departments. The Company is allotted 24 heavy power looms to expand the existing capacity for defence production.

After appropriating Rs 95,000 (Rs 70,000) to development rebate reserve, Rs 1 lakh (Rs 1 lakh) to investment depreciation reserve and Rs 10 lakhs (Rs 9.70 lakhs) to General Reserve No 2, out of the disposable amount of Rs 23.09 lakhs, the Directors have declared a dividend at 6.5 p c subject to tax on preference shares and at the rate of Rs 12.00 (same) per share on ordinary shares subject to tax. The Preference and Ordinary dividends will absorb Rs 1,62,500 and Rs 9,00,000 respectively.

Usha Sewing Machines

PIONEERS in the export of light engineering goods, Jay Engineering have touched a new high in the export of sewing machines. These exports go not only to the developing countries but also to the industrialised ones which have highly developed engineering industries of their own. West Germany, for instance, will import 72,000 Usha sewing machines during the next three years. This is the largest single export order received by Jay Engineering, which already exports 1,500 sewing machines to the United States and 1,000 sewing machines to the United kingdom per month.

Money Market

(Thursday Morning,)

THERE was a sudden spurt in the inter-bank call money rate which opened higher at one and a half per cent on Monday, and went up to three per cent within a day. The hardening of the rate is attributed in some quarters to the flight of funds to Calcutta where the call rate has been higher than 3 per cent for some time. However this movement of funds is likely to be a temporary one, impelled by the slack season and falling bank credit which contracted by Rs 14.61 crores during the week ended July 27. Present indications are that the rate may not move up further since funds are freely available at current rates.

During the week ended July 26, although aggregate deposits of scheduled banks fell by Rs 5.34 crores, the decline in bank credit by Rs 14.61 crores has kept the resources position of the banks comfortable. The depletion of cash and balances with the Reserve Bank by Rs 24.60 crores, reduction of call and short notice funds by Rs 5.85 crores and increase in borrowings by Rs 3.61 crores from sources other than the Reserve Bank, might reflect a diversion of funds to the Central loans, but paradoxically investment in Government securities showed a decline of Rs 9.93 crores, indicating that banks reduced their holdings of securities considerably.

Active notes expanded during the week ended August 2, by Rs 6.23 crores, the expansion being a normal feature in the first week of a month. This demand was met by the Banking Department without additional note issue which actually contracted by Rs 42 lakhs. Foreign assets are down by Rs 2.58 crores, the result of a reduction of foreign securities by Rs 3 crores and a rise of foreign balances by Rs 42 lakhs. Central Government's deposits which rose last week by Rs 94 crores have fallen by Rs 28.11 crores while State Governments' deposits have risen by Rs 23.68 crores. On the other hand, loans to governments have been reduced by Rs 17.85 crores. Investments of the Bank record a fall of Rs 4.45 crores (as against a rise of Rs 13.43 crores in the previous week) but this was countered by a rise of Rs 3.01 crores in the Rupee securities in the Issue Departmennt and a sharp rise of Rs 14.61 crores in bills purchased and discounted.

In the gilt-edged market, firm conditions continued to prevail with demand existing for short dateds particularly. The 3 p c 1966/68, 3 p c 1970/75 and 3½ p c 1967 were more prominent and put on about 20 to 25 nP during the week. The new 1969 loan is quoted lower at Rs 99.40 while 4¼ p c 1973 is at a discount of 15 nP. The firmness is expected to continue throughout the slack season.

Around Bombay Markets

As our Market Correspondent is indisposed, "Around Bombay Markets" does not appear this week.

— *Ed.*

The Economic Weekly

Foreign Subscription Rate

Due to increase in foreign postal rates it has been found necessary to revise our foreign subscription rate. With effect from July 1963, the annual foreign subscription will be Rs 34, 50s or $ 7.

A FERNANDES
Business Manager

CURRENT STATISTICS

BANKING RETURNS

(*Rs crores*)

Reserve Bank	Aug 2	July 26	July 5	Aug 3, '62
1 Note circulation	2215.13	2208.91	2274.48	2045.20
2 Rupee coin	119.65	120.08	113.89	119.83
3 Deposits				
(a) Central Govt	121.16	149.27	73.37	49.08
(b) Other Govts	32.79	9.11	9.00	36.07
(c) Banks	82.73	85.87	100.09	94.88
(d) Others	204.64	209.63	207.02	203.80
4 Foreign securities	92.26	95.26	95.89	92.84
5 Balance abroad	5.98	5.56	5.63	6.22
6 Rupee securities	1904.32	1901.31	1970.65	1733.49
7 Investments	327.11	331.56	261.02	305.37
8 Loans and advances to Govts	38.48	56.33	69.72	27.77
9 Other loans and advances	138.10	129.69	137.95	131.33

Scheduled Banks	July 26	July 19	June 28	July 27, '62
1 Aggregate deposits (net)	2174.74	2180.07	2134.99	2043.68
Demand (net)	928.49	920.15	899.73	798.86
Time (net)	1426.24	1259.92	1235.26	1244.82
2 Cash in hand	51.45	52.06	62.74	48.47
3 Balance with Reserve Bank	79.33	103.32	91.90	98.33
4 (2)+(3) as % of (1)	6.01	7.13	7.24	7.18
5 Borrowings from Reserve Bank	0.34	0.47	1.49	0.63
(a) Against usance bills and/or promissory notes	0.09	0.09	0.09	0.17
(b) Others	0.25	0.38	1.40	0.46
6 Advances	1272.14	1287.54	1316.01	1214.92
(a) State Bank	245.94	252.83	262.99	263.72
(b) Others	1026.20	1034.71	1053.02	951.20
7 Bills discounted				
(a) Inland	162.45	160.98	161.58	123.83
(b) Foreign	51.46	52.14	51.98	47.59
(c) Total	213.91	213.12	213.56	171.42
(i) State Bank	16.84	16.46	17.15	15.40
(ii) Others	197.07	196.66	196.41	156.02
8 (6)+(7) as % of (1)	68.33	68.84	71.64	67.84
9 Investment in Govt Securities	687.17	697.08	652.98	655.54
10 (9) as % of (1)	31.60	31.98	30.58	32.08

Bombay Money Rates

(*Per cent per annum*)

	July 26	July 19	June 28	July 27, '62
Call money from Banks	3.48	0.80	2.08	0.75
Deposits				
Seven days	3.00	3.00	3.00	2.97
Three months	—	—	—	—
Six months	3.75	3.75	3.75	3.75

INDEX NUMBER OF WHOLESALE PRICES

Group and Sub-group	WEEK ENDING			
	13-7-'63	6-7-63	15-6-63	14-7-62
Food Articles	138.2	137.8	134.4	128.3
Cereals	114.9	114.8	112.1	106.8
Pulses	110.5	109.0	109.0	105.0
Fruits & Vegetables	139.8	141.0	140.0	148.9
Milk & Ghee	134.0	133.8	127.7	127.3
Edible Oils	152.0	152.1	151.5	155.4
Fish, Eggs & Meat	147.2	145.9	144.7	145.6
Sugar and Gur	193.1	194.0	188.1	149.4
Others	188.6	186.3	179.2	171.7
Liquor and Tobacco	119.3	117.9	119.3	99.1
Tobacco	110.3	114.9	116.3	95.5
Fuel, Power, Light & Lubricants	137.1	137.1	137.1	123.7
Industrial Raw Materials	139.0	139.4	138.4	138.5
Fibres	130.3	132.2	133.3	130.3
Oilseeds	156.8	155.8	152.2	155.5
Minerals	93.4	93.4	93.4	93.4
Others	125.4	125.6	125.1	125.4
Manufactures	130.3	130.4	130.6	129.4
Intermediate Products	140.2	139.8	139.2	142.2
Finished Products	128.7	128.9	129.2	127.3
Textiles	126.0	126.5	127.3	126.7
Cotton	135.0	135.3	135.4	129.2
Jute	97.0	98.2	101.5	118.0
Woollen	150.9	150.9	142.7	141.3
Silk & Rayon	135.8	135.8	137.0	129.1
Metal products	161.5	161.5	161.5	160.5
Chemicals	117.2	117.2	117.5	115.5
Oil cakes	170.7	170.2	166.3	157.3
Machinery & Transport Equipment	123.4	123.4	123.2	117.9
Others	128.4	128.3	128.2	125.6
All Commodities	135.6	135.5	133.1	129.4

JUTE

Production, Stocks and Despatches of Gunnies

('000 *Metric Tons*)

	May '63	April '63	July '62-May '63	July '61 May '62
Production				
Hessian	43.7	43.8	473.4	376.7
Sacking	42.4	43.2	491.8	462.5
Others	18.8	18.4	152.7	132.0
Total	104.9	105.4	11,17.9	971.2
Equivalent consumption in lakh bales	6.06	5.93	63.87	55.00
Stocks				
Hessian	32.3	29.0	—	—
Sacking	45.5	45.0	—	—
Others	18.0	16.9	—	—
Total	95.8	90.9	—	—
Despatches*				
Hessian	40.9	45.1	469.7	379.6
Sacking	42.0	42.1	481.3	462.2
Others	17.0	43.7	145.2	116.7
Total	99.9	104.8	10,96.2	958.5

I J M A Purchases of Raw Jute

('000 *bales*)

From India	3,48	3,83	65,76	71,52
From Pakistan	8	28	2,06	3,40

* Includes despatches for exports and *internal consumption.*

Source : Indian Jute Mills Association, Calcutta.

CALCUTTA TEA AUCTIONS

Leaf

Districts	Sale no 6, July 8, 1963			Up to and including Sale no 6, July 8, 1963			Sale no 5, July 10, 1962			Up to and including Sale no 5, July 10, 1962		
	Packages ('000)	Qty (Lakh kilos)	Average price per kg (Rs)	Packages ('000)	Qty (Lakh kilos)	Average price per kg (Rs)	Packages ('000)	Qty (Lakh kilos)	Average price per kg (Rs)	Packages ('000)	Qty (Lakh kilos)	Average price per kg (Rs)
Assam	7.3	3.7	6.85	29.1	14.8	6.11	13.6	6.8	6.30	28.7	14.5	5.90
Cachar	1.4	0.7	4.66	7.3	3.6	4.51	0.4	0.2	3.87	2.0	1.0	3.82
Darjeeling	2.4	1.0	10.28	36.1	15.7	7.97	5.7	2.3	10.20	42.0	18.2	7.49
Dooars	8.9	4.5	5.00	39.8	19.9	4.97	16.0	8.1	4.84	50.2	25.2	4.66
Terai	0.5	0.3	5.18	6.0	2.9	5.00	3.2	1.5	4.60	8.2	4.0	4.55
Tripura	0.5	0.2	4.47	2.3	1.2	4.42	0.5	0.3	3.88	1.6	0.8	3.94
TOTAL	21.1	10.3	6.18	121.0	58.1	6.92	39.4	19.2	5.96	132.8	63.7	5.46

Dust

Districts	Sale no 6, July 8, 1963			Up to and including Sale no 6, July 8, 1963			Sale no 5, July 11, 1962			Up to and including Sale no 5, July 11, 1962		
	Packages ('000)	Qty (Lakh kilos)	Average price per kg (Rs)	Packages ('000)	Qty (Lakh kilos)	Average price per kg (Rs)	Packages ('000)	Qty (Lakh kilos)	Average price per kg (Rs)	Packages ('000)	Qty (Lakh kilos)	Average price per kg (Rs)
Assam	4.7	1.9	5.63	13.5	5.5	5.58	8.2	3.4	5.51	13.9	5.6	5.45
Cachar	0.4	0.1	4.83	1.7	0.7	4.63	—	0.02	4.85	0.2	0.1	4.27
Darjeeling	0.1	—	6.31	0.7	0.3	6.44	—	0.03	5.19	1.0	0.4	5.47
Dooars	3.3	1.3	5.08	16.8	6.7	4.98	5.9	2.3	4.05	17.1	6.7	4.08
Terai	—	—	—	0.5	0.2	4.63	—	0.01	4.50	0.5	0.2	3.79
Tripura	1.1	—	4.45	0.2	0.1	4.31	0.1	0.04	3.10	0.1	0.05	3.21
TOTAL	8.6	3.4	5.38	33.4	13.4	5.23	14.4	5.8	4.91	32.8	13.1	4.71

Source : Department of Commercial Intelligence and Statistics, Government of India.

Production of Petroleum and Petroleum Products

('000 *Metric Tons*)

	Mar '63	Feb '63	Mar '62	1962 (Average)
Crude Petroleum	NA	NA*	97.3	85.1
Petroleum products				
Light distillates	128.2	101.2	84.6	96.8
Kerosenes	117.3	106.6	93.5	97.3
Diesels	181.3	149.4	144.2	149.3
Lubricants	3.1	3.0	2.3	2.1
Bitumens	31.7	32.9	30.4	30.7
Heavy ends	203.3	159.5	119.9	162.9
Other products	10.3	9.2	9.6	10.7
Total of petroleum products	675.2	561.8	484.5	549.8

* The figure for Jan '63 is 117.7.

Source : Ministry of Mines and Fuel, Government of India.

Cloth Production

(*Million Metres*)

	Nov '62	Oct '62	Nov '61*	1962 (Average)
Coarse	69.8	64.8	75.9	62.7
Lower medium	114.9	106.2	133.8	117.2
Higher medium	153.4	141.5	170.9	163.5
Fine	19.3	17.2	14.8	16.1
Superfine	23.7	20.5	19.4	20.9
Total	381.1	350.3	414.9	380.3

* In million yards.

Source : Textile Commissioner, Government of India, Bombay.

Working Class Cost of Living Index

(*Base adjusted to* 1949=100)

	April '63	Mar '63	April '62	1962 (Average)
Gauhati	111	111	111	112
Ahmedabad	—	115	121	122
Madras	149	149	149	150
Bombay	142	143	143	145
Bangalore	—	—	152	153
Kanpur	105	105	102	107
Calcutta	117	123	117	120
Delhi	—	—	129	130
All-India	131	130	128	130

Source : Central Statistical Organisation, Cabinet Secretariat.

Joint Stock Companies

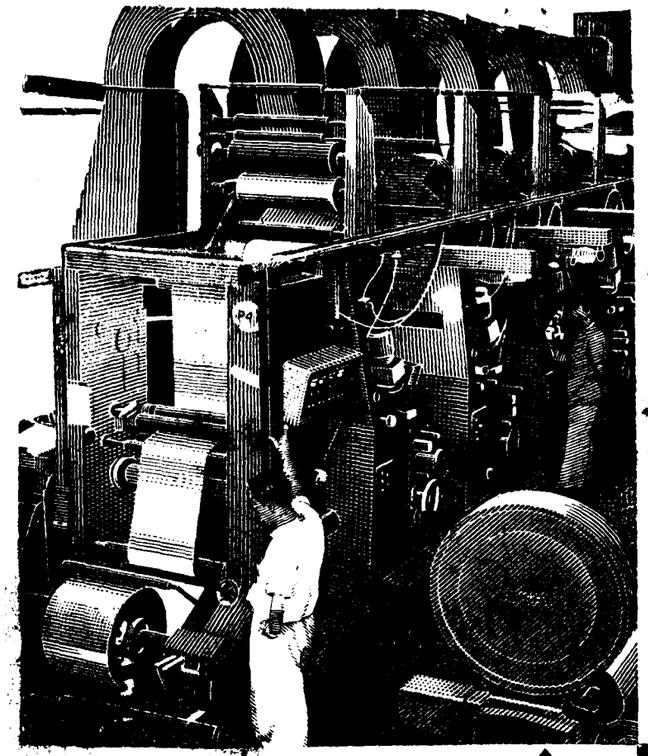
New Registrations and Liquidations

(*All amounts in Rs Lakhs*)

	Mar '63	Feb '63	Mar '62	1962 (Average)
Incorporated and registered				
No of companies	129	103	116	128
Authorised capital	21,34	14,22	66,72	25,82
Ceased to work				
No of companies	48	69	166	94
Paid-up capital	25	22	133	55
Over-all variations in paid-up capital of all companies	—	+15,40	+8,47	+12,83

Source : Department of Company Law Administration, Ministry of Commerce and Industry, Government of India.

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60 YEARS IN INDIA

FINISHES ON FOIL

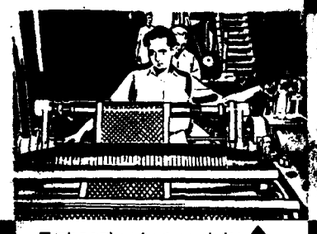
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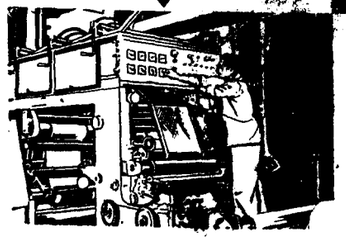
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Defreezing Steel

THE Minister of Steel and Heavy Industries has learnt quite a lot in the intervening period since he made those fatuous remarks about steel pricing and issued a fiat that the retention price for steel be based upon cent-per-cent capacity working of plants and disallowed the element in the retention price which was to compensate the interest chargeable on the special advance made to the steel companies. He is perhaps a much wiser man today, judging from the speeches he has been making about the necessity of reviewing Government's approach to the problems of steel distribution and pricing.

There is a general expectation in the air that as a result of this re-thinking, the octopus controls and the rigidity imposed by them will be relaxed and that an economic price will be fixed for steel some day, so that steel producers may be able not only to produce to their maximum capacity but also be encouraged to expand. All this is in the air, but nothing has been done yet.

Having taken an impossible stand and lacking the courage to own up his mistake and make amends, the Minister had, however, the shrewdness to appoint a committee headed by Professor K N Raj, suspected of socialist sympathies, to pull him out of the mess. In its interim report, the Raj committee, *apropos* of nothing, laid down the only sensible principle of depreciation which can apply to the costing of steel which is no other than that adopted both by the World Bank and the British Steel Federation. From a commonsense understanding, absolute retention price should be no concern of the Raj committee, which is concerned with the distribution and, of course, with the price differentials between different steel products. It is the inappropriate relative prices of products which distort the pattern both of production and distribution of different types of products. Anyway, the Raj committee has paved the way and the Minister should not take long to muster sufficient courage to face the problem squarely and straighten it out.

In the statements, issued at about the same time, by the Chairmen of the two private sector companies (published in full in last week's issue) one naturally expected some reflection of the change in attitude, expected rather than realised, in regard to the future of steel. There is perhaps a basic accord in the two statements. Both discuss prospects of expansion but not in the same tone. There is a contrast in their style of presentation which is so sharp that it cannot possibly be missed. This is not entirely explained by the differences in their respective personalities. Is it because the performance of the two companies has been different ? While the Indian Iron and Steel did achieve cent-per-cent capacity production, which was dictated by the Steel Minister, J R D pleaded that in a complex industry like steel involving close coordination of many elements and factors beyond the control of producers, "continuous operation at cent-per-cent capacity is not an easy task". He assured the shareholders, however, that efforts would be made to bring the plant to its full production and [illegible] of which over 90 per cent was achieved by the end of the [illegible]

Sir Biren presented the other side of the medal. True, his company had attained a production cent-per-cent of rated capacity but only at the expense of quality. The percentage of tested steel, as a result of such forced production, had come down from 80 to 60. This went against his grain. It was with the greatest reluctance that the company had lowered its standard, for the maintenance of which he had fought throughout his association with the company of over thirty years. This was not all. In such forced increase in production, there was always the danger of "chances being taken with proper maintenance" and this might "result in disaster". Will Shri Subramaniam now appoint a committee of experts to pull him out of this other mess ?

In contrast to Sir Biren's forthright exposure of the absurd situation created by the Steel Minister's untenable stand, J R D was all sweet reasonableness and full of praise for the Minister for the manner in which he had "sympathetically heard the views expressed by the industry" on a recent occasion. He complimented the Minister for his "fair minded and pragmatic approach to the problem". Is the ukase for cent-per-cent capacity production as the norm for steel pricing also the product of such pragmatism ? All through J R D Tata in his statement has been very much on the defensive. And this is not explained entirely by a standard of performance which he as a steel man, would not judge to be poor. Why has he to be so much on the defensive, to cover his guilt by political association ?

What about the future? Both the Chairmen welcome the chance for expansion if it is given to them. But when Indian Iron after capacity production still finds itself without the rupee resources to finance the needed colliery development for which the World Bank has agreed to lend foreign exchange, when it is threatened with drastic curtailment of production at one of its works because pig iron produced by the company is to be diverted elsewhere, one's faith is not necessarily shaken that these deficiencies will be made good in due course. But one cannot help asking, what has the Steel Minister been waiting for ?

Blind Spot in Town Planning

THERE are Schools and Departments of the Government in every State, except West Bengal, for Town Planning. The planning of cities has also been on the cards. Bombay led with its plan for Greater Bombay some years ago, the master plan for Delhi followed and now Calcutta, too, has an organisation for metropolitan planning. The emphasis in all these is largely on new development and expansion; the problems of new towns, where to locate them, what role they should play in the economic development of the country and how they should be planned, usually dominate the conferences, committees and seminars — some of them sponsored by U N organisations jointly with town planning departments of governments.

While re-development attracts attention, little attention is paid to the more humdrum but much more urgent problems of maintenance of buildings in the old built up areas, of providing them with the minimum of sanitation and ensuring their water supply. In this, Bombay which is so progressive in city development in so many other ways, has been inexplicably and criminally negligent. Every year with the rains many old buildings collapse and the monsoon takes its annual toll of lives. For a few days, the stories of major house crashes in the city are flashed in the papers, pictures published of the mangled bodies of the victims crushed under the debris, and the same old excuse trotted out that the Municipality has no legal powers to compel landlords to repair buildings which they let out and tenants, usually poor, make pitiful efforts to repair which prove of no avail when there is a downpour.

This is a periodical occurrence. Corporators do nothing about it and the people watch helplessly. Why hasn't in all these years the progressive Municipal Corporation of Bombay moved its little finger to protect the inhabitants of tottering buildings which its own surveyors and engineers should be able to mark out and condemn to be pulled down or adequately repaired ? The same story is repeated every year — the Corporation lacks legal powers to get anything done. But why does it not ask for these powers, assume them and carry out this basic duty of protecting the lives and limbs of the dwellers in unsafe buildings ?

The houses which collapse show the same invariant pattern. Either these are in the poorer localities or they are annexes of sumptuous mansions which had originally been built in a rickety fashion to serve as servants' quarters but which with the pressure of population over the years have come to house a large number of miscellaneous people working in the city area. A surprisingly large proportion of the houses which collapse, on enquiry will be found to be owned by trusts. This is because individual owners usually have a free hand in exploiting the housing situation and in extracting premiums in spite of Rent Control; in order to get larger premiums, they sometimes find it to their own interest to spend something on repairs and development. In the case of property owned by trusts, this kind of inducement is usually inoperative or weak.

There is absolutely no reason why the Corporation should not get the powers necessary for maintaining buildings in a reasonable state of repair and for ensuring water supply and sanitation. It does not follow however that it will be enough to entrust the Corporation with the necessary powers. What about the means of execution? What about the inability or unwillingness of landlords — not unjustified in all cases — to incur investments from which they cannot obtain adequate returns because of the operation of the Rent Act? Along with the assumption of powers, the Corporation needs an agency of implementation which will have the necessary funds at its disposal to carry out the needed tasks of rebuilding, repair and maintenance. It should not be difficult for a city like Bombay to organise it in the form of a Municipal Development Corporation which can operate on a no-profit basis or even on a commercial basis. To build handsome housing colonies and new suburbs is not enough. The old built-in areas threatened with house collapses have a greater claim to attention.

Textile Machinery: Protection Not Enough

WHAT is the criterion to judge whether an industry has benefited from protection ? This question arises in view of the demand of the cotton textile machinery industry for continuance of protection beyond December 31, 1963 which is now under consideration of the Tariff Commission. The textile machinery industry was first granted protection in 1950 for a three year period and since then it has been extended by successive recommendations of the Tariff Commission, whose last enquiry into the question was held in 1960 when it recommended continuance of protection up to the end of this year.

In support of its demand for continued protection the industry has claimed that it has made considerable progress since 1960. In 1960 there were 13 units engaged in the manufacture of protected items of cotton textile machinery. In addition, one unit had been licensed but had not commenced production. Since then six more units have been licensed so that now there are 20 units registered with the Textile Commissioner. There will be a substantial increase in capacity over 1960 when all the licensed units go into production (see table below). The industry would thus appear to have made good use of the protection granted to it. Its case for continuance of protection is that even the expanded capacity would be far short of the requirements of the textile industry so that the industry needs to be expanded still further.

This is one side of the picture. The other side emerges from the figures of production of textile machinery given in the table. Except fluted rollers, production of all other protected items of machinery is far below capacity — in the case of spinning rings and automatic looms even one-fourth of the installed capacity is not utilised.

This is indeed surprising. The Indian cotton textile industry is among the largest in the world and, besides, it has a huge back-log of replacement and modernisation to make good. According to the Government's own estimate, made some years ago, an investment of no less than Rs 180 crores was considered necessary for the mills to catch up with replacement and modernisation. And, of course, further expansion of the industry will create more demand for machinery. The table gives the annual average demand for textile machinery in the Third Plan as estimated by the Textile Commissioner's Office and the Bombay Millowners' Association.

How, then, does one explain the failure of the cotton textile industry which is clearly in need of large quantities of textile machinery for replacement, modernisation and expansion to sustain the textile machinery industry? True, imports of textile machinery have gone down in recent years. But this is the result of import restrictions, not of a shift to indigenously produced machinery. It has been obvious that the textile machinery industry has not made a hit with the textile mills. So that we have, on the one hand, lower imports of textile machinery and, on the other, a relatively slow increase in the offtake of locally produced machinery. This can only mean that the textile industry is adding to its carry-over of replacement and modernisation needs.

Faced with large unutilised capacity, the textile machinery producers have blamed difficulties of securing raw materials like pig iron, steel and coke either in sufficient quantity or of the necessary quality. These complaints cannot be brushed aside lightly and it would be quite relevant to ask whether there is any point in creating capacity if it cannot be fully utilised for want of raw materials.

But that is by no means the whole story. The textile industry's aversion to locally produced machinery has very sound basis in the relatively poor quality and high prices of such machinery. Textile mills have represented to the Tariff Commission that there has been no appreciable improvement in the quality of machinery since 1960. Consumers continue to complain of poor workmanship and material, substandard finish and dimensional inaccuracies. The textile machinery industry has also failed to keep pace with technological developments in other countries so that modernisation carried out with indigenous machinery is often very soon outdated.

Finally, the low demand for textile machinery is also linked to the slow progress of the Government's scheme of providing financial assistance, through the National Industrial Development Corporation, for the modernisation of the cotton textile industry. The prosperous and well managed mills who have been modernising their equipment rapidly have been reluctant to buy indigenous machinery, particularly since they can get import licences for machinery in view of their being large exporters. However, for the majority of the other mills finance is a principal obstacle to modernisation and it is here

Textile Machinery Industry : Capacity, Production and Demand

	Capacity			Production			Estimate of Annual Average Demand	
	Capacity in 1960	Existing Capacity	Capacity when All Licensed Units Commence Production	1960	1961	1962	Textile Commissioner's Estimate*	Bombay Millowners' Association's Estimate †
Ring Frames (nos)	1,320	2,480	3,856	1,127	1,402	1,571	3,025	5,250
Spindles (millions)	0.94	1.04	1.04	0.54	0.53	0.72	1.60	2.90
Spinning Rings (millions)	1.21	1.42	1.42	0.30	0.74	0.29	2.10	—
Fluted Rollers (lines)	13,896	12,072	24,072	12,649	10,717	11,216	28,500	10,600
Automatic Looms (nos)	1,560	4,300	5,100	374	67	496	9,950	15,000

* Annual average for the Third Plan period.

† Annual average for 1963–66.

that the N I D C was supposed to come in. The N I D C's assistance programme, if it had been put through according to schedule and if the assistance had been linked to the production programme for textile machinery, would have given a shot in the arm to the textile machinery industry.

Protection thus appears as a relatively *minor* issue, particularly since liberal import of textile machinery has to be ruled out in any case. Availability of sufficient raw materials of the requisite quality, production of better quality machines, speed up of assistance to the textile mills for modernisation appear to be far more important.

Weekly Notes

A Purposeless Move

IN their exhilaration at having succeeded — we are constantly reminded "for the first time" — in getting a no-confidence motion against the Government accepted for debate in the Lok Sabha, it is unlikely that the sponsors have paused to consider what they expect to achieve by this exercise. No one will, of course, hold it against them that they can have no hopes of getting the motion passed by the House or bringing about the downfall of the Ministry they affirm to have lost faith in. The Congress majority is too overwhelming for this eventuality to be even considered. But it is a perfectly legitimate purpose of a no-confidence motion to secure a debate on the Government's working, usually centred on some particular policy or act. Can the 70 odd opposition Members who expressed themselves in support of the motion on Tuesday pretend that it will achieve even this limited objective ?

They cannot, and for two very good and obvious reasons.

First, what has come to be called the non-Communist opposition in the Lok Sabha is in fact a jumble of disparate political elements who have little in common as far as their views on political, economic and social matters go. When the no-confidence motion comes up for debate next week, one can be assured of a cacaphony from the opposition benches. The brevity of the motion deserves notice. It reads : "This House expresses its want of confidence in the present Council of Ministers" — the spectacular unity within the non-communist opposition begins and ends with just that.

The other reason why the motion is predestined to achieve nothing at all is that those who have declared themselves in support of it have no alternatives for the policies which they assume to criticise and in which they claim to have no faith. No eyebrows need be raised if during the debate the supporters of the motion speak in the same breath, for instance, of the need to spend more on defence and development and to reduce taxation. There will also be those who will accuse the Government of softness towards China and perhaps Pakistan without making any attempt to suggest what *they* would have the Government do. But, then, coherence and consistency one has long ceased to expect from the opposition, particularly from some of the groups which are supporting this particular move.

The sponsors of the motion could not have been blind to these circumstances. Yet it was perhaps too much to expect them, frustrated by their utter ineffectualness and smothered for a decade and a half by overwhelming Congress majorities, to let pass this chance of a lifetime of playing to the gallery.

Egyptian Socialism

NASSER'S Arab Socialism has never been a mere slogan. In agriculture, over a period of five years beginning immediately after the Revolution in 1952, the Egyptian Government carried through a programme of land redistribution by putting a ceiling on the land which could be held by any individual. It was to be expected that after the feudal landlords the axe would fall on the vast foreign investments in commerce and industry. The Suez crisis speeded up the blow and the confiscation and transfer to the Government of foreign investments appeared more as retaliatory action against the freezing of Egyptian assets in Britain, France and the U S than as a deliberate step towards socialism.

However, the decisive turn towards socialism came in July 1961 on the occasion of the ninth anniversary of the Revolution. By a series of Presidential decrees President Nasser brought about 80 per cent of all organised industry and commerce under Government ownership or control. All banks and insurance companies were nationalised outright. Ninety-one other companies were compelled to reconstitute themselves as "Arab joint stock companies" which meant that they had to surrender 50 per cent of their capital to the Government. All cotton exporters were also asked to form themselves into Arab joint stock companies with 50 per cent Government participation. It was also decreed that in some 159 companies which were named no one could own shares of a market value of more than L E 10,000 and the ownership of the excess shares was transferred to the Government. Finally, only companies in which the Government held at least half the capital were declared eligible to execute contracts and public works for the Government, public authorities and companies in which the Government or public authorities held 25 per cent or more of the capital.

Thus the major part of all commerce and industry in Egypt was already under Government ownership or control before last Monday's announcement nationalising another 276 firms. In many of these companies the Government even now holds 50 per cent of the capital as a result of the 1961 decrees. With the latest phase of nationalisation practically all big and medium commerce and industry come under public ownership.

Critics of President Nasser confidently expected a complete collapse of the economy in 1961 as a result of the failure of the Government to efficiently administer the companies taken over by it. These critics have by now been so strikingly proved wrong that they are not likely to repeat their criticism against last Monday's nationalisation. The first public organisation set up to look after the Government's commercial and industrial interests taken over from foreigners was the Economic Development Organisation in 1957. The E D O was only a holding company. It held the Government's shares in a very wide range of enterprises. Such control as the Government exercised over the companies in which it had an interest was exercised by the Government-appointed directors. Subsequently, two other holding enterprises were created in the public sector, the Misr Organisation and the El-Nasr Organisation. The preference for holding companies with a variety of enterprises under them was based on the desire to preserve the independence and the competitive character of these enterprises. However, as new enterprises were started in the public sector under the five-year plan, other organisations were set up with definite functions like the Petroleum Authority, the Public Organisation for Internal Transport and the Public Organisation for Desert Reclamation.

The nationalisation laws of 1961, however, called for fresh thinking on the question of managing the large number of enterprises which either completely or partially came under Government ownership or control. Faced with a choice between creating more holding companies or reorganising the public sector by forming a number of specialised organisations each one supervising a definite sector of economic activity, the Government decided in favour of specialised organisations. It was thought that this would make for greater efficiency and closer supervision of and better coordination among the different enterprises in each sector. In December 1961, 38 specialised organisations were set up, each one in charge of companies carrying on a particular type of economic activity.

This is similar to the pattern of organisation of public sector enterprise in India. The efficient working of such a system depends on satisfactory solution of the problems of defining in detail the relationship, on the one hand, between the public organisations and the individual enterprises under their control and, on the other, between these organisations and the departments or Ministries of the Government under whose charge they are. It is difficult to judge with what success Egypt has solved these problems, which continue to vex the planners and the Government in this country, but it is significant that the drastic nationalisation of 1961 did not affect industrial production and in 1962-63, according to official sources, the production of public sector undertakings in Egypt rose by as much as 19 per cent.

Will the Shipping Minister Act ?

THE decision of the Karmahom Conference to raise west-bound freight rates by 12.5 per cent turning down the Maritime Freight Commission's recommendation of only 7.5 per cent increase (except for sensitive commodities) has created a most difficult and awkward situation. There is room for doubt about the justification for even the 7.5 per cent increase accepted by the Government; the careless manner in which the Freight Commission processed the case presented by the Conference left many questions unresolved. The situation has to be met, but how ? The Conference seems to be quite adamant.

From the reply given by Shri Raj Bahadur to a question in Parliament, it may appear that the Government is seriously considering the withdrawal of the Indian shipping companies from the Karmahom Conference, rather than accepting an increase in freight which would be unjustified and highly detrimental to our exports. But how much of it is sheer umbrage and how much serious intent to act, frankly one cannot say. If the Government is determined not to accept the freight increase, there are ways in which the situation can be met. But how far will the Government be prepared to go ? Even to make the Indian shipping companies leave the Conference would not be easy for they will not agree on their own accord to do so and cannot, in clear conscience. Having been parties themselves to the increase and having accepted it, how can they break with the Conference on the very same issue on which they had agreed earlier ? The views of Shri Ramaswamy Mudaliar, regarded by the Government as the doyen of Indian ship-owners, are well known. And even the Government-owned Shipping Corporation of India may have its reservations. Assuming these are overcome and the Indian shipping lines do break away, what happens ?

If exports are not to suffer, alternative means of transportation will have to be arranged and arranged speedily. Would freer chartering of ships meet the situation ? They could very easily, so far as physical transportation is concerned. Chartering of ships is nowadays allowed quite freely and there are not many restrictions to be removed. The only restriction is that before chartering of foreign tramps, Indian tramp-owners have to be given their first right of refusal, which is fair enough. But it is the foreign exchange implications of switch over from Conference lines to chartering of foreign tramps which raise problems. In the case of freight carried by Conference lines, the foreign exchange cost is no more than 60 per cent and it will progressively go down over the years. In the case of tramps chartered from foreign owners, some 90 per cent of the carrying cost may have to be incurred in foreign exchange. Therefore, in order to break away from the Conference, the Government and the country have to acquire more shipping.

An alternative, perhaps the easier one, could be not to break away from the Conference but to start a couple of independent shipping lines to carry freight on the same routes as served by Karmahom at rates of freight lower than that charged by the Conference. Even these rates would be fully economical and the pressure of competition just started will in due course initiate a minor rate-war and bring the Conference to its senses.

But whether India will withdraw from the Conference or not, it is high time that the Government stops, by legislation if need be, the vicious system of deferred rebates, which enables the Conference lines to maintain an iron grip on the shippers and prevent them from using non-Conference tonnage. Shippers who do not remain loyal to the Conference lose their accumulated rebates. The system of deferred rebates has always been the target of criticism in this country, but since the Indian companies joined the Conference, this criticism has abated, presumably because of the vested interest acquired by these companies in this particular system. Even the Government of India persuaded itself that there was nothing

wrong in this system and that, on the contrary, it helped to create a stable freight rate system and a regular pattern of sailings, both of which were in the interests of the country. It can now be seen how the system gives the Conference a strangle-hold over the economy. If the present storm should blow over, the Government of India should lose no time in bringing in legislation to eliminate the deferred rebate system so that the country may be better prepared to meet any future difficulties that may arise.

Emergency Speeds Up Haldia

'THE EMERGENCY' usually means a damper if not a dead-stop to all activities except in the sphere of defence. It is, therefore, rather unusual to come across a case where 'the Emergency', instead of calling a halt, has actually speeded up a project. This has happened in the case of Haldia, the proposed deep-sea port for Calcutta. After the emergency, the Government of India, it is reported, has revised the priority for completing Haldia, and this port is now expected to be functioning by 1967 much earlier than previously planned. Unbelievable, but true, that in this one case, the West Bengal Government has acted with energy and commendable speed, and proceedings for acquiring land for building the port and its township have already been completed. The Board of Revenue of the West Bengal Government, which has acquired the land, has gone farther and drawn up a scheme for rehabilitating in a nearby area the families which will be displaced by the Haldia township. The question is now being debated, who will bear the modest cost of rehabilitation? Since these people are being displaced as a result of port development, it stands to reason that the Ministry in charge of ports should bear the cost of rehabilitation but the ways of Government accounting are inscrutable or else, why should so obvious a proposition call for a deputation to be sent to Delhi to wait on the Minister concerned?

The Calcutta Metropolitan Planning Organisation (CMPO) has been entrusted with the task of planning the Haldia township but curiously enough, in its first report which was published recently, very little has been mentioned about the possibility or even the feasibility of providing in the plan for the township in advance for a free-trade zone, for which Haldia is most eminently suited. How is it that Calcutta or the Government of West Bengal are so indifferent to the attractive possibilities of Haldia as a free-trade zone?

It may be recalled that before the Government of India announced its decision to set up a free-trade zone in Kandla port, the Board of Trade of the then Department of International Trade, Ministry of Commerce and Industry, had appointed a committee to go into the question of free-trade zones. This committee reported favourably on the proposal but deliberately refrained from selecting any particular port or ports as suitable for establishing free-trade zones. Instead, it laid down the criteria for selecting sites and suitable industries for free-trade zones and recommended that a start should be made with two different types of ports as an experimental measure and the extension of the idea to other ports should be left to be decided on the basis of the experience gained from their operation. The report of the committee was accepted by the Government, but action on it was postponed, pending the lifting of the emergency. Soon after this, the Government announced its decision in regard to Kandla, which was obviously a prior decision taken on political grounds. The report of the free-trade zone committee was not published and the Calcutta Metropolitan Planning Organisation was not even supplied with a copy.

Even without a detailed enquiry, one can hazard the guess that Haldia, with its well-developed industrial hinterland, internal communication facilities and excellent shipping connections, offers a better scope for the successful operation of a free-trade zone than any other port in India, not excluding Bombay. Bombay may offer comparable advantages in most other respects, except in the matter of the wide open space needed for establishing a free-trade zone. Haldia has still to be built, its township remains to be planned and finding adequate space for any kind of development is no problem at all at this stage. This is not to detract, however, from Bombay's claim to a free-trade zone especially for the chemical industries, provided, operationally and administratively, the location of such a zone in one of the harbour islands proves feasible.

None of the public bodies in Calcutta seems to have taken up the question of the development of Haldia as a free-trade zone at all seriously. It is only the Indian Engineering Association which has been ploughing a lonely furrow pushing its proposal for a free *export* zone for Haldia.

Letter to Editor

Diplomatic Cars

IN the issue of August 10, 1963, Romesh Thapar refers to the 'fantastic prices' at which the S T C was able to sell 'diplomatic cars'. There is little doubt that the prices quoted *are* fantastic. But, I am afraid, he poses the question wrongly when he asks: Who are the *gentlemen* who could afford to pay these fantastic prices for second-hand cars which were not even road-tested by them?

What makes Romesh Thapar think that these second-hand diplomatic cars were bought by "gentlemen"? Not that there are not gentlemen in India who can afford to buy a second-hand Pontiac Katalina for Rs 80,000. But why should they?

Depreciation is a chargeable expense. Therefore, any item eligible for depreciation for purposes of income tax is paid for partially by Government. Cars are not eligible for development rebate but they do qualify for depreciation allowance.

A car purchased by a company is paid for to the extent of roughly 50 per cent by Government. In effect, therefore, the Pontiac Katalina is bought by the company for just Rs 40,000 which is not so fantastic.

Probably, the gentlemen who are prepared to pay fantastic prices as company representatives would not be prepared to pay even half as high prices *qua* gentlemen.

I S GULATI

Baroda,
August 14.

A Calcutta Diary

Cheques and Balances

THE progress, if that be the word, of the new Calcutta Municipal Amendment Bill is in some ways symbolic of the predicament of West Bengal. But let us go back a bit. In 1948 Prafulla Chandra Ghosh, then Chief Minister, superseded the civic body, to the relief of most citizens, and appointed the Biswas Committee, whose report remains a classic on the Corporation inasmuch as most of the evils it recounted are today as rampant. Through manoeuvres that need no detailed recalling, the councillors came back; but even the tolerant B C Roy had later to invoke supersession. Meanwhile three I C S men acted as Commissioners, none enhancing his reputation and one committing suicide for personal reasons. Even when under suspension, various councillors did everything in their power to make things difficult for the Commissioners, mainly through corrupt Corporation officials; re-elected, the councillors' doings became a scandal again.

A year ago B C Roy died; and his successor, Prafulla Chandra Sen, bravely announced that he was going to do something about the Calcutta Corporation. The Congress's unexpected success in Calcutta and the suburbs in the last General Election made it plausible that he might, for while a Communist stronghold could be written off and funds better invested in the rural areas a city loyal to the Congress had to be nurtured. The first thing to do was, of course, to introduce adult franchise; the second to curb the obstructive powers of councillors. The latest legislation, now referred to a select committee, seeks to ensure both by enhancing the financial and other powers of the Government-appointed Commissioner and reducing the notorious Standing Committees to the status of debating societies.

Behind the Scene

Nothing, it might appear, could be simpler for the Chief Minister to do, for the Congress majority in the legislature is decisive. In fact, it is possible that Sen has never found anything harder. And the curious thing is that all the opposition to the municipal bill comes in the name of democracy of which there has never been much in the Corporation, for its electoral rolls have always been rigged. Now it is being said that to increase the powers of the Commissioner, who is an official, is to reduce democratic control; to take away the powers of the Standing Committees is to betray a lack of faith in popularly elected councillors.

Well, well, all Prafulla Sen has to do is point out that he himself is popularly elected, as is the legislature; and they have at least as much right to speak for the people as the councillors. In fact, with the setting up of fully responsible Governments, civic democracy, Britain's first instalment of self-government to India, has become an irrelevant anachronism. Even as some appendices develop into appendicitis, collective bodies without active functions become rackets. The Calcutta Corporation, let it be put quite bluntly, is a racket, a very profitable racket and hence difficult to break. Those who profit from it are powerful men, able almost to challenge the authority of the Chief Minister. The municipal bill's reference to a select committee is not for the purpose of improving the draft. Both contenders need time. Incidentally, the Corporation of Calcutta annually handles a budget of very nearly Rs 10 crores. The Finance Standing Committee consists only of Congressmen; and, until the new bill goes through, the Commissioner's financial powers are ridiculously limited.

On to Football

Let us leave the Corporation and go to the Maidan. There is not much fresh air there; there is money. Soccer is Calcutta's favourite sport; and the big charity matches, as between Mohun Bagan and East Bengal, draw enormous crowds. Tickets are almost unobtainable, unless you know somebody or are prepared to pay fantastic prices. A private company used to sell the tickets. The Government decided to stop the racket. For some undisclosed reason, however, tickets for charity matches, the real money-makers, are still the business of the Indian Football Association. The I F A President is Atulya Ghosh, the sole arbiter of Congress affairs in West Bengal.

And the same Ghosh is President of the Congress Municipal Association, whose opposition to the municipal bill is strong and shrill. He has not yet openly spoken against the bill; he has only seen to it, with his usual thoroughness, that the Association does. For all the show of unity in the West Bengal Congress, for which Nehru has cheered Ghosh more than once, in the Congress Legislative Party there are members who do not hate Sen but love Ghosh more. Next year, it is said in the Maidan, Ghosh will have to choose between the presidentship of the I F A and the chairmanship of the West Bengal Sports Council.

The Choice

At this point comes P C Sen's offer to join the rush for resignations that is now going on in New Delhi. Does he mean it or doesn't he? Ghosh's reaction remains unreported. But it would be surprising if his ambitious heart did not miss a beat in anticipation of early changes in the State's political environment, changes that could favour only him. Those who keep the company of politicians — this writer never does — say that Sen has regained some of his innate spirit of retirement, his early love for "constructive" work in the villages. It is also said that he is more than somewhat disgusted with the political machinations that constantly go on around him. As an administrator Sen has been only a moderate success. Can it be that his heart longs now and again for the image he once had, at least in Hooghly, of a self-less, self-effacing Congress worker?

Can it, equally, be that Ghosh, with his control of the party machine undisputed, longs now and again for the car and the liveried chaprassi that come with Chief Ministership? It is not enough to be told by fellow-Congressmen what a great man he is. One occasionally enjoys a similar opinion from I C S and I A S men. Presidentship of the Congress might promote Ghosh into an all-India leader; but the job is not the prize it once was, is it? But

conducted by this Committee brought out the fact that out of 7,157 petitions entertained in a period of six months in the Revenue Department only 78 pttitions pertain to the secretariat, being in the nature of appeals for review. And out of the rest, 35 petitions call for no action and need not have been entertained. The balance of 6,111 petitions need not have come to the secretariat at all. This is a staggering amount of unnecessary work with which the the secretariat is burdened. The affairs of the Government at other state capitals as well as at Delhi are no different. To eliminate delay all the recent studies have suggested a cut in the proliferation of secretariat functions and duties. They have all stressed the need to confine the secretariat to its legitimate functions, that is, assisting the Minister to frame policies, laying down rules and principles of procedure, work connected with legislation and evaluation of achievements of the various State programmes.

Nobody's Responsibility

The other important cause of delay and inefficiency in Government business is the lack of individual responsibility in the administration. Dr Appleby in his second report on Indian Administraiton remarked: "In India by a curious proliferation of the conception of parliamentary responsibility and cabinet responsibility and by reliance on excessive procedures of cross references there has been built an extraordinary evasion of individual responsibility and a system whereby everybody is responsible for everything before anything is done". In actual practice, unfortunately, nobody is held responsible when anything goes wrong or remains undone. Without building up individual responsibility it is futile to talk about administrative efficiency. Let us illustrate the point. When the Bhakra hoist chamber was flooded was anybody in the administration held responsible for the failure? When the sheet-piling process failed during the construction of the Kotah barrage on Chambal was anyone held responsible? Or for bungling in Rourkela? These are only a few well known cases. In almost every irrigation project in the country the actual area which is found to be irrigable after the completion of the project falls far short of the estimated command area. Not only this, the actual cost of these projects far exceeds the original estimates. Such shortfalls and wrong estimates put the entire plan out of gear. In a communist country people responsible for such bungling would have been severely punished and in a capitalist economy they would lose their jobs. But, then, ours is a mixed economy !

One of the basic tenets of sound administration in a parliamentary democracy is the responsibility of the Cabinet Minister for the departments under them. But in India this responsibility is systematically evaded. Last summer's power failure in Delhi is an instance. Neither the Delhi Electric Supply Undertaking nor the Punjab Government nor even the Union Cabinet Minister in charge of Power and Irrigation accepted responsibility. Ultimately, under bitter criticism and pressure from Parliament, the Union Home Minister had to own responsibility. Similarly, how ludicrous and infantile it appears when the Union Agriculture Minister blames the Planning Commission for the failure of the agricultural programme or when the Union Railway Minister and the Minister in charge of Mines and Fuel blame each other for the failure of the Railways to carry sufficient quantities of coal to the consumer. The people at the top have become past masters in the game of passing the baby on. If such are the traditions set at the highest levels how can we expect an ordinary public servant to be more responsible.

Too Many Rules

Proliferation of rules and statutary laws is another important cause of delay and corruption. Rules and regulations are pouring out of Government presses everybody at a rate that neither the public nor the Government officials can hope to keep abreast of them. Take, for instance, the provision for tax relief when a person purchases a tractor for agricultural use. He is entitled to relief from excise duties and sales tax to the tune of, say, Rs 3,000 or more for a 28 HP tractor, depending on its price. Besides this he has to pay only a nominal registration fee for its use on the road. However, to get this tax relief he is required to procure a certificate either from the Tehsildar or the Agricultural Officer (both of whom are non-gazetted) to the effect that the tractor will be used for agriculture. And if he is detected using the tractor for any other purpose he is liable to pay the full amount of the tax. But with the implementation of land reforms in almost all the States there is hardly an agriculturist left with a holding big enough to provide work for his tractor throughout the year. In practice almost 90 per cent of the tractors purchased by agriculturists are utilised for commercial purposes outside the agricultural season. An agriculturist of common means who has invested nearly Rs 15,000 (probably with loans from the Government) in purchasing the tractor cannot afford to keep the tractor idle for nearly six months in a year. So he becomes a ready prey for the unscrupulous elements in the administration. The officials who frame rules and take decisions little realise the impact of these rules and decisions on the lives of ordinary citizens. But this does not stop them from being extremely self-righteous. Take the case of the Community Development Projects or the Industrial Estates; barring a few exceptions, they have turned out to be complete failures. But none in the Government will concede this.

Nearly a decade has passed since the publication of the Kripalani Committee's report on corruption in Indian Railways, but is there any improvement in the working of the Railways in this respect ? Ask any business man or industrialist who has to book parcels in smalls or goods in wagon loads regularly by rail. He will tell you that there is a fixed fee (not accounted for), according to the traffic importance of the station, which he is required to pay to the station staff for every wagon or package of smalls booked by him.

The Chief Minister of Orissa spoke about the people's court the other day. If things continue as they are to-day, some day the people may in despair take the law into their own hands. What is needed are not palliatives but a radical change in our very conception of administration. The administrators are there not to rule but to minister to the needs of the people.

Letter from South

Kerala Ministry Out to Scuttle Agrarian Reform

THE shady manoeuvres of the Kerala Government to scuttle the land reforms which the Namboodiripad Ministry had initiated and which the Pattom Ministry had more or less kept intact cannot be allowed to pass unnoticed. It had been widely reported at the time of its enactment that this particular piece of agrarian legislation had not only been blessed by the Planning Commission but considered by it as about the best enacted by any State — apart from Kashmir — in the sense of being weighted in favour of the peasantry.

After the Namboodiripad Ministry was forced out of office, it could have been quite easy to sabotage the legislation at the operational level — that is, after all, the fate of so many well-intentioned policies. Two factors, however, precluded this rather easy way out. One was the strength and organisation of the peasantry; the other was the excellence of the Bill itself which left very few loopholes and proved quite difficult to undermine in implementation. Since it could not be undermined it must be destroyed. This is what the Congress Ministry has now set out to do.

The trouble began after the Bill had received the President's assent. The Kerala High Court and the Supreme Court adjudged that certain of its clauses were *ultra vires* of the Constitution. It was expected that the present Ministry would either make the suitable drafting changes or avail itself of the Centre's offer to include the Bill in the Ninth Schedule of the Constitution, thus making it unchallengeable in the courts.

While the Ministry was fumbling, other forces decided to take a hand in the game. The right wing press and land-owners spearheaded by the redoubtable Mannam, began a furious campaign. This octogenarian leader and his lieutenants declared openly that any Government intending to implement the land reforms in their present form would meet the same fate as the Namboodiripad Ministry!

Sensing the possibility of at last gaining a foothold for the Swatantra Party in the State, Rajaji hastened to Kerala at this juncture. He held long conversations with Mannam and with the Catholic landlords and Bishops. He advised them that for the moment there was no need for them to openly transfer their allegiance as he felt that the Kerala Ministry was amenable to pressure, especially in view of the trouble it was having with its own organisational wing which, according to the Swatantra sage, was a Krishna Menon fortress.

The other piece of advice he proferred was that the focus of attack should be "the new tyranny imposed on the small property owners". This tactic he openly proclaimed at the Smallholders Convention held at Palghat towards the end of June. Emboldened by his parabolising oratory, the Committee of the Small Landowners' Association declared that it would create "confusion" throughout the State and, if necessary, stage token satyagraha in all the district headquarters.

Landed Interests Muster Forces

It stated that the Kerala Agrarian Bill and the proposed 17th Amendment Bill to the Constitution were veritable engines of oppression — Malayalam agitation is always victorian in its flamboyance. The latter would bring all ryotwari lands within the purview of "estates" as defined in Article 31A of the Constitution and thus, in its opinion, set at naught all the protection guaranteed in the Constitution in respect of such lands.

In Kerala the Revenue Minister and Catholic strongman, P T Chacko, also asserted himself. He gathered Congress workers loyal to him at a conclave in Kottayam. Talking freely he soundly berated the Central Government for wanting to "amend the sacred Constitution just to validate a piece of Communist legislation". If the Communist Ministry was overthrown, why all this fuss to save its laws? He is reported to have added that as far as he was concerned, the matter was "a prestige issue" and that he would not hesitate to resign if the Union Government went ahead with its amendment and would not allow the State Government complete freedom to draft a new Bill.

Obviously, the Nair communalists and Catholic landed interests were coming together once again to secure their objective—the negation of every single measure of social and economic advance that Kerala had registered in the stormy period of 1957-59.

It is sad to have to write that the Congress High Command, which had blessed the "liberation war" in 1959, once again yielded to right wing pressure and agreed to the demand for an entirely new piece of agrarian legislation. Here we have another failure of the so-called politics of amorphousness. The Kerala Agrarian Bill as it stands today is no ultra radical piece of legislation but a sober law fully consistent with the mixed socialism of the Planning Commission and the Congress High Command. Yet amorphousness cannot absorb it.

The new Bill, it is learnt, will radically differ from the present one in such vital respects as:

(1) the ceiling limit;
(2) fair rent;
(3) compensation; and,
(4) right of the landowners to evict tenants.

Whatever pro-peasant slant on these matters is to be found in the present Bill is now to be ruthlessly removed, the declared principles of the Planning Commission on agrarian reforms are to be openly flouted.

It is not only the very powerful Communist Kerala Karshaka Sangham that is on the move. This is to be expected and its appeal and organisation is both strong and widely ramified. An even more significant portent, however, is the decision of the Kisan Labour Party of Father Vadakkan to join the agitation. Father Vadakkan, it will be recalled, was the founder of the Anti-Communist Front in Kerala and one of the more militant leaders of the "Liberation War" in

1959 against the Namboodiripad Ministry.

Moreover, a large number of Congressmen, and especially Congress M L As, have voiced their concern. They are reported to be trying to get the Kerala Pradesh Congress Committee — the organisational wing already ranged against the Ministry — to scotch the move for *de novo* legislation. Why then a new Bill, he was asked. Powerful independent dailies like *Kerala Kaumudi* and *Pothujanam* have also editorially expressed their protest.

Chacko and company have had to bend somewhat. He has now come out with a statement that the new Bill would contain all the essential features of the old one and only remove certain technical lacunae in the drafting of the old Bill. In reply, he made a further concession — *all* the political leaders of Kerala would be called to a conference to give their views and only then would the Government begin its drafting.

All these manoeuvres are not likely, however, to avert the storm. Unless the Ministry lets go the Swatantra line, Kerala will witness a new round of vast mass action.

Capital View

This Ritual of Renunciation

Romesh Thapar

I HAVE yet to meet a thinking Indian who has been genuinely excited by the recent proceedings of the All-India Congress Committee which culminated in unanimous support for the resolution sponsored by K Kamaraj calling on Congress leaders to be prepared to abandon the comforts and privileges of legislative or ministerial position for the thankless tasks of party organisation. Even the 'mass' resignation offers from the Chief Ministers of non-border States failed to impress. Only the 'private secretaries' and 'personal assistants' were somewhat perturbed about their future prospects — though one would have thought they were less gullible.

The public apathy over these rather sudden developments is understandable. The impression is widespread that nobody in the legislative or ministerial wings of the Congress Party is prepared to quit his vantage position without a fight. Unseemly factional wrangles continue in most of the States, reaching their ugliest proportions in Kerala Madhya Pradesh and Uttar Pradesh S K Patil, and several of his colleagues, behave as if they had inherited their present positions 'for life' And the Prime Minister, only the other day, was asking an audience in the Punjab why he should resign merely to oblige some illiterate critics. What is the meaning, then of these offers to resign by the men who control the legislative and ministerial wing of the party?

Are we to believe the mush which certain newspapers are popularising, that the members of the A I C C were deeply moved by the simple, direct and honest approach of Kamaraj who explained that there was no hope for the party unless the most experienced and respected members transferred themselves from legislative and ministerial functions to work for the organisation? This would be an extraordinary event, for nowhere in the world (not even in the communist countries where the party organisation is strong) have the leaders of the legislative or ministerial wings of a ruling group willingly retreated to organisational tasks. Even Gandhi failed to strike a responsive chord in a party still uncorrupted by the exercise of power when he suggested a return to the people and the abandonment of State power.

A I C C Doctoring Not Enough

Are we to believe that the healthier sections of the ruling party have somehow managed to make their influence felt and that a civilised and humane way is being found to place them in the saddle? Which are these sections? What do they stand for? What evidence do we possess of their influence and activity? Quite clearly, no such trends are visible. Indeed, the opposite is true. The paralysis which afflicts the Congress Party is not easily overcome, for it has been too long neglected. Health can return, but not through A I C C doctoring.

Are we to believe that new combinations of political factions within the party are joining battle behind a smokescreen of self-criticism, hoping over a period of months to manipulate the resignations in such a way as to consolidate the power of the dominant all-India faction? Some such motivation may be present in the political calculations of the aged ruling elite, but there is nothing to suggest that the factions are so organised as to be able to play this rather subtle game of political chess. At State level, however, these calculations may have more relevance.

From what I can gather, this ritual of renunciation which we have just witnessed in the Capital is designed to create the basis for a 'purge' of the legislative and ministerial leadership of the party of those elements which are the main cause of the paralysis. K Kamaraj believes, and he may well be right, that the 'purge' can only be carried out if the popular impression is created that those who vacate their ministerial positions are doing so for the greater good of the Congress Party and the country; after all renunciation of any kind is today about the only act which continues to pay political dividends. The 'purge' of the incurable factionalists and policy-wreckers in the legislative and ministerial leadership will also be accompanied by the transfer of certain very prominent leaders to positions in the party organisation to strengthen the idea that Congressmen *are* taking part in an historic act of renunciation. However, nobody in the High Command believes that the party organisation is going to be galvanised by these developments!

It is true that on paper Jawaharlal Nehru now has the power to direct the country in whichever way he desires by placing his trusted lieutenants in key legislative and ministerial positions. But it is equally clear that the Prime Minister has no intention of interpreting his present role in this manner. Of late, he has become responsive to contrary advice and to this extent he fails to provide decisive leadership. To expect this state of affairs to change as a result of the A I C C meeting would be politically puerile, for it would involve a drastic and far-reaching overhaul of the leadership.

These comments on the ritual of renunciation are not intended to ridicule the Kamaraj Plan. Indeed, the manner of its unfolding is in many ways remarkable and once again offers proof of the tremendous capacity which the Congress Party still has for political manoeuvre. Large sections of the public, angry over the partial failure of economic policies and perturbed by the lack of cohesion at the higher levels of power, will react favourably to the Kamaraj Plan — that is, if it is skilfully implemented and ends the paralysis caused by factional infighting which threatens the very existence of the Congress Party in several States. Half-hearted implementation, or a retreat from the real objectives of the Kamaraj Plan, could also be terribly destructive of Congress prestige.

Barren of Ideology

Clearly, Kamaraj is convinced that the 'purge' will indirectly give new life to the party organisation —and by doing so, make its role more effective in the formulation and execution of policies. And if there are enough prominent leaders at Central and State levels, unaffected by factional battles, to head the party organisation, Kamaraj may yet become the saviour of a disintegrating party. But we have yet to hear powerful voices raised to urge an ideological spring-cleaning, for without this no leadership can hope to remain relevant or viable Significantly, the A I C C session was completely barren of ideology

The Prime Minister is conscious of this grave threat to the future of the Congress Party. Every now and then, in a public or private discussion, he harps on this particular lag in the nation's political development. But there is no sustained effort to achieve any ideological clarity. A diet of old cliches cannot take the place of living ideology which keeps abreast of the profound changes taking place in the international community. In this respect, the opposition parties have also demonstrated their utter bankruptcy. They, too, are largely obsessed with personalities. Policies figure only occasionally in their calculations, and the programmes they enunciate increasingly fail to inspire the people.

There is no denying that the Kamaraj Plan, during implementation or after, will unleash some degree of useful self-criticism which might sharpen attitudes blunted by years of flabby thinking and political opportunism. But unless the debate within the ruling party and outside assumes significant ideological dimensions, we may well be witnessing the beginning of the end of Congress hegemony.

Tailpiece: The government-sponsored National Institute of Community Development, after a survey of the 'perception of the national emergency in the villages', declares that of the more than 3,000 villagers interviewed by the Institute's investigators throughout the country, 83 per cent showed awareness of the Chinese aggression and at least 60 per cent displayed 'even deeper perception' of the Chinese threat and its implications. But two-thirds of the people interviewed had not even heard of the village volunteer force and the defence labour banks. Village India is apparently better informed than urban India!

From the London End

Expansion, but Not Enough

THE latest *Economic Review* of the National Institute of Economic and Social Research published on Monday last deals with two interesting topics. The first is the question whether Britain has lagged behind in developing her overseas trade, particularly in "fast-growing" export items like office machinery, plastics, aircraft, etc, and the second is the need to take "a much more positive approach to planning" to counter the growth of population and the increase in unemployment.

The *Review* takes a generally optimistic view of the prospects for the British economy and anticipates a steady growth until mid-1964. The world economic scene is also regarded more hopefully. Thus, "the outlook for world production and trade looks much better than it did three months ago". Production is expanding once more in Britain, the U S and Japan, and the expansion continues, though a little more slowly, in Western Europe. The position of the primary producers is also improving because of a slight rise in prices of these commodities. All these factors should help Britain.

Neddy Will be Disappointed

Dealing with the British economy, the *Review* states that it has begun "a belated, but fairly sharp" recovery, with national output rising in real terms by between 2 per cent and 2½ per cent in the first six months of 1963. It believes that output will rise slightly faster in the second half and that the upturn will continue till mid-1964. Despite this, however, Britain is not likely to reach the National Economic Development Council's 1966 target. "This rate of rise — 4.5 per cent a year — may continue on present policies up to mid-1964", but even if it continued to 1966, Ned's five-year target of approximately 20 per cent would still not be reached. The expansion so far has been based on a modest rise in consumer spending and a rapid rise in exports. Consumer spending may increase faster with non-durables taking over some of the running from cars and electrical appliances. Although public expenditure is scheduled to rise, little can yet be said about the key factor of private industrial investment. The Institute still foresees an upturn here at the beginning of the next year, but is not quite so confident about it as it was before.

The *Review*, however, is frank enough to admit that these conclusions are only its "appraisal" based on the official statistics released in the last few weeks. One of the most significant of these, the Board of Trade study on private investment,

which is the key factor essential for any significant growth, was not available to the Institute as it was to be published only on Tuesday.

If the problems of regional unemployment and population "explisions" are to be avoided, the National Institute is convinced that Britain needs to take "a much more positive approach to planning, both on a national and a regional scale".

According to the Institute, the first requirement is a national plan for the regional distribution of employment and population. Steps should be taken to discourage the unplanned growth of population in the South-east and London and new centres of growth must be created. The position with regard to regional unemployment in July 1962 as compared with July 1963, is given below :

	July 1963	July 1962
London and S E	62,147 (1.1)	61,945 (1.1)
East and South	29,065 (1.2)	27,456 (1.1)
South-west	17,857 (1.4)	17,207 (1.4)
Midlands	47,741 (1.4)	49,502 (1.4)
Yorks and Lincs	32,419 (1.6)	31,088 (1.4)
North-west	76,543 (2.6)	69,553 (2.3)
Northern	50,510 (4.0)	41,601 (3.2)
Scotland	92,555 (4.3)	75,288 (3.5)
Wales	27,128 (2.8)	26,542 (2.7)
Great Britain	435,965 (2.0)	400,182 (1.8)

* Percentage figures are given within brackets.

Exports have led a fairly sharp recovery in Britain's national output. They rose by about 4½ per cent in volume by May, compared with November 1962. Prospects for a continued, though slower, rise in exports, seem better than they were at this time last year. The Common Market countries' trade gap is much wider than a year ago and "it seems unlikely that the U S deficit will be much smaller in the next twelve months than in the year up to June 1963". British exports are expected to continue to rise though not as fast as in the first half of the year. There might be another 2.3 per cent increase in the volume of British exports, making the total rise during the year abou 8 per cent. "There is no reason, a the moment, to suppose that they will not go on rising into 1964".

The Institute believes, however that imports may outpace exports in volume in the second half of 1963. It expects the current balance of payments to be rather less favourable in the next twelve months, but even so it considers that any worsening is unlikely to be serious enough to force the Government to put the brake on. The Institute expects that if either reserve currency — dollar or sterling—now comes under pressure, it is more likely to be the dollar than the pound.

High Prices, Cause of Low Exports

In the detailed analysis of Britain's export performance, the conclusion it seems to reach is that the main trouble, as far as the British export drive is concerned, has been prices rather than any lack of innovation in British industry. Britain's export performance in both the fast and slow-growing exports in three groups —transport, machinery and chemicals — which make up two-thirds of the total exports of leading manufacturing countries has been compared with those of eight or nine other major industrial countries. In 1954-55, nearly 59 per cent of these countries' exports were fast-growing. Britain's figure was 56 per cent. Dealing specifically with the machinery group of the nine countries in the study, Britain, in 1960-61, had the least advantageous export pattern.

Dealing with the question of whether Britain's slowness in adapting itself to the newer growth industries is the cause of Britain's declining share of world trade, the Institute shows that taking the fastest growing parts of these industries, Britain's share of these exports is lower than that of others, and that while Britain comes out badly in any comparison of exports of the fast-growing engineering goods, there is not sufficient evidence "of any great handicap from an initial bias in Britain's pattern of trade towards slow-growing products". The *Review* continues :

> "We have fallen behind in new products — office machinery, scientific instruments and the wide group of miscellaneous industrial machinery, which includes a good deal of specialised equipment .. It is more doubtful whether our relatively high imports of fast-growing chemicals point to any technical backwardness; the Italian and German import patterns are virtually the same as ours".

On this particular question Professor Barna reaches a different conclusion : that Britain's slowness in adapting itself to the newer growth industries is the cause of Britain's declining share of world trade. Britain's share of world trade has dropped from 21 per cent in 1953 to just over 15 per cent last year. Professor Barna points out that if actual figures of imports and exports of fast-growing products are compared country by country, instead of relying on percentages (as the National Institute does), it becomes clear that Britain's trading position "is worse and frequently far worse than that of our two chief competitors — Germany and the U S". Professor Barna originally outlined this view in April, and he now goes on to say:

> "It is precisely in the fastest growing product group that Britain's export surplus is less than that of the other two countries ... There is thus, over the whole field of trade in manufactures, a systematic relationship : The faster world demand is expanding for a product group, the more inferior is Britain's share in that market ... The inferior trading position of Britain is thus an indication of technical backwardness".

It is interesting to note that the Fielden Committee which recently published its report, based on an analysis of engineering, design and research, came to the same conclusion as Dr Barna.

There are indications that British industry is not changing fast enough to deal with her own export problems. In the light of the new attitude towards world trade, with developing countries demanding a larger share in export markets of traditional manufactures, such as textiles, it is surely unrealistic for Britain and other countries to cling tenaciously to industries which are no longer fast-growing. Surely, in the interests of both Britain and world trade in general, it would be much more worthwhile if serious steps were taken in Britain to alter the structural basis of British industries and a real move was made for Britain to concentrate on the more complicated and faster-growing exports, leaving the more traditional exports to the developing countries.

Letter from Japan

Peace Fighters Fall Out

HIROSHIMA, 1963 may well mark the turning point of the history of the "peace movement" in Japan. Each year since 1954 in August the Gensuiko has held a rally in Hiroshima with the support of the mayor and council of the city against the use of hydrogen and atomic bombs. This movement is supposed to have been, begun by a group of housewives of a Tokyo ward who were determined that Japan should never suffer the agonies of another atomic attack and who were, therefore, opposed to any country manufacturing, owning or using atomic and hydrogen bombs in any form. Since Japan under the so-called "peace constitution" of General MacArthur is forbidden to own any instruments of aggression such as an army, navy or air force, those political parties who supported the original constitution rapidly adopted this movement as their own and give it financial support. The word "peace" in Japan is usually associated with support of the American instituted constitution, support of left wing movements of various sorts and support of the Council againt Atomic Bombs. Thus left wing groups tend to be associated with all "peace movements" and there is thus a strong political element involved.

In the case of the Gensuiko, membership on the executive committee is almost entirely confined to the main left wing groups, the Socialist Party, the Sohyo (the most powerful association of trade unions) the Communist Party and Zenkakuren (National Federation of Students' Associations). The President of the Gensuiko is Yasui, who last year refused to condemn the Russian atomic tests though he had been most outspoken against the earlier American tests and only managed to retain his position by the most ambiguous twists and turns. He is in fact regarded as the nominee of the Japan Communist Party. Owing to the ambiguous attitude of the Gensuiko leadership towards the Russian tests a separate non-political movement was started last year called Kakkin (National Council against Nuclear Weapons and for the Construction of Peace) under the presidentship of Professor Masatoshi Matsushita, head of the Rikkyo University.

Socialists Give in to Communists

However this split between the two sections of the official movement against the atomic bomb did not become acute because of the Socialist Party's anxiety to avoid as far as possible any split within the socialist movement. At the same time the Socialist Party was unwilling to come out openly against the Communist Party and lose the leadership of the movement. The Gensuiko has substantial financial support not only from various political parties and unions but also from a network of local chapters throughout Japan especially among women. To have a separate anti-atomic bomb movement completely independent from the left wing movement was a potential threat to the Socialist Party's position of leadership and last year the Socialists were successful in healing the rift in the movement by getting a guarantee from the Communist Party, that the main platform of Gensuiko would be unconditional opposition to all forms of nuclear testing by any country. The Communist Party, however, managed to retain substantial control over the movement, being much more interested in questions of organisation than in the use of words.

This uneasy state would have continued and the Hiroshima peace rally would have been successful were it not for the fact that the pressure of international affairs and especially the American - Russian peace treaty upset the delegates of the Japan Communist Party. The Japan Communist Party must now be regarded as having arrayed itself unconditionally behind the Chinese Peoples' Republic. The attitude of the Peoples' Republic is that the present Russo-American Treaty is an agreement among robbers to keep their ill-gotten gains derived from the monopoly of atomic weapons. The Japan Communist Party has gradually changed its position from the agreement entered into last year to support the general line of Gensuikyo.

The first sign of this was a leading article in *Akihata* (Red Flag) on July 5 entitled "what is to be done to unify and promote our drive against atomic and hydrogen bombs". The argument may be summarised as follows : Since the imperialist camp is waging aggressive wars in Vietnam and Laos, nuclear tests by imperialist and socialist forces should be differentiated. Thus one cannot judge a "ban the bomb" movement without taking into consideration the nature of the class war. An indiscriminate "ban the bomb" movement plays into the hands of the imperialists at the present time. Thus the test ban movement should be linked to other forms of political struggle such as the opposition to the berthing of US atomic submarines in Japan. On July 28 the Socialist Party magazine, *Shakai Shimpo* carried an article titled "for the success of the World Ban-the-Bomb Convention". It opposed all nuclear testing in any form as constituting a threat not only to the present but the future generations. A nuclear war, it argued, was worse than the possible domination of the world by imperialism. More over, an issue like banning nuclear tests, it was stated, should not be decided on principles but must take account of all views and ideas.

The Hiroshima rally, which commenced on Monday, August 5, has been marked by open factionalism which is so strong that it has prevented united action of any sort except the silent prayer round the Hiroshima peace shrine. The final split in the movement occurred when the Communists instead of yielding ground became more intransigent and in contravention of the decision to limit the number of delegates to 10,300 tried to allow everyone present to vote and packed the meeting with as many 'delegates' as they could get hold of from the various branches of the party. The Russian and Chinese delegates have been making violent speeches against one another and the Russians actually stood with their backs to the rostrum while the Chinese delegates spoke.

It is difficult to understand why the Japan Communist Party has adopted such an extreme attitude. One suspects that the party considered itself sufficiently strong to control

the Gensuikyo irrespective of the opinions of the Japanese people at large and thought they could control the voting. Moreover in the presence of the Chinese delegates, the Japan Communist Party is anxious to show its open loyalty to and support for the Chinese Communist Party. However, the results have been quite contrary to the expectations of the Japan Communist Party. The mayor of Hiroshima with the support of most of the citizens and even the Association of Atom Bomb Victims has forbidden the Gensuikyo to use certain public facilities such as the gymnasium.

Just as the Communists were to open the main meeting packed with their own illegal 'delegates', the Socialist Party and Sohyo announced that they would withdraw completely from the organisation and demanded return of some of the money which they had contributed towards the general expenses. So the split is complete and it seems impossible that it can be healed.

From Marxism to Social Welfare

There is undoubtedly very strong feeling in Japan among the common people against the atom or hydrogen bomb but instead of this feeling being expressed through non-political organisations as, for example, in England with the "Committee for 100" and Canon Collins' movement, it has been controlled and supported by political bodies. I am sure that the anti-atom bomb movement will continue to exist but if it is supported by political groups, it will always tend to be pulled hither and thither by the prevailing political winds. The Socialist Party has acted with great ability in trying to negotiate with the Communist Party but the splint in the Gensuikyo has shown the impossibility of forming a popular front with the Communists on any important issue of principle. During the last few years the Japan Socialist Party has succeeded in projecting a socialist image of itself distinct from that of the Communist Party and even though much of its language is still Marxist in style, it is becoming much more social welfare oriented. In my opinion this change is paying rich dividend and the Liberal Democratic Party is being very slowly undermined in its rural constituencies where farmers are beginning to think for themselves. The most significant aspect of the Hiroshima conference is that, almost for the first time since I have been in Japan, a fundamental moral issue between the Communists and the Socialists has been fought out in the open and the two sides have been clearly seen as opponents in a moral sense.

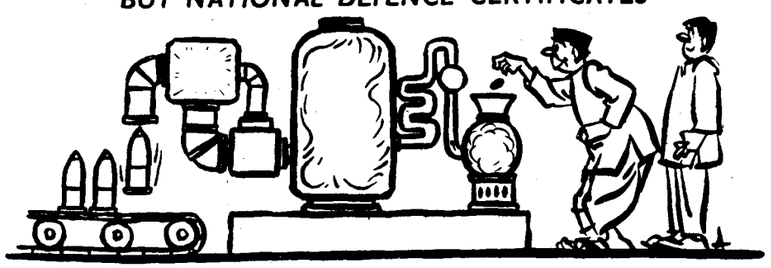
When the atom bomb was dropped on Hiroshima eighteen years ago, 80,000 people were directly killed and every building within 2½ kilometers of the strike was destroyed directly, not taking into consideration the damage done by fires that broke out immediately afterwards. It was not until 1958 however that any government provision was made for the victims. Every person who was within 3 kms of the strike (67,000 people) is entitled today to free medical care and those outside the limit who were in Hiroshima within three weeks of the explosion are entitled to 50 per cent of their medical expenses. The Atomic Bomb Hospital built in 1956 with the money from New Year greeting cards (sold by the Post Office) has treated 36,059 patients which is estimated to be one third of the total number of people affected. It has 120 hospital beds most of which are fully occupied most of the time even now. It has been estimated that about 40,000 people who were in Hiroshima at the time of the explosion still receive medical care in the city. These are official statistics and it can be assumed that there are many people who were affected by the atomic bomb who have not registered and who for various reasons do not come under state aid.

The havoc at Hiroshima and Nagasaki was wrought by bombs which were primitive compared to modern hydrogen bomb. For the Japan Communist Party to oppose only atomic tests by the Imperialists and not every nation which manufactures the bomb will appear to the people like playing with words. The Chinese Communist Party is perhaps inadequately informed about the nature of an atomic war, and may consider itself justified in supporting Communist nuclear bombs but for the Japan Communist Party to follow the lead of the CCP unthinkingly is bound to affect its standing among the people.

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DA 63/F8

A Letter from Paris

Don Quixote or Charlemagne?

"MON GENERAL" said a correspondent, on a hot July afternoon, rising from his seat in the stagy audience hall of the Elysee Palace, home of the French President, "what do you think of the ideological split between the Soviet Union and China?"

The setting was a press conference, if such it be called, the eighth of its kind held by General de Gaulle since he came to power and the question was a routine one, but the correspondent got no immediate reply. "Bien" answered the General, looking like a benevolent grandfather awaiting bed-time questions from a brood of grandchildren, "what is the next question?" "Messieur President" said another correspondent in response, "tell us . . . . ". "Bien" continued the President listening patiently and sounding pleased with himself, "and what is the next question?".

When he thus had some half a dozen questions put to him, the President now turned to his listeners, a respectable if fidgety cackle of some six hundred French and foreign journalists, and unburdened himself of a lecture, pausing just sufficiently to ask a journalist to repeat his question, but not to let him ask a new one.

The de Gaulle Technique

The de Gaulle press conference technique is just about as unique as the man himself, autocratic, imperious, insofar as it does not permit contradiction or cross-examination, but otherwise instructive, even delightful. De Gaulle may be Victorian in a way, but unlike Queen Victoria, he permits himself to be drily amused and is not above wanting to amuse others as well.

Those who listened to him knew full well that when de Gaulle said that "France speaking through the mouth of the President of the Republic" was saying this or that, it was France indeed that was speaking. And France spoke, on the test ban agreement, on Franco-American relations, on the ideological rift between Moscow and Peking and the words came, in mellifluous French, beautifully phrased, laden with wit, sharp satire and complete Gallic logic.

The "logic" was most evident when de Gaulle spoke of the test ban agreement. What, if any, were the merits of the agreement, so-called? De Gaulle picked up the agreement apple, so to speak, for public gaze, examined it for faults and then threw it out of the window as being rotten to the core. And his reasons could not have been more cogent — from the French point of view, or rather from the de Gaulle point of view.

Test Ban-Accord : "Limited Importance"

It was not the first time that nuclear tests had been interrupted, said de Gaulle, staring at his apple with a cold eye. There had been long periods, at various times, when neither of the sides carried out important tests. But abstention was now more probable for the simple reason that either side had carried out so many hundreds of tests that more of them were simply unnecessary. The money involved could henceforth be used to re-inforce "existing means of destruction" and for making more numerous and more powerful missiles and launching pads.

What were the Anglo-Saxons and Russians saying in effect? In the first place, they had refused to include underground tests in their agreement, thus raising doubts about their alleged altruism. In the second place, each party had reserved its rights to abrogate the agreement, if it deemed fit to do so. Where was the purpose of signing an agreement if the intention was to break it at the first convenient moment? The agreement merely indicated that for the time being the signatories were satisfied that they had all that they wished for and wanted no fight till they had time to digest their gains. Nothing in the situation had changed. Both signatories had all the weapons in the world to annihilate the universe. Neither had the slightest intention to give them up, now or ever. "That is why" said the General, looking blandly at his audience, "the Moscow Agreement from the global and practical point of view has only a limited importance".

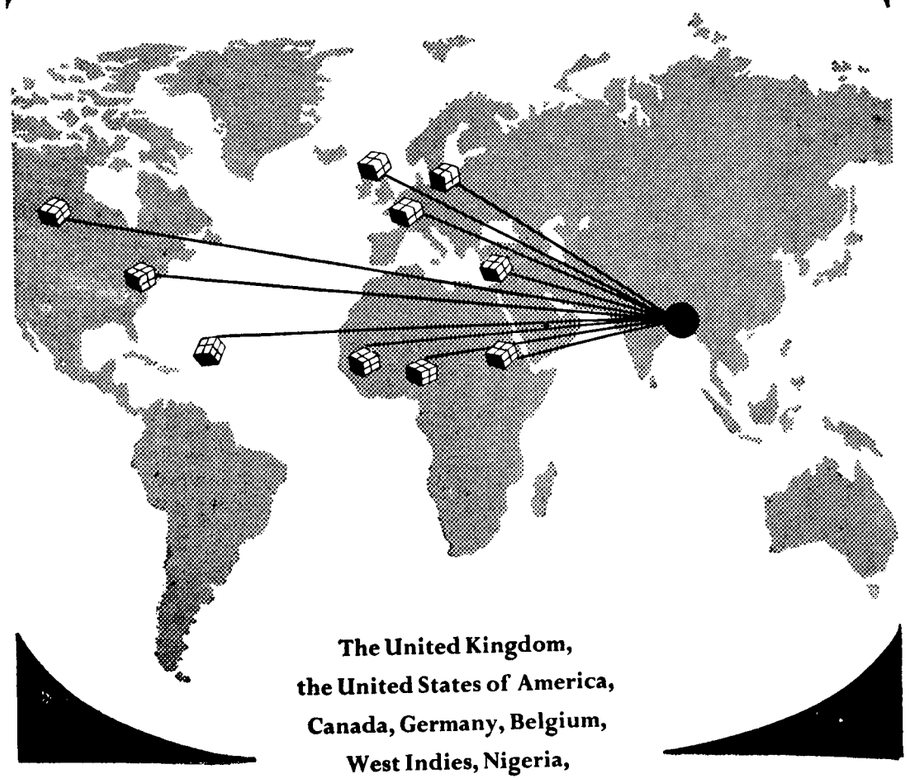
Putting the U S in its Place

He might have said "class dismissed" and retired behind the red curtain from which he had emerged, but a de Gaulle press conference is more than a monologue, it is a Gaullist engagement with the rest of the world. The President had summarily dismissed the Moscow Agreement as so much moonshine, but he had his critics to deal with. There was America. He referred to it as if it were some unfortunate continent, run by a few malevolent journalists whose writings really did not deserve a second look, but there it was, trying to put on a big act of moral rectitude. It had to be put in its place.

This de Gaulle set about doing, with an elaborate recollection of French-American friendship, mentioning in passing Lafayette and Rochambeau from whose assistance America had benefitted. Yes, he seemed to say, America indeed had benifitted from France, but what had France received in return? De Gaulle proceeded to mock at the United States participation in the First World War — two years too late — and in the Second World War — after America had been attacked by Japan. De Gaulle thereby implied, without saying it in so many words, that if the United States did come to French help, it was either too late or somehow not entirely disinterested service. From this the President concluded that Mr Kennedy notwithstanding, it would be foolish to believe that if there be a Third World War, America will automatically rush to France's help. From this it was only one step to say that the creation of a French atomic deterrent was, therefore, an imperative must.

That France has a long way to go before it can manufacture in numbers a sufficiently powerful nuclear bomb is only too well known.

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France, besides, will also have to perfect a missile delivery system and not depend solely on bombers. How long will it take France to be self-sufficient in this regard and what will be the cost to the French people ? So far, no answer has been forthcoming. It is a known fact that at the moment France has committed £ 400 million upwards towards the manufacture of a nuclear bomb, but this is evidently only a beginning. Much more will have to be spent before a nuclear force becomes operational. Even then, it is feared, the French *force de frappe* will come nowhere near American or Russian destructive power; why then, when France is a member of NATO and is covered by the NATO umbrella, should she desire to go it alone ?

Some say that this is due solely to a desire to make France leader of a Third Force in Western Europe; others say this is due to a desire for personal aggrandisement. There is another group which believes that de Gaulle is simply trying to blackmail the Anglo-Americans into giving him atomic secrets and that the scheduled French tests are merely a cover. No single answer is entirely satisfactory. Is it a fear of being let down by the United States, then, the motivating force of French go-it-alone ? What is the answer to de Gaulle's tilting at the atomic windmill ?

Parallel with China

That there is a strange similarity between the Chinese and French points of view on the atomic test agreement is only too plain. What China is to the Soviet bloc, France is to the Western Allies. The Chinese attack against the Soviets sounds almost identical with that of de Gaulle's against his own Allies, except that de Gaulle, who is the more sophisticated and the more cultivated, permitted himself to say that he would understand Mr Kennedy's joy at the signing of the Pact. In this one significant regard, the French differ from the Chinese.

If it is de Gaulle's desire to become a modern Charlemagne, the man to unite all of western Europe under him, then he is probably the most ill-informed man in European christendom. The Germans want his friendship, but not his overlordship. The Germans have been saying that they want European unity, but only as part of the larger Atlantic unity, in which western Europe is bound not only to Britain, but to Canada and the United States as well.

What is more, de Gaulle's probable views do not corroborate with his action. On the question of Britain's entry into the Common Market, he has fallen out with the rest of the Six and on the question of agriculture, he has fallen out with West Germany without whom all his plans for a Greater Europe come to nought. Comparison with China again sounds plausible. France is at loggerheads with practically all her allies, wih the United States on the test ban issue, with Britain on entry into the Common Market, with West Germany on the issue of agriculture, with Italy and Benelux countries on enlargement of the European Economic Community. For all practical purposes, France today is the odd man out in the western camp, even as China is the pariah in the communist camp. And yet there are two contradictions in the French position: one is that de Gaulle believes that in the long run, China has to be isolated and Russia has to make common cause with the West. And even while maintaining this, he is trying to contact China and arrange trade deals with the country he hates. Why, if de Gaulle is afraid of China's long term plans, is he prepared to accommodate it in his short term trade? Again, if he believes that the Soviet Union is going to make common cause with the West, why is he then so abusive of the Kremlin and its efforts to come closer to the West ?

Subtle Blackmail ?

No answers are immediately forthcoming from the Elysee Palace. De Gaulle is a consummate politician and a shrewd judge of events. But even his most intimate followers have not been able to explain his steps. They are simply baffling. One theory is that France is seeking "quick money" in order to finance its giant plans for nuclear self-sufficiency. This is by no means plausible, since Chinese trade is not likely to be of such an order as to make it financially so attractive. Another theory is that France is deliberately trying to annoy the United States into being more accommodative towards her on the model of Pakistan. Pakistan would flirt with China in order to pressurise the United States on the Kashmir issue. Is France flirting with China in order to pressurise Washington into giving her atomic secrets?

The Lesser Evil

Judging from American press reports, the United States, at this moment, does not seem to need much pressurising. President Kennedy himself has now conceded that France is an atomic power. Is that the prelude to talks between Kennedy and de Gaulle on the sharing of some essential secrets? How does this square up with reports that the next round of talks between the United States and the Soviet Union is to deal with preventing the spread of nuclear weapons? What pressures will the Soviet Union bring to bear upon the United States to keep its secrets in tact?

To these questions there are no immediate answers either. Meanwhile, de Gaulle is proceeding as if nothing in the world matters more than his having a first generation set of atomic bombs, playthings when compared to those American and Soviet arsenals. Frenchmen are rather tired of this. Their tragedy is truly great; for them, the alternative to an atom-obssessed general, is a governmental chaos. Millions of Frenchmen would disagree with the General on the need to have an independent French deterrent, but they would rather let him do as he pleases than change him for someone else.

The Economic Weekly

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SAVE FOR NATIONAL DEFENCE

Book Review

The Human Factor in Growth

J Krishnamurty

The Economics of Education by John Vaizey; Faber and Faber, 1962; pages 165, price 21s.

THE economics of education is a relatively new subject. It marks a reaction from the excessive quantification in theoretical economics, especially in the economics of growth. The increased concern with the "growth race" between socialist and non-socialist economies, and with the problems of accelerating growth in the less developed countries has invested the subject with particular interest. It has become an essential part of the search to locate and, to the maximum extent possible, quantify the human factor in economic development.

John Vaizey's book, on his own admission, is "primarily an attempt to review existing work", but he has emphasised "certain lines fruitful of further work" and neglected others which he deems "barren". This, naturally, involves certain judgements which may not command universal acceptance.

To put the subject in its historical perspective, Vaizey begins by considering the views of the classical school on education. Smith and Hume related education to good civil government and economic progress. Ricardo and Malthus emphasised the role of education in inculcating habits leading to family limitation. Mill felt education would impart commonsense and practical judgement. Marx believed that general education was impossible under capitalism. But Marshall was the first to grasp the significance of education when he said: "The most valuable of all capital is that invested in human beings". In the Mathematical Appendix XXIV to his "Principles" one finds the first proper attempt to measure the returns from education.

Measurement of Returns from Education

Later economists have followed Marshall, in regarding the returns from education to the *individual* as measurable. They try to relate income differentials to education. But Vaizey rejects this approach for two reasons. Firstly, income distribution is not a true index of returns to skill, merit, talent, effort, etc. Secondly, a market assessment of returns ignores the important social benefits of education.

The approach which starts with the Cobb-Douglas production function and adds a third factor, the "human factor", is equally unsatisfactory. As Vaizey rightly argues, the isolation of the "human factor" as a residual element is difficult, and even meaningless, since the factor-mix is highly integrated.

Shultz tries to measure the amount of education available to the population by applying the concept of "human capital". Vaizey regards the analogy to physical capital as somewhat forced and prefers, instead, cost-benefit analysis on the analogy of irrigation projects. Vaizey admits that the indirect benefits of education are difficult to assess and ignores the problems involved in choosing discounting procedures for making inter-temporal comparisons of the returns to alternative educational programmes.

From an analysis of expenditure on education in the U K, the U S A and France, Vaizey shows that the proportion of national income spent on education, especially secondary and higher education, is increasing. He is, however, aware of the pitfalls of international comparisons of expenditure on education.

Education and Labour Supply

Educational needs tend to outpace the growth of national income, and Vaizey puts the financial dilemma of education in a nutshell when he says that "education seen in the wider context of the public sector of the economy has a strange place. It is subject to competing pressures for revenue, because it is one of the expanding parts of a society as it grows richer, and often it is financed in part at least from inelastic and regressive local taxes. At the same time, it is an important source of growth for the economy, yet ... it is treated as part of the revenue account, where it is especially subject to short term considerations".

Education has shown a significant increase in capital-intensity, according to Vaizey. Output per teacher has also risen. But for a rational educational policy, and to raise productivity in education, he argues, better educational statistics than are now available are required.

The link between education and the supply of skilled manpower is close, but not rigid. Thus in 1955 there were 5.9 graduate scientists and engineers per thousand of the labour force in the U K, while in the U S A, the figure was 9.3. A high general level of education does, however, make for greater flexibility in the occupational structure and in the acquisition of new skills.

Education and Economic Growth

Vaizey devotes two chapters to an analysis of the relationship between education and economic growth. Education has three roles: it must supply skilled manpower, it must create "a climate" for economic growth and it must teach cultivators rural skills so that agricultural productivity can rise. Unfortunately, in the underdeveloped countries education has been primarily urban and has tended to over-emphasise the arts.

Vaizey places great reliance on the use of labour surpluses in education. He says: "In most underdeveloped countries the use of people as pupils and teachers is virtually costless". He apparently does not realise that the use of even the educated unemployed as teachers is bound to cut into the real surplus of the economy. Vaizey contradicts himself when, later on, he says: "There is also the problem of finding pupils in poor countries. The pupils who are likely to benefit most from education are those who are most likely to earn a wage to help their families, or play an important part on the family farm". This statement can be reconciled with the earlier one only by adopting implicitly some peculiar social valuation of cost.

Finally Vaizey compares studies

made in two underdeveloped countries, Nigeria and Pakistan. The studies are really complementary : the former studies the problem by making projections of the demand for and supply of labour, especially technical personnel; the latter emphasises the financial aspects of a programme of educational development.

Optimum Use of Foreign Aid

One aspect of the economics of education receives inadequate attention in Vaizey's book. He seems to regard the whole idea of foreign aid in education as absurd. Yet there is at least one historical instance, that of Japan[1], where the importance of foreign aid for advancement of technical learning was significant. Some attempts at a theoretical analysis of the import of foreign experts have been made recently. For instance, Professors Raj and Sen argue that "there are . . . alternative ways of increasing the supply of skilled labour. One is to keep importing all the additional skilled labour required in the economy; another is to import technical experts who are good enough to produce more skilled labour within the country but not good enough to produce more such experts; a third alternative is to import 'super experts' who can produce domestically more experts for producing more skilled labour".[2] Correa and Tinbergen [3] develop a simple input-output model to relate the extent of foreign assistance in education to the rate of growth of the economy. They also consider the adaptations necessary in the educational structure if a higher rate of growth is to be achieved without foreign assistance.

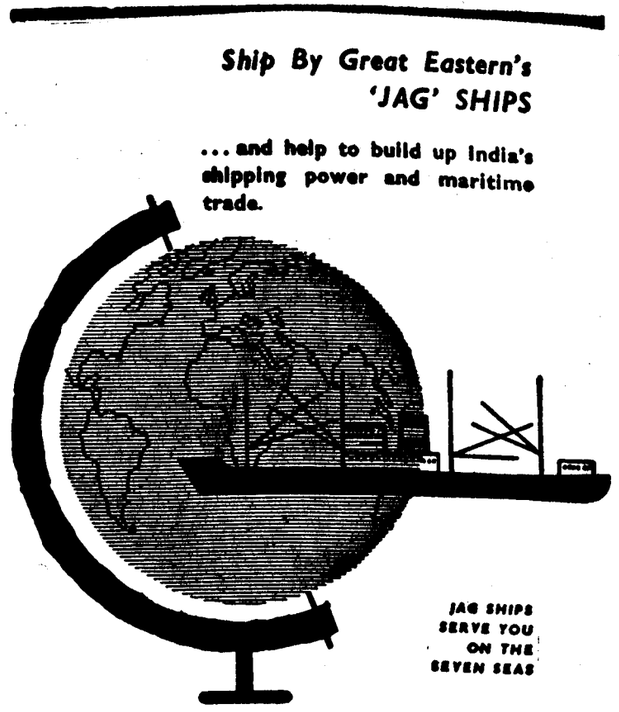
But neither Raj and Sen nor Correa and Tinbergen take account of the important point that import of foreign exports does not provide the only, or necessarily the most valuable, form of foreign assistance. Given a foreign exchange constraint, the choice should not be merely between different levels of foreign exports, but also between different types of personnel to be sent abroad for training and between alternative ways in which they should be utilised on their return — whether as employees, either in the private sector or in the public sector, or as teachers, either in colleges or in teachers' training institutions. Thus the range of choice is much wider, and it is essential that rational choices be made, for education (especially foreign education) is an external economy which should be utilised in a socially optimum manner.

Notes

1 W W Lockwood: "Economic Development of Japan: Growth and Structural Change 1866-1938". Princeton University Press 1954. page 510.

2 K N Raj and A K Sen: "Alternate Patterns of Growth: A Reply", Oxford Economic Papers (New Series) Vol 14, No 2, June 1962, p 201, footnote.

3 H Correa and J Tinbergen: "Adaptation of Education to Growth", Kyklos, Vol XV, 1962.



Tripartite Consultative Machinery for Labour in the States

Rajasthan, a Case Study

Pradeep Kumar

"The tripartite system of settlement of labour problems should in a healthy system become what one might call the way of life, it must become so ingrained in the attitude and outlook of the parties that the occasional need to resort to direct action must appear to them to be a distasteful necessity to which there is no alternative".

— V V Giri, former Union Minister for Labour

The experience with tripartite bodies has, however, shown that while they provide a useful forum for discussions of labour problems, they are yet far from fulfilling the role chalked out for them by the Government.

The critical study of the working of the Rajasthan Labour Advisory Board attempted below throws light on the reasons for the failure of tripartite bodies and also indicates the directions in which effort is necessary to make them less ineffective.

TRIPARTITE deliberations are an important part of industrial relations in India. In the absence of a strong trade union movement — the main hindrance to collective bargaining — these discussions play a vital role in shaping labour policy. The setting up of such tripartite bodies as Labour Advisory Boards at the State level, and the Indian Labour Conference and the Standing Labour Committee at the national level was, therefore, a step in the right direction. As the former Union Labour Minister and a veteran labour leader, Shri V V Giri said "We should not hesistate in giving the pride of place to the machinery of tripartite conferences".[1] The reason is obvious. Labour laws have created many agencies for conciliation, arbitration and adjudication both voluntary and compulsory; and while they all play an important role in the maintenance of industrial peace, their function is somewhat limited in that they are designed to tackle and solve only specific problems. There is no such restriction on the scope of tripartite conferences.

No Change in Attitudes

The tripartite bodies came into being primarily to step up industrial production which required the maximum co-operation between labour and management. The main object of these bodies is "consultation among the three parties with a view to maintaining and promoting harmonious industrial relations and to advise Government on matters affecting labour, which are referred to them".[2] In Shri Giri's opinion, "the tripartite system of settlement of labour problems should in a healthy system become what one might call the way of life, it must become so ingrained in the attitude and outlook of parties that the occasional need to resort to direct action must appear to them to be a distasteful necessity to which there is no alternative".[3]

Although these bodies have served the useful purpose of providing a common forum for free and frank discussion, they have failed to achieve the ideal cherished by Shri Giri. A critical study of the working of the Rajasthan Labour Advisory Board shows that the system has failed to change the attitude and outlook of employers and workers.

Government's Reluctance

The tripartite machinery was first constituted in Bombay and Bihar in 1947. In Rajasthan, the idea was first mooted in 1948, after the formation of United States of Rajasthan, when the then Labour Commissioner, in a letter to the Labour Secretary, emphasised the desirability of setting up some such consultative tripartite body, if not at the State level, at least at the industry level, in the interests of industrial peace and industrial production. (There was a wave of strikes in the years 1947 and 1948 in the textile industry in Rajasthan which employs more than 10,000 workers.) Though the proposal was appreciated by the labour leaders, the Government did not pay any attention. It was engaged in the difficult task of integrating the administration of princely States. Also the officials in the Secretariat lacked vision which is evident from the reply to the Labour Commissioner's letter. The Government felt that "such a tripartite body, even at the industry level, was unnecessary in view of the enforcement of the Industrial Disputes Act and the Employment (Standing Orders) Act. The functions of such a body could be performed by the conciliation boards, courts of enquiry and works committees".

Changing Composition

A consultative body could not come into existence till the middle of 1953, when the Rajasthan Labour Advisory Board was first constituted. This was the result of discussions at the first tripartite labour conference organised by the Government in March 1953.

The composition of the Board has undergone many changes during these 10 years. Some changes were intended to give increased representation. It had in the beginning only 14 members — five each from the employers and the workers and four from the Government. The number has now increased to 24 — eight representatives each of the employers, workers and the Government. As in many other States, the Labour Minister is the ex-officio Chairman of the Board. The consumers have no representation as in Bombay, Madhya Pradesh and Delhi. The Government, however, nominates academicians among its representatives. Legislators having experience in the labour field are called in by special invitation.

The tenure of office of the Board has not been laid down in the Rules as has been done in Bihar, Madras, Orissa and Delhi. The frequency of meetings has also not been prescribed. The Board has met only six times in all — first meeting in 1953 and then in 1954, 1956, 1958, 1959 and 1960. The irregularity and infrequent meetings presumably are due to the lack of interest of the members in the deliberations of the Board. There are generally speaking three to four postponements before a meeting is finally held.

Resolutions Remain on Paper

The Board, during the 10 years of its working, has made several recommendations (it is only an advisory body) covering practically all aspects from an Industrial Truce Resolution for stepping up industrial production during the Second Plan period to unemployment, trade union unity, workers' education, industrial housing, training within industry, labour welfare, paid national and festival holidays, reactivisation of works committees, etc. Most of these recommendations are laudable but due to the indifference of employers and workers they have not been implemented.

Since it is not possible to review the implementation of all the recommendations made by the Board, it is proposed to examine the fate of some of the important recommendations.

Industrial Truce Resolution

The Board at its third meeting held on 17-18 February 1956 unanimously approved an Industrial Truce Resolution for the duration of the Second Plan. Emphasising the need to achieve the target in industrial production, the resolution called upon labour and management to maintain industrial peace and to avert strikes, lockouts, layoffs or slowing down in production. Mutual discussion on problems facing the industry and labour and settlement of disputes through conciliation and negotiations were aimed at. An appeal was made to the parties that recourse to governmental machinery for appropriate intervention and settlement of disputes through conciliation and adjudication should be had only in the case of intricate and complicated problems.

The lukewarm attitude of employers and the desire to test each others' power on the part of labour and management, and the slow and bureaucratic procedures of the Government frustrated the implementation of the Industrial Truce Resolution. Instead of reduction in the industrial unrest — measured in terms of number of man days lost — there was a considerable increase compared to the First Plan period, as Table 1 shows.

It can be observed from the Table that the Industrial Truce Resolution had no impact on industrial unrest. The number of strikes and the number of man-days lost increased considerably during the Second Plan compared to the First Plan.

The resolution also did not significantly affect the reference of industrial disputes to adjudication. While the number of cases referred to the Industrial Tribunal was only 15, 13 and 15 in the years 1953, 1951 and 1955 respectively it increased to 30, 36, 25 and 33 in the years 1956, 1957, 1958 and 1959 respectively (See Table 2).

Holidays

At its first meeting in 1953 the Board recommended observance of seven paid national and festival holidays in all industrial units. No heed was paid to this resolution by the employers. At its third meeting held in 1956 the Board again urged the employers to implement the resolution and asked the State Government to bring in legislation for this purpose if it could not be voluntarily enforced within the next three months. The representatives of the employers had assured at this meeting, that "they will see that festival holidays are implemented by all the employers voluntarily and there remains no need of legislation". The assurance still remains only on paper. Many employers, even in certain large scale units, are not observing these seven paid holidays. And the Government, fond of using moral pressures, has failed to enact any legislation.

Retrenchment

The Board, advising employers against retrenchment, had fixed certain norms to be adhered to in case circumstances did not permit the industrialists to avoid retrenchment. The employers have shown utter indifference to these norms and even during the Emergency as many as 344 workers were retrenched by 9 undertakings during the period November 1962 to June 1963.[1] There are innumerable cases of retrenchment in the pre-Emergency era.

Table 1 : Industrial Unrest in Rajasthan

(1951 to 1961)

Year	No of strikes	No of workers involved	Man-days lost
1951–52	11	3,419	18,309
1952–53	13	6,135	2,04,392
1953–54	16	3,815	5,421
1954–55	17	6,022	31,047
1955–56	12	7,802	39,740
1956–57	13	10,983	64,047
1957–58	25	5,554	17,424
1958–59	34	4,460	39,335
1959–60	14	5,731	96,028
1960–61	14	8,865	1,25,047

Source : Annual Reports of the Labour Department, Government of Rajasthan.

Table 2 : Industrial Disputes Referred to the Industrial Tribunal for Adjudication

Year	Cases Pending at the Beginning of the Year	Cases Instituted During the Year	Total	Cases Disposed of	Cases Pending
1953	—	15	15	—	15
1954	15	13	28	7	21
1955	21	15	36	25	11
1956	11	30	41	8	33
1957	33	36	69	28	41
1958	41	25	66	23	43
1959	43	33	76	19	57
1960	57	17	74	—	—

Source : Annual Report of the Labour Department, Government of Rajasthan.

There are many other resolutions which still remain merely in the files of the Labour Department. Take for instance, the resolutions regarding improvement in the works committees. After passing the same resolution at three meetings, the Board adopted another resolution at its fourth meeting. It was noted in the latter resolution that "Works Committees were not

functioning satisfactorily". A sub-Committee was appointed under the Chairmanship of the Labour Commissioner with two representatives each of employers and workers to examine the working of the Works Committees, the causes of their malfunctioning, and to suggest measures to make them more useful and effective. Out of 32 units where the Works Committees were functioning only 20 units sent replies to the questionnaire issued by the Sub-Committee. The Committee made a detailed study of the working of the Works Committees in various units and gave detailed suggestions. Two important suggestions of the sub-committee were: (a) immediate attention of employers to the unanimous recommendations and their immediate and actual implementation; (b) reporting back by representatives of labour of decisions taken in the Works Committees to the rank and file membership by whatever means possible. Both these suggestions failed to open the closed ears of employers and workers.

Public Sector No Better

The employers in the public sector also have the same indifferent attitude towards the recommendations of the Board. At its third meeting, the Board had resolved that the fair wage clause and contractors' labour regulations on the lines of central P W D should be incorporated in the contract forms of P W D and Irrigation Departments. Later on, a sub-committee was appointed by the Government for this purpose which recommended that a separate clause for the adoption of Regulations should be added in the revised contract agreement. The recommendations of the Board are still "under consideration" of the Government.

At the third meeting, again, a resolution was unanimously passed urging that sincere efforts should be made to achieve "one union in the industry". This objective is still unrealised and the labour movement is ridden with political rivalry and unstable and weak unions.

It is not that no recommendations of the Board have been put into effect. Some of them have been implemented but these were such as needed only Government action. The fixation of minimum wages was one such important recommendation. The Board at its second meeting held on 30th January 1954 recommended fixation of minimum wages in employments like wool cleaning and pressing, cotton ginning and pressing, printing presses, etc. A Minimum Wages Board was set up by the Government. Minimum wages were also fixed in 9 scheduled employments under Minimum Wages Act 1958. However, the recommendations regarding fixation of wages in cotton textiles, cement and metal industries were put off due to the appointment of Central Wage Boards.

Again, the Rajasthan Productivity Council has been set up on the recommendation of the Board. Workers' Education Programme has been initiated in this region on the request of the Board. The Board at its fourth meeting had requested the Government of India to keep at least one centre in Rajasthan implementing the programme of workers' education. Further, on the suggestion of the sub-Committee appointed by the Board two centres were opened by the State Government in 1958 to impart training in labour laws to trade union workers.

The Industrial Housing Programme got additional fillip due to the concern expressed by the Board at many of its meetings. A Standing Labour Committee on the lines of such a committee at the National level was set up by the Government in October 1960. The Committee has met twice in these one and half years and has made important recommendations. In the light of discussions at the meetings of the Board and its recommendations the State Government has taken effective steps to enforce the Code of Discipline and scheme of joint participation in management. Further, the Government has revised the minimum wages for agricultural labour. Inspectors have also been appointed to see to the enforcement of the legislation in this field.

No Perceptible Impact

On the whole, however, the Board has not been able to make any perceptible impact on the labour policy and on the maintenance of harmonious labour-management relations. The hopes of changing the attitudes of parties in industrial disputes have not been fulfilled due to the lukewarm attitude of the employers towards the recommendations of the Board. A member has commented on the working of the Board: "the Board is a discussion club, where the members satisfy their urge for self-expression. They make loud suggestions without being serious towards them". Although free and frank discussion of the problems and policies is not unimportant, loud thinking and verbal participation are not enough to achieve the aims of the tripartite machinery. The fact that the recommendations of the Board have only moral binding, makes it a weak institution as the parties, especially the employers, succumb to moral pressure only when it is advantageous to them.

In order to revitalise this machinery it is necessary to make its recommendations more binding. It may not be necessary to enact legislation for this purpose; the Government can force the implementation of its recommendations by other means also, such as withdrawal of certain facilities given to employers. The broadening of the membership of the Board is also desirable. It would be necessary to give representation to all the industries. The constitution of the Bihar Labour Advisory Board is exemplary where representation is on industry basis, there being two representatives of employers and two of employees of every industry.

Notes

1 V V Giri, Inaugural speech to the first Tripartite Labour Conference, Rajasthan, held at Jaipur on March, 29-30, 1953. One of the subjects discussed in this conference was the formation of Rajasthan Tripartite Labour Advisory Board.

2 "Tripartite Machinery for Labour in the States", *Indian Labour Gazette*, Vol XIII No 12, p 907. For composition, structure and working of tripartite machinery for labour at the centre refer "Tripartite Consultative Machinery for Labour at the Centre", *Indian Labour Gazette*, Vol XIII, No 7, January 1956. Also refer to "Consultative Machinery in the Labour Field", and Tripartite Decisions (1947-1962), Labour Bureau, Ministry of Labour and Employment, Government of India.

3 V V Giri, *op cit.*

4 Agenda Notes of Seventh Meeting of Labour Advisory Board; August 1963. Note on "Working of Industrial Truce Resolution in Rajasthan".



Sociological and Economic Explanations

A Comment

Samir Dasgupta

In his article "Sociological and Economic Explanations: An Illustration from the Indian Iron and Steel Industry" in the last Annual Number, Amartya Kumar Sen delineated a methodological framework for causal explanation in economic history.

This note attempts to comment on some inadequacies of Sen's framework and also touches on certain important issues which are basic to the type of methodological discussion he has raised.

(The author is indebted for comments and criticisms to Professor Robert W Fogel.)

LET me summarise Sen's position.

How should an economic historian go about explaining the occurrence of a given economic phenomenon, he asks, when the causal forces run both from economic and non-economic factors? The *general rule* is that economists must not try to explain economic phenomena without also investigating relevant non-economic factors. This rule, he thinks, is not of much use as a practical guide, and hence the economic historian should look for purely economic explanation (except in situations where an economic event has no purely economic causation). A purely economic explanation, he adds, can be given if one of the two following conditions are met:

> "(a) the sociological (by which Sen implies non-economic) factors did not have an appreciable result on the phenomenon in question, or (b) the sociological factors themselves could, in their turn, be explained by economic factors".

Type (b) explanation, furthermore, need not be confined to a two-stage enquiry; the search for an economic explanation could be stretched as many steps backward as necessary in order to hit upon a purely economic cause. Finally, in such cases of multi-stage enquiry the economic historian should normally stop his investigation as soon as he arrives at a purely economic explanation.

II

Range of Alternative Possibilities

Now it is not clear why Sen thinks that, between his type (a) and type (b) explanations, the relevant range of alternative possibilities is exhausted. In describing the two types he talks of economic *or* non-economic factors having 'appreciable effects' on a given phenomenon. I should presume that, according to Sen, an event B *having appreciable effects* on an event A means that B *is a sufficient explanation* for A. The sufficiency criterion is here being understood in the usual logical sense (i e, "if B then A").

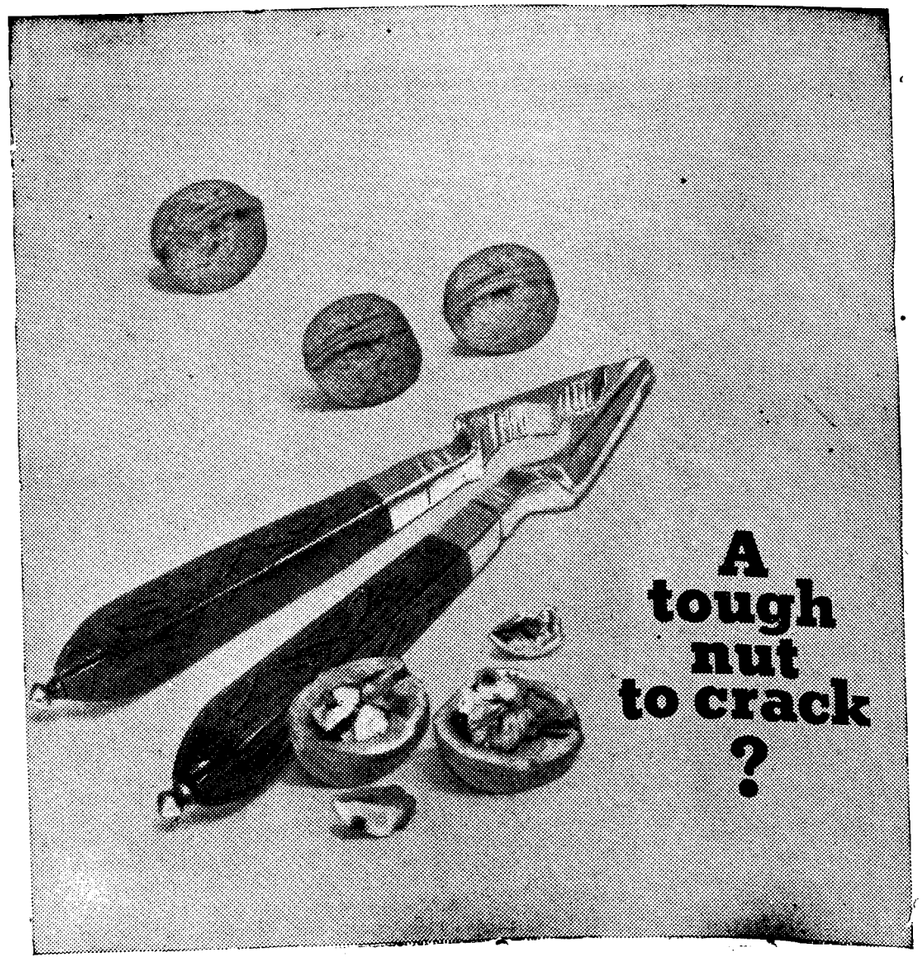
One could then easily conceive of a situation, say type (c), where there were both economic *and* non-economic factors in a given unit of historical period either of which could sufficiently explain a given economic phenomenon occurring in (let us say) the immediate subsequent period. Pictorially, if Sen's type (a) looks like and type (b) like then the suggested type (c) will, in its simplest form, look like

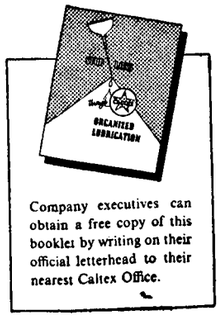
The symbols in brackets stand for non-economic factors, an arrow indicates, the direction of causation, and a line running between any pair of symbols suggests their contemporaneity.

I refer to this possibility for no less a reason than that it is a highly typical situation encountered by economic historians. For example, if Rosen[1] did not make the rather brusque and unpredicated assertion that, in the period of his concern, political factors were insignificant, his case would have conformed to type (c) rather than type (a)[2]. It is also to be noted that while Sen debunks the "each case on its merits" approach, his two-type framework discreetly evades the basic issue. Neither type (a) nor type (b) faces the normal problem of comparing at each stage the relative merits of two classes of causal force when each may serve as a sufficient explanation for a given event. In other words, Sen not only criticises the above approach but also implicitly denies the existence of the constant problem of comparison in a chain of sufficient causes, each link of which is composed of both economic and non-economic factors. The real trouble with the "each case on its merits" approach arises precisely when a relevant 'link' involves both classes of sufficient causes.

Perhaps Sen's contention is that a situation like type (c) need not bother the economic historian; he should look upon this as a variant of type (a) insofar as there existed a sufficient economic explanation (e g B) in the immediate neighbourhood of the event A. While logically there is nothing wrong about this approach, it is hard to see how the economic historian can hope to do a fruitful job by strictly adhering to this sufficiency criterion. When most thoughtful economic historians are now striving hard to turn the surge of analytical fragmentation (which has been aggravated, among other things, by a positivistic approach to history) and revert to their original quest for "interrelationships between various aspects of history"[3], it is natural for one to look askance at Sen's approach. Certainly, in formulating his approach he has paid only lip service to the fundamental question of what are the objectives of economic history.

The objective of the economic historian cannot be just to look for





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the frequently interrupted economic genealogy of an economic event. And this is not because economic causes are insignificant, but precisely because, as Marx understood, all other facets of history are so vitally related to the economic one. The significance of the economic factor cannot be determined by virtue of its sufficient explanatory power (which Sen emphasises), but by understanding its place in any group of historical factors, both economic and non-economic. If, therefore, any Marxian is guilty of interpreting "economic determinism" in a monistic or metaphysical way, Sen is equally at fault for offering an artificial formula which merely pretends to have taken care of the interrelationships between economic and other causes at each stage of causal enquiry. To quote a metaphor used by Edwin Gay, "economic history is more than a longitudinal cut through the whole fabric of history".[4]

III

Empty Boxes

Since Sen has not even alluded to the type (c) situation, let me anticipate an alternative procedure which he might wish to follow when faced with such a situation. He might argue that, for purposes of the economic historian, type (c) should boil down to type (a) if the causal force of "B→A" were *significantly* stronger[5] than that of "C→A"; in the reverse case it should boil down to type (b). In fact, viewed in this way, type (c) becomes a general framework of causal relationships which subsumes type (a) and type (b) as special cases. Now, on the face of it, this sounds sensible in that any attempt to weigh the causal impact of economic factors against that of non-economic factors will, in that very process, enlighten the observer about the significant interrelationships underlying a particular historical period.

However, this "successive comparative method" (as we might call it for want of a better name), which should lend itself to a good deal of quantitative research, involves a number of thorny problems without a knowledge of which it would be irresponsible to try to work with it. The discussion below points up some of these difficulties and thereby serves to draw out some of those 'boxes' which Sen did not fill in.

First, there is the problem of defining, what Sen calls, an economic phenomenon. What most often go as economic phenomena are expressed in vague generic terms, such as the Industrial Revolution, the "aborted growth" in a certain country in certain period, etc. Each of these phenomena has, in reality, a number of components or manifestations, each of which may be taken as representative of the given phenomenon. "Aborted growth" may, for instance, be made to imply a low and stagnant per capita income, or an unresponsive, sub-optimal occupation structure, or an unchanging and large relative share of agriculture in a stagnant national income, or some other thing. Usually, the economic historian, in order to facilitate his causal explanation, tends to have his eyes fixed on one single manifestation (which he then treats coterminously with the general phenomenon) and to look for a sufficient cause for it.

Now, although in a given situation the various manifestations of the phenomenon may exist together and be interrelated in many subtle ways, it is doubtful if a cause which explains one manifestation would also be sufficient to explain another. Yet this is the type of limited causal analysis which the economic historian most often undertakes to explain a general phenomenon. So, even when he blandly claims that he has been able to 'explain' something, his explanation is only *partially sufficient*. The picture would become all the more complicated if different economic historians approached the same phenomenon through its several manifestations, measured the different causal relationships by using widely different techniques, and then each one emerged with his 'general' conclusion regarding historical causality.

Of course, one might say that the task of the economic historian need not be to explain general phenomena but to explain specific events. But specific events as such are not matters of great interest; they become interesting only when they are general enough to focus back on phenomena of wider relevance, so that by studying such specific events the economic historian may try to arrive at several hypotheses. As soon, however, as he looks upon a given specific event as a manifestation of a general phenomenon, he is faced with a number of rival manifestations and is, therefore, thrown back to the problem I originally referred to.

Another problem has to do with the nature of *general laws* which the economic historian is supposed to use in order to tie up a cause (say C) with an effect (say E). Let me be more explicit. When we claim that an event C has caused the event to be explained, E, we always imply that there are some *general laws* on which the explanation is based. There is no difference in this respect between history and the natural sciences. General laws are nothing but empirical hypotheses which are interposed between a certain C and a certain E to suggest that E was not accidental but was to be rationally expected in view of certain antecedent or simultaneous conditions. Very seldom, however, are general laws adequately spelled out in historical explanations, and seldom can these inadequacies be simply dismissed as inessential. Even when explicit statements of certain general regularities are made, they most often "relate to individual or social psychology, which somehow is supposed to be familiar to everybody through his everyday experience; thus they are tacitly taken for granted".[6]

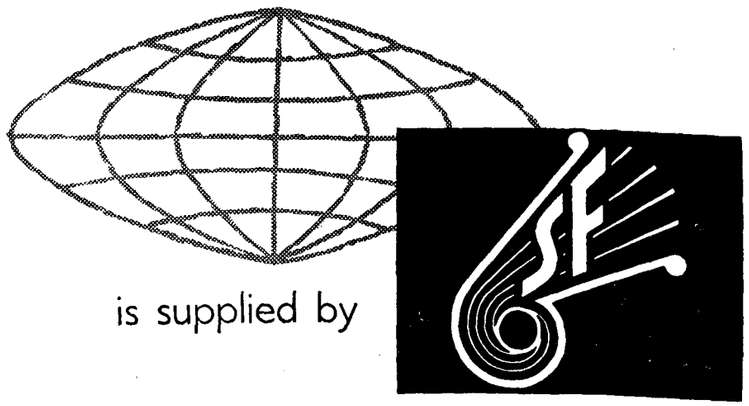
Now, the method of invoking familiar experience or empathetic understanding may have a special value in historical research. But the extent to which any confusion between them and what can be termed "general laws" may vitiate causal analysis in economic history (among other fields) is usually not realised. In a highly significant work[7], R W Fogel has recently exploded the myth of the "railroad revolution" in American history. The reason Leland Jenks[8] and Christopher Sevage[9] considered the railroad as the *sine qua non* of American economic growth, and W W Rostow lists the U S first among the countries in which the influence of the railroad on their "take-offs" was "decisive",[10] is to be sought not so much in historical facts and figures as in their unquestioning and tacit ac-

ceptance of a "familiar experience" and treating it as a "general law". Fogel's sophisticated calculation reveals, for example, the astounding fact that the "social saving" attributable to the railroad in the transportation of agricultural products (around 1890) must have been as low as less than 2 per cent of the national income.

This leads to the view that all specifically historical laws are of a statistical character similar to that of the "macro-laws" in physics.[11] It seems justifiable to think that the type of explanation just mentioned is based on probability hypotheses rather than on laws in the form of universal conditions; that a net-work of railroads will cause an economic "take-off" can be asserted only with a high probability because the hypothesis underlying this explanation has a high statistical probability of being valid. One of the important tasks of the economic historian would, therefore, be to ascertain the probability limits of the so-called universal hypotheses in order to judge of their scope and empirical foundation.

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IV

The Probability Angle

It might be useful to take another look at Sen's framework from the probability angle. Consider, for example, his type (a) explanation which may take the extended form: (C)→B→A. Now, since B did actually occur and did sufficiently explain A, Sen would stop his enquiry at stage B. But suppose upon further enquiry it turned out that i)

$$P_A [B \text{ but not } (c)] < P_A [(c) \text{ but not } B],$$

and also that ii)

$$P_B [(c)] < P_{B^1} [(c)],$$

for any B^1 (which may or may not be able to explain A). Here P_A [B but not (c)], for example, symbolises the conditional probability of A, given B but not (C). In this situation, not only is (C) a more fundamental determinant of A than is B; the second criterion also assures that B is a highly atypical or, what Clapham would call, "unrepresentative" historical event.[12] In other words, if, as in our example, the relative frequency with which B occurs when (C) is present is extremely low (condition ii), and the hypothesis relating A to B has a low probability value (condition i), Sen's framework would prove too superficial to be of much value in understanding, let alone generalising from, economic history. As Morris Raphael Cohen, commenting on the role of the historian, observes : To say that a thing happened the way it did is not at all illuminating. We can understand the significance of what did happen only if we contrast it with what might have happened.

Notes

1 George Rosen, "A Case of Aborted Growth: India 1860-1900", *The Economic Weekly*, August 11, 1962.

2 In his reply (January 5, 1963), however, Rosen seems to grant that there might have been non-economic factors as well which alone could sufficiently explain the phenomenon of his concern. He merely contends that on grounds of methodology he wants to abstract from them.

3 In the growing volume of literature on the sterility of departmentalised historical research and the consequent need for a "higher synthesis" by economic historians, mention may be made of J U Nef's article "What is Economic History?", *The Journal of Economic History* (Supplement), December 1944.

4 Edwin F Gay, "The Tasks of Economic History", *The Journal of Economic History* (Supplement), December 1941.

5 Some possible ways in which a statement of the schematic form: "B is more important (or basic or fundamental) determinant of A than is (C)" may be presented are discussed in Ernest Nagel's article, "Some Issues in the Logic of Historical Analysis", *Scientific Monthly*, 1952.

6 C G Hempel, "The Function of General Laws in History" in "Theories of History" (Illinois, 1959), Edited by Patrick Gardiner.

7 Some preliminary findings of Fogel's study entitled "Railroads and American Economic Growth: Essays in Econometric History" appear in *The Journal of Economic History*, June 1962.

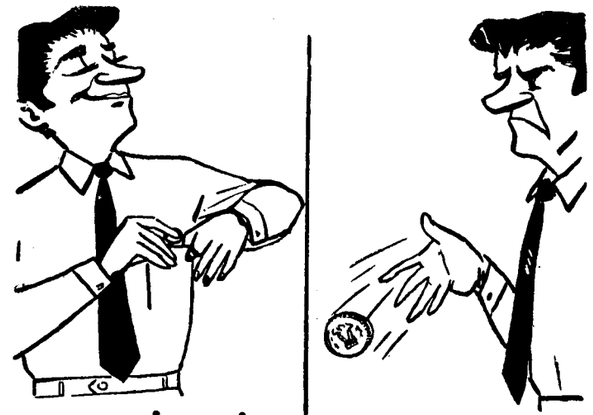
8 L H Jenks, "Railroads as an Economic Force in American Development", *The Journal of Economic History*, May 1944.

9 C I Savage, "An Economic History of Transport" (London, 1959), p 184.

10 W W Rostow, "The Stages of Economic Growth" (Cambridge, 1960), p 55.

11 See E Zilsel's paper on "Physics and the Problem of Historico-Sociological Laws", "Philosophy of Science", vol 8, 1941.

12 J Clapham, "Economic History as a Discipline", "Enterprise and Secular Change" (Illinois, 1953), Edited by F C Lane and J C Riemersma, p 419.



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Reply

Amartya Kumar Sen

I had distinguished between two types of purely economic explanations. Type (a) includes the cases where "sociological (non-economic) factors did not have an appreciable result on the phenomenon in question", and type (b) includes cases where "the sociological factors did have appreciable effects, but the sociological factors themselves could, in their turn, be explained by economic factors".

Samir Dasgupta decides to reinterpret all this, and says, "I should presume that, according to Sen, an event B having appreciable effects on an event A means that B is a sufficient explanation for A". Why he should presume this is not made clear, and the result of this substitution is a complete change in the meaning of my sentences, as can be readily seen.

A second element in Dasgupta's critique arises from what I believe is a confusion between classes of economic situations *and classes of* explanations *of those economic situations.*

THERE is much in Samir Dasgupta's rejoinder to my note that I find of interest and value. He tackles a much wider problem than I did, viz, providing "a methodological framework for causal explanation in economic history". He is over-generous in thinking that this was the object of my note also, since I had made it clear in my note that I was trying to tackle the much smaller problem of distinguishing between two types of "purely economic explanations" in history, and illustrating the more complicated of the two in terms of some examples selected from the actual history of the Indian iron and steel industry.

I am, however, a little surprised to find that Dasgupta seriously misrepresents my position, no doubt unwittingly. What he does is to substitute a collection of words in my paper by a collection of his own, and then proceeds "to look askance at Sen's approach". In my note I had distinguished between two types of purely economic explanations. Type (a) includes the cases where "sociological (non-economic) factors did not have an appreciable result on the phenomenon in question", and type (b) includes cases where "the sociological factors did have appreciable effects, but the sociological factors themselves could, in their turn, be explained by economic factors". Samri Dasgupta decides to reinterpret all this, and says, "I should presume that, according to Sen, an event B *having appreciable effects* on an event A means that B *is a sufficient explanation* for A". Why he should presume this is not made clear, and the result of this substitution is a complete change in the meaning of my sentences, as can be readily seen. Type (b) is now no longer allowed to include explanations that involve *both* economic and non-economic factors (the latter being further reducible to economic ones), but now must include only non-economic factors, just as type (a) must include only economic ones. Mixtures of economic and non-economic factors, which I clearly meant to include, are now left out by this substitution of words, and I am assumed to rule out links in the chains of explanation that are "composed of both economic and non-economic factors". The resulting criticism is, I claim, undeserved.

Confusion of Categories

A second element in Dasgupta's critique arises from what I believe is a confusion between classes of economic *situations* and classes of *explanations* of those economic situations. My types (a) and (b) are, as I made explicit, types of explanations. To these Dasgupta wishes to add type (c), which is seen to be not a type of explanation at all, but a situation to which explanations are to be fitted. The resulting confusion of categories provides Dasgupta with his chief weapon in this part of his critique. We can recall his argument on this: "Now it is not clear why Sen thinks that, between his type (a) and type (b) *explanations*, the relevant range of alternative possibilities is exhausted. ....One could then easily conceive of a *situation*, say type (c), where there were both economic and non-economic factors in a given unit of historical period either of which could sufficiently explain a given economic phenomenon occuring in (let us say) the immediate subsequent period" (italics added). This is a *situation* to which more than one *explanation* can be fitted, one of it is a type (a) explanation, and the other is either a type (b) explanation (if the non-economic factors could themselves be explained by economic factors in one step or many), or cannot be made into a purely economic explanation at all, thereby putting it outside the range of both type (a) and type (b). As a type of *situation* that we may face this is not an unusual one, and the possibility of more than one explanation is present whenever the assumption of one-to-one causality is dropped, and/or the assumption of incomplete knowledge is made. But why add this eminently interesting *situation* to a list of different kinds of *explanations*? To call it type (c) seems to me to be based on a rather unfortunate confusion about the logic of the classification.

Regarding the question why I assume that type (a) and type (b) explanations exhaust all purely economic explanations, the answer is simple. As I defined a purely economic explanation, it is one where, irrespective of the number of steps, all the relevant factors are reducible to purely economic phenomena. If this is not the case, the explanation in question is not purely economic. Now all explanations that satisfy the condition of being purely economic, can be divided into two groups, namely those that involve only one step in this reduction, and those that involve more. If it involves one step, it is an explanation of type (a); if it involves more, it is of type (b). And this exhausts the list of possibilities of purely economic explanations.

All this is so obvious that there is hardly an excuse for stating it, and the proposition I put forward was so simple that I would not have the courage (or felt the need) to give a proof of it, had the opposite not been maintained by Dasgupta. The more interesting part of my note is concerned with an actual illustration from the history of India's steel industry, where it is clear that a type (a) explanation does not work, but type (b) conceivably might. Dasgupta does not go into this, as his interest, in this paper, is purely methodological.

The whole of Dasgupta's critique springs from one or the other of these two confusions described above. Let me assure him that I approve of his quoting the eloquent, if a little verbose, statement of Edwin Gay, "economic history is more than a longitudinal cut through the whole fabric of history". Sure enough, it is; and he would have no reason to think that I doubt this, if he had not arbitrarily susbstituted my words with his own, and if he remembered that types (a) and (b) refer to explanations and not to situations demanding explanation. In fact the reason for which I had expressed a little criticism of Rosen's interesting study of Indian economic history (*The Economic Weekly*, August 11, 1962) in my note, was that Rosen had tried a purely economic explanation of India's aborted growth by leaving out non-economic factors altogether, i e, tried a type (a) explanation.

Probabilities and the Sufficiency Condition

In the last section of his paper, Dasgupta makes a couple of statements involving probabilities, and concludes somewhat mysteriously from it that "Sen's framework would prove too superficial to be of much value in understanding, let alone generalising from, economic history". This criticism again is based on the two confusions on my note referred to earlier, but to be fair to Dasgupta we should judge his propositions as potentially valuable in themselves. The questions that Dasgupta poses can be put in this way. Suppose event A is observed, and another event B, which is also observed, can "sufficiently explain A". B is an economic factor, but it in its turn can be explained by (C), a non-economic factor. Let us assume that (C) can also explain A. Now, we might choose B as an explanation, since "it did occur and did sufficiently explain A", but this, Dasgupta points out, will be unwise, if the probability of having A given B, but not (C), is less than the probability of having A given (C), but not B. Furthermore, if the probability of having B given (C), is less than the probability of having B^1 given (C), then B is "highly atypical". To be rigorous, Dasgupta should state that B^1 implies the absence of B, but I do not want to raise such a trivial objection. What is, however, not so trivial, is that all this contradicts Dasgupta's earlier definition of a "sufficient" explanation. He had defined B being a sufficient explanation for A to mean "if A then B". If this is the case, then the probability of having A given B is no less than a hundred per cent, and thus the assumption that the probability of having A given (C) is *higher* than this, is not a permissible assumption. Perhaps he does not mean that B did "sufficiently explain A". Once this contradiction is removed, what Dasgupta says is quite true. The propositions are not such that they will make us wild with enthusiasm, but I do feel that in emphasising the probability elements in historical calculations, Dasgupta is on the right line.

Nabendu Sen's Critique

I would like to take this opportunity of saying a few words on Nabendu Sen's rejoinder to my note (*The Economic Weekly*, May 18, 1963). This was concerned with the discussion I had on the history of the Indian iron and steel industry. I had suggested there that no purely economic explanation of type (a) could be given to the major trends of the Indian iron and steel industry, in the line of the general industrial framework suggested by Rosen, because shifts in the policy of the Government had crucial effects on the history. But I put forward the hypothesis that a type (b) explanation may still conceivably work, because the major shifts in Government policy could perhaps be attributed to certain economic changes. I had timed the first shift of Government policy in 1850s — from a policy of favouring iron and steel enterprises in India to a policy of not giving much assistance, and the second towards a more favourable policy was put in the last few years of the 19th century. Shri Nabendu Sen does not raise any question about the existence or the timing of the second shift, nor about the explanation of it suggested by me, but he feels doubtful about the existence of the first shift. To support his doubts he puts forward an interesting collection of data. He agrees that "the attitude of the Government may have been largely responsible for the failure of private enterprise in these early attempts". But he feels that in this respect the iron and steel industry was not any worse treated than other Indian industries. The Government just did not believe in granting financial assistance to industries, with the exception of railway companies. The exploration and experimentation work was, however, continued, and Nabendu Sen feels that it was mainly because the "trunk routes" were constructed first in the Indian railways that the iron and steel industry in India did not get a sufficient stimulus to start.

My chief difficulties with the hypothesis that there was no shift in Government policy in this period are the following. First, regarding financial assistance there clearly was a shift. Mr Heath's enterprise in the period up to the 1850s received financial assistance of very considerable amount, and no company received this after 1850s in the rest of the century. Secondly, while non-financial assistance was also easily forthcoming in the early period, it was not later, one example of which is the failure of Jamshedji Tata to receive his transport concessions in 1880. It is a combination of considerations of this type that led the chief historian of Indian iron and steel industry, viz, Lovat Fraser, to conclude: "At this time (in the fifties) a new obstacle was obtruded. The Government of India had become more than ever imbued with the spirit of unfriendliness to commercial undertakings which, for so long a period, helped to paralyse the industrial development of India". ("Iron and Steel in India", Bombay, 1919: p 6). In fact, the fact of the *existence* of both the shifts, I had taken, as I explained, from Fraser's own analysis. Where I had differed was in the *explanation* of these shifts, which Fraser

had atributed to purely personal factors in the officialdom. But this is not what Nabendu Sen disputes, since he confines himself to the question about the *existence* of the shift. Finally, I feel that Sen might have been a little misled by his juxtaposition of the problem of *shifts* over time, and of *differences* between industries. He argues that "to prove that a *shift* occurred, we have to show that the Government was offering less favourable terms to iron and steel indutries than to other industries" (p 813). I do not believe I have to show this; all I have to show is that the Government was offering less favourable terms to this industry in the later period than in the earlier. And about this shift over time of the terms offered, I have already quoted some evidence.

In spite of all this I do not think we should dismiss Nabendu Sen's doubts about the shifts altogether. It is a complex question, and my data and those of Fraser, make it look plausible, but no more than that can be claimed at this stage. Further research can contradict this, but I have indicated above why I feel that chances are that it will not.

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New Delhi's concern over the slump in the investment market provides an interesting contrast to its generally indifferent attitude towards developments in the stock market. Big Business has not been slow in taking advantage of the Government's anxiety to tone up the capital market and it has been trying hard to convince the Government that the only effective way to revive the capital market is to change its fiscal policies which have mopped up individual and corporate savings and shattered investors' confidence. That fiscal policy has an important bearing on the outlook for equities will be readily conceded. But it would be rash to suggest that the prevailing stalemate in the capital market is due entirely or even mainly to the Government's fiscal policy. It is surprising that discussions at the recent FICCI seminar on the state of the capital market showed little awareness of the fact that the heavy decline in equity prices from the 1961-62 peak levels represents very largely an important readjustment to the trend towards higher interest rates. For notwithstanding the heavy fall in prices not many shares offer a return which could be considered to be very attractive compared to the prevailing structure of interest rates. And the slump in new issues is also in no small measure the inevitable consequence of the boom in 1959 to through early 1962; the boom had assumed unhealthy proportion in its later stages. And as rightly pointed out by the chairman of the Life Insurance Corporation, Shri B K Kaul, the promoters of new issues cannot escape the blame for undermining investors' confidence as a result of wide gap between the promises held out in the prospectuses and the performances of the industries thereafter. In most cases estimates of project costs have had to be revised upward by substantial margins. But by far the most important single factor which has led to the present crisis of confidence in the investment market, especially the market for new issues, is the growing political uncertainty following the steady deterioration in India's relations with China and also Pakistan. Prospective investors are reluctant to risk their savings in new ventures so long as the threat of Chinese aggression persists. There are many ways in which investors can utilise their savings and locking up of funds in new ventures at this juncture appears to be the least attractive.

Official Move

New Delhi's anxiety to tone up the capital market is understandable because industrial growth will be adversely affected if industries, old or new, are unable to raise sufficient funds from public. But it is extremely doubtful whether the measures proposed by the Government will be of any great help in restoring confidence in the investment market. Industrial Finance Corporation and the ICICI are being asked to play a more active role in underwriting for which the Government has assured them the necessary financial assistance. There is also a suggestion that the Life Insurance Corporation should join hands with IFC and ICICI in building up something like an underwriters' pool for taking up shares unabsorbed by the public. The scope for such operations is limited because these institutions are already doing a good deal of underwriting work and they cannot be expected to make underwriting as their main objective. And to the extent that these institutions will be obliged to lock up their funds in new issues their ability to give normal financial assistance to the industry will be affected. The Government's move to make available to industry larger funds more freely through the State Bank and the Reserve Bank of India is welcome but this again cannot have any appreciable impact on the conditions in the capital market. Confidence is unlikely to return to the market unless there is a distinct improvement in the political situation. The threat of renewed Chinese aggression is the market's main worry but it is by no means the only worry. The stock market is considerably perturbed over the steady deterioration in the morale of the administrative machinery because this makes it difficult for investors to assess the economic prospect clearly. Tone up the administration and dispel the threat of Chinese attack and the capital market will then take care of itself. At the moment, stock market's interest is focussed mainly on the likely changes in the Cabinet in the near future.

Cotton

Weather Holds the Key

THE 1962-63 cotton season is now drawing to a close. The turnover in the spot market is extremely limited which is quite normal for this time of the year. Cotton men while away their time gossiping about the weather which alone holds the key to the new crop. The future of the cotton trade depends almost entirely on the unpredictable weather. The trade can live in peace,

the supervisory system notwithstanding, if the crop is good and prices keep well within the ceiling rates. Fortunately for the trade, the current season will end with a fairly large carryover of about 20/21 lakh bales. And if the country is lucky enough to have another good harvest cotton prices can again be expected to keep well within the ceiling—probably lower than in the 1962-63 season.

The progress of the monsoon so far is considered to be fairly satisfactory for the cotton crop. Only Akola and Vidarbha complain about excessive rains though most areas are now in need of clear weather. Prolonged wet spell can damage the crop. It is however, still too early to assess the crop prospects. All that one can do is to pray and hope for the best. Only bulls will feel uneasy at the prospect of a good crop on which depends the prosperity of the cotton trade and the textile industry.

New cotton crop contract—Jarilla March 1964—which had touched a high of Rs 720 on the very first day of its opening on 22nd July was sold down to Rs 686.50 (per 3 quintals) on 31st July. The latest quotation is around Rs 701 and the recent recovery is partly technical and partly due to some anxiety about the new crop outlook on account of the prolonged wet spell in certain cotton growing tracts. Despite the fairly comfortable supply position, bears are reluctant to be aggressive in face of the uncertain weather. Bulls are also reserved and the few speculators who have accumulated long positions have perhaps done so on the view that two successive good harvests are a rare phenomenon in a country where the crop is almost entirely at the mercy of the weather. The first arrivals of the early moving Bijapur and Baramati crop—197/3—have realised ceiling prices but that could hardly be an indication of the trend of cotton prices for the season. He who can forecast the weather alone can tell how cotton prices will move in the near future. Only an astrologer could venture a guess on the unpredictable weather.

Oilseeds

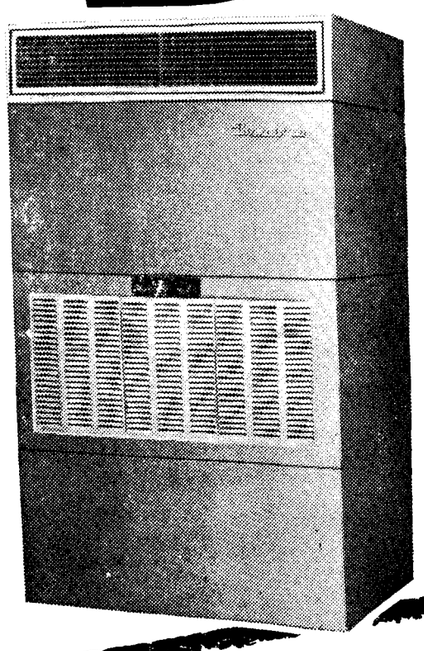
Steady Despite Good Weather

WEATHER reports from almost all the groundnut producing areas have been encouraging so far. Even so the new crop contract—

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CALCUTTA BOMBAY NEW DELHI

January 1964—has been resisting the decline. After having moved down from Rs 221.50 on 25th July to Rs 212.75 on the 31st the January contract is currently quoted around Rs 217.50 (per 250 kgs). The steadiness in the new crop contract is due mainly to the continuing remarkable firmness in the spot material. Vanaspati interests continue to figure as keen buyers of groundnut oil and crushers are active buyers of groundnut. The demand for groundnut is attributed both to good consumer inquiry in oil and sustained demand for expeller cake from solvent extraction manufacturers. Spot groundnut and groundnut oil prices are very near the season's highest. This has forced bears in groundnut September to square up their "short" positions at above the ceiling rate of Rs 236—unofficially of course. Spot prices are expected to hold firm in view of the continued good overseas demand for groundnut extractions. This might continue to have a steadying influence on the new crop contract. But it is extremely unlikely that the new crop contract will be able to resist the normal seasonal decline during August and September, unless, of course, weather takes an unfavourable turn and affects the new crop. Prices must decline to levels which are sufficiently low to attract investment buying. And with the ceiling price for the hedge contract fixed at Rs 236, the current quotation of the January contract, around Rs 217.50, cannot be deemed to be attractive from the speculator's angle unless the ceiling for subsequent contract is suitably revised to allow for the normal carryforward charges. Groundnut expellers January contract has eased from Rs 390 to Rs 375 per tonne during the past few days in spite of the continued good demand for ready expellers from extraction manufacturers.

Speculative interest in new crop contracts of other oilseeds continues to be restricted and the general tendency has been rather subdued. Linseed March has eased from Rs 37.50 to Rs 36.19 (per 50 kgs) and the latest quotation is only slightly higher at Rs 36.44. Cottonseed January has been neglected around Rs 98 and castor March has gradually drifted lower from Rs 167.25 to Rs 162.50 over the past few weeks. Unlike groundnut, linseed and cottonseed, the current season's September contract is quoted at a substantial discount of about Rs 5 per 250 kgs over the new crop contract.

The export performance of oils and oilcakes in 1963 is likely to show an appreciable improvement over the previous year. Groundnut extractions will set a new record and export of groundnut oil is likely to exceed 70,000 tons because of the liberal incentives and the emergence of unexpected buying by Spain. Thanks to substantial purchases by Russia and East European countries, exports of castor oil are likely to show a big increase over the 1962 figure. Shipments during the first seven months of the year are placed around 28,000 tons. Exports of linseed oil have been very disappointing and despite the export incentives, India linseed oil remains completely out of world parity. Business in linseed cake has also continued to be limited, which is said to be due mainly to lack of confidence among overseas buyers in the quality of the Indian stuff.

Business Notes

Indian Iron and Steel

In the Annual Report and Accounts of Indian Iron and Steel for the year ended March 31, 1963, the directors state that despite many difficulties that continue to beset operations, the Burnpur Works attained production approximating the rated capacity of the plant. This is the highlight of the year. Production of pig iron and steel ingots and castings amounted to 1,291,825 tonnes and 1,002,039 tonnes, respectively, compared with 1,187,397 and 934.498 tonnes in the previous year. The output of the Company's Kulti Foundries was slightly affected by market conditions and compared with 1961-62 was lower by 6,064 tonnes at 224.359 tonnes. The production of saleable steel increased by 58.150 tonnes to 795,120 tonnes. The pre-tax profits after providing full depreciation on the usual "straight line" basis at Rs 3.40 crores (Rs 3.35 crores) have worked out to Rs 911.89 lakhs against Rs 918.78 lakhs in 1961-62. However, the profits of 1961-62 included the retrospective increase in retention prices relating to 1960-61 and also sales relating to previous years. The comparable gross profit for 1961-62 would only be Rs 830.28 lakhs thereby showing gross profit higher by Rs 81.61 lakhs in 1962-63.

Full provision for depreciation reduced the Company's liability which, including Rs 6 lakhs for SPT, amounts to Rs 3.56 crores as against Rs 3.96 crores in the previous period. Statutory development rebate absorbs Rs 22.14 lahks (Rs 21.57 lakhs) and the excess of the charge to this Reserve over the actual amount of tax remission amounting to Rs 7.38 lakhs is written back from General Development Reserve to the Profit and Loss Account. To conserve the resources of the Company for the repayment of heavy indebtedness on loan and capital expenditure account, a sum of Rs 3.64 crores (Rs 3 crores in 1961-62) is transferred to General Reserve. The Profit and Loss Account has taken credit for Rs 15 lakhs transferred from the Taxation Contingencies Reserve and for Rs 24.72 lakhs being the balance of last year. The Preference Dividend at 5 p c, subject to deduction of tax, absorbs Rs 17.55 lakhs. The Directors have proposed ordinary dividend at Rs 1.60 per share (16 p c) subject to deduction of tax (same as in the previous year) absorbing Rs 199.05 lakhs. The Balance Sheet shows that the Company's reserves and surpluses have at the end of the year increased to Rs 30.89 crores (Rs 27.89 crores) to support its capital of Rs 15.14 crores. Secured loans declined from Rs 23.31 crores to Rs 21.10 crores. Net block stands reduced to Rs 61.47 lakhs after depreciating by Rs 24.16 crores.

The Directors state in their report that the progress of the formation of the Company's subsidiary, Iisco-Stanton Pipe and Foundry Co was retarded by several months by the Company holding over action on account of the SPT Bill, but after modifications were effected in the Bill, the matter was pursued and the final approval of Government

has now been obtained for the formation of the Company.

The Chairman, Sir Biren Mookerjee, in his statement circulated with the Annual Report has focussed attention on the difficulties still experienced by the Company in its operation and development. He has complained that since the commissioning of the remaining blast furnaces of Hindustan Steel during the year the quality of the coal supplied to the Company deteriorated further, the ash content increasing from 18.01 p c to 18.22 p c. Allotment of washed coal meets only 8 p c of the requirements of the Company while other producers get nearly 100 p c. While the outturn of tested quality saleable steel remained at 80 p c when the production was at 90 p c of the rated capacity in previous years, it had to be reduced to about 60 p c in 1962-63 in order to achieve 100 p c capacity production. The Company has thus had to lower its stadards. The cut by the Steel Ministry of Rs 19.50 per tonne in the price recommended by the Tariff Commission resulted in a loss of Rs 405 lakhs in the gross earnings during the two-year period to March 31, 1962. Sir Biren is against working at 100 p c capacity. He says:

> A constant drive for more and more production is fraught with many risks. With the present quality of raw materials and irregularity of their supply the task of maintaining production is difficult. A modern steel plant though robustly built has many delicate sections in it needing constant care and vigilance. Maintenance must get highest priority even at the cost of some loss in production, particularly when holding a large quantity of spare parts is not possible owing to shortage of foreign exchange. In a full capacity production there is always the danger of chances being taken which might result in disaster.

Sir Biren has also drawn attention to some of the difficulties faced by the Company's expansion programme, planned to be executed in two phases which will increase the annual production by 3 lakh and 7 lakh tons, respectively. Since an adequate supply of good quality metallurgical coal is a pre-requisite and the private sector plants have been asked by Government to make themselves self-sufficient in their coal requirement, the Company's future expansion hinges upon the development of its coal bearing properties. Although the foreign part of the cost of the project is covered by a World Bank loan of 19.5 million dollars, rupee finance for meeting the local cost of the project has become a grave problem, because of:

(i) lack of government support for land acquisition,

(ii) impact of 1962-63 budget on import and excise duties, freight, etc, which have put up the estimated costs by Rs 459 lakhs, and,

(iii) severe loss in earnings caused by lower retention prices than recommended by the Tariff Commission.

The Company has, however, made some proposals on this question and is awaiting the Government's reply.

Sir Biren has taken strong exception to the proposal of government to restrict supply of pig iron from Burnpur to Kulti and divert it to other Foundries and pipe manufacturers. This proposal would, in his view, bring about a curtailment of operations at Kulti and thereby would not only involve retrenchment of staff and payment of compensation of about Rs 20 lakhs but also result in loss of earnings by Rs 55 lakhs per annum. The Company has made a strong representation against the proposal.

The move for decontrol of distribution and prices of steel which is under the consideration of Government is welcomed by Sir Biren who however holds the view that, the steel industry being not yet in a position to meet the demand in full, it will be in the interests of the country, the consumers and the industry if Government control is replaced by a modified control on a voluntary basis by the industry itself.

New Standard Engineering

THE operations of New Standard Engineering for the year ended March 31, 1963 have yielded satisfactory results. Sales and services during the year fetched Rs 22.77 lakhs more at Rs 182.91 lakhs. Gross profits have marginally increased by Rs 62,318 to Rs 22.89 lakhs. Disposable profit after necessary provision for depreciation, development rebate reserve, and taxation is also slightly higher at Rs 7.74 lakhs as against Rs 7.02 lakhs. General Reserve is raised by Rs 75,000 to Rs 1.25 lakhs. Preference dividend at 9 p c absorbs Rs 2.25 lakhs. Ordinary dividend is maintained at 9 p c and will absorb Rs 4.50 lakhs. The ordinary dividend to the extent of Rs 4 lakhs will be paid out of a Special Reserve of Rs 4.12 lakhs created from profits exempt under Sec 84 of the Income-tax Act. The Balance Sheet as at March 31, shows that Reserves and Surpluses amount to Rs 20.14 lakhs against a paid-up capital of Rs 78.19 lakhs. Secured loans have increased by Rs 35.57 lakhs to Rs 70.75 lakhs, unsecured loans by Rs 5.59 lakhs to Rs 11.10 lakhs, current liabilities and provisions by Rs 5.63 lakhs to Rs 81.75 lakhs. Gross block is depreciated by Rs 36.34 lakhs to Rs 103.98 lakhs. Current assets are more by Rs 38.95 lakhs at Rs 157.50 lakhs.

With the receipt of a first instalment of Rs 20 lakhs out of a loan of Rs 40 lakhs from ICICI, the construction work of the Company's Goregaon project has made progress and the Grey Iron Foundry has gone into trial production from May 1963. The progress of other works in the project has been slowed down in view of the adverse conditions of the money market.

Of the manufacturing activities of the Company, blow-room lines for textile mills continue to make progress. Manufacture of EOT cranes, electric furnaces, high capacity power hammers and drop forges has been started. The Company has concluded negotiations with foreign collaborators for the establishment of a separate Company for the manufacture of Shot Blasting Equipment. The Company's Order Book which includes some defence orders is considered satisfactory. The Directors feel that the company's manufacturing facilities can be fully realised only if there are no raw material and transport bottlenecks and if sufficient orders are forthcoming.

Money Market

Thursday, Morning

AS was expected, the inter-bank call money rate did not continue long at 3 per cent after last week's spurt, and by the middle of the week, money could be had freely at 2½ per cent. In Calcutta, however, call money continued to rule firm around 4 per cent. The easiness in Bombay is reflective of the comfortable position of banks. Although scheduled banks' deposits from public fell by Rs 13.15 crores on August 2, this fall was made up by an increase of Rs 13.47 crores in deposits from other banks. As such, though their advances rose by Rs 2.02 crores, their borrowings were up by only Rs 99 lakhs. On the contrary, they increased their balances with the Reserve Bank by Rs 2.15 crores, added Rs 4.84 crores to their investments and placed Rs 2.55 crores more at call and short notice. The report of some banks placing funds returnable on three days' notice with private business houses at 4.50 per cent is further evidence of the slackness in the demand for funds and of the anxiety of bankers to employ idle money remuneratively.

The prevailing conditions, therefore, indicate that the slack season is well-advanced and that money rates are likely to ease further; but the view is also held that since demand from industrial quarters is likely to continue at the present levels and may even expand and since investments in government securities and Treasury Bills yield relatively more, a decline of the call money rate to former low levels is unlikely.

During the week ended August 9, active notes expanded further by Rs 31.80 crores, causing a depletion of notes in the banking department by Rs 8.02 crores and necessitating an additional note issue of Rs 23.78 crores. The Rupee Securities in the Issue Department were increased by Rs 27 crores to facilitate the note issue. Foreign assets further contracted during the week by Rs 2.89 crores (Rs 2.58 crores last week). Central and State Governments' deposits both went down by Rs 28.26 crores in the aggregate, but their borrowings from the Reserve Bank were reduced by only Rs 1.66 crores. Scheduled banks' deposits on August 9, were higher by Rs 3.59 crores while their borrowings increased by merely Rs 1.09 crores. Reserve Bank's investments were depleted by Rs 52.62 crores, but since holdings of Treasury Bills increased by Rs 20.60 crores and the Rupee Securities in the Issue Department went up by Rs 27 crores, the net fall in investments would amount to only Rs 5.02 crores.

The gilt-edged market continued to rule steady, but inactive, with limited business on account of holidays.



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CURRENT STATISTICS

BANKING RETURNS

(*Rs crores*)

Reserve Bank	Aug 9	Aug 2	July 12	Aug 10 '62
1 Note circulation	2246.93	2215.14	2268.77	2063.71
2 Rupee coin	118.43	119.65	114.81	119.64
3 Deposits				
(a) Central Govt	101.44	121.16	90.94	58.23
(b) Other Govts	24.26	32.79	5.69	23.15
(c) Banks	86.40	82.73	93.98	91.48
(d) Others	204.24	204.64	206.85	204.64
4 Foreign securities	90.26	92.26	95.89	89.34
5 Balance abroad	5.09	5.98	5.29	5.16
6 Rupee securities	1931.32	1904.32	1955.67	1757.00
7 Investments	274.49	327.11	275.59	277.81
8 Loans and advances to Govts	36.82	38.48	85.04	30.62
9 Other loans and advances	144.65	138.10	132.06	131.32

Scheduled Banks	Aug 2	July 26	July 5	Aug 3 '62
1 Aggregate deposits (net)	2161.59	2174.74	2140.85	2049.73
Demand (net)	939.87	928.49	905.24	797.89
Time (net)	1221.72	1246.24	1235.61	1251.84
2 Cash in hand	49.62	51.45	57.16	48.67
3 Balance with Reserve Bank	81.48	79.33	97.76	91.92
4 (2)+(3) as % of (1)	6.06	6.01	7.24	6.86
5 Borrowings from Reserve Bank	2.05	0.34	0.79	2.43
(a) Against usance bills and/or promissory notes	0.59	0.09	0.09	0.12
(b) Others	1.46	0.25	0.70	2.31
6 Advances	1274.23	1272.14	1315.94	1211.63
(a) State Bank	248.54	245.94	265.50	261.60
(b) Others	1025.69	1026.20	1050.44	950.03
7 Bills discounted				
(a) Inland	162.93	162.45	161.85	129.72
(b) Foreign	50.90	51.46	51.70	47.48
(c) Total	213.83	213.91	213.55	177.20
(i) State Bank	16.28	16.84	17.68	15.98
(ii) Others	197.55	197.07	195.87	161.22
8 (6)+(7) as % of (1)	68.84	68.33	71.44	67.76
9 Investment in Govt Securities	692.01	687.17	661.04	673.08
10 (9) as % of (1)	32.01	31.60	30.88	32.84

Bombay Money Rates

(*Per cent per annum*)

	Aug 2	July 26	July 5	Aug 3 '62
Call money from Banks	1.00	3.10	1.49	0.54
Deposits				
Seven days	3.00	1.52	3.00	3.00
Three months	—	—	3.50	—
Six months	3.75	3.75	3.75	3.75

INDEX NUMBERS OF INDUSTRIAL PRODUCTION

(*Base* : 1956 = 100)

	Feb '63	Jan '63	Dec '62	Feb '62
Mining and quarrying	**177.4**	**184.1**	**183.0**	**155.1**
Coal	169.0	175.0	174.6	145.1
Manufacturing	**150.1**	**157.7**	**157.1**	**136.7**
Sugar	287.4	345.0	273.3	306.5
Tea	14.3	22.7	43.0	17.2
Salt	90.2	10.6	46.6	64.0
Cigarettes	152.1	166.5	167.4	151.3
Textiles	—	117.9	116.7	107.4
Cotton	111.1	113.0	111.2	104.0
Jute	106.8	116.0	116.7	101.5
Woollen	145.6	146.6	155.1	113.5
Footwear	194.9	185.6	200.9	165.0
Paper & paper boards	193.9	219.8	218.7	172.0
Rubber products	179.0	187.9	185.5	161.8
Chemicals and chemical products	178.8	200.2	203.8	170.6
Basic industrial chemicals	281.8	321.5	325.7	261.7
Heavy organic chemicals	—	331.3	312.4	220.9
Heavy inorganic chemicals	305.2	361.0	368.2	303.9
Fertilisers	192.0	219.0	219.0	169.0
Paints	142.6	142.0	164.2	145.9
Soap	129.6	141.2	133.1	125.2
Matches	87.7	92.8	94.9	82.5
Petroleum products	173.3	164.8	203.1	145.4
Non-metallic mineral products (except petroleum and coal)	—	207.5	217.2	175.3
Glass and glassware	—	185.5	184.4	161.9
Cement	178.7	194.9	208.2	158.7
Pottery	—	303.1	315.8	293.5
Basic metal industries	—	256.0	257.8	195.8
Iron and steel	—	265.1	264.9	206.1
Pig iron and ferro-alloys	—	350.1	350.1	261.1
Finished steel	—	312.1	312.1	241.7
Copper smelting	—	99.1	154.8	149.1
Aluminium	—	415.4	392.0	218.5
Brass	—	177.9	213.9	142.0
Metal products (except machinery and transport equipment)	—	182.5	197.5	166.6
Machinery (except electrical machines)	—	315.1	321.0	277.6
Sewing machines	—	214.7	269.2	251.5
Electrical machines	—	228.7	239.9	189.8
Electric cables	255.5	219.0	254.4	—
Electric motors	306.7	326.4	343.1	262.2
Power transformers	239.9	318.0	283.4	251.6
Electric lamps	247.9	264.0	252.5	189.6
Electric fans	—	345.7	355.3	328.7
Radio receivers	257.1	247.5	284.5	236.7
Transport equipment	—	137.4	152.3	145.8
Automobiles	146.5	164.1	178.9	188.1
Bicycles	—	162.4	151.2	176.9
Electricity Generated	—	233.3	238.7	205.3
GENERAL INDEX				
Crude	155.5	162.4	162.1	140.6
Seasonally adjusted	159.5	160.2	155.8	144.3

Source : Central Statistical Organisation (Industrial Statistics Wing), Calcutta.

Index Number of Wholesale Prices

(*Base* 1952-53=100)

Group and Sub-group	WEEK ENDING 20.7.63	13.7.63	22.6.63	21.7.62
Food Articles	**137.7**	**138.1**	**136.3**	**128.7**
Cereals	115.3	114.9	113.2	107.5
Pulses	110.1	110.6	109.6	104.6
Fruits & Vegetables	138.5	139.2	137.3	148.2
Milk & Ghee	129.4	133.8	134.8	127.7
Edible Oils	151.3	152.0	152.3	156.0
Fish, Eggs & Meat	147.5	147.3	145.7	145.0
Sugar and Gur	194.4	193.1	190.2	149.6
Others	190.0	188.6	189.5	172.0
Liquor and Tobacco	**119.3**	**119.3**	**119.3**	**97.9**
Tobacco	116.3	116.3	116.3	94.2
Fuel, Power, Light & Lubricants	**137.1**	**137.1**	**137.1**	**123.9**
Industrial Raw Materials	**138.2**	**138.9**	**138.9**	**139.3**
Fibres	129.4	130.0	133.2	130.8
Oilseeds	155.9	156.8	153.5	156.8
Minerals	93.4	93.4	93.4	93.4
Others	124.8	125.4	125.4	125.3
Manufactures	**130.6**	**130.4**	**130.4**	**128.9**
Intermediate Products	**140.8**	**140.2**	**138.8**	**142.5**
Finished Products	**128.9**	**128.8**	**129.0**	**126.7**
Textiles	126.3	126.0	126.9	125.7
Cotton	135.0	135.0	135.4	129.3
Jute	97.6	97.0	100.2	113.1
Woollen	150.9	150.9	142.7	141.3
Silk & Rayon	136.7	135.8	136.1	130.5
Metal Products	163.0	163.0	161.5	160.5
Chemicals	117.2	117.2	117.5	115.2
Oil cakes	170.2	170.7	167.2	158.6
Machinery & Transport Equipment	123.8	123.8	123.1	117.6
Others	128.4	128.5	128.2	125.5
All Commodities	**135.3**	**135.6**	**134.7**	**129.6**

Foreign Trade of India

Merchandise Value

(*Rs Crores*)

	June '63	May '63	June '62	April '63- June '63	April '62- June '62
Exports	56.95	62.65	49.25	176.16	148.49
Re-exports	0.26	0.37	0.36	1.03	3.19
Imports	85.35	100.54	93.98	276.15	273.87
Balance of trade	—28.14	—37.52	—44.37	—98.96	—122.19

Source : Department of Commercial Intelligence and Statistics, Ministry of Commerce and Industry, Government of India.

Electricity Generation and Distribution

(*Million kW hours*)

	April '63	Mar '63	April '62	1962-63
Electricity generated	2,047.0	1,976.2	1,764.7	22,093.7
Electricity sold	1,688.3	1,629.4	1,455.8	18,276.3
Domestic consumption	148.1	142.7	139.2	1,729.2
Commercial light and small power	85.0	82.5	94.7	1,110.9
Industrial power	1,221.8	1,170.3	1,035.4	13,014.9
Public lighting	19.8	20.7	18.9	252.7
Irrigation	107.0	99.4	79.4	917.2
Miscellaneous	106.7	113.8	90.3	1,188.5

Source : Central Water and Power Commission.

Summary of the Latest All-India Crop Estimates 1962-63

Area (*thousand acres*)

	Current estimate	Previous year's corresponding estimate	Percentage increase or decrease
Rice	80,496	79,624	(+) 1.1
Jowar	25,825	25,668	(+) 0.6
Bajra	25,569	27,211	(—) 6.0
Maize	10,738	10,735	—
Ragi	5,079	5,064	(+) 0.3
Small millets	9,020	9,181	(—) 1.8
Wheat	32,716	32,330	(+) 1.2
Barley	8,104	8,083	(+) 0.3
Gram	23,315	23,233	(+) 0.4
Tur	5,648	5,611	(+) 0.7
Other kharif pulses	13,046	13,247	(—) 1.5
Sugarcane	5,489	5,954	(—) 7.8
Tobacco	952	946	(+) 0.6
Potato	854	768	(+) 11.2
Groundnut	15,677	14,818	(+) 5.8
Sesamum	5,603	5,324	(+) 5.2
Rapeseed and mustard	2,954	2,678	(+) 10.3
Linseed	3,011	3,017	(—) 0.2
Cotton	18,962	18,245	(+) 3.9
Jute	2,095	2,280	(—) 8.1
Mesta	824	915	(—) 9.9
Sannhemp	634	650	(—) 2.5

Source : Economic and Statistical Adviser to the Government of India, Ministry of Food and Agriculture.

India's Foreign Exchange Reserves

(*Rs Lakhs*)

End of	Amount	Variations over the previous year/month
1963 : June*	288,99	— 17,42
May	306,41	+ 11,67
April	294,74	— 36
1962 : June	241,24	— 9,13
April	274,21	— 23,11
1962-63	295,10	— 2,21
1961-62	297,31	— 6,30
1960-61	303,61	— 59,26
1959-60	362,87	— 16,05
1958-59	378,92	— 42,30
1957-58	421,22	—259,88
1956-57	681,10	—143,51
1951-52	786,69	—164,72

Source : Reserve Bank of India.

Employment Exchanges

(*In* '000 *)

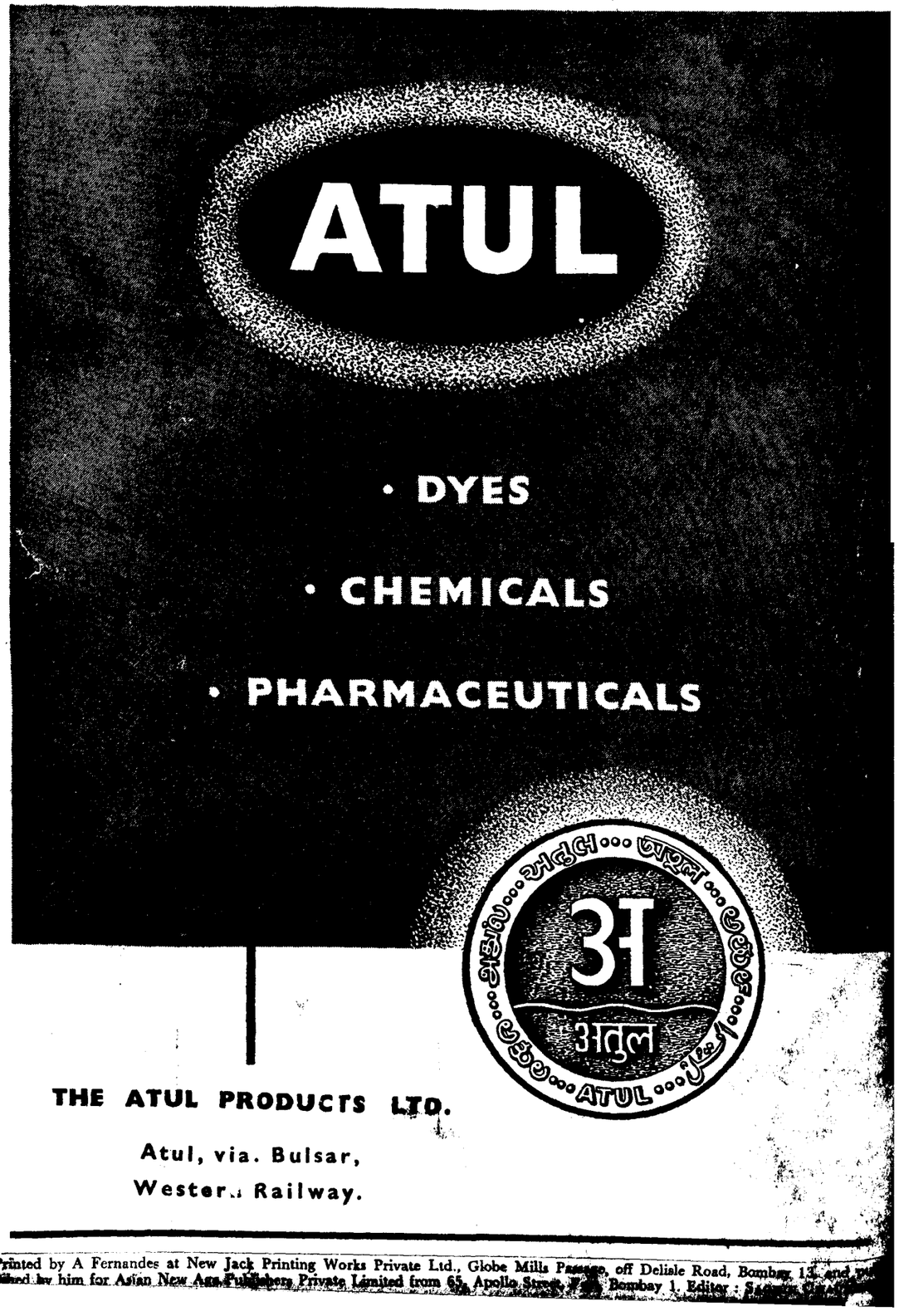
	May '63	April '63	May '62	1962 (Total)
No of employment exchanges †	350	349	342	342
No of registrations	358.7	320.9	320.0	3,844.9
No of vacancies notified	87.7	76.0	75.7	790.4
No of applicants placed in employment	46.1	41.1	41.5	458.1
No of applicants on live registers †	2,633.2	2,483.1	1,981.6	2,379.5

* Except number of employment exchanges.

† At the end of the period.

Source : Ministry of Labour and Employment, Government of India.

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A Barren Debate

THE stalwarts from both sides of the House have spoken on Acharya Kripalani's no-confidence motion against the Government as we go to press. It now remains for the Prime Minister to reply to the four-day debate. As was expected, the speeches from the opposition benches had little in common except that they were all directed against the Government. The communists who had at the outset dissociated themselves from the no-confidence motion directed their attack against S K Patil and Morarji Desai. But even the non-communist opposition which was united in supporting the motion was not able to agree on any common points of criticism against the Government. There were, generally speaking, as many, often opposing, viewpoints as there were speakers. Even this need not have completely hamstrung their criticism of the Government had they done their homework systematically.

Their ill-defined charges followed from a total lack of competent analysis of the malaise of our polity and economy. To talk of giving up planning or to argue against the development of the steel industry is just not to understand the country's economic problems. In what specific respects has Indian planning failed and what possible alternatives are open to the country — on these questions the opposition spokesmen had little to say. Criticism of the Goverment's external policies also followed closely on these lines.

As for the Government, its strategy was clear from the very choice of its principal speakers. No one could have been expected to take the wind out of the non-communist opposition's sails better than Patil and Morarji Desai. They could even be expected to evoke sympathy in the ranks of the motion's sponsors by pouring ridicule on the communists. Patil in particular set himself the irrelevant and relatively simple task of scoring debating points off the communists ignoring, for instance, that the failure of agriculture was not a creation of the ideology-befuddled imagination of the communists but a fact which had only recently led the Prime Minister to consider moving him to another Ministry. If Patil's diatribe against the communists was irrelevant, so was Morarji's elaborate defence of the Prime Minister. True, Dr Lohia had devoted a good part of his speech to a personal criticism of the Prime Minister, but his speech also contained some pertinent criticism of the Government's policies to answering which the Finance Minister could have better addressed himself.

No one will claim that all is well with the Government's internal or external policies or that there is not considerable dissatisfaction in the country with certain particular measures. Even apart from such dissatisfaction, in view of the developments in the economy as well as in our external relations and in international affairs generally it can no longer be maintained that the content, though not the basic principles, of the Government's policies is beyond reconsideration. The debate on the no-confidence motion, if it was to serve any purpose at all, should have spotlighted the specific directions in which such rethinking is called for. This it did not do. The blame for this must rest almost equally on the opposition and the Government.

Planning Body for Steel

Our Calcutta Correspondent writes:

THE Steering Group on Steel is a curious body. Its task ostensibly is to help in the formulation of targets for the Fourth Plan for iron and steel, including special steels at one end and pig iron and ferro-alloys at the other. It is composed of representatives of (a) the various Ministries concerned in one way or another with steel development, (b) the three major public and private sector steel producers, (c) mining and other private interests, and (d) the Planning Commission. The Secretary of the Steel Ministry presides over this amorphous body which has no secretariat or permanent staff of its own.

Since the actual decisions are made elsewhere, the role of this body seems chiefly to provide a facade of consultation. It is not surprising, therefore, that it should have met just once in mid-1962, to be told of the Ministry's preliminary proposals for the Fourth Plan, and again at the beginning of this month to be informed that the target of 18 mn tons for the Fourth Plan has been formally approved by the Cabinet. Having fulfilled the superficial role set for it by the Ministry, the Group, it may be safely assumed, will now fade out of existence without even a formal disbandment.

While no tears need be shed over the Group's fate — it was incapable, as constituted, of performing any useful service — the need for a body which brings together all the many agencies concerned with the development of the steel industry remains. The size of the task following from the high targets in view makes this obvious. If 18 mn tons of steel are to be produced, coking coal output will have to go up from 24 mn tons expected to be raised by the end of the Third Plan to 55 mn tons in 1970-71, an annual increase of more than 6 mn tons. Coal washing capacity will have to rise in step as it may be assumed that all supplies to steel plants will in future have to be washed to keep the average ash within the maximum tolerance.

Iron ore requirements will go up to 28 mn tons and limestone to 9 mn tons. In respect of limestone and dolomite — specially the high-grade supplies required for steel-melting — the position is indeed difficult as the basic geological data about occurrences within a reasonable distance of steel plants are still incomplete.

Raw materials constitute only one aspect of the whole problem. Manpower is in some ways a more difficult issue because the time taken in training up new cadres cannot be abridged except to a very limited extent. It is, therefore, not too early to start recruitment and training right now. This calls for manpower planning in great detail and depth, a task which is not tackled by some committee trotting off figures of the number of operatives, etc, that will be required.

The most challenging task in relation to the Fourth Plan steel programme is the development of indigenous equipment manufacture, supplies and services to reduce import needs. Roughly half of the total investment on new capacity during the Second Plan was in foreign exchange, and the proportion has not been substantially reduced in the case of the current expansion schemes. (Last week at the inauguration of Rourkela's expansion programme, the cost of the expansion from 1 mn to 1.8 mn tons was quoted as Rs 105 crores, and the foreign exchange component as Rs 48 crores notwithstanding the built-in capacity in primary mills).

The import content of investment will have to be curtailed, as rapidly as possible, for growth in steel to be at all possible. The tentative estimates mentioned to the Steering Group envisage a total investment in the iron and steel industry of upwards of Rs 2,000 crores with a foreign exchange component of Rs 800 to 900 crores. Obviously there will be very great difficulty in letting steel take away such a large slice of whatever foreign exchange resources are available by way of aid. If import constraints are not to hold up the steel programme, ways must be found of reducing our dependance on imports.

This requires, in effect, preparing a blueprint for indigenous manufacture covering both public and private sector engineering capacity. Efforts must be simultaneously made in two directions: assessing in detail the equipment requirements of the iron and steel industry and the indigenous manufacturing capacity. This will call for standardisation of equipment on the one hand, and for making the necessary additions to manufacturing capacity on the other. The foreign exchange required for the latter will have to be expeditiously found to make possible larger import saving subsequently.

All this involves planning and coordination. How is this effort to be directed? Shri Jehangir Ghandy of Tatas put forward at the Steering Group meeting the idea of a Steel Development Board on the lines of the U K Iron and Steel Board. While the British Iron and Steel Board may not be the appropriate prototype, the need for a central agency working full-time on the many tasks following from the steel programme is indisputable. Some people see this agency in the form of a cell in the Steel Ministry. A suggestion to this effect was made at the Steering Group meeting by a Planning Commission official.

The Steel Ministry performs an executive function and its chief concern, quite properly, is with the tasks of today. A planning organisation must stand apart to be able to view problems with a degree of detachment. Its proposals will eventually come up before the Ministry for decision, but that is precisely why it should be separated from the latter. It should have a distinct identity if it as well as the Ministry are to act objectively.

The approach Shri Subramaniam has brought to the problems of steel is basically right — except for the aberration over the retention price — but it remains to be seen whether he will carry it to its logical conclusion by giving steel a planning organisation capable of spelling out in detail the implications of a bold expansion programme and of initiating the preparatory work without which the programme will remain on paper.

University Education

THE report which the University Grants Commission lays annually before Parliament does not usually stop with listing the Commission's achievements but goes on to discuss unsolved problems and incomplete tasks. The achievements recorded in the latest report are not inconsiderable; establishment of five new universities; rapid expansion of student enrolment; increased grants for expanding facilities for teachers; valuable work, hailed in the report as "significant collaborative effort", by a number of committees which include several eminent scholars. There is also the somewhat sweeping statement that "standards at the post-graduate and research levels in many of our universities have improved substantially during the last few years".

There is also the other side of the medal. The increase in teaching staff has lagged behind student enrolment. As a result there has been a further rise in the already high student-teacher ratio. Further, not only is the percentage of failures high in most examinations, too many of the successful graduates are just scraping through, getting the bare minimum marks. Improvement in the teaching and examining methods of the Universities are recognised as "extremely important". But the rush for admission to colleges threatens to push down the already precarious standards. The Commission emphasises that "from a purely economic point of view, it is necessary to see that only such students are admitted to our universities as are most likely to benefit from University education".

True, educational facilities, especially at the higher levels, are a scarce resource to be used in accordance with the principle of maximising returns. But education is also a social service and the under-privileged sections of the population expect, as a matter of right, preferential treatment in the access to it, the principal means of improving their lot. It is not, therefore, easy to sustain "merit" (whatever that may mean) as the only criterion to regulate college admissions. The U G C has introduced a measure of selectiveness in post-graduate education by limiting its development grants to selected colleges, on the basis of facilities and staff available. But such selection would hardly be possible or practical at the under-graduate level.

According to the U G C, improvement in standards is a matter of lowering the pupil-teacher ratio, popularising tutorials and seminars, and reforming the examination system. All these are important, no doubt, but the faith in their efficacy is based on the tacit assumption of adequate preparation at the pre-university level. Too much is taken for granted and plans are made for elaboration of the superstructure, while the foundation continues to grow weaker. Secondary school education is not the U G C's concern, but for that reason its bearing on standards in the universities is not reduced.

Weekly Notes

Bombay Strikes

THE remarkable equanimity with which the citizens of Bombay weathered the 10-day municipal workers' strike and the one-day general strike must have been galling equally to the sponsors and the opponents of the strikes. The State Government and the Congress trade unions had expected to be able to turn the wrath of the public against the striking workers. They were clearly disappointed and all talk of "a whole city being held to ransom" fell on deaf ears. As for the strikers themselves, the public attitude was such as to make them feel somewhat ignored. Even on the two days when the strike of the public transport workers threw his daily routine out of gear, the Bombay citizen was unperturbed — his answer to the breakdown of the transport system was to stay at home! As a result, even the few buses which the BEST was able to put on the roads with the help of imported State Transport workers mostly ran near empty and the lorries the Government had stationed at the railway stations to ferry those arriving by the suburban trains to their places of work were certainly not overworked. Of course, the unusual discipline among the strikers also contributed to the fact that the strikes caused no more than a ripple in the city's life.

Though organised by the non-Congress, mainly socialist, unions, and though the strike of the civic workers tapered into the general strike and ended with it, the two strikes were distinct in their character and purpose. The latter was a general protest against rising prices and the Compulsory Deposit Scheme. Its near-complete success was testimony as much to the fact that the resentment of those who struck work found an echo in the hearts of many others who did not actually participate in the strike as to the utter ineffectiveness of the Congress trade unions which, with the support of the Government, had actively tried to prevent the strike.

The Municipal strike, on the other hand, was the outcome of a specific dispute between the Municipal Corporation and its workers who have demanded a 25 per cent increase in their dearness allowance to compensate for the increase in prices. The strike was withdrawn, it would appear, largely owing to the intervention of Defence Minister Chavan who assured the workers from Delhi that he would consider it his moral responsibility to secure a fair deal for them. Chief Minister Kannamwar had also held out the assurance that he would see to it that "justice" was done. It is, therefore, a little surprising to read the reported statement of the Chief Minister after the strike was withdrawn that he intends to leave the demands of the workers to be dealt with by the municipal authorities. If a couple of days earlier he had offered to intervene in the dispute, what has happened since to change the situation? Is it because the strike leaders did not

call off the strike when he had asked them to ? This is surely too narrow a view to take and can only do damage to the prestige of the Government and the Congress, a fact which has not been lost on some other Congress leaders like the Presidents of the Maharashtra and Bombay Pradesh Congress Committees and the Maharashtra unit of the INTUC who have most demonstratively appealed to the Government to treat the grievances of the civic workers " very sympathetically ".

Pharmaceuticals Export

AN important step was taken towards stepping up the export of basic chemicals and pharmaceuticals with the inauguration of the Basic Chemicals, Pharmaceuticals and Soaps Export Promotion Council in Bombay last week. There is already an Export Promotion Council for rubber goods, paper, glass, paints and some other consumer goods with its offices at Calcutta. The membership of the newly-formed Council will be open to both manufacturers and merchant-exporters and it will be the function of the Council to extend all facilities to them to increase exports. An export target of Rs 14.84 crores per year has been suggested for these industries. This includes Rs 1.5 crores worth of dyes, Rs 0.09 crore of organic chemicals, Rs 1 crore of insecticides and pesticides, Rs 2.5 crores of plastic, Rs 0.75 crore of soaps and cosmetics, Rs 1 crore of inorganic chemicals and Rs 8 crores of pharmaceuticals.

Dr G P Kane, Deputy Director-General of the Development Wing, Ministry of Commerce, speaking at the inauguration of the Export Promotion Council suggested that the chemical industry should concentrate on high value products in its export effort. It should manufacture and export "sophisticated" and quality products. He assured the industry that export incentives will always be granted in the form of supply of scarce raw materials and compensation for losses on exports.

Without sounding pessimistic, it must be said that the target of export of Rs 15 crores for dyes, organic chemicals, drugs and pharmaceuticals appears to be definitely ambitious. Export incentives are essential and very useful but it is well known that our cost of production in these lines of manufacture is on the high side. Unless costs are brought down by the use of the latest technologies and processes and by the manufacturing units achieving economic outputs, export incentives will not help much.

While evaluating the export potential of our relatively young chemical and pharmaceutical industry, we cannot ignore that in the United States and in the countries of Europe the accent today is less on production, more on finding markets. In most of the traditional chemicals-manufacturing countries there is today substantial excess production capacity for a number of products. In the European Common Market countries, for instance, production of organic chemicals, plastics and dyes in 1960-61 was only about 80 per cent of the rated capacity and this year it may be even less. Also, the export potential of the Soviet Union and the countries of Eastern Europe continues to grow from year to year. At the same time, the developing countries, which are our principal potential markets, are striving to be increasingly self-sufficient. It is against this background that the export task set for the chemical and pharmaceutical industry has to be judged.

The proposed move to modify the patents law pertaining to drugs and processed foods may also have its impact on exports. There is apprehension, not entirely baseless, that modification of the patents law may adversely affect exports of chemicals and pharmaceuticals since, if the patent laws are made less stringent, Indian products may become *non grata* in countries which recognise international patents. Of course, a decision on modifying the Patents Act has to be based on much larger considerations and it is possible that the favourable impact of a change on the development of the indigenous industry and on internal prices may more than outweigh the adverse effect on exports.

Re-rollers and Decontrol

MUCH of the debate on the nature, scope and form of steel decontrol has come to centre on the treatment of billets. The steel producers are opposed to partial decontrol. To retain price control on billets while removing it on re-rollers' end-products would be, they feel, an anamoly, which would lead to undesirable competition in the products common to major producers and re-rollers. The re-rollers, on the other hand, have been most vocal in protesting their vulnerability. Some weeks ago, the Chairman of the Steel Re-rolling Mills Association elaborated on the difficulties faced by the industry which place it at a disadvantage compared to the main producers. While he welcomed decontrol "in principle", he also pleaded against hasty measures that would hurt the industry. Others, too, have taken pains to explain that this desire for the continuation of controls is not inconsistent with the ideal of free enterprise. The chairman of Mukand Iron & Steel Works, for instance, wants "the largest measure of economic freedom that is consistent with our collective social ideals", but is sceptical about decontrol that would unduly inflate raw material prices. His view that billet prices should be decontrolled only if adequate supplies are ensured is apparently shared by all re-rollers.

The Ministry of Steel is apparently sympathetic to this viewpoint. It is reported to favour partial decontrol which would leave billets unaffected. And this is beginning to look like being the major point of discord in the discussions on the overhaul of steel price control.

In its final report the Raj Committee may, of course, have something more conclusive to say on this issue; in its interim report it did not go into the problems of the re-rollers. But in principle decontrol of billets is only in keeping with the logic of a free market in steel. Re-rollers would be free to determine the prices for their end-products and to adjust their production pattern to suit the pattern of demand. As for their raw material, while the main producers should have fixed retention prices for billets, the prices paid by re-rollers would be determined by market conditions, depending, among other factors, on the scale of purchases and the excise duty charged by the Government.

The possible consequences of decontrol have also been worrying small consumers of steel products. While the present control system has not benefited them since few can get steel products at the controlled prices, they are afraid that decontrol might worsen their position. The fears of small industries must weigh with the Government, in whose economic thinking small industries have a special place. If, as suggested by the Raj Committee, priority in steel allocation is decided "according to the end use of supplies demanded and not according to the agency or unit which makes the demand", the small consumer need not necessarily find himself in a hole. But the Committee admits only two types of priority—overriding priority for defence needs and ordinary priority for "basic industries" and of "vital social overheads". So special measures will have to be taken to ensure availability of a fair share of steel products to the small man. One way of doing this would be to "bulk" the demands of a number of small consumers and place the orders directly with the main producers. But this assumes the creation of suitable agencies to act on behalf of the small consumers, to place the orders for them and to distribute the supplies among them.

Pool for Every Route

THE International Air Transport Association put an end to fare cutting among international airlines. Other forms of competition are also being fast circumscribed. While mergers like the proposed one between TWA and Pan-Am and the rumoured one between BOAC and BEA are possible only among airlines of the same nationality, the so-called "pool" arrangements are becoming increasingly popular. The basic principle of such arrangements is the sharing of common traffic right between two points, with the pooled revenue being divided in proportion to the capacity that each airline operates on the route.

The biggest such arrangement at present is among the airlines of the Common Market countries, France, Federal Germany, Italy and Belgium. Air France, Alitalia, Lufthansa and Sabena, the airlines concerned, have a long-term plan, spread over ten years, of integrating themselves into a consortium to be known as the Air Union which will make them for all practical purposes one giant airline.

Air-India has pool arrangements with the Soviet airline Aeroflot on the Delhi-Moscow route and with Czech Airlines on the Bombay-Prague route. But its most important arrangement is with BOAC and Quantas which covers all its other routes except the Bombay-Nairobi one. Last week it was announced that from next month Air-India will operate on this route also under a pool arrangement — with East African Airways. Air-India will thus have pool arrangements on all its routes. The small size of its fleet and its exceptionally widespread route network make Air-India a relatively low frequency operator and pool arrangements have, therefore, a special attraction for it.

Under the tripartite agreement with BOAC and Quantas, Air-India and its two partners complement each other's services. This enables the three airliners to spread out the days of operation and the points of call to meet the requirements of traffic better. As a result, the public has a greater choice of services and the airlines are better placed to increase their joint share of the traffic and also to affect economies by maintaining certain common services. The services of all three airlines are sold by each partner since it does not matter on which airline the traffic is carried. The revenues collected by the three airlines are pooled and shared according to predetermined ratios.

According to Air-India's annual report for 1960-61, the first full year of operation of the arrangement with BOAC and Quantas, "the effect of the Tripartite partnership during the year was to obtain for the partners a greater share of the total available traffic in the face of severe international competition further enhanced since the introduction of large jet aircraft on competing services and the creation among some of them of partnership arrangements and consortiums of their own". The tripartite agreement also enabled Air-India "to extend its services to New York almost simultaneously with the introduction of Boeing jet aircraft on existing routes. If it had continued to operate on its own, the Corporation would not have attempted two such important tasks at the same time and the extension to New York would have been postponed by another year".

Pool arrangements are most effective on the highly competitive routes, like the India-UK-USA one, where, were Air-India to operate on its own, its limited capacity would place it at a disadvantage compared to its bigger competitors. Bombay-Nairobi is not at present such a route, though, of course, with the independence and development of Africa, traffic is bound to increase. Both Air-India and EAA now operate two flights on this route though Air-India has the larger capacity. The agreement with the EAA has perhaps been concluded with an eye on considerations other than the immediate commercial advantage. The EAA is a British-owned airline, but it may not remain so after Kenya's independence and the present agreement may stand Air-India in good stead if at some future date the Government of independent Kenya should decide to take steps to give special advantages to its national airline.

Reviving Capital Market

THERE has been no lack of suggestions and proposals for reviving the capital market. Share brokers and stock exchange operators, who almost identify the stock exchange with the entire economy, had no hesitation, at one time, in asking for a massive intervention by the Life Insurance Corporation. The industrial community, however, reacted to this proposal in a decidedly hostile manner, ostensibly on the ground that this would bring in nationalisation through the back-door. The real and immediate reason for this reaction, however, may have been the fear that if the L I C succeeded in propping up the market, their case against the super-profits tax would have no legs to stand on.

The L I C, too, has been none too eager to come to the aid of of the capital market. The ghost of the Mundhra deal still haunts, and, in any case, the L I C is not prepared, and rightly, to risk the funds of its policy-holders in a weak market. True, the Government may want the L I C to use its funds at times to bring about a "technical correction" of the stock market. But action to reverse basic trends which really reflect the general economic climate is clearly a different matter.

In a note prepared for the FICCI Seminar of private and public sector undertakings held early this month in New Delhi, Shri B K Kaul, Chairman of L I C, attributed the slump in the new issues market to unhealthy business practices, which have undermined the confidence of the investors. Kaul specifically mentioned the lavish spending by promoters while their companies show losses, the unwillingness of many promoters to shoulder the full burden of their financing responsibilities, unjustified inter-company investments within the same group, excessive diversification and incompetent management. While the existence of these malpractices is well known and Kaul did well to speak out against them, that they are mainly responsible for the slump in the new issues market is, however, not so obvious.

There is something to be said instead for the view that if investors are cool to new issues and credit for industrial expansion is much tighter, the blame does not lie principally with the super-profits tax or the malpractices of promoters. For, occasional spurts notwithstanding, had not the stock market boom started petering out long before the Chinese crossed our borders and Morarji brought in the S P T? Two consecutive bad crops, a steady increase in production costs, the grave turn in the foreign exchange position, delays and cost over-runs in public as well as private projects — all these factors have dampened investment prospects far more than the actions of the Chinese, the Finance Minister and the unscrupulous promoters taken together. The capital market cannot be restored to vigour till there is a substantial improvement in the over-all economic situation. All that can be done in the meanwhile is to unclog the market.

How should this be done? After many and long conferences, the Government is reported to have decided that the I F C and the ICICI should underwrite more actively and hold their investments somewhat longer. Now, it is one thing to underwrite or subscribe to new issues or extend loan assistance, a second to prolong the period for which the new issues are held, and a third to carry out open market operations. From press reports it seems fairly clear that open market operations by these institutions are not contemplated. So far as the other two forms of support are concerned, the extension of fresh assistance depends upon the availability of suitable projects. Loan assistance by these institutions has never been limited by the lack of funds or the willingness to lend. It is mainly the shortage of foreign exchange, delays in licensing and the lack of sound projects which have held up the pace. As for the postponement of sales of investment, it is after all only a negative support.

But if a mere gesture is all that the market feels that it needs from the Government and all that the Government is willing to make, why keep on going round and round in these circles? Why not abolish the super-profits tax and raise the corporation tax by a straight 5 per cent?

Policy for New Issues

IT has been suggested that a statutory board should be set up to administer the control of capital issues. This is, obviously, a counsel of desperation which ignores past experience with the working of statutory boards and commissions. It may be that what the sponsors of this proposal really want is a major revision of the Government's present policy in respect of capital issues, repeated protests and representations having failed to impress the Finance Ministry. Then why not come out and say so?

There is at present an advisory committee on capital issues control but it has no executive powers and the Government is free to accept or reject its views on matters of policy. The question of capital issues control was discussed in some detail in the issue of May 18, 1963 (pp 798-99) where it was pointed out that control over capital issues as it is now implemented has ceased to serve much of a useful purpose. But the setting up of a statutory board cannot be a substitue for fresh thinking and a new policy. Should the Government agree to set up such a board, it would consist mostly of officials who would merely carry out Government directives. Nor would the presence of eminent industrialists and financiers on it, by itself, bring about a policy change. Past experience shows that eminent non-officials who might be chosen for this board would in fact be part-time members, holding sinecures. A statutory board can be genuinely independent only if it consists for the most part of genuinely independent non-officials who serve in a full-time capacity. So long as such independent full-time members are not available, a statutory board would serve no purpose at all.

In any event, there are no statutory boards of independent non-officials for matters like industrial licensing or the administration of company law for which the Bhabha Committee had in fact recommended a statutory commission. Government feels, and perhaps rightly, that it cannot leave the implementation of vital economic policies to such authorities.

Leaving aside this misplaced faith in statutory authorities, there does appear to be a case for rethinking on two aspects of capital issues control. Why should the Controller of Capital Issues bother himself unduly with the exact premium which is charged on new issues by an existing company? Similarly, why should almost all newly-established companies having foreign participation be required to offer part of their share capital to the public? Even if the Government is convinced that "a wider dispersal of shareholding is no less desirable as a matter of economic policy than as an essential of sound company practice", the ends of policy would be adequately served if compulsory public participation is laid down for projects estimated to cost more than a specified amount. The issue of share capital to the public often means considerable delay in the implementation of projects, which is justified only if the capital to be raised is substantial. There is little sense in requiring companies to come on the market with issues of a few lakhs of rupees as has happened in many cases recently.

Correction

In Amartya Kumar Sen's reply to Samir Dasgupta's comment on "Sociological and Economic Explanations" which appeared in our last issue, on page 1417, col 2, line 22, please read "if B then A" instead of "if A then B". — *Ed.*

A Calcutta Diary

The Uses of Literacy

THERE is occasion no more to question the education of West Bengal's politicians in the legislature. More than a hundred of them, all belonging to the Congress, have, it is stated, proved they can at least sign their names by lending their signatures, not thumb impressions, to a memorial not to the Prime Minister but to Shri Jawaharlal Nehru, "Leader of the Congress". They are said to have demanded action against Law Minister A K Sen who, it is alleged, directs and controls a Bengali newspaper in Calcutta in which "pungent" articles and slanted reports have appeared against Atulya Ghosh in particular and the West Bengal Congress in general. They want their "respected leader" protected. The protectionists are against free tirade, which is perhaps fair enough; it is the manner of the protest, this signature campaign, which warrants reflection.

Anyone familiar with the nature of nationalism in Bengal knows that its literary content was extraordinarily high; it could hardly be otherwise with Tagore bestriding the Bengal scene like a Colossus in every department of life. That the country's national anthems, two, were composed in Bengal is only a small part of the evidence. Numerous are the songs, plays, essays and novels produced at the time on the theme of nationalism; in the twenties and thirties there was not a child in Bengal who did not have half of them by heart; some could sing tunefully too. This artistic aspect of nationalism was so dominant that it often seemed to constitute the whole movement. With plenty of junk, things of abiding literary value also were produced; when the Chinese attacked, for instance, All India Radio fell back heavily on Tagore, Dwijendralal Roy, Rangalal Bandyopadhyay and others. That literary creativity is now reduced to "pungent" articles and dictated signatures, legible or otherwise. Truly has the Bengal scene changed.

Paper War

The squabble between Ashok Sen and Atulya Ghosh is full of interest, mainly comic. The former, a prosperous lawyer with not much of a political past, or future, was brought into the game by the late Dr B C Roy in the hope that all power would not immediately pass into the hands of those who had little to say for themselves except that they had spent some years in prison, Atulya Ghosh for instance. The plan, worthy or otherwise, received its first jolt when another such recruit of Dr Roy, Siddhartha Ray, a lawyer of moderate success, resigned his Ministership. The plan died when Dr Roy did; but Ashok Sen was by then an addict, politics being highly habit-forming. But the poor man had no political base in the State and still hasn't got one; this is true in spite of his electoral success.

But, in the language of the turf, Ashok Sen is a trier, if not a winner. He also seemed a near-favourite of the Prime Minister, no punter but likes about him people that are pliant. Sen also has money, his own and other people's. So he started various benevolent societies, with the aid of a cousin of a Bengal Minister who controls two powerful newspapers which, are, under direction, lukewarm in their support of Atulya Ghosh. One of these papers recently sacked its editor, who is now working for another paper; the latter is the vehicle in which the supposedly "pungent" pieces appeared. Ashok Sen is correctly believed to have much to do with the paper. All this is a bit complicated, obscuring who is doing what and to whom; but then politics in West Bengal is complicated.

Sen and Sense

Men around Sen are putting out the story that the Home Minister, Lal Bahadur Shastri, has told the signatories where they get off, that they had not thought of protesting when another Congress leader, Jawaharlal Nehru, had been the subject of sutained attack in another Bengali daily, friendlier with Atulya Ghosh. On the other hand, the political fortunes of Atulya Ghosh are evidently in the ascendant. If Prafulla Sen resigns, Ghosh is the obvious successor. If through Biju Patnaik, and then through Indira Gandhi, Ghosh succeeds in improving Nehru's opinion of him, he may yet become Congress President. The source of all power, a firm base in the State of one's origin, is all there for Atulya Ghosh. If Sen had any political sense, he would long ago have made his peace with Ghosh; he yet may, for no principles are involved in the row; and, in any event, neither party can be credited with an undue respect for principles.

The only snag is that Ghosh has not much use for Sen, no great political asset to anybody; so that the surrender demanded may be unconditional; and even then the prize may be elusive. Be it remembered that none of these goings-on in the various State Congresses would be possible if parties thereto did not have supporters in New Delhi. In this game of likes and dislikes Shri Nehru is an active participant.

Signers and Resigners

There is an element of unreality about it all. If Sen thinks, as he is said to, that Nehru likes him and dislikes Atulya Ghosh, whether true or not, just what does either mean in terms of either's political future? Perhaps not much. Those who signed for Ghosh, and against Sen, read the signs correctly when they back Nehru's non-favourite. Ghosh has demonstrated his skill in winning elections; Nehru is unlikely to carry his alleged dislike of him to the detriment of the interests of the Congress Party. Sen, by comparison, is immensely expendable. Ghosh knows it, even if Nehru does not. (This is being written before Nehru has announced his decisions, such as they may be, on the Kamaraj plan.)

Ashok Sen, a political lightweight, is up against not only Atulya Ghosh, an undoubted heavyweight, but also against the many things and forces he stands for; an additional disadvantage of Sen's is that he is not known to stand for anything at all, good, bad or indifferent. He says, or his editor says, that he stands for a thing

called Nehru, a mortal quantity — like Dr Roy, who brought him into politics on a set of assumptions that are totally irrelevant in politics today. Benevolent societies and acquisition of newspapers do not determine anyone's political future. Ghosh likes being praised by newspapers, but he knows their unimportance. His recent attempt to tame an editor was certainly maladroit; but only his callower supporters are worked up about what is written on him. The written word has lost its potency; few read anything. Sen may yet be wise to return to the Bar and leave politics to those who know it — Atulya Ghosh, for instance.

— *Flibbertigibbet*

Capital View

A Confused State

Romesh Thapar

A PITY that the developing general strike in Bombay compels an early closing of this dispatch — even before the three-day debate in Parliament on a motion of no-confidence in the government tabled by the non-communist opposition. This is not to suggest that there is a dearth of material about which to write. But the contradictions in recent official policy statements are so many that there was just a slim chance that the promise of an angry debate might have helped to iron out or make explicable some of the extraordinary reports which are circulating. And then there was the question of the implementation of the Kamaraj Plan. All this will have happened by the time these lines appear in print — a demoralising thought, but . . .

Even as Delhi develops a Calcutta-like appetite for demonstrations and the like, an appetite which seems to be fed by pro- and anti-Nehru commitments judging from the pathetic slogans raised, the Prime Minister has been delivering himself of demonstrative pronouncements every day on our confusions and our sins of omission and commission. All this activity has not dissolved the fears and apprehensions which have weighed us down since China pierced the Himalayas. Months of confused policy-making cannot be negatived by 'papist encyclicals'.

Rebuff for the West

The Prime Minister's pronouncement on the prolonged Kashmir talks with Pakistan as a result of prodding from the West was climaxed by the firm assertion that compromise offers from our side are being withdrawn and that we do not intend to be made victims of Pakistani blackmail. This move seemed designed decisively to blunt the new initiative from the West to arrange a 'mediation' on Kashmir. But those who see military aid patterns as the true barometer of an under-developed country's independence claim that the new toughness, if it may be called that, draws its strength from the success of our several official and unofficial missions to Moscow to purchase arms.

It is quite obvious that the advice given to the Prime Minister is to the effect that the Sino-Pak concordat has exposed the opportunism of the Ayub regime and that an unflinching stand by India on Kashmir is more likely to find support in the West than ever before. But how much reliance can we place on this rather easy assumption ? There is a fairly substantial group of policy-makers, at the moment somewhat isolated, which believes that willy-nilly the West will support Pakistan against India and, therefore, our moves to isolate our hostile neighbours should be more subtle and planned in perspective. The mercurial shifts in policy these days have gravely damaged our image as a self-reliant, capable nation.

Bureaucrats at the Helm

The Prime Minister's declaration on the V O A deal is a remarkable example of the kind of sophisticated double-talk to which we are beginning to get used. He assumes responsibility for the decision to go ahead with the V O A deal and explains that only later did he realise that its terms violated the fundamentals of our policy. Anyone with a modicum of intelligence knows that it is absurd to expect the Prime Minister to scrutinise in detail the terms of an agreement; this is the job of the Secretariat, and particularly of the Foreign Secretary, who conducted, or supervised, the negotiations. In other words, it still remains to be seen how the Prime Minister's approval was manipulated for this politically inept deal.

Another facet of this V O A business is the confirmation that nobody of consequence in the ministery of External Affairs, apart from the Foreign Secretary, was aware of the negotiations or their trend — negotiations which were initiated in March this year (after V O A chief Ed Murrow's visit to the Capital) and concluded in June. The position in the Ministry of Information and Broadcasting was different; several senior officers were consulted, including the Director-General of All-India Radio, who, it is said, backed the deal enthusiastically. But I have it on the most reliable authority that all the arguments against the deal, arguments which are now being used, were presented to our negotiators. Were these arguments brought to the notice of the Prime Minister ?

Secret Even from the Defence Minister !

Normally, if the Prime Minister were not rushed off his feet with all manner of futile activity, the very mention of those three letters, V O A, would have made him cautious. The story now current is that he was told that the deal was part of military aid and essential for counter-propaganda, that it would not in any way offend AIR's independent image. Casualness in dealing with these matters, and a reluctance to provide Parliament with the facts, can only damage the integrity of the administration and increasingly place power in the hands of bureaucratic careerists who have little respect for the interests of the nation and its policies.

Some such flavouring is also being given to the NEFA Report, a professional investigation into the causes of the military defeat last October. It is sought to be made out that even the release of a summary of some of the conclusions of the Report would not be in the national interest. From the Prime Minister's statement in Parliament the Defence Minister has seen only a summary and it appears that the President of India too is unaware of the contents of the Report. What could there be in this Report to warrant such secrecy ? Are there two reports, one contradicting the other, and therefore a reluctance to start another bitter controversy ? Are we trying to protect as yet unsullied reputations ? Or are we now zealously security-minded — that is, when all the damage has been done ?

Broadly, certain members of Parliament wish to establish whether it was military incompetence or political interference, or both, which destroyed our capacity to defend our borders. And political interference includes the mulish refusal to face the equipment and supply problems of the armed forces. The Prime Minister, largely as a result of puerile questioning, always manages to dance around this central issue of responsibility. The impression created by this performance is none too complimentary to the officer corps; hence, praise *only* for the jawans. When will we grow up and learn to face the truth ? Perhaps, if we had a national press intent upon the truth we would not have to put up with sophisticated double-talk.

Speculation on Kamaraj Plan

A revealing commentary on our thoroughly confused situation is the speculation about who is going to be purged from political office under the Kamaraj Plan. By now, there is not a single prominent political leader of the Congress Party at Union level who has not been 'axed' for the pleasure of newspaper readers. If a visitor to the capital were to take an intelligent interest in the speculation, he would either conclude that Jawaharlal Nehru was about to establish his personal rule or imagine that a host of young men were about to take over from the elders. Newspaper readers treat the speculation as a comic side-show, something which perhaps helps them accept the same old men, year after year, as the only 'talent' in the country.

The discussion of the Malaviya episode reinforces this thought. The Prime Minister is now bravely defending his former colleague — in fact, almost implying that there was no basis for his resignation. An astonishing admission, particularly after his failure to expose the real nature of the attack on K D Malaviya. The ambivalence on the Das Investigation is not calculated to help. One cannot help wondering what the Prime Minister hopes to achieve by these flabby attitudes to the crises around him.

From the London End

Artificial Respiration for Dundee

THE latest regulations announced by the Board of Trade on August 13 with regard to protection to be given to the British jute industry, emphasises once again the difficulties that developing countries like India face in trying to promote exports of their manufactured goods. Despite all the brave words that are spoken at GATT meetings on the need for industrialised countries to import more manufactured goods from the developing world, when it comes to action, vested interests see to it that even declining and inefficient industries continue to receive the type of protection which effectively prevents large-scale imports from the poorer countries. With a General Election looming ahead, the Government is quite obviously unwilling to take chances on a further rise in unemployment, particularly in a development area like Dundee, and this is one of the reasons why the final results of the review of policy on jute imports has been much more protectionist than was originally anticipated. Although the Board of Trade's original proposals were never actually published, it was generally believed that had they gone through, the jute industry would have been only half as well protected as it is now. The table (p 1436) sets out the new arrangements.

As regards imports from other countries, apart from the Irish Republic and the Eastern Area, to which special conditions apply, the existing restrictions on the price of cloth and bags which may be imported will be removed and imports from these countries, which are on private account, will become subject to a quota. The size of this quota and the arrangements for its allocation will be announced later.

Dundee Still Dependent on Jute

The jute industry in Britain is highly localised — nearly all of Britain's jute manufacturers are to be found within a few miles of each other in Dundee and Angus. Dundee is in a development district and is eligible for the substantial help announced in the budget. The Board of Trade has stated that it will continue to do its utmost to encourage the introduction and expansion of alternative industries in the Dundee area, but very little is being done to reduce the dependence in that area on the jute industry.

Accordingly, in the interests of employment in Dundee, the jute industry is protected, not by the usual methods of tariffs or quotas, but by a unique arrangement under which the Board of Trade Jute Control is the sole importer of jute goods from India and Pakistan, the greater part of which it resells at enhanced prices. The Jute Control imports only certain specifications of jute goods, and the import of other specifications from India and Pakistan is prohibited. As a complement to these arrangements, imports of jute goods from other countries are subject to import licencing control and for the most part are restricted to those types of goods which the Jute Control does not import from India and Pakistan.

The system of protection provided for the jute industry is indeed a relic of the war-time system of state trading and import price control. It is true that in the last six years the Board of Trade has made three attempts to whittle down this protection. In 1957, the mark-up on common hessian cloth (used mainly for bag-making) was reduced from the equivalent of 40 per cent to a 30

per cent flat rate. In January 1960, the mark-up on common hessian cloth was reduced from 30 per cent to 20 per cent. Since that date, there has been no change in the jute industry's protection before the new arrangements were announced.

Why the Changes

A number of factors were responsible for this recent review of the protection received by the British jute industry. While negotiations for Britain's entry into the Common Market were going on, certain arrangements regarding jute goods had been determined. The Common External Tariff of the Six for jute manufactures is 23 per cent and there were indications that the British mark-up policy would be reduced to come into line with these arrangements. Accordingly, pressure from the Government of India regarding the whole system of "mark-up" was held over while the Common Market talks were still going on in Brussels. With the breakdown of these talks, it was inevitable that the question of protection would have to be re-examined.

The approximate proportions of the Jute Control's sales and Dundee production accounted for by the various categories in the table are as follows :

Heavy Bags, Common Sacking and Wool Sacks : These account for 15 per cent of Jute Control's sales and are not produced by Dundee.

Common Hessian Cloth : This accounts for 60 per cent of Jute Control's sales and 5 per cent of Dundee production of jute cloth. The fact that the mark-up has now been reduced to 10 per cent can hardly be a cause for complaint to the jute industry since when the original reduction was made in 1957, the leaders of the jute industry warned their members to cease manufacturing these cheap grades and move into other jute cloth. It is true that about 5 per cent of Dundee production is accounted for by the few firms who still insist on specialising in this item despite the earlier warnings and despite the fact that Indian and Pakistani manufacturers are largely concentrated in this industry. The United Kingdom Jute Goods Association, whose members trade largely in imported goods, issued a statement that they welcomed the reduction in the mark-up of common hessian which is in line with their representation to the Board of Trade. The interests of the sack trade in Britain are opposed to those of the trade in Dundee as the former are most anxious that the mark-up on this item should be reduced and that the price of Indian hessian correspondingly cut in view of the inroads that paper and plastic sacks are making into the jute sack industry.

"Equated" Goods : These account for 25 per cent of Jute Control's sales and 40 per cent of Dundee's production of jute cloth.

"Excluded" Goods : These account for about 55 per cent of Dundee's total production and sales of these items have hitherto been totally excluded.

Substantial Measure of Protection

The last two items between them account for over 95 per cent of Dundee's total jute cloth output. These mainly include such items as jute goods used as base materials for carpets, underlay, linoleum and bituminous material like roofing felt. As far as these items are concerned, the British jute industry regards any alteration in its protection against imports from India and Pakistan as a very serious matter. A spokesman from the Association of Jute Spinners and Manufacturers, representing the Dundee Jute Manufacturing industry said :

> "In general we welcome the fact that the Board of Trade has decided to await the findings of a detailed enquiry into the industry before taking any radical steps to change the former level of protection for the great bulk of the Dundee and district production".

Thus despite the hopes that this review might bring some real measure of help to countries like India arnd Pakistan, the changes which have been introduced will continue to give a very substantial measure of protection to the British jute industry.

Jute Goods Imports from India and Pakistan

	Category	Present treatment	New arrangements
Cloth and Bags			
(i)	Heavy bags, common sacking and woolpacks	Imported by Jute Control and sold without mark-up	Being returned to private trade
(ii)	Common hessian cloth, mainly used for bag making.	Sold by Jute Control with 20% mark-up	The mark-up will be reduced to 10% with effect from 16th August, 1963
(iii)	"Equated" goods	Sold by Jute Control at 'Dundee prices' (i e based on prices charged for similar goods by the Dundee industry under the uniform price agreements now terminated)	Jute Control to import and continue to sell with a variable mark-up for one year pending the outcome of the enquiry. If the enquiry produces no satisfactory alternative proposals after a year a uniform percentage mark-up will be introduced.
(iv)	'Excluded' goods	Not imported	Cloth to be imported by the Jute Control, against specific orders, and sold for one year at a 50% mark-up or the Dundee price whichever is the lower; the treatment of bags is one of the technical matters still subject to discussion. If the enquiry produces no satisfactory alternative proposals after a year a uniform percentage mark-up will be introduced
Yarn		Jute Control does not hold stocks, but imports against specific orders; no mark-up applied.	As at present

With Indian Journalists in UK

Surface Impressions of a Tour

'Stringer'

"OUR rules put a premium on dishonesty", said a high Indian official in London when some journalists complained they had been allowed to take only three pounds on their one-month trip to Britain at the invitation of the Commonwealth Relations Office.

A little pocket-money is needed for some un-Desai activities like smoking, for instance. As three pounds is not enough, the visitor has to beg or borrow. Repaying borrowed pounds with rupees is a foreign exchange offence. So it is with a sense of shame that he accepts pocket money from his host, thinking with chagrin of the Indian Ministers touring overseas when the weather is hot at home. Under the British Raj, high-ups made a beeline for the hills in summer. Now they make a Boeing-line for countries abroad. On business, of course.

The image we love to think Mother India has acquired abroad is often illusory. Foreigners know that we talk too much, talk big, act little. Our moral posture does not convince. A British industrialist said his people, plodding and mundane, would pant and crawl up what they think is the hill of perfection; maybe midway they would meet a group of breathless Indians, forced down by some party or misadventure.

Britons' Discreet Silence

We are downhill now, thanks to the Chinese. But it was surprising that the people we met in the UK seldom talked about the border thrust. It was a schoolboy at Repton who ventured an explanation : Britons would not like to remind us of our autumn humiliation. Hence the discreet silence.

The Indian journalists, however brought up China whenever they could. One Tory said that since India could never match the Chinese in Ladakh, she should come to honourable terms with Peking. The emphasis was on "honourable". India should also negotiate a settlement on Kashmir. How ? "That's your business", the Tory said.

At Transport House we were led to believe that Labour in power would be more willing to aid India, though the spokesman hastened to add that Labour was not unfriendly to Pakistan, a member of the Commonwealth.

There were frequent references to the Commonwealth idea. With older people this idea may be a hang-over from the days of the Empire, reviving memories of *Pax Britannica*. But with the educated young the Commonwealth concept seems to be a way of sublimation —they would like to forget the bloody side of the Empire and think instead of a fraternal association led by Britain. ("But it's difficult to keep all these nations together, it's like trying to balance frogs on a scale, they all jump out, don't you see", said a fellow-journalist to Sir John Hope, son of Lord Linlithgow and son-in-law of Somerset Maugham).

Britain is Looking Out

Britain today is looking out. But she is in two minds about most things, whether it is the Commonwealth, the Common Market or, less so, the Atlantic tie. She should like to cultivate all the three. But can she ? Some people said, over the years the links between her and the handful of English-speaking people in the ex-Colonies will wear out. Britain has to turn to Europe (when de Gaulle is less sublime); though the Atlantic tie has a great pull (Americans speak the same language), Britain will have to look nearer home, and not gaze across the Atlantic. Continental wine, now served in most British restaurants, may be a pointer to closer association with Europe.

At the moment, however, feelings are mixed about Europe. The pique against de Gaulle is strong. Not in all quarters, however. Labour feels that the Tories rattled the General many times when, with a little tact, Britain could have been in the Common Market.

W Germany ? Public reception to the W German President was so cool that it embarrassed the authorities.

What about the Bear ? Five years ago most people showed curiosity with interest on hearing that I worked in Moscow. Today they hardly are interested. They take Russia for granted. Russia is no longer an enigma wrapped in a mystery.

Taking Things in Their Stride

Indeed bright young men in Britain today take most things in their stride. They don't work themselves up over anything. Though Profumo, Ward and Keeler gave clergymen the chance of their lifetime to talk shop, most people were just amused and joked about the affair ("Macmillan on hearing of Profumo and Keeler said : 'Thank God this time it's a woman' "). *News of the World* sold out in a few minutes. We, not being discreet Englishmen, could buy it openly without a blush instead of borrowing it from maids.

Political issues seldom seem burning in Britain. In fact a Labour Member said the problem in the next elections would be the number of people who would not care to vote. Young men tend to switch their political affiliations, but how to catch them young, how to bring them to the polling booth ?

One reason for this apathy is perhaps the present difficulty of making out a Tory from a Labourite or Liberal; in an affluent society (forget the coal mines, the dole-takers and the almost flat production curve) party distinctions appear to be a not-very-interesting game of hair-splitting.

We, however, observed some minor differences: Tories are still formal — three of them waiting to receive "the important group of Indian journalists"; Labour is indifferent to bourgeois formalities — ushered into the empty conference room, the important group of Indian journalists were received after five

minutes by one earnest, intelligent young man; Liberals are rather absent-minded—the lady the important group of Indian journalists were to meet was not there at all (some inexperienced assistant had mistimed the appointment).

Most of the interesting conversation at Conservative and Labour Party headquarters I do not remember, because, relying too much on my memory I did not take notes; I did not know that with falling hair memory too begins to fail. But one remembers men (there was no chance to know women) : the elderly gentleman in charge of a new town project near Newcastle who bubbled with almost Russian energy as he showed us around and looked a typical engineer but was, as I learnt later, an Oxford graduate in history; the Scottish guide at Edinburgh who did not even forget to arrange for our laundry to be washed — he trunk-called Newcastle from Glasgow to fix it up; the young men of amused patience and quiet humour at Newcastle and Nottingham who were always ready to go beyond the programme at considerable inconvenience to themselves; young and middle-aged headmasters who seemed to have a passion for their jobs; a girl of 16 drinking cherry brandy on the sly while we kept her headmaster busy at the dinner table. (There is in the U K an age-bar to taking alcoholic drinks).

Yes, one does remember the open-minded, easy-going people one met, the clean, prosperous towns and cities (we were naturally shown the best parts) and the lovely countryside. A surprisingly fine countryside in an industrialised country sounds to be a contradiction but is not. If you cannot feed your countryside with facilities — good roads, sanitation, livable houses, electricity and the like — and all this requires industrialisation, you can rave like a back-to-nature poet or politician while your countryside goes to weed.



THIS ANNOUNCEMENT IS NOT A PROSPECTUS.

Persons interested in full details are requested to obtain copies of the Prospectus which are available from the Registered Office of the Company or from the offices of the Company's Underwriters, Brokers and Bankers.

Sankey Wheels Limited

(Incorporated on November 21, 1962 under the Companies Act, 1956)

Registered Office

Wakefield House, Sprott Road, Ballard Estate, Bombay 1.

SHARE CAPITAL

Authorised 25,00,000 Equity Shares of Rs. 10/- each		Rs. 2,50,00,000
A. Subscribed and Paid-up Capital :		
(i) 3,85,000 Equity Shares of Rs. 10/- each (fully paid) held by JOSEPH SANKEY & SONS LTD., ENGLAND (hereinafter referred to as "Joseph Sankey"), a promoter of the Company the technical collaborators of the Company	Rs. 38,50,000	
(ii) 3,82,000 Equity Shares of Rs. 10/- each (fully paid) held by GUEST, KEEN, WILLIAMS LIMITED, CALCUTTA (hereinafter referred to as "G. K. W."), a promoter of the Company	Rs. 38,20,000	
(iii) 1,00,000 Equity Shares of Rs. 10/- each (fully paid) held by COMMONWEALTH DEVELOPMENT FINANCE COMPANY LIMITED, LONDON (hereinafter referred to as "CDFC")	Rs. 10,00,000	
(iv) 2,16,000 Equity Shares of Rs. 10/- each (fully paid) held by MR. SANT SINGH SAHNEY, a promoter and Director of the Company and his sons	Rs. 21,60,000	
(v) 17,000 Equity Shares of Rs. 10/- each (fully paid) held by the remaining DIRECTORS and friends	Rs. 1,70,000	
Total Subscribed & Paid-up Capital	Rs. 1,10,00,000	
B. Now offered at par for Public Subscription : 6,00,000 Equity Shares of Rs. 10/- each	Rs. 60,00,000	
	Rs. 1,70,00,000	

Terms of Payment :

(a) On Application Rs. 2.50 per share
(b) On allotment Rs. 7.50 per share

Board of Directors

Name Description & Address	Occupation
1. Mr. Harry Ferguson HODGSON (Chairman) British (registered Canadian National) Joseph Sankey & Sons Ltd., Hadley Castle Works, Wellington Shropshire, England.	Director of: Guest, Keen & Nettlefolds Ltd., Garringtons Ltd., Lincoln Electric Co. Ltd., (Chairman) John Lysaght Ltd., Joseph Sankey & Sons Ltd., Sankey Sheldon Ltd. (Chairman) and others.
2. Mr. Chandulal Chunilal DESAI (Alternate Chairman) Indian 44, Friends Colony, New Delhi 14.	Director of: Shah Construction Co. Ltd., (Chairman) Premier Tyres Ltd., (Chairman) Sifco Ltd., (Chairman) Tensile Steels Ltd., (Chairman) Camphor & Allied Products Ltd. (Chairman) Antifriction Bearings Corporation Ltd. (Chairman) Modella Woollens Ltd., (Chairman) Oriental Fire & General Insurance Co. Ltd., Industrial Finance Corporation of India, Gujarat State Finance Corporation and others.
3. Mr. Krishna Chandra MAITRA (Deputy Chairman) Indian Sankey Electrical Stampings Ltd., Wakefield House, Sprott Road, Ballard Estate, Bombay 1.	Director of: Sankey Electrical Stampings Ltd., (Managing Director) Guest, Keen, Williams Ltd., Life Insurance Corporation of India and others.
4. Mr. Raymond Percival BROOKES British Garringtons Ltd. Newton Works, Bromsgrove, Worcs., England.	Director of: Guest, Keen & Nettlefolds Ltd., (Deputy Managing Director) B.R.D. Co. Ltd., (Chairman) G.K.N. Bolts & Nuts Ltd., G.K.N. Screws & Fasteners Ltd., G.K.N. Steel Co. Ltd., Garringtons Ltd., (Chairman) Royal Ordnance Factories Board, Joseph Sankey & Sons Ltd., (Chairman) The Scottish Stampings & Engg. Co. Ltd. (Chairman) and others.
5. Mr. William MORRICE	Director of: Sankey Electrical Stamping Ltd.,

	British Guest, Keen, Williams Ltd., 41, Chowringhee Road, Calcutta 16.	Guest, Keen, Williams Ltd., (Managing Director) Stewarts & Lloyds Private Ltd. and others.
6.	Mr. Sant Singh SAHNEY Indian New Indo Trading Co., 475, Sardar Patel Road, Bombay 4.	Director of: Sahney Steel & Pressworks Private Ltd. (Chairman)
7.	Mr. James Horatio WITTON British Sankey Wheels Ltd., Mookerjee House, 17, Brabourne Road, Calcutta.	General Manager of the Company

Underwriters

The entire issue to the public has been underwritten as follows:

The Industrial Credit & Investment Corporation of India Ltd., 163, Backbay Reclamation, Bombay 1.	Rs. 40,00,000
Place, Siddons & Gough (Private) Ltd., 6, Lyons Range, Calcutta 1.	Rs. 10,00,000
Lewis & Jones, Bank of Baroda Building, Apollo Street, Bombay 1.	Rs. 10,00,000
	Rs. 60,00,000

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Auditors

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The Company was incorporated on the 21st day of November 1962, as a public Company limited by shares for the objects set forth in its Memorandum of Association but particularly to manufacture, buy and sell wheels of every description for use in vehicles of all kinds and in particular for use of motor cars, trucks, lorries, animal drawn vehicles, buses, tractors and equipment relating thereto.

The project consists of the manufacture of wheels for commercial vehicles such as trucks, passenger buses, tractors and the like (hereinafter referred to as 'truck wheels') and of wheels for passenger cars, Jeeps and animal drawn vehicles (hereinafter referred to as 'car wheels')

The requisite Industrial Licence No. L/7(5)1/62-AEI dated the 10th day of January 1962, has been issued by the Government of India under the Industries (Development & Regulation) Act, 1951.

The manufacture of truck wheels is being undertaken with new plant largely being imported for the purpose, the foreign exchange for which is being provided by CDFC and Joseph Sankey. The construction of the factory buildings, railway siding and other facilities is already under way and it is expected, barring unforeseen contingencies, to commence production of truck wheels in 1964.

The manufacture of car wheels will be carried out with plant already transferred by G.K.W. to the Company with effect from 1st June 1963. It is proposed to move this plant to Durgapur soon after the commencement of production of truck wheels as more economic production can be achieved if both types of wheels are manufactured under one roof, but pending this, the plant has been hired to G.K.W. who have agreed to continue manufacture and to sell to the Company their entire production of wheels in accordance with arrangements concluded with them.

The Technical Collaborators of the Company are Joseph Sankey, a company incorporated in the United Kingdom. Joseph Sankey are one of the largest manufacturers of wheels in Europe, and were the originators of the pressed steel wheel. Joseph Sankey have assigned to the Company the benefit of their existing know-how and of their trade connection in the sale of wheels in India. In addition Joseph Sankey have entered into an agreement for rendering technical services to the Company.

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Caste and Politics in Akola

Anil Bhatt

Rajni Kothari writes :

Lately the role of caste in politics has attracted considerable attention. Social scientists have generally taken one of two positions. Some sociologists and social anthropologists have emphasised the importance of the caste system in conditioning the political process and utilising it for its own maintenance. On the other hand, there are the political scientists who argue that because candidates of the same caste often contest against each other, caste as a factor in politics is losing importance.

Both these positions are extreme and are based on an insufficient understanding of the role that caste plays in politics.

Caste is not the cause of factionalism nor does it influence politics to the extent that sociologists would have us believe. The cause of factionalism is competition for power. Caste, like other social and economic groups, simply provides a basis for one faction or one party to set itself against another.

If caste seems prominent in Indian politics, it is because for centuries it is the most organised and well-knit group in Indian society. It provides an ongoing structure of group organisation. The politician seeking power mobilises his support by working through this structure. This he does with all forms of organisation. He does it with caste too.

Caste, then, is a means in politics. This can be seen from the fact that political factions and personal ambitions for power cut across caste loyalties.

An attempt is made below to pursue the conflict of power between different caste groups with a view to discerning the precise stages through which the interaction between caste and politics passes and the sort of group process that politics initiates in a caste-oriented society. The study, conducted in a Maharashtra district, supports the view expressed above that the operative category of Indian politics is neither caste nor party but faction. The thesis calls for elaboration and detailed field examination in different situations. This is an attempt in that direction.

AKOLA district is centrally situated among the four districts of Berar. It is also one of the eight districts of the Vidarbha region which was formerly under the C P and Berar State. With the States Reorganisation in 1956, it is now part of Maharashtra.

The district has a population of 11,89,277 according to the 1961 Census, of which the agricultural population is 74 per cent and the remaining 26 per cent include business, service and other occupations.

Table 1 shows that the Marathi-speaking castes form about 80 per cent of the total population. The term 'Maratha' has three connotations. Firstly it refers to those who speak the Marathi language. This connotation has no point for us since it does not explain the caste distinctions within the Marathi-speaking population. According to the second connotation, only 96 families of the higher Rajput caste are Marathas. This is too narrow as it ignores the widespread Maratha consciousness among large sections of the non-Brahmin population of Maharashtra. According to the third connotation, a number of castes are regarded as Marathas, the chief among these being the Deshmukhs and the Patils. The Patils form the biggest percentage of the total population. In Akola they constitute about 50 per cent of the population. The Deshmukhs form a very small minority, about 1 per cent of the total population. Within each of these there are various sub-castes. The Deshmukhs were originally Patils but in the British period they were given rights of collecting land revenue. Because of this power, they came to acquire higher status in the villages. They started giving their daughters only to the Deshmukhs of other villages, though they took Patil daughters for their sons. Another reason why Deshmukhs came to acquire a higher status was that among them they did not practise the custom of widow remarriage while among the Patils the custom was prevalent. However, there were no dining restictions between the two. On the whole, caste restrictions between Deshmukhs and Patils are rapidly being relaxed but caste identification in politics, as we shall see, is still maintained and is perhaps becoming clearer.

Among the untouchables who form about 20 per cent of the total population, the Mahars are the most dynamic group. They have had long administrative experience and some education. "In every village, Mahars by hereditary right confirmed by the Government, performed numerous public menial services. Mahars are under the control of the Patel (the village headman). As with Jaglias, their principal duties consist of patrolling the village at night and carrying reports. They are also responsible for the conservancy

Table 1 : Social Composition of Akola District

	Per cent of Total Population
Brahmins	1
Marathas	
Deshmukhs	1
Patils	50
Mohammedans	10
Marwadis	2
Scheduled Castes	
Harijans	11
Others	11
Scheduled Tribes	3
Other Castes	11
Total	100

Note : The figures are approximate. In the absence of authoritative and up-to-date statistics, a rough classification of the population was made and checked in the field.

of the village".[1] With Dr Abmedkar as their leader the Mahars organised themselves in the Republican Party. The Mahars are found concentrated in some areas of Akola District where they constitute a substantial political force and are in a position to change the balance of power. The present Republican leaders show a tendency to work with leaders of the Congress party but they cannot openly join hands with the Congress as Ambedkar, who was their hero, vehemently opposed the Congress. However, they are often found supporting powerful groups in the Congress. In the last Zila Parishad election some dissident Congressmen, who were caste Hindus, were given the Republican ticket and got themselves elected. As we will see, the Republican party forms an important pressure group within the Congress in the Akola

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Zila Parishad.

II

Decline of the Brahmins

District politics in Akola provide an interesting case study of the shift of power from one community to another. Before examining the shifts, some background of the anti-Bramin movement in Maharashtra and in Berar is necessary.

In Maharashtra, as in many other parts of India, Brahmins dominated almost every field in the nineteenth and early twentieth centuries. They were the educated and the more advanced sections of society. Government services were manned by the Brahmins. They were also in the forefront of the nationalist movement.

The Maharashtrian Brahmins' campaign against the British Raj dates back to the 1857 mutiny when the Peshwa, the Tatya Tope and Rani Laxmibai of Jhansi, all Brahmins, led the revolt against foreign rule. This heroism continued and in this century Brahmins were again in the forefront of the struggle against the British. Tilak, Gokhale, Wamanrav Joshi, M S Aney, and Savarkar were all Brahmins. Part of this tradition owes to the historical peculiarity of Maharashtra where the priestly and political functions were combined in the Brahmins. In the words of Sir Michael O'Dwyer, "The reason for the undoubted prominence of the Maratha Brahmin in the political movements of the last 30 years, whether a moderate such as Gokhale or an extremist such as Tilak, is to be found in their history . . . The Maratha Brahmin is the only class among the Hindu intelligentsia that has behind it the tradition of two centuries of almost independent rule".[2]

Anti-Brahmin Movement

The anti-Brahmin element in Maharashtra politics can be traced roughly to the Satya Shodhak movement which was in essence a non-Brahmin movement. It started in Kolhapur and spread over the rest of Maharashtra. Inspired by the then ruler of Kolhapur, it is said to have the approval of the British who wanted to check the Brahmin agitators. "In 1920 after the death of Lokmanya Tilak his paper *Kesari* published in full the original correspondence that took place between the Maharaja of Kolhapur, the Governor of Bombay and the Viceroy which conclusively proved the genesis of the non-Brahmin movement".[3] Karmavir Bhaurao Patil and Keshavrao Jhede were the known leaders of the Satya Shodhak movement. The Satya Shodhaks used to stage dramas known as tamashas in which Brahmins were depicted as the cruel exploiters.

In the Berar area, the movement also took an anti-Marwadi form with Dr Panjabrao Deshmukh and Pandharinath Patil as the main leaders. There were special reasons for this. The Marwadis were outsiders who had come to the Berar area as commission agents of Bombay textile mills for purchasing cotton which was an important crop of Berar. Slowly they settled down and started other businesses.

Exploitation of cotton growers and trading in the land of peasants for corn in the famine years of 1902 and 1908 made the Marwadis unpopular with the local population. The Satya Shodhaks worked on these feelings. So in the Berar area there was the slogan *Shetjee Bhattjee Nako* ("capitalists and Brahmins not wanted").

[A parallel can be drawn between the Self-Respect Movement in Madras, forerunner of the D M K, and Maharashtra's Satya Shodhak movement. In both States, Congressmen helped the movements. Now in both the States elimination of Brahmins from politics is total and complete. Today in order to survive in politics they have to accept non-Brahmin leadership.]

The decline of Brahmins in Maharashtra politics had started since 1920 with the death of Tilak. Gandhiji also had a great impact. Wardha, a district of Vidharbha, was his headquarters. The rise of the Gandhiites against the Tilakites in the Congress hastened the process of the decline of the Brahmins. Leaders of Vidarbha like Khare, M S Aney and Patwardhan had to leave the Congress. In 1938 a C P and Berar Non-Brahmin Conference was held in Nagpur under the auspices of the Congress. Keshavrao Jedhe who had by now left the Satya Shodhak movement and joined the Congress presided over it. Jamnlal Bajaj also attended it and Sardar Patel sent the message in which he said 'how long will the non-Brahmins of C P and Berar who are in huge majority be led by a particular small community ?'[4] Thus was sealed the fate of Brahmins in Berar politics.

Rifts among Castes

The dominant ideology of the thirties in Maharashtra was provided by the *Bahujan Samaj* ("the majority society"). In 1938 this Maratha slogan entered Berar politics. Originally, the Marathas were brought within the Congress fold by some Marwadi leaders who backed them to gain or maintain power against the Brahmins.

But the process which started with non-Brahmin agitation did not stop there. The Marwadi leaders who helped Marathas to rise in politics were in turn brought down. Still later factions arose even within the *Bahujan Samaj*. A rift came between the Marathas and other Marathi-speaking minority castes such as Mahars, Tailis, Malis etc. Finally, with the State and local elections, a rift has started even among the Maratha caste between the Deshmukhs and the Patils. This was seen in the first Zila Parishad elections discussed in detail later.

Table 2 shows the gradual decline of Brahmin and Deshmukh Marathas and the rise of Maratha Patils. The trend is far more clear in the composition of the Zila Parishad of Akola. More than 70 per cent of the members of Zila Parishad are Patils and out of the

Table 2 : Caste Composition of M L as from Akola District

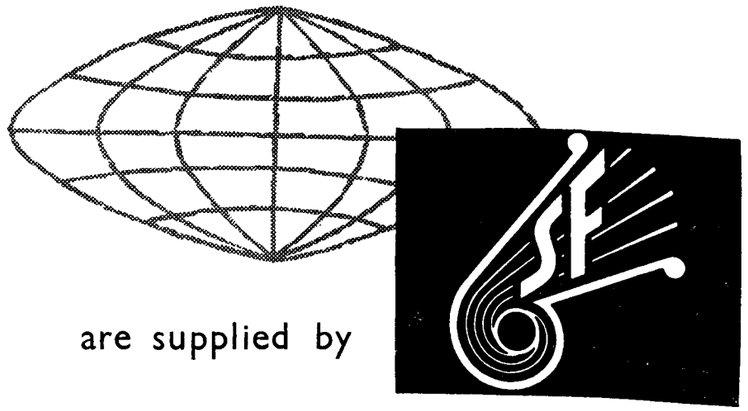
	1952 Election	1957 Election	1962 Election
Marwadis	2	1	—
Mohammedans	2	2	1
Harijan	1	2	1
Brahmin	1	—	—
Deshmukh	2	—	1
Patil	1	2	4
Rajput	1	—	—
Vanzara	—	1	—
Bhatia	—	—	1

Table 3 : Group Position in the Akola Zila Parishad

	Congress	Opposition	Total
Patil Group	8	16	24
D C C Group	15	—	15
Republicans and Independents	—	8	8
Total	23	24	47

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four paid office-bearers, three are Patils, including the President. Let us examine the process by which such a replacement of castes has taken place in Akola politics.

III

Split among the Marathas

As has been already mentioned, Akola is a part of the Berar region and was also for a long time the headquarter of Berar politics. The office of the Vidarbha Pradesh Congress Committee was located in Akola city from where the main Berar leaders like Veer Wamanrao Joshi, Punjabrao Deshmukh, Biyani and others functioned. The politics of Akola district cannot, therefore, be viewed in isolation from Berar politics.

From 1930 to 1937 Berar politics was controlled by Maharashtrian Brahmins. They were in charge of the P C C and all the D C Cs. About this time the Marwadi leaders were also coming up. Faced with the monopoly of the Brahmins, they started mobilising the support of the Marathas. Slowly two groups developed within the Congress, the Brahmin and the non-Brahmin, the latter consisting of Marathas, Marwadis and Malis. In 1936-37, in a contest between a Brahmin and a Mali in the election for the A I C C delegate, the Mali got elected. This was followed by a struggle in 1938 between the Brahmin and non-Brahmin groups for the Presidentship of the P C C. The Non-Brahmin group sponsored a Marwadi publisher who got elected. After this, the Congress tickets for Municipal and Local Board elections were given to Marathas and Marvadis as against Brahmins. When the Brahmins opposed this, disciplinary action was taken against them, and one Brahmin leader was expelled.

In the 1952 elections some followers of the Marwadi leader deserted him because of his favouring a moneyed man against one of his followers whom he had promised a seat. This follower now led a faction against him in the Akola City Congress and Municipality. In the District politics a Deshmukh leader became powerful and consolidated his position against the Marwadi leader who was in fact responsible for bringing him into the Congress.

In the Second General Elections there were two groups in Akola Congress, one pro-Vidarbha group and the other pro-Maharashtra. The pro-Vidarbha group was led by the Marwadi leader with the support of some Maratha Patils. The pro-Maharashtra group was led by the Deshmukh leader. The Marathas were in both the groups. In giving the Congress ticket in 1957, the main issue was loyalty to the linguistic groups. The Marwadi leader, though he got the ticket, after some time left the Congress on the Vidarbha issue. Thereafter, the Deshmukh leader became the unquestioned leader of Akola District and rose to be a Minister of the Maharashtra State.

With the decline of the Brahmins and Marwadis, the Marathas gained complete control of Akola. The process thereafter was one in which competition for power within the the Marathas is accentuated and leads to a clear split. The First Zila Parishad Elections held in 1962 played an important part in this process.

Zila Parishad Elections

Three groups contested for positions in the Zila Parishad. One consisted of newcomers in the Congress and was dominated by the representatives of the caste of Maratha Patils, the most numerous community in Akola. This group ultimately succeeded. The second was led by a nominee of the D C C President, who also had the support of the Deshmukh leader of the District, now a State Minister. The third was the Republican Party which consisted mainly of the Mahars but had been expanding lately to include others.

The leader of the younger group asked for the Congress ticket for 22 persons belonging to his group, most of them Patils. Only 8 of these, including the leader, were given the ticket. Most of the tickets were given to nominees of the D C C group loyal to the Deshmukh leader. This led to an open revolt and the 14 Congressmen of the Patil group who were not given tickets contested against those who got the Congress ticket either as Independents or on Republican tickets. Some other Congressmen of the Patil group who had not asked for tickets were also asked to contest against official Congress candidates. They either stood as Independents or took on the Republican label. The Republican Party, keen to augment its strength in the election, gladly gave tickets to these rebel Congressmen, irrespective of their caste.

As it turned out, a number of official candidates of the Congress Party were defeated by the rebels from the Patil group. The party position immediately after the election was 23 Congressmen against 24 Republicans and Independents. But the Patil group had been divided with 8 getting in on Congress tickets, and as many as 16 in the Opposition. The D C C took disciplinary action against all Congressmen who had contested against official Congress candidates.

Patils vs Deshmukhs

The importance of such large-scale desertion lies in the sequel. The Congress Party had to decide its candidates for the Presidentship of the Zila Parishad. Two contestants came forward, one the leader of the Patil group and the other the nominee of the D C C group who also was a Patil but had joined the opposite group. As things were, the former would have lost. He, therefore, came out with the proposal of taking back expelled Congressmen into the Party. This was resisted by the D C C group as well as the Deshmukh Minister. However, the Party Observer sent by the P C C who was also a Patil by caste, supported the stand. But the decisive step came when the Patil group threatened that they would join the Opposition and their leader contested as an Opposition candidate for the Presidentship. If this happened, the Congress would lose the elections. This was something that the Minister from Akola could not tolerate. His prestige would be lost if in his own district, the Opposition should come to power. He pressed the D C C to accept the expelled Congressmen back into the party hardly a fortnight after the expulsion took place. Upon this the Patil group emerged victorious and secured nominations for three out of four office bearers of the Zila Parishad including the posts of the President and the Vice-President. The changed party position was now 39 Congress and 8 Opposition. The change came as a result of the D C C group giving

in to the powerful faction against it which cleverly used the Opposition party to gain its point in the Congress organisation.

Support of Opposition Needed

Rivalry still exists between the D C C and the Patil groups. Even now the group that controls the Zila Parishad seeks the support of the eight Opposition members in the day-to-day working of the Parishad. The Opposition members who include the Republicans can get their work done more easily than the rival group of the Congress. The Opposition by joining hands with the powerful Patil group group in the Congress has virtually become a pressure group within the Congress Party.

The factional struggle within the ruling party has also resulted in the numerous caste of Maratha Patils gaining against the other group of Marathas, the Deshmukhs, who are in a minority in the district but who had dominated the politics of the district after the decline of the Brahmins and the Marwadis.On the other hand, the caste distinction is by no means clear-cut. Patils are found in the Deshmukh group and Deshmukhs in the Patil group. We have seen that the nominee of the D C C group for the Presidentship of the Zila Parishad was also a Patil. Similarly, a Deshmukh leader who was with the D C C group to begin with joined the Patil group when the latter proved more powerful. Again, the original caste orientation of the Republican Party was found to change in an attempt to gain a broader footing in district politics. Parties and factions were, thus, found to cut across caste loyalties.

IV
Conclusions

To sum up, the politics of Akola district from 1930 to date is characterised by the shift of power from the ritually high caste of Brahmins to the numerically strong caste of Marathas and among the latter from the minority caste of Deshmukhs to the majority caste of Patils. Numerical strength, then, holds the key to the relationship between caste and politics. The process was initiated by adult franchise and completed with the introduction of Panchayati Raj.

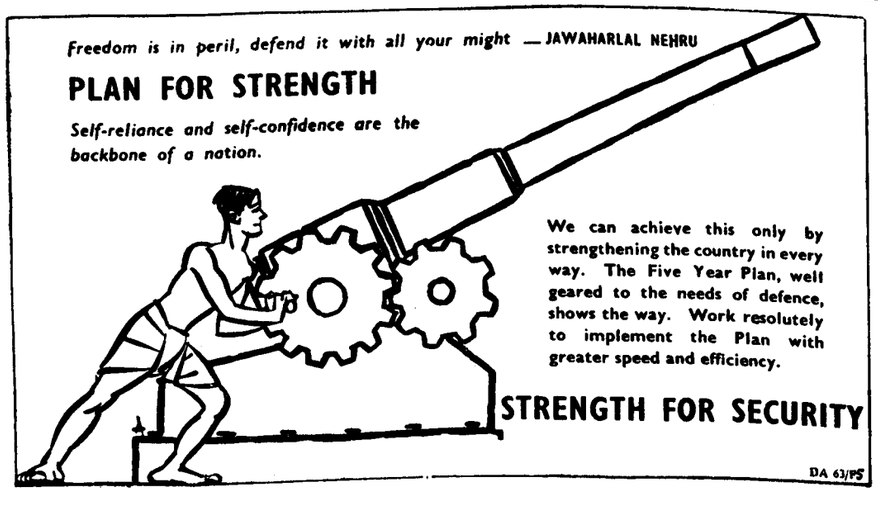
There are other aspects to this relationship. When the question of sharing of power within one caste or a coalition of castes comes, it gets factionalised. To oppose the Brahmins, the Marwadis and the Marathas got together. But once the Brahmins were eliminated, a split came between the Marwadis and the Marathas. Finally, even among the Marathas a split came between the Deshmukhs and the Patils. When rivalry was found in some places within each of these, it took place between sub-castes, as between Assamee Patils and Vatandar Patils. Where two Patil candidates were contesting against each other, the support of the voters was mobilised on the basis of these sub-castes. To say, therefore, that because two candidates of the same caste contest against each other, caste rivalries play a minor role in politics is to show an inadeqaie understanding of the interplay of caste and politics[5].

On the other hand, the Akola study shows that political competition often cuts across considerations of caste and, what is more, the latter is often activised by competitions in politics and the struggle for power. Thus Panchayati Raj, among other things, is bringing about an increasing politicisation of caste. The study shows how, in order to survive in politics, the Republican Party which started as a political organisation of the Scheduled caste is casting off its caste identity and admitting candidates from other castes.

Finally, the study indicates how the struggle for power cuts across party loyalties by giving rise to factions which accept neither the discipline of the party nor the identity of the caste. It supports the proposition that the operational category in politics is neither caste nor party but faction.

Notes

1 C Brown, "Akola District Gazeteer", British Mission Press, Calcutta, 1910.
2 As quoted in "My Political Memoirs" by Dr N B Khare, Nakshtra Press, Nagpur, 1959, p 403.
3 *Ibid* p 402.
4 *Ibid* p 405.
5 Lawrence L Shrader and Ram Joshi, "Zilla Parishad Elections in Maharashtra and District Political Elite", *Asian Survey*, Vol III, No 3, March, 1963. Others have also expressed a similar view.



Regional Over-Supply of Labour and the 'Protectionist' Argument

A Comment

Arun K Dattagupta

In his article "Regional Over-Supply of Labour and the Protectionist Argument", published in the issue of July 6, 1963, Amitava Sen seeks to establish two propositions:

(i) *the transfer of even unskilled surplus labour from the lagged to the growing regions within a country might impose some sacrifice on these regions;*

(ii) *at the same time this shift brings no corresponding benefit to the growing regions if they are already burdened with a labour surplus.*

We propose to show here that while the first proposition has been far from established, the second proposition, although largely valid, really resolves into the old controversy over concentrated versus *dispersed growth.*

GOLDSMITH'S picture of the 'deserted village' was perhaps somewhat over-drawn. But the increasing concentration of activity at points once unknown or relatively little known but subsequently found to possess several economic advantages and the movement of labour to these growing points from the lagged regions form a common experience in the industrialisation process of developing economies. Does this inter-regional shift of labour yield any net gain to the community?

Whether the community would derive any net gain from such shifts of labour can only be ascertained after one has considered the net gains and losses of both the growing and the lagged regions.

I
Gains and Losses of Lagged Regions

The following are the *gains* which may be expected to be derived by the lagged regions burdened with surplus labour:

(1) A rise in productivity will occur as a result of the withdrawal of some surplus labour and a consequent improvement in capital-labour ratios. The existing capital-labour ratios in the agriculture-oriented lagged regions are far from optimal even in the current circumstances in a country like India. (This point is nowhere mentioned by Sen in his paper.)

(2) There will be a decline in the social cost of maintaining surplus labourers, i e a rise in the available surplus of the region. This may yield any one of the following results:

(a) a rise in the per capita consumption of the population left behind;

(b) a rise in productive investment without necessitating any further sacrifice or forced saving by this population.

(3) The shift will mean reduced unemployment with its attendent social benefits in the form of reduced tension and reduced political agitation.

(4) If the unwanted labourers, now employed elsewhere, supply the members of their family (insofar as the latter are left behind) with goods bought in the growing regions, there will be a further rise in the standard of living of the lagged regions. This is in addition to the rise caused by 2(a) above.

As against these gains one has to examine the possibility of the following *losses* mentioned by Sen:

Risk of Inflation

(1) It has been argued that when imported labourers in the growing regions transfer their savings to their families left behind, only a transfer of money income takes place, and that the supply of local goods being more or less inelastic, this causes a rise in prices. But this argument is not quite convincing. First, we ought to consider the possibility of a 'demonstration effect'. The whole of the additional money income of the region need not be spent on the purchase of the same type of goods (locally produced), while the demand for new types of goods need not raise local prices, for such goods can be imported. Secondly, even if the additional money income be spent on stereotyped local products, their prices need not rise, for their availability is also expected to be greater due to causes mentioned under (1) and 2(a) in the discussion of gains. Thirdly, even if local supply is inelastic and there is little change in the composition of consumption demand, prices need not rise, for the excess of local demand over local supply can be matched by imports financed by this additional income.

(2) If part or whole of this transferred money income is invested productively, there will be forced saving. But, the basis of this argument — the assumption of a cut in consumption — is unwarranted. For the shift of surplus labour has already increased the investible surplus of the region. Moreover, if this income is used to finance capital imports, why should there be any forced saving? As much imports are income-generating, it is not correct to argue that they will benefit only the growing regions which will supply them and not the lagged regions which will receive them.

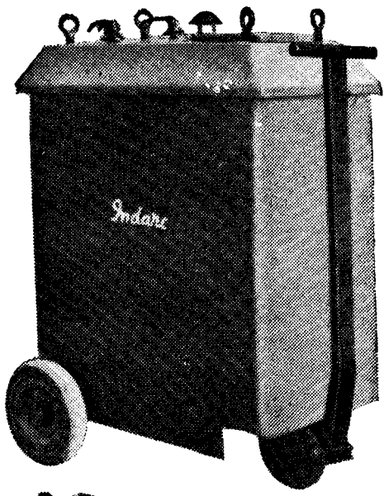
Impact on Agriculture

(3) It has been pointed out that there may be a set-back to agriculture (if migrating labour is only seasonally surplus) owing to neglect of farming, less intensive farming and absentee land-management. But there is no reason to assume that when the seasonally surplus leave the countryside during the

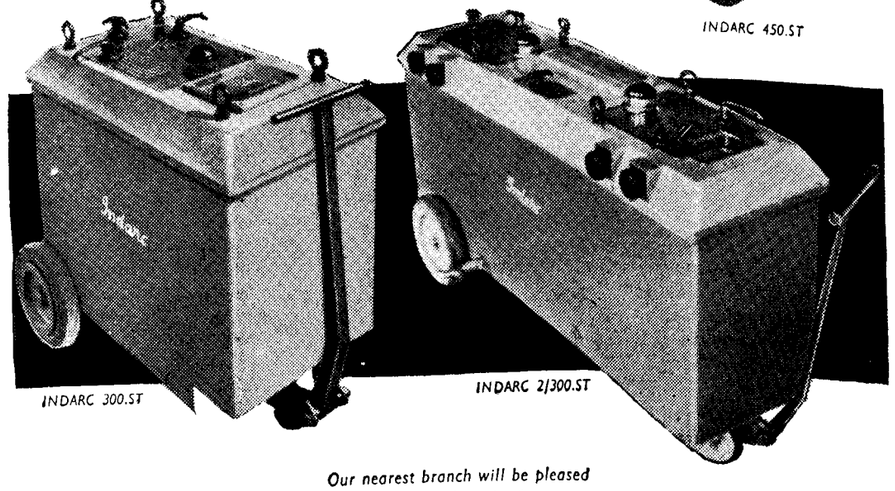
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slack, farming is left totally uncared-for. In view of the rising permanent unemployment amongst the landless proletariat, the migratory character of the bulk of the industrial labour in the growing regions should be interpreted not so much as a division of the total work-year between farming and factory-work by such workers but rather as a mere propensity just to maintain regular contact with hearth and home in the country ('the rural nexus').

(4) Insofar as the lagged regions miss the opportunity of recovering the cost of rearing this population because their services will not be available, there will, of course, be a loss, as the writer argues. But as the regions are not currently in a position to give them gainful employment, this loss will have to be borne anyway, while this (obviously potential and not actual) loss can at least be minimised by transferring the surplus population and thus reaping a two-fold gain:

(i) avoiding the social cost of maintenance, and

(ii) increasing the scope for better utilisation of scarce non-labour resources.

Thus the net gain to the lagged regions from a reduced pressure of unemployed labour is obvious and beyond doubt.

II

Gains and Losses of Growing Regions

We can now consider the gains and losses of the growing regions.

(A) Labour Shortage Case

Insofar as such regions suffer from a *scarcity* of labour, the following *gains* are likely to accrue from a policy of importing labour from outside:

(1) These regions will procure the necessary labour resources without incurring the cost of rearing labour.

(2) This influx will result in a fall in wage-rates and thus to a fall in wage-cost.

(3) There will be a rise in output through better utilisation of non-labour resources (the loss to local labour owing to a fall in wage-rates is thus likely to be directly offset by a rise in real wage).

(4) The monopoly hold of local labour upon industry will weaken.

(5) The increased prosperity of the region will make possible the expansion of certain old industries (which could not so long flourish due to inadequate demand) as also the rise of new industries.

As against the above gains one might set the following possible *losses*:

(1) Insofar as the imported labourers transfer their savings to the lagged regions, a capital market problem may arise because substantial savings fail to find their way back to investment through capital market channels.

(2) The presence of imported labour with a rural nexus may prevent the growth of trade unionism on sound and healthy lines (as the experience of India suggests).

(3) A rise in demand for food may necessitate increased food imports. The argument that this would involve a worsening of the terms of trade for these regions assumes that food supply in the lagged regions is completely inelastic (because the reduced pressure of population has not resulted in any improvement in agriculture there!) and also that the increased income of the lagged regions has not raised the demand for manufactures from the growing regions.

(B) Labour Surplus Case

Insofar as the growing points already have *labour surpluses*, they are likely to enjoy the following *gains*:

(1) If imported labour is more skilled and/or cheaper than local labour, production cost will fall.

(2) Local labour will gain in skill from association with skilled imported labour. If local labour is less skilled than imported labour, but skill is a function of time and experience (and not of contact with superior skill), then, of course, there is a case for protecting the labour market of the growing points parallel to the infant industry argument. But the cost of this protection may be too high and we have to solve the problem of what to do with the labour surplus in the lagged regions. Should we raise the labour-absorption capacity of the lagged regions or of the growing regions? But this is an old, over-discussed issue — the issue of concentrated versus dispersed growth — whose repetition would be sheer waste of time and space here.

Growing regions with surplus labour are likely to suffer the following *losses*, in addition to the losses mentioned under the head A:

(1) There will be a decline in the quality of social life at the growing points* due to increasing congestion, the presence of a floating, predominantly male, working population steeped in poverty and ignorance, and a decline in wage-rates.

(2) The decline in wage-rates and the rise in unemployment may so damage the morale of local labourers that their skill may further decline.

(3) There will be a decline in the investible surplus of the regions as the pressure of unemployment increases, for the unemployed will have to be maintained.

The above discussion makes it abundantly clear that Amitava Sen has failed to establish that the transfer of surplus (even unskilled) labourers from the lagged regions may involve some sacrifice for these regions. There are distinct net advantages to be gained from such transfers if they are directed to growing regions with labour shortages. In the case of such transfers to growing regions already burdened with a surplus labour problem, there is perhaps no net gain to be derived from the national standpoint, as the net gains of lagged regions are likely to be neutralised by the net losses of the growing regions. Here the argument really resolves into a controversy over concentrated versus dispersed growth in an over-populated economy. But this is more or less a settled issue for the policy-maker of this decade and, as such, is rather unnecessarily repeated in the garb of a discussion on regional over-supply of labour and the protectionist argument.

* For supporting factual evidence one may consult in this connection the Planning Commission-sponsored study "The City of Calcutta" by S N Sen of the Calcutta University (1962).

Value Through Exogenous Distribution

Krishna R Bharadwaj

Economic theory has its fair share of conundrums. Discarded as mere "chimeras" by the more pragmatic and empirically-oriented economists, these puzzles continue to fascinate those with a flair for abstraction and challenge their speculative ingenuity. Of these, the 'chimera of absolute value', long fallen into oblivion after the unsuccessful efforts, notably by Ricardo and Marx, to discover an invariant yardstick to measure value, has now been revived in Piero-Sraffa's excellently expounded book "Production of Commodities".

Sraffa resolves the Ricardian Riddle within a framework of analysis, wherein neither the output composition nor the proportions in which means of production are combined change. Thus, both the framework of investigation as also the central problem to which Sraffa particularly addresses himself are, in spirit, classical.

Those of us, accustomed to economic analysis always running in terms of variations of factor-proportions or output-combinations would be struck by the extremely rigid framework within which Sraffa's analysis is conducted. Indeed, it is a unique accomplishment of his work that within this restricted economic domain is created a nucleus of deeply significant ideas which presumably have wide-sweeping consequences.

SRAFFA begins with a simple model of production for subsistence where the total product is just sufficient to sustain the workers and to serve as means of production.* In such an economy, without surplus, there is a unique set of exchange values which restores the original distribution of products among industries, thus assuring the possibility of the continuation of the cycle of production, period after period. Technology is all important in determining relative prices. In fact, these prices are embedded in the technology itself.

With the extension of this model to production with surplus, the problem of distribution appears on the scene. Uniformity of the rate of profit and the rate of wages in all industries is assumed. As the surplus has to be distributed proportionately to the means of production advanced in each industry—and this cannot be done unless the heterogenous means of production are aggregated with the help of prices—and as prices cannot be determined before knowing the uniform rate of surplus, both prices and the rate of surplus will have to be determined simultaneously. When wage rate is fixed and consists "of the necessary subsistence of the workers, thus entering the system on the same footing as the fuel for the engines or the feed of the cattle" (page 9), technology acts as the price-determinant even in this case of production with surplus. In fact, at this point, Sraffa's system resembles that of Von Neumann[1]. However, Sraffa goes a step further, in that, he ralaxes the condition of a fixed wage and treats it as a variable. Distribution in Sraffa's system is not endogenously generated through production relations.[2] In conjunction with prices, production relations determine only the net surplus that is to be distributed.[3] No theory of distribution is offered in the book. His wage rate is variable which could be conceived to vary with the same ease as the profit rate. Wage is assumed to be paid post factum, so that profits and wages are surplus-sharing entities.

System of Equations

With wage introduced as a variable, the system of equations turns out as follows :

$$(A_a P_a + B_a P_b + \ldots + K_a P_k)(1+r) + L_a W = AP_a$$

$$(A_b P_a + B_b P_b + \ldots + K_b P_k)(1+r) + L_b W = BP_b$$

$$(A_k P_a + B_k P_b + \ldots + K_k P_k)(1+r) + L_k W = KP_k,$$

where the system is assumed to be in a self-replacing state. $A_a, B_a \ldots K_a$ are the quantities of commodities a, b . .k required to produce the quantity A of a; $A_b, B_b \ldots K_b$ are the quantities of commodities a, b . .k required to produce the quantity B of b and so on; L_a $L_b \ldots L_k$ are the annual quantities of labour employed in the industries producing a, b . .k respectively. The unknowns of the system are the prices $P_a, P_b \ldots P_k$ of commodities a, b .... k respectively, the wage rate w and the uniform profit rate r. An additional equation defining the national income in terms of which the k prices and the wage is expressed is introduced.

$$[A-(A_a + A_b \ldots + A_k)]. P_a + [B-(B_a + B_b \ldots + B_k)]. P_b + \ldots + [K-(K_a + K_b + K_k)]. P_k = 1$$

The system now moves with one degree of freedom. Given the wage rate or the profit rate, prices are determined simultaneously. To begin with, Sraffa assumes that the wage rate is given. We could assume perhaps that the wage rate is determined by mutual bargaining or by an external authority or by social convention. In the later portions where Sraffa prefers assuming the rate of profit as given, there is a vague reference that the rate of profit is "susceptible of being determined from outside the system of production, in particular by the level of the money rates of interest" (page 33). This transfers the burden merely from one peg to another as no explanation regarding how the level of the money rates of interest is determined appears anywhere in the book. In fact, there are "prices" in the book without any mention of money.

Importance of Distribution

Even though Sraffa is not interested in distribution *per se*, distribution happens to be the key factor in the mechanism which determines relative prices, subject to the given technical relations and the uniformity of the wage rate and the profit rate. Sraffa's theory of relative prices belongs to that group of theories of value determination wherein the horizontal division between classes receives the major emphasis*. Demand plays no eseential role in the system. The basic proposition of these theories is that, in an economy, where all means of production are produced within the system and where constant returns to scale prevail, normal prices, corresponding to any pattern of distribution, are determined by technical relations. Either demand conditions or output composition do not play any part in the determination of these prices. Given Sraffa's framework of no changes in the scale of operation, the question regarding constancy or otherwise of returns to scale does not arise.† However, not all means of production are produced within the system. Labour and later land appear as non-produced factors. The presence of non-produced means of production seems to disturb the determinancy of the technology-cum-distribution relative price schema, based purely on the distribution pattern, the technical relations and conditions regarding the uniformity of the profit and the wage rate. The Marshallian blades of scissors, it looks as through, could no more be ignored.†† However, the fundamental dichotomy in the structure of commodities in the Sraffa system—the differentiation between the basics and the non-basics—seems to hold the clue. A basic good (in the system with no joint products) is defined as one which enters as an input in the production of all commodities directly or indirectly‡. A non-basic good, defined by exclusion, may be produced by a basic good with or without non-basics, but does not itself enter as an input into a basic good. The analytical significance of this distinction is that the non-basics have no part in the determination of the system of prices, in the sense, that price changes in it would not be transmitted to other commodities‡. Any price changes, in the case of the basics, on the other hand, influence the prices and the profits of all the other commodities. With wage treated now as a variable and as a surplus-sharing entity, labour becomes a non-basic of the system and so also land, the other non-produced means of production. Relative prices are thus influenced, given the distribution pattern, by the production structure of the basics, which are produced means of production.

The 'Standard Commodity'

The problem of relative prices is intimately related to that of absolute value and Sraffa's sterling contribution lies in the ingenious concept of the Standard Commodity—the invariant measure of value. The essence of the problem is that unless we have an absolute measure of value "it is impossible to tell of any particular price fluctuation whether it arises from the peculiarities of the commodity which is being measured or from those of the measuring standard" (page 18). The problem of valuation is thus of isolating the price movements of a product so as to observe the changes in its value as if in vacuum. Ricardo faced the same dilemma when the distributable total output was to be evaluated independently of changes in the distribution pattern. Corn was sought as a measure of absolute value as there could be a "material rate" of surplus in it, in the sense, that the same product appeared both as net output and as input. This notion, with its roots in the physiocratic doctrine of 'net product', was based on extremely over-simplified assumptions. Ricardo, dissatisfied with this measure, turned to the unit of labour time as an answer to his problem. Conscious of the limitations of this measure as well, he did not subscribe to it unreservedly. Sraffa's own interpretation regarding the logical foundation of the corn-measure as an absolute value is the genesis of the standard commodity. He wrote in his Preface to "Works of David Ricardo"*: "The advantage of Ricardo's method of approach is that, at the cost of considerable simplification, it makes possible an understanding of how the rate of profit is determined without the need of a method for reducing to a common standard a heterogeneous collection of commodities".

In order to discover such a commodity Sraffa analyses the effects of changes in the wage rate on the rate of profit and on the prices of individual commodities, on the assumption that production methods remain unchanged. With the whole national income going to wages (with profit rate reduced to zero) relative values are determined by the direct and indirect labour gone into the commodities, supporting thus the labour theory of value. When profits are assigned positive values, the simple labour theory of value is no longer valid and the key to the determination of relative price movements lies in the inequality of the proportions in which labour and means of production are employed in various industries. The relative price movements depend

* "Production of Commodities by Means of Commodities", Cambridge University Press, 1960. What follows is largely an exposition of some of Sraffa's ideas contained in this book. Page numbers in the text refer to this source.

[1] J Von Neumann: "A Model of General Economic Equilibrium", *Review of Economic Studies*, 1945.

[2] This is a significant departure from the widely prevalent practice of obtaining distributive shares from the production function applying the marginal method.

[3] Rather, prices and the rate of surplus are determined simultaneously given the production relations.

* Cf J Robinson: "Essays in the Theory of Economic Growth", McMillan & Co, London, 1962; Chapter on "Normal Prices".

† See below for further comments

†† In fact, the "marginalist" strand in Ricardian theory, it may be recalled, arises in the explanation of rent.

† This definition is later modified in the joint-products case and the general formulation of the distinction appears as: "In a system of k productive processes and k commodities (no matter whether produced singly or jointly) we say that a commodity or more generally a group of n linked commodities (where n must be smaller than k and may be equal to one) are non-basic if of the k rows (formed by the 2n quantities in which they appear in each process) not more than n rows are independent, the others being linear combinations of these". (page 51)

‡ This proposition is extended to the joint products case (pages 54–55)

* "The Works and Correspondence of David Ricardo", Vol I (ed) P. Sraffa and M H Dobb, Cambridge University Press, 1951 (p xxxii).

not only upon this labour-to-means-of-production proportion of the product but also upon the corresponding ratios for each of the means of production and, in turn, for their means of production. With any wage reduction given the uniformity assumption regarding the rate of profit in all industries, price changes are called in to redress the balance in each of the deficit industries (those with relatively low labour to means of production ratio) and the surplus industries (those with relatively higher labour to means of production proportion). The industry which enjoys the critical balancing proportion so that it is under no compulsion, arising from the conditions of production itself, to change in value consequent upon the changes in the pattern of distribution, has the unique distinction of acting as an invariant standard of value. Since the critical balancing proportion has to persist throughout the structure of direct and indirect inputs, it is evident that the balancing ratio (expressed as the value ratio of the net product to the means of production) would be equal to the rate of profit which corresponds to zero wage, or the Maximum rate of profits, called R by Sraffa. In actual system, the commodity satisfying this condition might be a composite commodity and Sraffa constructs such a commodity with the technical characteristic that it consists of the same commodities combined in the same proportion as the aggregate of their means of production. The logic of this proposition implies that only basic commodities will enter the standard commodity.

Sraffa proves that such a miniature system is embedded in an actual economy. In proving the existence and the uniqueness of the standard system, however, Sraffa seems to have obliged the literary economist more than would have been necessary.

Search for Absolute Measure of Value

The discovery of the technical properties of the invariant standard is a tribute to Sraffa's deductive logic. He has skilfully made use of this in deriving significant propositions. The search for an absolute measure of value has long been a source of frustration and yet even in theoretical economic structures, apart from operational and empirical ones, quantitative notions have played a significant role—not purely by way of illustration but as a basis for deducing substantive propositions*. So long as the search for absolute value was in the domain of prime, non-produced factors, the factor of demand with its root in impregnable psychological factors was bound to interfere in valuation. Also, there could be no "material rate of profit" as a ratio of only two arithmetical quantities. Scepticism regarding the very possibility of finding out an absolute value measure, comparable to the measures in the physical world seems unavoidable. "Weight and length, of course, are human conventions but once the convention is established, they do not change, for practical purposes, because they refer to the *physical, non-human* world"‡ (italics mine). It is precisely in the physical non-human world of technology that Sraffa's standard system is embedded. There was another difficulty with the one-factor theory of value, namely that it failed to allow for differential patterns of factor-combinations in different sectors of the economy, even under conditions of no technical change. Basic difficulties for a labour theory of value arose on two accounts—the theory of differential rent as also the problem of organic composition of capital†. Problems arose also due to the non-homogeneity of these prime factors. Sraffa's standard system steers clear off these difficulties since it is based on the very fact of interconnectedness in production which the single factor theory of absolute value is incapable of handling. In fact, the labour theory of value becomes a special case of Sraffa when the rate of profit is zero and the entire net product goes to wages. If one were to add to the assumption of zero profits, another assumption that wages are fixed at subsistance level (so that wage is like any other material input) and introduce land as a non-basic one could derive a land theory of value. This again would become a particular case, valid for a particular distribution pattern. Sraffa's standard of value allows more flexibility to vary distribution patterns without landing itself into a dilemma.

With the help of the Standard Commodity Sraffa then establishes a proposition which is the pivotting point of many of the important deductions. If W is the proportion of the net product of the *Standard System* that goes to wages and R, the Maximum rate of profits, the actual rate of profit will be determined by a straight-line proportionality relation $r=R(1-W)$. This fundamental factor-price frontier (as Samuelson calls it) appears as in Fig 1:

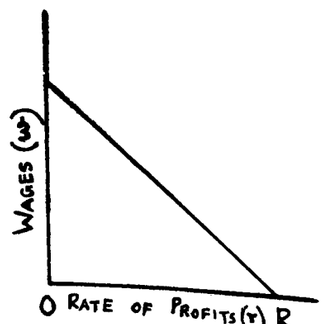


Fig 1: Relation Between Wages (as a Proportion of the Standard Net Product) and the Rate of Profits

This relation is not limited to the imaginary standard system alone but can be extended to the actual economic system. The actual economic system contains the same basic equations but in different proportions. As such, *provided that the wage is expressed in terms of the standard commodity*, the same rate of profits which prevails in the Standard Commodity as a ratio between *quantities* of commodities, will appear as the ratio of aggregate *values* in the actual economic system. This relation forms the foundation of later deductions in both the theory of value and the theory of capital.

Employing an operation—called by Sraffa as reduction to dated quantities of labour—by which "in the equation of a commodity the different means of production used are replaced with a series of quantities of labour, each with appropriate 'date', Sraffa resolves prices into an infinite series composed of terms containing wages and profits. Prices never resolve themselves completely into these factor shares but carry alone a commodity residue which becomes all important when wages are zero, thus setting always a finite upper limit to the Maximum rate of profits. Sraffa also establishes in the no-joint products case that irrespective of the standard in which wage is measured, an increase in the wage rate, ipso facto, implies a decline in profits. However, in the case with joint-products, this proposition does not hold generally. To a particular wage, given in *any* standard, there correspond several alternative rates profits. This shows the absolute necessity of measuring wage in terms of the standard commodity, if unequivocal conclusions regarding the movements of the rate of profits given the wage rate are to be drawn. Measurement of wage in terms of the standard commodity gives us definite information regarding both the direction as well as the extent of change in the rate of profits, consequent upon a change in the wage rate. No other standard possesses this predictive value.

Measurement of Capital

The most interesting use of the standard commodity (and the wage-profit relation) arises in connection with the measurement of capital. Economists have long ceased to be complacent about the average period of production as a measure of capital. Sraffa's demonstration regarding the impossibility of measuring capital, independently of distribution and prices is powerful and convincing. Resorting to the "reduction to dated quantities of labour" and using the unique wage-profit relation, Sraffa proves the possibility of the reversals in the direction of price movements even when methods of production remain unchanged, when the rate of profits is altered. An alternative method of calculating "correct" book-value of capital after depreciation emerges from Sraffa's discussion on fixed capital. Fixed capital is now treated as a particular case of joint-product. Durable instruments of production are treated on par with the other means of production, with the annual intake recorded on the input side and what is left of the fixed capital (now, older by a year) is entered on the output side. This treatment of capital has now become quite familiar*. Also, every year of operation of the fixed asset is treated as a separate process so that there are as many processes as are the number of years of active life of the fixed asset. The price of any given age of a durable instrument will thus result from solving the simultaneous equations of production. The difference between the prices of the instrument for two consecutive years gives the correct depreciation. This depreciation formula scores over the traditional one in many ways. In the first place, it can allow for any complex pattern of productive efficiency of the capital good during its life-time whereas the conventional formula is based upon uniform efficiency, contrary to reality. Secondly, it can make allowance for variations of inputs in every production period so that changes in efficiency of other inputs are also permitted. Thirdly, it can be applied to the cases where the same machine is used in different productive operations with varying efficiency.

The quantity of Capital which arises from the solution of the simultaneous equations is not distorted by variations in the measuring yardstick itself, since it is expressed in terms of the standard commodity which is invariant with respect to changes in the distribution pattern. Efforts to reduce the durable instrument to dated quantities of labour are proved futile and so also the attempt to find in technology an average period of production, independent of prices and distribution. Measurement of capital under stationary state conditions, where perfect tranquillity prevails, has not been much of a problem. Even with steady growth accompanied by confident expectations, the problem has an easy enough solution, if a constant rate of profit is assumed. Sraffa has now offered an answer to the problem in a more complicated situation where the profit rate is allowed to change but technical conditions are assumed to be unaltered. Measurement of capital under even more generalised conditions of changing distribution pattern coupled with changes in technology still eludes us.

Sraffa's Contribution

Incidentally, the contribution of Sraffa's system as a fundamental analytical structure in context of measurement of economic magnitudes may be noted here. The concept of stationary state, with its invariance of structure, offered itself as a convenient scale of reference to successive approximation, it provided a firm foundation on which to superimpose change. In Sraffa's system, we enjoy an additional degree of freedom—namely, the freedom to vary distribution pattern while retaining the focal point of reference—the standard system. This is a step further towards a more realistic analytical foundation.

When Sraffa introduces multiple techniques and the process of switching over from one technique to another, complications arise, especially when a basic product is involved. The anchor of analysis—the Standard System—is itself in peril. With a new technique introduced, we move into a distinctly new economic system with its own Maximum rate of profits. The analysis becomes rather involved. With his characteristic resourcefulness, Sraffa finds certain ways out. However, this portion of the book does indicate the complications we run into if the structure of the standard system itself changes. There can be no smooth change in techniques without changing the entire configuration of relative prices. Furthermore, the

* It is interesting to recall in this connection Sraffa's observation at the Corfu Conference: "One should emphasize the distinction between two types of measurements. First, there was the one in which the statisticians were mainly interested. Second, there was measurement in theory. The statistician's measures were only approximate and provided a suitable field for work in solving index number problems. The theoretical measures required absolute precision. Any imperfections in these theoretical measures were not merely upsetting, but knocked down the whole theoretical basis" (Report on the Proceedings; Published in the Theory of Capital. (Ed.) Lutz and Hague, St. Martin's Press, 1961) page 305.

‡ J Robinson "Economic Philosophy", C A Watts & Co, London, 1962, pages 31-32.

† See Samuelson P A: "A Modern Treatment of Ricardian Theory" Part I. *Quarterly Journal of Economics*, Feb 1959; p 2. Samuelson builds a land theory of value with land as an absolute value measure, assuming homogeneous land and subsistence wages.

* In his references to literature (page 95) Sraffa remarks that this method has fallen into oblivion after Marx. However, Von Neumann's model makes use of such a concept.

changes are not only in terms of relative prices; but are more fundamental. They involve a comparison of two different economic worlds*.

Sraffa forewarns in his preface that no assumption regarding constancy of returns to scale is made. In fact, with no changes either in the scale of output or input-proportions this question is irrelevant†. However, when one thinks of incorporating growth into the system many questions relating to this assumption arise. This Standard Commodity becomes vulnerable if we do not assume the linear homogeneity condition. Even in the simplest case where we assume that output proportions do not change, namely, of balanced expansion, the Standard System is bound to be vitiated if we make no assumption regarding the constancy of returns to scale. The technical relations will change with expansion in output throwing up a different standard system with a different Maximum Rate of Profits. The ideal analytical conditions for the same standard commodity to continue its domination unruffled by change would be the Von Neumann World of proportional expansion where constant returns to scale prevail. So far as growth is concerned, a fusion of Sraffa's System with that of Von Neumann appears to have promising potentialities.

Written in an unusually compact style and embellished with chiselled logic, the book bears the imprint of sustained reflection. Unmistakably, this is the work of a master written with authority and insight. Even though Sraffa regenerates the classical approach to Economics, his researches are not of archaeological interest. We are told that his central propositions took shape as early as the late 'twenties, though published after a lapse of over three decades. However, time has dealt kindly with Sraffa's contribution. It as relevant and sprightly today as was when conceived.

* Here, perhaps, is to be found another of the challenges to marginalism. In fact, the book, which is subtitled as a prelude to a Critique of Economic Theory, "is designed to serve as a basis for a critique of that (marginal theory of value and distribution) theory". (Preface).

† Nevertheless, while reading the paragraphs relating to the construction of the standard system (pages 23-24) and more particularly the Subsystems (page 89), one gets a feeling as though the assumption of constant returns to scale is necessary. However, such doubts could be easily warded off in the case of the Standard Commodity which is purely an auxiliary construction having no physical existence in production relations. More ambiguous is the case of the Subsystems which are used to derive the direct and indirect labour content of commodities (at zero profit rate), thus implicitly attributing to the Subsystem the qualities of actual production relations.



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From the Chair

The South Madras Electric Supply Corporation Ltd, Tiruchirapalli

Address by the Chairman, Sri K A P Viswanathan

THE following is the address delivered by Sri K A P Viswanathan, Chairman, at the 23rd Annual General Meeting of the Company held on 9th August 1963:

I have great pleasure in welcoming you to this Twentythird Annual General Meeting of the Company.

Under the Defence of India Rules, which have been promulgated under the present National Emergency, your Directors were enjoined not to publish the Balance Sheet and any other accounts of the Company, nor reveal statistical data as to the activities of the Company. Hence these documents, on which we usually have such lively and illuminating discussions from all of you, have not been published and circulated to you. Opportunity, was, however, given to such of the shareholders as desired to do so, to see the accounts of the Company at the office. This was done with the distinct expectation that the information will be deemed by them to be confidential.

Higher Dividend

You have now my assurance that the Company's affairs as to its various phases like construction, expansion of rural electrification, prudent management of its revenues & expenditure, have all been carried out diligently and with care; this has reflected in the dividend we have been able to declare which you will observe is higher than what it was last year. In addition, I would also like to say we have given supply to ten more villages than we did last year; there has also been a substantial increase in revenue. I trust this will give you satisfaction.

I am confident that in the years to come this rate of progress will be maintained and I also hope that our National Emergency will soon be over and that we will again be free to discuss with you more fully the affairs of the Company at similar future meetings.

The Company's staff have been working loyally and there has been great cordiality in the labour-management relationship. Your Managing Agents were able to successfully negotiate and conclude a further 3 year agreement commencing with 1st April, 1962 giving substantial benefits to all grades of staff and I am sure this has been appreciated by labour and earned their general satisfaction.

You will notice that amongst the retiring Directors are Messrs V Ramaiah who has been the Vice-Chairman of the Company and Sri G Sreenivasulu Chetty. Both these gentlemen, having attained the age of 65 offered not to seek re-election after retirement this year, in accordance with the conventions set up by us in the Board and in fulfilment of the promise that the strength of the Board shall be reduced to ten elected Directors. I have however requested that Sri V Ramaiah should seek election and be a colleague on the Board, as he is an eminent engineer, very fit in spite of his being 65 years old and his services are invaluable to the Board. I am sure you will all heartily support this suggestion of mine.

Power Shortage

Sri G Sreenivasulu Chetty, as a Director of over five years standing has been extremely helpful to me in the discharge of my duties. On behalf of all of you and on behalf of myself and my colleagues on the Board, as well as of the Managing Agents, I wish to tender to him my sincere and heartfelt thanks. Though he has retired from his directorate, I am confident he will continue to take an abiding interest in the affairs of the Company.

This year again we had a few anxious days due to acute water shortage in the hydro-electric reservoirs, and power position became critical during the month of June and part of July. Though the cut has been now removed, I regret to say that the position is still unsatisfactory. Let us hope that, soon, this state of affairs will improve.

As a consequence of power shortage on the one hand and increasing operational costs all round, your Company was perforce compelled to make some slight increases in tariffs to meet the unforeseen added expenditure.

The Company received a peculiar request from some shareholders; it was a petition to table a resolution before you, to pay, retrospectively, from the beginning of times, increased gratuity benefits to all retired staff on the basis of some very recently agreed formula. While the Directors were clear in their mind that such a decision is outside the scope of their powers or of the General Body as the proposal has nothing to do with either the accounts or day-to-day administration of the Company, they still sought legal opinion and were advised that the proposal was ultra vires and should not be placed before the General Body. I am sure you will appreciate the position.

I referred earlier to the National Emergency in the country on account of the threat of a Chinese invasion. There was a lull in the minds of people for sometime, but we are again hearing of the massing of troops by the Chinese on the borders, giving rise once again to feelings of perturbation all over the country.

Contribution to Defence Effort

It is a matter of gratification, that people all over the country are alive to this threat and have the single minded resolve to fight aggression at any time and at any cost. It is also heartening that all over the World there is sympathy and support for us. All the members of staff of this Company have subscribed voluntary contribution to defence funds, and the company has offered its unqualified support with its resources of every kind to

fight this threat to our Nation, apart from a cash contribution to the above fund of Rs 32,500. I join you all in my sincere prayers to the Almighty that we are soon out of this grave situation and that we will be free to carry on our peaceful avocations as usual. I am very happy to inform you that a number of our staff are in Defence services and quite a large number are active members of the Home Guard teams. I convey to them my good wishes and yours.

With the request that the discussions do not relate to any aspect of the Company which will conflict with the principles of discretion laid down by the Defence Rules, I now request your kind comments, before we adopt the various resolutions relating to dividends, elections, etc.

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



Shalimar Industrial Finishes Shalimar Paint offers you a wide range of industrial finishes, ready-made or specially formulated for stoving, air-drying, dipping and spraying; litho varnishes and stand oils, fire-resistant paints, epoxide chemical-resistant paints, wire enamels and insulating varnishes and compounds. Like every Shalimar product, Shalimar Industrial Finishes bring you the sum of four decisive elements — resources, research, know-how, quality-control — that guarantee superior quality and performance.

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Around Bombay Markets

Activity at Low Ebb

Wednesday, Morning

IT was another dull week for the stock market. Activity was almost entirely professional and of a jobbing nature. Interest was very selective. Even the speculators' favourites drifted idly in a narrow range and showed only minor variations from the previous week-end levels. Not unoften activity appeared to be almost at a standstill. It was not that the stock exchange community refrained from doing business as a mark of sympathy for the civic strike which has spread to the docks and transport services. Activity on the stock exchange has been nearly paralysed by the continuing political uncertainty. The uncertainty is not merely in regard to the menacing border situation; developments in the internal political scene are no less disturbing. The Kamaraj plan for strengthening the Party organisation has led to all sorts of gossip about important ministerial changes in the Centre and the States. Stock market bulls and bears are reluctant to make new commitments until uncertainty is set at rest about the widely anticipated changes in the Central Cabinet.

The stock market's interest centres mainly on the Finance portfolio. The Gold Control Order, super profits tax and the compulsory deposit scheme notwithstanding, the stock exchange community continues to look upon Shri Morarji Desai as a friend of Big Business. New Delhi's deep concern over the state of the capital market has raised hopes about suitable modifications in the fiscal policy if the measures that have already been proposed to tone up the capital market fail to resolve the 'crisis of confidence'. It seems doubtful whether fiscal concessions can restore confidence and revitalise the investment market unless there is a distinct improvement in the political situation. It is the political uncertainty rather than the economic prospect which has scared away investors.

While the outlook for equities has been clouded by the continuing threat of Chinese aggression, the general feeling among market men is that with the Government anxious to revive the capital market through institutional support, equity prices might not record any important decline from the current levels unless there is a further deterioration in India's relations with China and Pakistan. The technical position of the market is quite healthy. This is partly because speculative activity has shrunk to modest proportions and partly due to the decline in floating stocks of several scrips as a result of sustained support from the Life Insurance Corporation.

Cotton

Weather Guides Sentiment

THE sharp increase in the spread between the old and new crop contracts from Rs 3.25 to Rs 18.50 per 3 quintals was perhaps the only notable feature of trading last week. This came about through a steep rise in the maturing August contract from Rs 704 to Rs 722 whereas the March 1964 contract showed a net gain of Rs 2.75 at Rs 703.50. Price movements in the maturing contract are, however, of little significance because of the very small volume of outstanding business in it. August shot up because the survey results and appeal decisions were against sellers and the tenders issued so far totalled only 3,550 bales.

The up and down movements in the new crop contract were guided solely by the weather news. Anxiety over the prolonged wet spell pushed the quotation from Rs 700.75 to Rs 706.25 but the four days' rise was wiped out in a single day—19th August—when the weather reports from most of the cotton producing tracts indicated clear weather. The weather was said to be cloudy again on Tuesday and the quotation recovered to Rs 705 in kerb.

That the trading sentiment should be guided entirely by the weather news is not the least surprising because weather alone holds the key to the crop. Excepting Akola where the crop is feared to have been damaged by excessive moisture—the extent of the damage cannot be assessed at present—reports from all other producing centres indicate that the crop is progressing satisfactorily. Since it is much too early to take a view of the crop, neither bulls nor bears are inclined to build up large positions. The volume of speculative activity therefore remains small. In view of the fairly big carryover from the 1962-63 season which ends on 31st August, the general market opinion is that if the new crop turns out to be as good as the last one, cotton prices could easily record a substantial decline from the current levels. The crop could well be larger—in fact, it should be larger if the Plan targets are to make any sense—if the weather is normal. Market reports indicate an increase in the area under cotton cultivation in the new season.

The turnover in the spot cotton market was extremely poor. The market was closed most of the time due to sectional holidays and activity was further affected by the transport strike. Export activity was also negligible. There seems little chance of the outstanding quota being fully utilised before the end of this month and for this the blame must rest with the authorities in delaying the reallocation of unutilised quotas, especially of Bengal Deshi.

Oilseeds

Groundnut at New High

TRADING in the oilseeds market last week was notable for the further marked strength in groundnut and groundnut oil. Groundnut Khandesh quality rose from Rs 49.87 to Rs 50.87 (per 50 kgs) and the quotation for groundnut oil improved from Rs 19.40 to Rs 20.10 (per 10 kgs). There was a virtual scramble for ready goods—seeds as well as oil. And with demand likely to be well-maintained and offerings restricted, spot prices are expected to record further improvement in the immediate future. If allowance is made

for the excise duty relief, groundnut oil is already quoted higher than the highest level recorded in the previous season.

The remarkable strength in ready has induced considerable short covering in the new crop January contract which has gone up from Rs 217.50 to Rs 221.25. The price has shot up in spite of the satisfactory weather reports from nearly all the groundnut producing areas. This is because market sentiment at present is being guided more by the prevailing shortage of ready goods than by ideas of prospective supply. If all goes well, the new crop, according to most market men, is likely to be better than the previous one. But any increase in production is likely to be more than offset by the normal annual increase in domestic consumption, let alone export needs. New Delhi has notified the soap manufacturers and copra crushers that in future no further consumer licences will be granted to them for the import of copra and palm oil. They will have to earn their requirements by exporting vegetable oils and decorticated cottonseed cake. This is likely to push up the demand for groundnut oil for export purposes. Of course the export performance will depend to a considerable extent on conditions in overseas markets, which, in turn, depend on the overall supply position of vegetable oils. Here mention might be made of the 1963-64 US soyabean crop which is expected to reach a record level of 723.18 million bushels as against 702.59 million bushels in the previous season. The US linseed crop for 1963 is also estimated to be higher at 31.45 million bushels compared to 27.85 million bushels in 1962.

Linseeds firmed up in sympathy with groundnuts. The September contract improved from Rs 37.06 to Rs 37.56 (per 50 kgs) and the new crop March contract rose from Rs 36.44 to Rs 37.12. The demand for linseed oil is expected to show a considerable improvement after a few weeks and with ready goods rather scarce, linseed prices are likely to be firm in coming weeks. Cottonseeds were steadier but business was limited. Castor futures, however, continued to display a subdued tendency due to lack of fresh support. The new crop March contract fluctuated narrowly between Rs 162.75 and Rs 164.62 and the old September contract was generally quoted about Rs 6 lower. Speculative interest in castor continued to be poor.

Export houses did not report any exciting business last week. Overseas quotations for groundnut extractions were slightly better but business was not large and the UK was mentioned as the main buyer. Unconfirmed reports indicated that Russia had purchased a sizable quantity of castor oil during the week. Groundnut oil and linseed oil were completely neglected. Some business was reported in linseed cakes, expellers as well as extractions. The UK was reported to have purchased small quantities of cottonseed cake for distant delivery.

On towards progress . . .

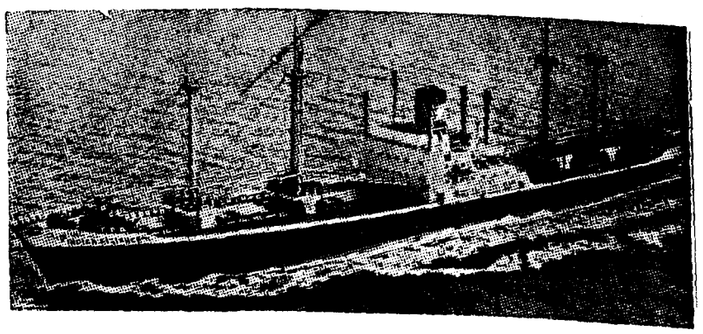
India Steamship Co., Ltd., has a steady record of progress . . . Since Independence, its tonnage has increased from about 85,000 D.W. tons to over 200,000 D.W. tons—more tonnage being still on order.

Its services are also extending to various trade routes. After initial consolidation in the India-U.K.-Continent trade—the Company entered the Indo-Soviet service to the Russian Black Sea ports in 1956 and later to Rumanian ports. In 1959 the Company forged still another link in the overseas with South America, and in 1960 it extended its service to Poland.

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Business Notes

Larsen & Toubro

LARSEN & TOUBRO has kept up its progress during the financial year ended March 31, 1963. The results recorded, the Chairman states, reflect the benefits of a planned expansion of the Company's established activities and development of new lines. The Company is a major engineering unit manufacturing agricultural and allied types of machinery and a wide range of plant and equipment. It also distributes the products of some foreign manufacturers in India. It has six subsidiaries and six associated companies.

Sales and other incomes aggregated to Rs 774.91 lakhs compared with Rs 597.28 lakhs in 1961-62 showing a rise of 29 per cent. Profit after providing for depreciation and development reserve moved up to Rs 48.30 lakhs from Rs 40.26 lakhs in the previous year, but the profit margin has not improved, being 6.2 per cent as against 6.7 per cent. Provision for development rebate reserve has been reduced to 80 per cent as against the previous practice to take credit for 100 per cent although the total amount thus provided is more than the statutory minimum of 75 per cent. Taxes including SPT absorb Rs 24.40 lakhs (Rs 21.00 lakhs).

Profits after taxes amount to Rs 23.90 lakhs being Rs 4.64 lakhs more than in 1961-62. The net profit margin has, however, declined fractionally from 3.2 per cent to 3.1 per cent. The failure of the net surplus to rise proportionately with the turnover is attributed to the general rise in the cost of raw materials and stores, manufacturing and trading expenses and the new levies like the Emergency Risks Insurance, additional customs and excise duties, etc. Taking into account the previous year's balance of Rs 1.51 lakhs the Directors have appropriated the available amount of Rs 25.28 lakhs by transferring Rs 4.06 lakhs to General Reserve, Rs 1 lakh to Dividend Equalisation Reserve and Rs 20.23 lakhs to a Dividend Reserve and carrying forward Rs 11,973 to the next account. The dividend is proposed to be paid out of the Dividend Reserve, the Preference dividend at 6.50 per cent (subject to tax) absorbing Rs 97,500 and ordinary dividends at Rs 1.40 per old share (14 per cent subject to tax, same as in the previous year) and Rs 0.70 per new share in all absorbing Rs 19.25 lakhs. At the current rate of Rs 22.48, the yield works cut to 6.2 per cent taxable.

The Directors report that the Powai Workshops operated satisfactorily during the year and the output increased by about 40 per cent and is expected to show further improvement in 1963-64. The Company's manufactures of plant and equipments for chemical, pharmaceutical, dyestuff, dairy, distillery and brewery industries have a satisfactory carryover of orders. The switchgear factory has also increased its output as planned and a further extension of the factory is being planned. The Company has secured a contract of the value of Rs 140 lakhs from MP State Electricity Board for mechanical and electrical erection and installation. Deriving confidence from the fact that the Company has large and well-planned investments and facilities for the manufacture of high quality engineering products in its own and in its subsidiary companies, capable of yielding satisfactory earnings, the Chairman is hopeful that the Company has a promising and prosperous future.

Madras Motor and General Insurance

THE Madras Motor and General Insurance Company, a member of the well known T V S Group, is one of the fastest growing companies in the general insurance business in the country. From the point of view of the volume of underwriting, it is among the first 15 companies in the field today and from the point of view of profits, probably, among the first five. It bears testimony to the prudent policies pursued by the company that it has been able to combine a large and fast-growing business with very satisfactory profit rates.

The Company's working in 1962, as revealed by the Annual Report for the year, is fully in keeping with past performance. Motor premium, which is the mainstay of the Company, has increased by Rs 12.11 lakhs (20 p c) to Rs 71.39 lakhs, fire premium by Rs 3.16 lakhs (114 p c) to Rs 5.94 lakhs, and marine premium by Rs 86,000 (65 p c) to Rs 2.17 lakhs. The Company's claim ratio in the fire department has been quite favourable, being only 14 p c as against 13 p c in the previous year. In the marine department, the ratio has practically remained the same as last year, around 52 p c. In the miscellaneous department, however, it has increased from 36 p c to 44 p c.

After allocating Rs 9.60 lakhs for taxes and Rs 97,412 to the investment fluctuation reserve, the Company's profits for the year amount to Rs 10.95 lakhs, the highest for any year so far. From the disposable profits, a sum of Rs 4.50 lakhs (Rs 3.95 lakhs) is transferred to the General Reserve raising it to Rs 21 lakhs. The Directors have declared a dividend of Rs 18.50 per share of Rs 100 as against Rs 20.75 per share in the previous year.

Kirloskar Oil Engines

KIRLOSKAR Oil Engines has earned a higher profit of Rs 89.85 lakhs (Rs 77.59 lakhs) during the year ended March 31, 1963. The rise of abcut 16 per cent in the profits is the result of an expansion in sales by about Rs 77.16 lakhs or 19 per cent amounting to Rs 4.73 crores. Provision for taxation has absorbed Rs 61 lakhs as against Rs. 37 lakhs previously. Development rebate reserve is credited with Rs. 3.86 lakhs (Rs. 4.65 lakhs). General reserve gets less at Rs. 10 lakhs (Rs 21 lakhs). Rehabilitation reserve draws Rs 4 lakhs (same). A sum of Rs 11 lakhs (Rs 9 lakhs) is transferred to Dividend reserve, from which the Directors propose to meet preference dividend at 8 per cent subject to tax absorbing Rs 3.20 lakhs and pay ordinary dividend at 12 per cent subject to tax absorbing Rs 10.40 lakhs.

The Directors state that in spite of higher profits, the amount available for distribution asd allocation

to Reserves has been considerably reduced by the incidence of SPT The demand for the Company's engines is on the increase and exports have maintained a progressive trend.

Money Market

Thursday Morning,

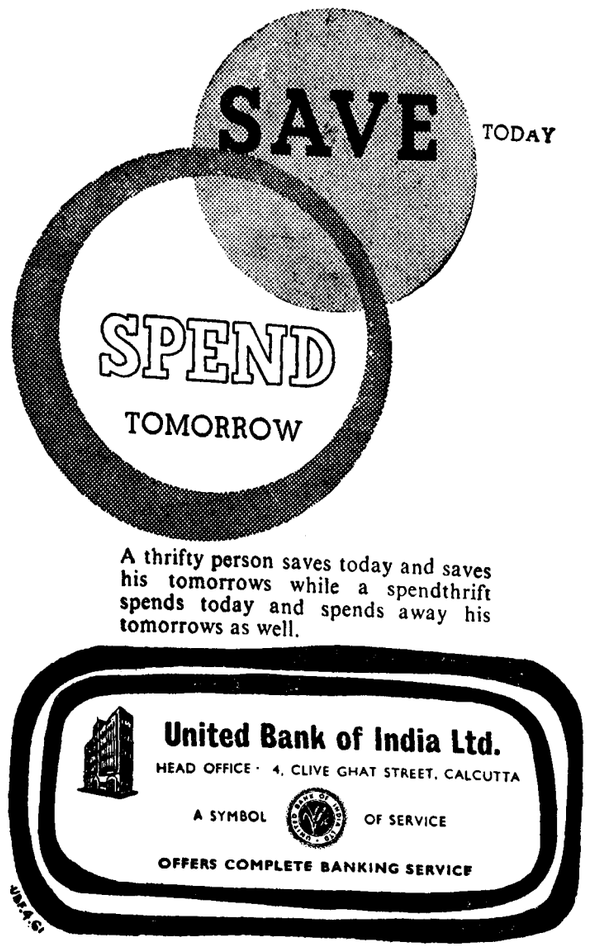
THE inter-bank call money rate eased during the week from 2½ per cent to 2 per cent. The easiness is natural in the mid-slack season with large amounts of free funds floating about. Scheduled banks' advances, as seen from the latest available return upto August 9, have actually contracted, though only by Rs 51 lakhs, while their deposits have increased, again meagrely by Rs 46 lakhs. Moneys placed at call and short-notice have come back to the extent of Rs 8.36 crores and are reflected in a rise of Rs 7.83 crores in cash balances and balances with the Reserve Bank. On top of this, banks have been able to increase their investment in securities by Rs 24.12 crores.

All this would indicate that the supply of funds continues to be more than adequate to meet demand. Besides, the sudden change in the Calcutta call loan market where the rate has staged a sharp decline from 3½ per cent and more a week ago to as low as 1 per cent and even less on Wednesday evening, suggests that the keen demand for funds at that end which had earlier pushed up the rate, has now slackened and that funds which had flown from Bombay a few weeks ago have also returned. If the present easiness in Calcutta persists, rates in Bombay will be governed only by local supply and demand.

Reserve Bank's statement for the week to August 16, is further indicative of the comfortable monetary position of the scheduled banks. Not only have scheduled banks' borrowings gone down by Rs 2.85 crores during the week, but their deposits have increased by Rs 2.54 crores.

Although active notes increased consecutively during the two weeks ended August 9 by about Rs 38.03 crores, they contracted during the week ended August 16, by Rs 10.50 crores. Since the Banking Department increased its holdings by Rs 1.44 crores, the net withdrawal has amounted to Rs 9.07 crores. The rupee securities in the Issue Department have been, therefore, reduced by Rs 10 crores. This reduction is not, however, reflected in an increase in the investments of the Banking Department; on the contrary, the Bank's investments have fallen by Rs 21.07 crores and its holdings of Treasury Bills are also down by Rs 23.06 crores. The reduction in the Bank's holdings of securities, aggregating on all the three accounts to Rs 54.13 crores, appears to be mainly the result of heavy withdrawals of deposits by Central and State Governments to the tune of about Rs 51.79 crores and an increase in their borrowings by Rs 3.35 crores. Incidentally, it appears that the bulk of securities unloaded by the Reserve Bank will have been absorbed by the scheduled banks whose investments in securities have continuously risen and by as much as Rs 24.12 crores during the week ended August 9. Foreign assets marked a further decline during the week by Rs 81 lakhs as a result of a fall in balances held aborad.

Steady conditions continued in the giltedged market where enquiries centred round selected issues.



A thrifty person saves today and saves his tomorrows while a spendthrift spends today and spends away his tomorrows as well.

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CURRENT STATISTICS

RAILWAY WAGONS LOADED

(In Terms of '000 4-Wheelers)

Aggregate from April 1 to June 30, 1963

	Broad Gauge			Metre Gauge		
	1962-63	1963-64	Increase (+) or decrease (—) percentage	1962-63	1963-64	Increase (+) or decrease (—) percentage
Revenue-Earning Traffic						
Coal and coke for public	365.5	434.4	+18.9	83.5	74.8	+17.8
Grains and pulses	107.0	130.2	+21.7	93.5	105.9	+13.2
Oilseeds	14.3	17.1	+19.1	16.2	18.4	+13.9
Raw cotton	7.3	7.1	— 2.61	5.8	5.7	— 2.38
Cotton manufactured	2.5	2.3	— 8.45	0.6	0.8	+33.5
Raw Jute	15.6	11.0	—29.7	15.3	10.2	—33.5
Jute manufactured	1.6	1.9	+19.3	1.7	1.3	—20.6
Sugar	17.3	18.1	+ 4.79	19.4	20.7	+ 6.56
Sugarcane	11.7	0.2	—98.7	70.2	1.2	—98.2
Cement	47.4	54.9	+15.9	44.5	43.4	— 2.47
Iron and steel						
Pig iron	9.8	12.5	+27.6	2.1	1.3	—35.7
Others	80.1	95.8	+19.8	16.9	16.6	— 1.96
Tea	1.6	1.3	—18.4	2.2	1.7	—20.2
Metallic ores						
Manganese ore	14.7	12.3	—16.1	3.9	2.5	—36.5
Iron ore	136.3	163.1	+19.7	14.6	15.3	+ 5.16
Others	6.2	8.1	+30.8	6.9	5.4	—21.7
Limestone and dolomite	65.0	64.3	— 1.18	19.1	15.1	—21.0
Miscellaneous full wagons	406.6	456.8	+12.3	319.4	343.9	+ 7.68
Miscellaneous smalls	83.4	81.7	— 2.08	70.2	88.3	— 2.68
Non-Revenue Traffic						
Coal for home line	68.9	73.4	+ 6.50	68.5	69.4	+ 1.24
Coal for other Govt, railways and manufacturing units	123.3	131.2	+ 6.43	5.7	9.4	+65.7
Other stores	46.1	59.8	+29.9	39.8	47.9	+20.3
TOTAL	1,632.3	1,837.6	+12.6	900.0	879.3	— 2.30

Source : Ministry of Railways (Railway Board), Government of India.

STATE FINANCIAL CORPORATIONS

Liabilities and Assets

(Rs Lakhs)

	Figures for the last Friday of			
	June '63	May '63	April '63	June '62
No of SFCs	15	15	15	15
Liabilities				
Capital and reserves				
(i) Paid-up capital	15,32	15,32	15,32	16,10
(ii) Reserve fund	16	14	14	13
(iii) Provision for bad and doubtful debts and other reserves	33	32	31	13
Bonds and debentures	18,48	18,48	18,51	18
Other liabilities	16,94	16,53	14,81	10,81
Total liabilities or assets	**51,23**	**50,79**	**49,09**	**42,16**
Assets				
Cash in hand and balances with banks	4,30	4,13	4,25	8,35
Investments in Government securities	4,47	4,52	4,61	4,48
Loans and advances	33,05	33,04	32,49	24,17
Debentures	22	22	22	13
Other assets	9,19	8,88	7,52	5,03

Source : Reserve Bank of India.

INDUSTRIAL FINANCE CORPORATION

Liabilities and Assets

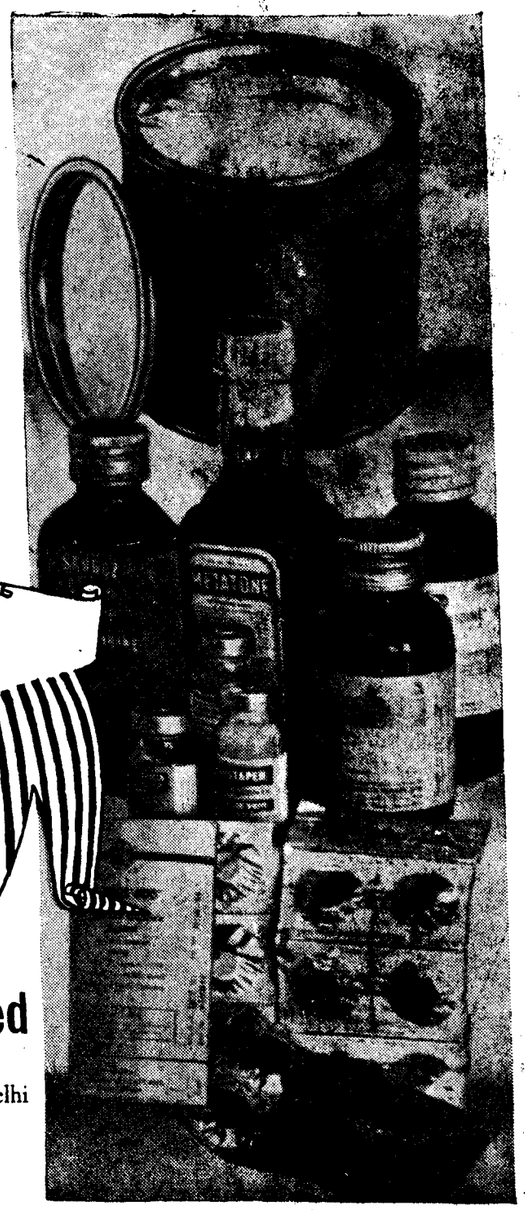
(Rs Lakhs)

	Figures for the last Friday of			
	June '63	May '63	April '63	June '62
Liabilities				
Reserve funds	2,22	2,22	2,22	1,75
Reserve for doubtful debts	14	14	14	14
Provision for taxation	59	59	59	59
Bonds and debentures	28,24	28,24	28,24	22,24
Borrowings	26,91	26,38	25,07	19,98
(i) From R B I	—	1,12	—	—
(ii) From Govt	24,75	23,75	23,75	19,75
(iii) In foreign currency	2,16	1,51	1,32	23
Other liabilities	23,49	21,15	20,97	20,94
Total liabilities or assets	**81,61**	**78,74**	**77,24**	**65,64**
Assets				
Cash in hand and balances with banks	1,64	1,82	3,64	2,02
Loans and advances	59,86	57,60	56,52	49,57
Other assets	20,11	19,32	17,08	14,05

Source : Industrial Finance Corporation of India.

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Emergency and the Law

DEFENCE Minister Chavan's statement in the Lok Sabha on the reasons for the military debacle against the Chinese last year (discussed in the next editorial) highlights the things that need to be done to answer effectively a renewed attack from across the northern borders. But the threat from China is not merely military and much more than our territorial integrity has to be defended. If the Emergency has increased our vigilance on the military front, has it made us negligent in other directions? This doubt is raised by the Supreme Court's momentous judgment last week on the Defence of India Act. Technically, the Court did no more than define what it considered the true scope of Article 359 (1) of the Constitution and, in effect, reject the 26 petitions against the Defence of India Act filed before it. But the implications of the judgment go far beyond the fate of these petitions and deserve the same earnest and immediate consideration of Parliament and Government that the report on the army's failure in NEFA should be getting at the hands of those responsible for preparing the military defence against China.

Interpreted legally what the Supreme Court judgment has established is that rights exist only to the extent that they can be enforced. The principal contention of the petitioners was that the Defence of India Act and Rules were void because they infringed Articles 14, 21 and 22 of the Constitution. These Articles guarantee the right to equality before law, the right not to be deprived of life or liberty except according to procedure established by law and the right, in case of arrest, to be informed of the grounds for arrest and to be produced before a magistrate within 24 hours.

Article 358 of the Constitution, under which the Defence of India Act and Rules are enacted, empowers the State to make any law or to take any executive action it considers necessary while a proclamation of Emergency is in operation even if such a law or act infringes the rights guaranteed under Article 19. Article 19 guarantees the right to freedom of speech and expression, to assemble peaceably, to form associations, to move freely throughout India, to reside and settle in any part of the country, to acquire and dispose of property and to practise any profession or occupation. These, then, are the rights which are explicitly suspended by the Constitution during the Emergency. There is no mention of Articles 14, 21 and 22 as being similarly suspended.

Article 359, however, empowers the President, when a proclamation of Emergency is in operation, to suspend by order the right to move the courts for enforcement of any or all the Fundamental Rights guaranteed in Part III of the Constitution. The Presidential order issued in connection with the present Emergency explicitly suspends the right to move the courts for enforcement of Articles 14, 21 and 22. So we have a situation where though unlike Article 19, Articles 14, 21 and 22 are not suspended, the power of the courts to enforce the rights conferred by these Articles is. To the extent that these Articles have not been suspended, the Defence of India Act and Rules are

unconstitutional but to the extent that enforcement of these Articles by the courts is barred by the Presidential order (which, incidentally, has to be laid before Parliament but not approved by it) the courts cannot be moved to redress the State's actions under the unconstitutional Act and Rules. During the Emergency, therefore, not merely the rights guaranteed under Article 19, but, *in effect*, all Fundamental Rights become inoperative for the reason that the citizen is deprived of the means of their enforcement. It is worth noting that all the 7 judges, including Justice Subba Rao who dissented with the majority judgement, agreed with this conclusion.

The judges differed on another question: whether or not Article 359 of the Constitution took away the statutory power of High Courts under Section 491 of the Criminal Procedure Code to order the release of anyone illegally detained. Justice Subba Rao, in his minority judgement, held that it did not.

It is possible to argue that the right which a citizen seeks to enforce under Section 491 of the Criminal Procedure Code is the common law right of private or personal liberty — a right which can be enforced against all, including the State. If that is so, it may be argued, it is outside the scope of the President's order under Article 359 of the Constitution which affects the enforcement of Fundamental Rights only.

The majority of the judges did not agree with this and maintained that "the prohibition contained in Article 359 and the Presidential order will apply as much to the proceedings under Section 491 as to those under Articles 226 and 32 of the Constitution". Further. "it is clear that the content of detenu's right to challenge the legality of his detention which was available to him under Section 491 prior to the Constitution has been enlarged by the Fundamental Rights". But has it also been merged in the Fundamental Rights? It is true that in our Constitution there is no provision corresponding to Article IX of the American Bill of Rights. But there is no provision to the contrary either that the Fundamental Rights enumerated in Part III exhaust all rights of the individual.

This may be a fine legal point. The vital consequence of the arguments before the Supreme Court has been to establish beyond doubt that the Defence of India Act and Rules are unconstitutional as they contravene Article 22 of the Constitution. This was accepted by all the judges and conceded by the Attorney-General, the highest legal officer of the Government. In the circumstances, the Court's helplessness to protect the individual against the application of an unconstitutional law cannot, surely, be considered the end of the matter. The Supreme Court's decision places a heavy responsibility on Parliament and the Government. The Government was responsible for framing and Parliament for approving this unconstitutional law. This is in contravention of Article 13 of the Constitution which forbids the State to make any law which "takes away or abridges" any Fundamental Right. Article 358, under which the Defence of India Act and Rules were enacted, empowers the State to ignore only Article 19 in a period of Emergency but not the other Fundamental Rights.

Whatever the circumstances under which the Defence of India Act and Rules were enacted, now that they have been shown to be *ultra vires* of the Constitution, the Government and Parliament must move with all speed to undo their earlier error in a matter which so vitally concerns the basic principles of democratic government. The Defence of India Act and Rules have to be brought into conformity with Article 358 of the Constitution. We can emphasise the importance of doing this no better than by quoting from Justice Subba Rao's judgment:

"I cannot, for a moment, attribute to the august body, Parliament, the intention to make solemnly void laws; it may have made the present impugned Act *bona fide*, thinking that it is sanctioned by the provisions of the Constitution. Whatever it may be, the result is we have now a void Act on the Statute Book and under that Act the appellants before us have been detained illegally. To use the felicitous language of Lord Atkin, in this country 'amid the clash of arms, the laws are not silent; they may be changed, but they speak the same language in war as in peace'.

"The tendency to ignore the rule of law is contagious, and, if our Parliament, which unwittingly made a void law, not only allows it to remain on the Statute Book, but also permits it to be administered by the Executive, the contagion may spread to the people; and the habit of lawlessness, like other habits, dies hard. Though it is not my province, I venture to suggest, if I may, that the Act can be amended in conformity with our Constitution without it losing its effectiveness."

Part of the Truth

THE Nefa Enquiry has given the country, for the first time, some idea of the organisation, equipment and training of the Army. It is to be hoped that this marks the beginning of a selective and discriminating policy to disseminate defence information. The complete absence of such information has so far limited all intelligent discussion of defence policy and strategy to an extremely narrow political and military circle which, when faced with critical situations, demonstrated its inability to think and act in time.

The senior Army officer (incidentally, the only British officer who has voluntarily chosen to stay back) who conducted the enquiry could not comment upon or evaluate the basic premises of our defence policy, since these were necessarily political and beyond his competence. He could study only the consequences, not the causes of the "state of military unpreparedness" last year. It is now clear that the debacle can be traced to three politico-military assumptions, all of which proved wrong: one, that our counter-probes into Chinese-occupied areas on the border would not be a sufficient 'justification' for the Chinese to launch a massive attack; two, that our counter-probes in Ladakh would not 'call forth' an attack on Nefa though the Chinese had threatened to cross the McMohan Line as early as in 1961; and, three, underlying the first two, that Peking would not openly flout the Moscow line on a friendly posture towards neutral nations. We expected skirmishes on the border, and the army, therefore,

was prepared for nothing more serious. Before the Army could be fully redeployed to meet the massive invasion, the Chinese had scored their point, declared a cease-fire and started withdrawing.

Against this background, the scope of the enquiry was really limited to an evaluation of how the army organisation responded to a sudden and challenging situation. The generous sugar-coating by the Defence Minister and, later, by the Prime Minister notwithstanding, there is no doubt that the enquiry established the incompetence of senior commanders in the Kameng area of Nefa and, by implication, the bad judgment of those who appointed these commanders to responsible positions and, then, denied them adequate intelligence and the full strength or modicum of unity of the formations which they had to lead. The so-called Nefa Corps, including the famous 4th Division, was very much under full strength and its component units were hastily assembled.

All this, however, is a matter of the past. The main purpose of the enquiry was not to fix blame but to draw lessons for the future. Now the troops are to be trained for mountain warfare and to face Chinese tactics, and it is realised that "the need of the moment, above all else, is training in leadership" and to "put right" the higher commanders' concept of mountain war fare. There is nothing basically wrong or inadequate with our equipment, but transport vehicles and communications need to be augmented quickly and the automatic rifle is a necessity. A major overhaul of the intelligence system is required. The organisation, equipment and training of defence forces, however, are determied eventually not by generals but by those who decide on the political fundamentals of defence policy. What are or should be the revised assumptions of our defence policy? On this basic issue, there is no (and, understandably, there cannot be at the present stage) clear indication.

What are we preparing for now? Upto a certain point, there is no need to state the objectives clearly. A considerable degree of modernisation of fighting and transport equipment is necessary in any event; it had been postponed too long, never mind the reasons. Improvement of communications in the border areas, too, stands on the same footing. Beyond this point, however, certain essentially political assumptions have to be made. That China and Pakistan will remain our antagonists for a considerable time can be taken for granted. But what kind of threat do we expect from them individually or jointly? While to be caught unprepared again is unthinkable, this necessitates rather than precludes a rational assessment of the threat to our borders. Only such an assessment can form the basis for the optimum deployment of financial and material resources which, even on the most optimistic assumptions regarding assistance from friendly countries, will remain scarce and will, for that reason, need to be highly concentrated on the most urgent and essential tasks.

Financing Panchayats

PANCHAYATI Raj is now at various stages of implementation in the States where it is expected to spread and strengthen the spirit of democracy, to infuse life into the Plan, to accelerate progress in agriculture, spread rural industrialisation and develop co-operation — in short to revitalise rural India. Every one agrees that even for a small measure of success in this colossal task, in fact even for the scheme to have a proper start, certain pre-conditions are necessary. The Panchayati Raj institutions have to be worked with efficiency and enthusiasm, which requires well trained, dedicated staff and freedom from political influence, and further, the institutions have to be provided with resources sufficient for their needs.

The first is mainly a matter of human propensities, though the training imparted and the attitude of political parties are also relevant. The second condition has to be ensured in the framework of the system itself. The legal enactments in the States have, therefore, made provision for the levy by the Panchayati institutions of certain taxes and fees and for the receipt of a share of some State taxes.

However, the Government of India considered this a vital question requiring detailed and expert consideration and accordingly appointed, last year, a study team to examine problems of financing Panchayati Raj. This team, headed by Shri K Santhanam, has now submitted its report.

The nature of financial relations in a federal constitution is necessarily complex. And in the case of a developing economy such as ours it is even more so. On the one hand, the growth in public revenues is far slower than the growth in the demand for public expenditure. On the other hand, while the heads of expenditure are divided between the various layers of Government in accordance with their duties and powers, the sources of revenue cannot be divided to conform strictly with this pattern of requirements. All sources of revenue are not equally fruitful or elastic. Reasons of administrative efficiency, as well as the need for balance and uniformity, necessitate rather more centralisation in the tax collection than a strictly proportionate division of resources would demand. Hence shared taxes as well as grants-in-aid and subventions are an inevitable and important part of our financial structure.

The principles on which the Santhanam Committee's recommendations are based arise from these facts as also from the equally compelling consideration that there can be no self-government without a measure of self-reliance. The Committee has therefore suggested the levy of some "compulsory taxes" by the panchayats. These are the house tax, profession tax and vehicle tax (including a tax on cycles) — all direct taxes that are easy to administer and fairly elastic. Other optional levies are suggested: a tax on animals and produce sold in the village, a show tax (in addition to the entertainment tax), a pilgrim tax and a labour tax "to be levied when voluntary contribution in cash or labour is insufficient to execute a development project". Tax reform has also been incidentally considered and there is a suggestion that

Octroi, an ancient levy that has been long criticised, may be replaced by "other progressive taxes".

Apart from the shares in such States taxes as land revenue, generally provided for in Panchayati legislation, the Santhanam Committee has also recommended the sharing of the entertainment tax and a special surcharge on stamp duty. The Committee has further suggested the development of non-tax income through the operation of remunerative undertakings. This, however is likely to take time and require some experience. But the fees from such regulatory services as markets, slaughter houses, etc, offer immediate scope for fuller exploitation.

With all this, grants-in-aid are a necessity and will continue to be so. It is in this area that the impact of the Committee's views on actual policy is likely to be felt the most. A "basic minimum maintenance grant" — the very nomenclature underlines the inevitability — is recommended for every panchayat. This grant, determined at the rate of one rupee per capita, is to be shared equally by the Central and State Governments. A grant for panchayat samitis (block level institutions) for maintenance of staff is also recommended. The Report further suggests a basis for matching grants, now given by States to encourage panchayats to raise resources by taxation. It is recommended that an amount equal to 15 per cent of collection should be given as the matching grant, provided at least three-fourths of the tax demand is collected; and that the grant should be increased by at least 1 per cent for every additional 5 per cent collected. In this whole matter of grants, however, more flexibility may be needed, particularly to provide for greater assistance to backward areas and sections of the population. At any rate, in actual practise selectiveness and preferential treatment are more than likely to be important determinants of policy.

The Committee does not stop with the consideration of ordinary financial arrangements. Probing further into the long-term needs of Panchyats, it has suggested the establishment of a new body — another addition to the growing number of special financial institutions in this country. The Panchayati Raj Finance Corporation, with a capital of Rs 1 to 5 crores, will provide long-term loans to Panchayati institutions to enable them to undertake public utility services, construction activities and supply of implements.

Weekly Notes

Measuring Capacity

HITHERTO the Government's only reaction to criticism of the futility of the statistics of industrial capacity collected by it was to stop publishing them in the Commerce and Industry Ministry's annual reports from last year. Last week, however, the Ministry of Industry released a circular issued by it to other Central Ministries and State Governments setting out a new procedure for estimating industrial capacity.

Statistics of capacity are at present published by the Department of Statistics, Central Statistical Organisation, in its "Monthly Statistics of the Production of Selected Industries in India" which also briefly explains the basis on which the estimates are made. For coal, iron ore, coffee, tea, salt and gold no capacity is estimated. For cotton and jute textiles, capacity is given in terms of spindles and looms and for the other industries in terms of output. Capacity for iron and steel, virgin copper, aluminium and electricity is based on the assumption of continuous operation throughout the year after making allowance for shut downs for normal repairs and maintenance. For certain chemical industries the assumption is of three-shift working for 330 days in a year and for vanaspati, paper, tyres and tubes, alcohol and cement of three-shift working for 300 days. For paints and varnishes, carding engines, complete ring spinning frames, railway wagons, arc welding electrodes, wire ropes, steel pipes and tubes and cigarettes capacity is estimated on the basis of two-shift working for 300 days and for all other industries on the basis of single-shift working for 300 days.

Existing statistics of capacity, therefore, suffer from two principal defects. First, because they are estimated differently for different industries, they are of little use for inter-industry comparisons of utilisation of capacity. But more important, since, in most cases, they referred neither to the maximum technological capacity nor to the capacity actually worked in different industries, they were worthless for industrial planning and licensing.

According to the Industry Ministry's circular, industries are now to be divided into two categories: (1) those which work continuously whether on the basis of 330 or 300 days in a year or on a seasonal basis as in the case of sugar; and, (ii) all other industries. In the case of the second category, it is proposed that capacity on the basis of maximum utilisation will normally be deemed to be the capacity as assessed on two-shift working.

This should certainly make statistics of capacity more uniform and comparable, and thus remove the first of the two defects of existing statistics mentioned above. However, how far the new procedure will make the capacity statistics more relevant for industrial planning is difficult to say. For the concept of capacity relevant for industrial planning is not given by a rule of thumb assumption about single or double or triple shift working. For making decisions about how much additional capacity requires to be created for achieving targets of production, the capacity estimates must indicate capacity currently used *plus* that part of present unutilised capacity which is attributable to either shortage of inputs or lack of demand. For, to the extent that existing capacity remains unutilised for want of essential inputs, there is no need to create fresh capacity. Estimates on the basis of two-shift working will not necessarily give us this measure of capacity though it may be that they will approximate to it more than estimates on single shift working.

Exports Oblige

THE Minister for International Trade gave some cheerful news this week at the joint meeting of the import and export advisory councils. Exports have risen by about 15 per cent during the first four months of 1963-64; the increase of Rs 32 crores over the corresponding period of last year is equal to the rise in the whole of 1962-63 over 1961-62. This improvement together with initial external assistance will enable the Government to liberalise somewhat the import of raw materials, components and spare parts for high priority uses and export promotion, after meeting the requirements of defence.

The statements, both by officials and non-officials, at the meeting were significant in many ways. The increase in exports was considered satisfactory but there was no sense of complacency, the emphasis was rather on further immediate and substantial improvement in performance. The business interests expressed their general satisfaction with the policy of export incentives and received an assurance from the Minister that there would be no major change in this policy for the rest of the Plan. Shri Manubhai Shah made it clear, on the other hand, that the State Trading Corporation would play an increasing role in imports, particularly of scarce items on which profit margins are high, and that the stock-and-sale facilities provided by established importers would not be expanded beyond a very limited extent.

All in all, one does get the feeling now that export problems are being understood and tackled, though not solved, in a realistic manner. The modest increase in exports since last year is of a sustained nature. A significant part of the rise in 1962-63 was, however, accounted for by exports to the so-called rupee-payment area, and therefore did not fetch any convertible exchange.

Textile Exports to U K

LANCASHIRE cotton is once more looking seedy. In June, the British Cotton Board (the industry's regulating authority) pressed the Government to change its policy so that individual categories of textile imports into Britain could be reduced (rather than continuing the general import quota system that exists at present), the use of 'Commonwealth' status for imports could be restricted, 'anti-dumping' measures could be invoked more speedily, and, ultimately, the Ottawa Agreements revised to deprive Commonwealth exporters of their right to 'duty-free entry' into the British market. As is readily discernible, the overall aim of these measures is designed to restrict still further textile imports into Britain, both global and particular.

Whenever in trouble, Lancashire reaches for the most illiberal weapons: the demand for complete protection has on occasions been heard. Protectionist measures, of course, seriously embarrass the Government by infringing the GATT provisions, contradicting any British commitment to help the trade of developing countries and running counter to any attempt to give economic flesh to the 'Commonwealth'. In addition, protecting textiles fortifies the *status quo* in an industry not remarkable for its efficiency or competitiveness. Any moves by the Government to accept Lancashire's demands bodes ill for India in whose economy textiles play a role far greater than in Britain. It is to be hoped that the delegation now despatched (under Shri Kasturbhai Lalbhai) by the Indian Cotton Mills Federation to London, will be hard-faced and stony-hearted, and will strive to remind the UK Government of its long commitment to liberalised trade, to GATT and the Commonwealth agreements, and resist the unceasing demands of Lancashire.

Voluntary Protection

THE British Government's record in this respect is moderately good even if mixed. Lancashire has been in decline since before the first World War, and (like shipbuilding and railways, but unlike iron and steel) has proved consistently incapable of tailoring itself into a competitive form appropriate to the mid-twentieth century. Since the Conservatives came to power, four major crises have ravaged the industry — in 1951, 1955, 1958 and 1962. Each blow (coexistent with a general weakening in the British economy) has reduced its labour force, closed some marginal producers, and accelerated concentration (witness the steady growth of Courtaulds in natural fibres), but has also increased the pressure on the Government at least to intervene and at most to protect.

As Lancashire is a Labour stronghold, the temptation to Conservatives at election time has been quite considerable, even though unemployment has never been the problem in Lancashire cotton areas that it has been in old shipbuilding areas (like the north-east or Glasgow). However, until 1959, the Government resisted cotton's importunities, and urged the industry to reform itself and become competitive. In a moment of weakness, the Board of Trade did suggest that 'voluntary' agreements be reached with Commonwealth producers to organise some sort of informal protection for Lancashire — on the assumption that this tacit violation of GATT would not be seen as such if 'voluntary', so relieving the Government of any embarrassment. 'Voluntary' limitation offered some breathing space, but was a temporary expedient, quite inadequate in facing the 1958 recession; 1959, however, was an election year, and with great speed the Government pushed through a measure to subsidise the contraction, amalgamation and re-equipment of cotton.

The subsidy involved, however, did not simultaneously offer protection, and did need to be matched by capital from the mills to be effective. Consequently, the industry was loathe to commit itself while the world market remained insecure lest not only the subsidy (which was spent) but also the reserves of the industry were lost in a resurgence of imports. In addition, the short-lived boom in textiles in 1960 shelved the immediate need for reform.

Now, it seems, we are back at the beginning of the film once more except that the British Exchequer is lighter by something over £ 30 million and the new Chairman of the Cotton Board has raised Lancashire's bid a little higher. The Indian delegation now called to London to help Lancashire stay alive will have to fight hard to bolster the morale of the British Government — particularly with a General Election round the corner. That is, presupposing the Indian mills are eager to fill what-

ever quota might be set — an assumption by no means as unquestionable as might be expected.

Anti-Apartheid Picks Up

THE political, diplomatic and economic isolation of South Africa steadily intensifies and, as a result, high-lights those countries on whom South Africa continues to rely for trading and military assistance and purchases. Most recently, the campaign to boycott South Africa has received fresh strength from the newly independent African states and their new co-ordinated activities both in the African continent and in various international agencies. The role of newly emancipated Algeria is crucial in this respect; and when Kenya becomes self-governing from December this year, it is expected to have a similar impact, particularly if it joins the proposed East African Federation.

All told, since the first UN resolution condemning apartheid in 1952, this year has seen the highest score on points, primarily through the agency of the "black barricade" and the African pressure group in the UN. South Africa has been compelled to leave the UN Economic Commission for Africa and the International Labour Organisation, and is currently considering whether even to attend the next UN General Assembly session. The Security Council has unequivocally condemned apartheid this summer, and, more significantly, called on its members to suspend arms shipments to South Africa; the call for a trade embargo was, however, defeated. All this has helped to clarify American attitudes so far as to suspend arms shipments to South Africa as from December (but not to end wider military co-operation), but has not persuaded the British (the main culprits) or the French to end their arms exports to the Republic.

Meanwhile, a number of widely different countries have individually intensified the campaign by ending diplomatic and trading relations with South Africa. In particular, the new African States have increased the irritations of the Verwoerd regime. Guerilla units are reportedly being trained for work in South Africa by the Addis Ababa powers: individual States are slowly one by one prohibiting South Africa from using their countries' transit facilities—Libya has closed Idris Airport to Union planes, and Nairobi is expected to follow suit after December, so compelling South African planes to fly very long hops and use only Portugese territory for transit stops; Kenya has also most recently refused to permit a South African delegation to come to the meeting of the International Olympic Committee meeting in Nairobi. More forcefully, various countries have within the last year cut trade relations with the Union, and the East African Federation is expected to follow suit as soon as created (Tanganyika has already halved its purchases from South Africa). The Mombasa dockers who earlier this year refused to unload a South African ship high-lighted these various formal government moves.

This complex of activities, however, is still marginal to the South African economy; the key links — with the West—remain. The new militancy of the African States spotlights the hesitations of Mr Adlai Stevenson speaking in the Security Council, and seriously embarrasses Britain whose military relations (the Simonstown agreement, air trooping rights, arms and aircraft exports), trading activities (four per cent of total British trade), and economic stake in South Africa (£1,000 million investment) stand out in sharp contrast to Western democratic protestations. If it was possible to boycott Cuba, the UN Ghana delegate cogently argued, it is possible to boycott South Africa.

The African States cannot succeed alone in straining the South African economy, let alone in overturning it — a task that rightfully belongs solely to the present black and white South Africans. But increasingly they can challenge the West and force it, if it is to retain influence in Africa, to curtail its links with South Africa. Britain's curious dithering and her association with Portugal cannot long survive if she wishes to continue to be effective in Africa and in the Commonwealth Prime Ministers Conference. To date, Western policy has been maintained by the hope that gradual change will relieve them of responsibility — the new militancy of the African States shows vividly that such patience is irrelevant to South Africa, and acknowledges that a peaceful solution to Apartheid is no longer conceivable.

U S Dilemma in S Vietnam

WHEN the South Vietnam Government calls the Buddhist monks "yellow-robed reds" it is merely giving a bad name to a dog that has already been hanged. The brutal and bloody raids on Buddhist pagodas by army regulars marked just the latest development in a fairly long history of oppression and persecution. The demands which have incensed the Government to such fury are far less extravagant than what the Buddhists constituting 80 per cent of the population may be expected to make and will not in any material way infringe the superior position of the 10 per cent Catholics under Christian Diem's family rule.

The situation shows the U S in the not unfamiliar role of the propper-up of a hated regime whose sole virtue is anti-communism. Red in the face, the Kennedy administration has been trying to make the right noises, though short of halting the million-dollars-a-day aid there is not much it can do immediately. The appointment of Henry Cabot Lodge as its new Ambassador may indicate that the U S is preparing to assert itself, and not only in the military campagin against the Vietcongs. Removal of Ngo Dinh Nhu and his wife is probably part of the U S plan but the recent stage-managed show of faith by the army and the students indicates that the task will not be accomplished without a fight.

Nor do the Kennedy Administration's problems end with the Vietcong and the Nhus, for President de Gaulle has just extended a tentative finger towards the Vietnam dirt-pie. No doubt the Diem Government's ire at U S interference appears to the French President as the signal for a renewed attempt to re-establish France's influence in the country. He has proposed the reunification of the two Vietnams and the termination of all "foreign influence". With the communists firmly in the saddle in North Vietnam reunification seems farther away than the eye can see and so the "influence" President de Gaulle is proposing to terminate is plainly American. The U S response to this opening of a second front remains to be seen.

From the London End

Industry Wants Liberal Trade

THE Federation of British Industries published on Monday a 42-page survey of Britain's trade policy, calling upon the Government to adopt a broadly-based and liberal overseas trade plan to produce an overall balance of payments surplus of £300m within three years. At the time of the breakdown of the Brussels negotiations, the Federation of British Industries, a supporter of Britain's membership of the Common Market, was asked to make an urgent and radical review of trade problems to recommend the best policy for Britain in the new situation. Remembering the ardent advocacy of the F B I for British membership, regardless of the restrictions the Common Market might have imposed upon Britain, it is interesting to see that now the F B I has admitted that exclusion from this protectionist organisation may, in fact, have some advantages after all. "The failure at Brusse's has excluded us from a new experimental trading club. But it is this very non-involvement which may offer us our greatest opportunity of following the policy of vigorous and flexible multilateralism that the country could promote as a model to be taken up by other major traders and, in particular, by the U S and the European Economic Community".

Commonwealth Trade

Generally speaking, the booklet has nothing dramatically new to say, and in the main, endorses the Government's trade policy, stressing the importance of the GATT Round, and speaking generally in favour of liberal trading policies. The report stresses that "no viable alternative to GATT exists, or is in prospect". It recommends that Britain should work for the greatest possible liberalisation of trade on a world-wide scale. However, it calls for "a sober assessment of the likely social and economic repercussions at home of a deliberate opening of the doors to foreign competition". It points out that free trade alone will not automatically or painlessly bring about the kind of changes needed in the U K economy.

The report is wary of over-commitment to particular groups of countries. "It would be dangerously short-sighted to regard our special relations with the Commonwealth or with E F T A as immutable long-term positions". In particular, it is urged that Britain should exact from the Commonwealth a better return for the preference she gives on her own market. What is interesting is that since the breakdown of the Common Market talks, there has been no great compaign by a pro-Commonwealth lobby, and the F B I certainly does not seem to pin its hopes on increased Commonwealth trade, and is indeed nervous of tying Britain to dependence on these markets.

The F B I questions whether the right of duty-free entry for manufactures from the developed Commonwealth should "continue to be regarded as sacrosanct". Perhaps one of the more heartening aspects of this report is the recognition of the needs of the less developed world to find outlets for their manufactured products in the industrialised countries. It specifically underlines the need for the industrialised countries to accommodate growing quantities of low-cost imports from the developing nations. Since this is one of the key questions to be discussed in the United Nations Conference on Trade and Development early next year, it is important that an organisation like the F B I should be on record in favour of this policy. However, it remains to be seen whether these theoretical gestures of good-will will actually be translated into action when the time comes.

Commodity Agreements

The F B I also stresses the need for commodity agreements, and for bringing agriculture into GATT. It recommends International Agreements to regulate trade in agricultural products. It also favours the reduction of commodity price fluctuations by co-operative action. In this connection, it may be that the recent International Coffee Agreement, concluded in London earlier this month, might well set a pattern for future international commodity agreements, in that for once both consuming and producing interests are represented, and this provides a better chance for a more realistic approach to dealing with commodity problems.

One of the more interesting aspects of the report is the recommendation that policy on imports from Communist countries should be reconsidered to increase reciprocal exports. Britain recognises the need for increased East-West trade and the irksomeness of the strategic bans on exports to Communist countries. "Here, surely, the logical policy is to insist that if there must be restraints on exports to the Communist bloc, those restraints should continue to be confined to clearly defined strategic items, and that outside that specified list, exporters should be free to do what trade they can". If Britain's exports are to increase, she must search for new markets, and it is increasingly clear that the Communist countries would provide good outlets for some British exports, provided Britain was prepared to take in more imports from these countries. The Report recommends that the Government should also have another look at the controls on imports from Communist countries. It will be recalled that the present policy, restricting imports of oil from Russia, has acted as a brake on increased Soviet purchases from Britain.

Export Credit

The report carries a full attack on the policy and working of the Export Credit Guarantees Department. Reviewing the effectiveness of export credit and credit insurance, the Federation stresses that the Department should tailor services to meet the needs of exporters. It suggests that a more liberal approach should be adopted to credit limits and to the length of credit for different categories of goods. It has long been the complaint of British exporters that because they are unable to offer as good export credit terms as their Continental and Japanese rivals, they have frequently lost overseas orders

The developing countries of the world, which have an unlimited appetite for capital goods and equipment can only afford to buy from those countries which can provide long-term credit. The British Government has always argued that it can effectively match any export terms provided by other countries, both in length and terms of credit. Foreign insurers, maintain that the E C G D is highly competitive, and Britain comes in for her share of criticism at the Berne Union for her practice of being willing to grant longer terms of credit. The Berne Union however is a dead letter, and faced with intense competition, most industrialised countries keep increasing the length of export credits they are willing to offer.

The N E D C, in its report on export trends, alleged that "Available surveys of this field have generally concluded that U K exporters have not, by and large, suffered a competitive handicap through lack of export finance". The F B I report now urges the Export Credit Guarantees Department to act a little less like credit insurers, and rather more like export promoters.

The final section of the report advocates greater freedom to invest overseas. It criticises the controls on direct investment overseas by British indutsry, and believes that too much stress has been placed on short-term balance of payments problems, and too little on the need for developing invisible income from abroad. If the balance of payments target of an overall surplus of £300 m set by N E D C for 1966 is to be achieved, a substantial increase in investment income from overseas is needed. This will never be achieved if existing restrictions on investment outside the Sterling Area — particularly the Common Market — are maintained. It suggests that the investment dollar market is an unsatisfactory source of finance for overseas investment, and prefers a return to the situation before July 1961, when existing controls on non-Sterling Area Investment were imposed.

This is hardly the most dramatic report seen on the British scene — the welter of conventional pieties tends to obscure what relatively new points there are. However, the Report is some index of British business thinking, and some sign of its response to exclusion from the E E C. Whether the Report, like so many others, will now merely collect dust among its very numerous ancestors remains to be seen — but the prospects are not too bright.

Capital View

The New Regime

Romesh Thapar

NEHRU has taken the sparkle out of his Cabinet re-shuffle by putting T T Krishnamachari back in the Finance Ministry from which an indignant public removed him five years ago. Chavan has given us what he calls 'a summary' of the long-awaited N E F A Report which tries to imply, rather foolishly, that the army primarily was responsible for the debacle in the East — although Nehru disagrees ! The 'six victims' of the ritual of renunciation at the Centre are trying to smile their way through a series of tongue-in-the-cheek farewells although everyone knows that anger smoulders within them. The 'six' in the States have taken to other tactics to save their skin.

All this is rather depressing — and the more so, because false propaganda is sought to be used at every opportunity to muffle the occasional voice which calls for a coherent policy and the drastic purging of all those at ministerial, legislative or organisational level who oppose the formulation of such a policy.

The net result is that a heap of new theories are circulating. Perhaps, T T K's return to Finance within a period of five years was decided by the Prime Minister to assist Menon and Malaviya to do likewise before the next budget. May be, Gulzarilal Nanda would soon feel the need for such a step when T T K starts interfering with and victimising those who oppose him. Surely, Bakshi Ghulam Mohammad made sure that he would get a seat in the Cabinet now that he has had to abandon lucrative Srinagar. Can it be that all this confusion has been created to prepare the way for Indira Gandhi's rise to power? Why didn't the 'six' remove the leader? And so it goes, this speculation based upon personalities and devoid of every other consideration. Only when policy matters take precedence will it stop.

Nobody Discusses Policy

But nobody in the Capital discusses policy. For the moment, they are not encouraged to, at least judging from the way in which our political affairs are being conducted. The return of T T K to Finance is being interpreted as marking the end of the super-profit tax and the compulsory deposits scheme — even of gold control in its present form — not because of any theoretical objections to the nature of these taxes and controls or because of the opposition they have engendered, but because the 'new regime' must begin with the destruction of Morarji Desai's pet schemes. Did he not scrap T T K's expenditure tax?

Several ministries concerned with vital development projects and the processing of foreign loans have stopped work since the T T K takeover in Finance. The New Minister has made it clear to the bureaucrats that he intends to look into everything. There is an ominous ring in all this for those who are acquainted with the personal vendettas which are part of T T K's daily political diet. This is not to question his undoubted talent, but what use talent when it inhibits and paralyses activity? Fortunately, however, we are beginning rapidly to tire of egocentric postures in the leadership.

Small wonder, then, that in the Government of India only a tiny minority was prepared to press for the merger of the Ministry of Economic and Defence Coordination with the Ministry of Finance. This would have created a centre of power difficult to challenge. T T K argued that the Finance Ministry had always possessed the powers of a co-ordinator, but had never exercised them. He would have his old co-ordination set-up formally dissolved but actually attached to the Finance Ministry. And this might happen, surreptiously — although a somewhat rejuvenated Chavan, determined to stay on in Delhi, has made clear that from now on 'the whole of defence' is his preserve. T T K can afford to ignore these threats, for at last he holds the aces !

Even as he makes his familiar thrusts at those who refuse to bend before him, T T K plans to win popular acclaim through a hard-hitting price control policy. This he is in a better position to do than his predecessor because Swaran Singh, transferred to Food and Agriculture, has always worked closely with him. In fact many who hesitate to support T T K in view of his mercurial policy changes, have been persuaded to give him a chance to bring prices under control. Under the present governmental set-up at the Centre, never has a more favourable opportunity existed to carry through this urgent battle against unscrupulous traders. But T T K will need all his cunning to succeed and must, naturally, be wondering who will take over Planning.

NEFA Report : Two Voices

Whatever the pessimists might say, a clean-up of a kind has certainly been launched in other sectors too. Take, for example, the Government's treatment of the mysterious NEFA Report. At first, we were told that this was a top secret decument, that the Defence Minister himself had only seen a summary of the Report. Pressure in Parliament compelled the Prime Minister, who has seen the Report, to agree to a statement being made by the Defence Minister. Chavan delivered this prepared statement last Monday. Whether he was aware of it or not, he managed to create the impression that the army and its senior commanders had failed the country.

Again, twenty-four hours later, the Prime Minister, in his reply to the foreign affairs debate, found it necessary to devote over 30 minutes to the NEFA Report — an intervention on defence matters which, for the first time since the Chinese invasion, attempted to present the truth about what happened and contradicted the impression created by Chavan's prepared statement. Were Nehru and Chavan speaking on the basis of the same Report? Was Nehru unaware of the content of Chavan's statement? What happened between Chavan's statement and Nehru's to force a change in emphasis?

Knowledgeable quarters in the Capital were beginning to despair about the unending double-talk and double-think on the NEFA happenings. All that was required to be stated was that our assessment of China's intentions and the Soviet Union's capacity to curb Peking's adventurism were hopelessly off the mark, that the steps taken to deal with the growing menace in the north were the result of a collective decision, that the army could not have performed very much more effectively because of the grave shortages imposed on it by financial stringency and that we, as a people, behaved in hysterical fashion when confronted by a limited military defeat. The Prime Minister's statement on the NEFA Report does help to set the record straight. It is now for the Defence Ministry as at present constituted to discipline its own thinking in these matters and to bring to an end the loose talk which affects the morale of the services.

Disinfecting Home Ministry

Gulzarilal Nanda's arrival in the Home Ministry is also expected to spark the clean-up of a department of government which has over the years earned the unenviable reputation of being mixed up in the faction fights of the Congress Party. Whether this notion is valid or not is not really relevant, for the public should be able to look upon the Home Ministry as aloof from the squabbles of the ruling party and dedicated to ensuring the internal security, secularity and unity of the country. This is a difficult task at any time, but Nanda at least can be expected to view his new problems

about Rs 51.79 crores and an increase in their borrowings by Rs 3.35 crores. Incidentally, it appears that the bulk of securities unloaded by the Reserve Bank will have been absorbed by the scheduled banks whose investments in securities have continuously risen and by as much as Rs 24.12 crores during the week ended August 9. Foreign assets marked a further decline during the week by Rs 81 lakhs as a result of a fall in balances held aborad.

Steady conditions continued in the giltedged market where enquiries centred round selected issues.

But policy issues cannot be ignored. The purge appears to be taking place broadly on the pattern that those leaders who remain in the ministerial wing of the party have more in common with each other than with those who have left their *gadis*. This is a most significant trend, especially when more technically equipped people are about to be drafted into politics.

Nehruists *vs* anti-Nehruists ?

Are we, in fact, witnessing an amorphous polarisation of the Congress Party between the Nehruists and anti-Nehruists—with the Nehruists in the ministerial wing and the anti-Nehruists in the organisation ? Will this division lead to a strengthening of the Nehruists or to weakening in the face of opposition from the organisation? Can it be argued that the familiar Right-Left argumentation is about to take on a qualitatively different posture involving the whole spectrum of political life in the country ? Is the 'battle for the succession' undergoing far-reaching refinements, even mutations ?

These are new questions, carrying within them a host of new challenges and new opportunities, which our political parties will have to face whether they approve of the Kamaraj Plan or not. And in the process we may yet manage to divert our attention from personalities and focus on policies — and so fashion our salvation.

The Renouncers : Report has it that the 'six' have been assured that they will be given comfortable lodgings and perks in the Capital. Presumably, Congress Party funds will be mobilised to meet this extra expenditure on organisation !

Letter from Punjab

The Fire This Time

SOMEONE complimenting Winston Churchill once said that his son, Randolph, had the father's guns in oratory. "He has the guns, no doubt, but does he have the ammunition"? asked Churchill.

Though the Punjab dissidents' guns were booming since long, they lacked ammunition. The Ram Piara episode was quite a shell, but they failed to make more than a loud report with it. The Congress High Command was not too impressed. But now they have received some real explosive from an entirely unexpected quarter. Shri Radha Raman, a former M P from Delhi and the A I C C-appointed Returning Officer of the Punjab P C C, has accused the official group of using police force and other serious irregularities in the conduct of party elections. He has suggested a high-level enquiry into the elections. His impressons are based on a sample survey of various constituencies and he has given a number of specific instances like that of Jaitu in Bhatinda district — a historic place where Pandit Nehru was once detained in the twenties — where about a hundred policemen were posted near the polling booth without anyone calling them. There could hardly have been any other purpose but one of terrorising the voters. Rejecting Raman's version of the incident, Kairon has asserted that the dissident candidate, Riyasti (a pro-Darbara Singh M L A), had himself lodged a complaint in writing with the police and had sought their protection. Mr Riyasti, in turn rejecting the C M's version, says that he had only brought to the personal notice of the latter that his supporters had been guilty of malpractices and had never lodged any complaint with the police. He claims he was not defeated as he had boycotted the election.

'Unopposed' Elections

Other irregularites to which Raman has referred include suspension of candidates from Congress membership on trivial grounds, unjustified rejection of nomination papers, vagueness about election dates, polling booths, etc. At Amritsar, for example, though there was another candidate, the official nominee was declared elected unopposed. Kairon's elder son who leads the official group in the town, now an admirer of constitutional procedures, argues that since under the Congress Constitution a candidate himself does not sign his nomination papers, he must cease to be a candidate when his original proposers choose to withdraw their proposal. Which is what happened in this case.

So at long last the new Kairongress Committee has been elected in Punjab. The official group claims the backing of about 120 out of a total of 130 elected members and Kairon can hope to live happily ever after, provided some new group does not split away from the main group, which might happen in due course, if the past is any guide. Sardar Darbara Singh was once a Kairon-man.

Secret of Kairon's Strength

That Kairon would win was never much in question considering the mass 'support' he enjoys in the party! But it is the methods employed to win that 'support' that have rarely been anything but questionable. Being a complete stranger even to what Professor Tawney called the "decorous drapery of political democracy", he has never shirked doing anything which would keep him in power. Why the Congress High Command, and particularly Pandit Nehru whose support alone has saved him from many a crisis, should condone all that the C M does is intriguing. A possible explanation could be that while he does not bother about democratic norms so far as his opponents and even supporters within Punjab are concerned, he never tires of projecting an image of himself as a loyal follower of Pandit Nehru whom he simply calls "the leader". He has been able to identify himself so closely with the Prime Minister that his critics automatically appear to be Pandit Nehru's critics also. Or, perhaps, Pandit Nehru almost instinctively takes the attack on Kairon to be directed at himself and is impelled to defend him. We do not know. But we do know that while the C M's fortunes will not be affected by the Kamaraj plan, which has been dubbed by some as the Yamaraj plan, ("Whatever 'the leader' tells me to do, I will do it gladly", says Kairon) another Minister, Sardar Darbara Singh, will most probably be asked to commit political harakiri.

Where does the A I C C stand in this? Its own nominee, Radha Raman, having made such serious allegations about election malpractices, it may find it difficult to avoid an enquiry. It may be mentioned here that Kairon's reaction to Radha Raman's statement has been rather violent and quick and he has decided to do away with his services. He says the P C C must have "its own" Returning Officer, who is to be duly elected on September 8. That this amounts to defying the central body is a point that does not concern him. The dissidents, for their part, have written to the Congress President urging him to suspend the newly elected P C C and appoint an *ad hoc* committee till an enquiry into the episode is completed. "The disclosures made by Radha Raman", they write, "do not give a complete account. The actual position is much more distressing and shocking. The ruling group had thrown all rules to the winds and had even disregarded the directions of the A I C C".

Sons in Business

Meanwhile the business ventures of the Chief Minister's sons figured in the Rajya Sabha again on August 29. While the Opposition seemed to be pretty exercised over the issue and demanded Kairon's immediate removal from office and a judical probe into the charges of corruption, abuse of power and gold smuggling against him and his family, the Prime Minister, after stating that he was examining with the help of some experts, the evidence furnished in the various charge-sheets against the Chief Minister, ultimately brushed aside the charges as frivolous and refused to admit that there was even a *prima facie* case against him. Pandit Nehru accepted the C M's plea that his sons had acquired assets with the help of money borrowed from legitimate sources and it had to be paid back.

Kairon, happy at the Prime Minister's defence, has also declared that there is nothing "hanky panky" about his sons acquiring properties worth only Rs 15 lakhs or so with borrowed money. That may be so, though one can't help wondering what particular brand of Socialism is evolving in Punjab. That a *prima facie* case for an enquiry exists is self-evident: how else would the Prime Minister be still examining the documents with the help of experts? Interpreting it charitably, Kairon's official position could have, at least indirectly, persuaded the banks, or their local functionaries, and other state or private agencies to lend substantial sums to his enterprising sons. And an ability to borrow itself is no mean advantage in 'business'. Besides, all the cinemas, cold storages and other ventures they are said to own may not be worth just Rs 15 lakhs. All that one can say here is that the matter deserves to be looked into at the highest level, if only to establish the innocence of all concerned.

Letter from South

Tamilnad and Kamaraj

SINCE the plan was his, Kamaraj had to step down from Chief Ministership but he will remain the most powerful influence in the Congress and the political life of Tamilnad for years to come. There are enough indications that he is emerging as one of the national figures of the Tamils. This is something for which Rajaji will never forgive him.

Sardar of the South

Many qualities and events have combined to raise him to prominence. Among Chief Ministers, his has been the longest tenure. This itself needs explanation. All the stories about his simplicity, ruggedness and ruthlessness are true. It is not for nothing that he is increasingly called the Sardar of the South. There are many differences from Vallabhai but the silence, the tenacity and the personal austeriy are common — so also the shrewdness and the capacity to exercise power. The life he leads, the clothes he wears, and the shoes that he does not wear, the house he stays in are all part of the man and they project an image which is politically very attractive.

But simplicity is not what has taken Kamaraj to the top. Whatever one may say of the politics of Rajaji, austerity and simple living are also the virtues of his complex personality. But while earning him respect, they have not made him more than a sectional symbol — his age and years of association with Gandhiji notwithstanding. His is the simplicity of the aristocrat, a matter of choice. Kamaraj's style of living is indigenous, so to say. To live in any other way would have meant a sharp break from his origin. His simplicity is a part of his background, just as his lack of English is. And here we have the clue to the legend.

The form may be the ending of Brahmin domination but the content is a partial shift of class power. The pull of the Kamaraj image is that of the rich peasant not only come to town but dominating it. There are Tamil industrialists and certainly there is an enormous professional strata of the most diverse and alive kind. The professional strata with their sophistication had dominated the Congress and Tamilnad's political life when Rajaji had no rival. They remain a most important segment of the political life of the State. In their lower echelons they exercise their influence through D M K, a distorted and dangerous manifestation of their aspirations. But with the advent of Kamaraj the shift of power was unmistakable.

Symbol of the Underdog

Kamaraj appears, to an extent correctly, as the symbol of the underdog. This again can be explained in terms of the shorter distance separating the rich peasant, in income and in the style of life, from the real underdogs in the villages and, to a lesser extent, in the towns, i e, the workers. The underdogs have not yet had their day. The workers, insofar as they are organised and conscious, continue to gravitate towards the Communist Party. In some scattered districts the agricultural labourers and the poorest peasants also pull the same way, but as yet they are a minority. Differentiation among peasantry there is, but not as yet sharp class cleavages which can result in an alternative leadership in the village to the rich peasant.

Kamaraj's Ministry has not been distinguished by any particularly radical measures. It has not done anything to curb the propertied interests, industrial or Chettiar capital (the two are no longer mutually exclusive, but there is a distinction). Kamaraj's mind does not turn to radicalism in politics either, though he has a deep loyalty to Pandit Nehru. But that does not stop him from being vehemently opposed to the C D S insofar as this is to be imposed as a surcharge on land revenue. Nor would it be surprising if he allied himself, after Nehru, with elements in the Congress which have not the slightest links with socialism.

Congress Centre Strengthened

It is the Congress Centre's natural inclination to lean to the Right so long as the latter does not threaten to overwhelm it. It can be pulled to the Left only if the Left is far more powerful, united and organised than it is today. The Centre acquires meaning and power only in the context of the emergence of new classes reaching for a place in the sun, economically and politically. Where it will go next will not depend on it alone. But the way in which Kamaraj has acted and the manner in which others have accepted his initiative indicate that the Congress Centre has acquired fresh force.

The Economic Weekly

Foreign Subscription Rate

Due to increase in foreign postal rates it has been found necessary to revise our foreign subscription rate. With effect from July 1963, the annual foreign subscription will be Rs 34, 50s or $ 7.

A FERNANDES
Business Manager

A Calcutta Diary

The Perfect Party Man

THE Calcutta Club, an Indo-British venture of a time when a British version of apartheid obtained in this country, has a long waiting list of candidates for membership. On the short list lately appeared a name familiar more to the *hoi polloi* than to that small section, more or less westernised, of the people of Calcutta, which provides the club with its members. Some of the existing members, never averse to gossip in whispers, are wondering who this candidate is. As far as is known, he has not been "taken round", not introduced, that is, to the membership committee in person by his sponsor or seconder. None so ignorant, however, as not to know the identity of the man. It is, rather, the nature of the man and the nature of the club which do not, as they say, add up.

The Characters

First the club. Every stable has its dark horses, every basket its bad eggs. So the Calcutta Club too has members who should not be there, those who wear dhoti, for instance, or for whom the most intoxicating drink is fresh lime in soda water. But the norm is very different. The usual member will be a barrister-at-law, telling you that to write "bar-at-law" is bad manners, or a merchant — but no trader, please — or an industrialist or a mercantile assistant of some seniority or a doctor. Someone may wear a bush shirt at lunch but he is almost certain to be in at least a lounge suit in the evening. Downstairs the ladies will be *memsahibs*. Near the swimming pool you will see teenagers who have just come from doing a Twist. A little bit of Americanisation has got in, inevitably; but Anglicisation is the predominant note. It is not at all unpleasing to see in the Calcutta Club some remaining old-world good manners. If the club has many khadi-clad, fire-eating, jailgoing patriots among its members one, somehow, has never met them.

The new candidate, who has not been on the waiting list at all and is now being given priority as a distinguished public personality, is Shri Atulya Ghosh, M P, Vice-President of the West Bengal Pradesh Congress. He has been proposed by an obscure tea planter. Obscurer are Ghosh's reasons for wanting to join the club or the club's wanting to have him as a member. (On the matter of joining clubs, incidentally, this reporter is at one with Groucho Marx: "I'm not going to pay good money to join a club that lets in people like me".) A social revolution must have taken place in Bengal to bring it about that clubs like the Calcutta let in people like Atulya Ghosh and people like Atulya Ghosh want to join clubs like the Calcutta. What on earth has happened ?

There is a fact to mention before we proceed further with our enquiry. Sankar Das Banerjee, now President of the Calcutta Club, is also West Bengal's Finance Minister; so a Congressman. He never quite manages to conceal his contempt for the average Congressman. He believes in non-Prohibition and, it must be said, he practises his belief. (It is certainly not true that no Congressman practises what he preaches.) Banerjee was a highly successful barrister before Dr Roy talked him into politics. He was Speaker for a time, resigned, it is said, because he could not afford to live on the measly salary paid for that office. As Finance Minister he is not paid any more; how he has been persuaded to accept office this time is a matter for futile speculation. By the way, he is also Minister for Transport. A K Basu, a former President of the club, was also a Congress M P for some time, another successful and completely westernised barrister. So, while it is not true that the club has no Congressmen as members, there has been none of pre-Independence vintage — until Shri Atulya Ghosh.

Social Climbing

As Max Weber has shown in "The Religion of India", Hindu society has never really been as rigidly caste-ridden and blood-based as is generally thought not only in the west but also in India. There are instances, thousands of them, of untouchables making money, then paying brahmins to improve their caste status and finally moving into a distant village with new surnames, completely wiping out the past. Social mobility has admittedly been slow; but it was not non-existent. In the British days a lower middle class family produced an I C S; and its whole face was overnight transformed. Like any other club, the Calcutta Club has members whose grandfathers would not have dared to come within miles of the club. To go back to Weber, as a sudra proclaimed himself a brahmin and was accepted as such, there was a two-way impact. (No, not Dr Ward's two-way mirror.) The entrant's pattern of behaviour changed almost beyond recognition; the "almost" is important. But the receiving community also underwent some change, for the sudra could not possibly forsake all his ways and some of his rituals were accepted by the community. Today in India it will need a great anthropologist-cum-sociologist to tell us which of the so-called Hindu festivals are brahminical and which aboriginal in origin.

Life of Party

The point of it all is that a forceful personality like Atulya Ghosh cannot enter the Calcutta Club without influencing it in many ways, even if he uses only the club library which is said to be the idea. Equally, an old institution like the Calcutta Club cannot possibly take a new member without, slowly if not immediately, conditioning his ways and thoughts. The results of this most interesting experiment may have lasting effects on the Bengal scene, social as well as political.

We all know the sort of man generally referred to as "the life of the party". The phrase could be applied to Atulya Ghosh, but in a very different sense. Shri Ghosh is the life of the Congress Party in West Bengal; and his life without the Congress Party is simply not imaginable. No more imaginable is Shri Ghosh putting on a dinner jacket and going to the Calcutta Club for small talk and smaller whiskies. Is it possible, then, that members of the club will on a sudden change their character and get interested in such things as khadi or village welfare ? It all seems incredible.

Yet there will be interaction; perhaps the process started long ago, long before Atulya Ghosh wanted to be a member of the Calcutta Club and the club thought of having him. The change, again, may have been two-way. Congressmen are not what they used to be; again, not all the changes have been for the better. Nor is the Calcutta Club what it used to be; again, not all the changes have been for the better. The coming together of the Calcutta Club and Atulya Ghosh has been made possible not by the club shedding its exclusiveness nor by Ghosh forgetting his erstwhile aversion to the good things of life but by a transformation of the entire scene in which Gentlemen are gentlemen no more and Players observe no rules. They use the same gate. Gate of heaven ?

— *Flibbertigibbet*

Book Review

In Two Russias

Subhash Chandra Sarker

The Flying Troika (Extracts from a Diary of India's Ambassador to Russia, 1952-1961) by K P S Menon, Oxford University Press, Bombay, 1963. Pp 330, price Rs 20.00

THIS is a disappointing book especially when compared to its companion volume, "Russian Panorama" which is both interesting and instructive. Shri Menon's style is very readable, but as a political diary of a diplomat who was accredited to the Government of the USSR for nearly ten years, "The Flying Troika" is uncommunicative. Shri Menon does not have much to say on Indo-Soviet relations beyond what is known to the average newspaper reader (this is not very surprising perhaps in view of the necessary curbs on officials, who write about matters concerning the Government of the day); nor does he provide an insight into the working of the Soviet foreign office, the life of diplomats in Russia, or of the small Indian community living there, the personalities he encountered in Moscow, Russian and others. Penetrating observations are surprisingly few and far between.

An Official's Account

Shri Menon throughout expresses a point of view which is largely impersonal and in keeping with official views. This, however, is understandable in view of his long association with the administrative machinery of the Indian Government, particularly with the Ministry of External Affairs both under the British (he was the first Indian to be admitted into the all-British Foreign and Political Department, forerunner of the Ministry of External Affairs) and after independence (as Foreign Secretary). To the extent he could express himself frankly he has done so — in respect of Mr Khrushchev (whom he frankly admires), Mr John Foster Dulles (of whom he is highly critical), Boris Pasternak (whose courage and patriotism he extols and whose persecution at the hands of the Soviet Association of Writers he condemns) and Zhukov, the Soviet military leader (whose denigration as a military genius he deplores).

Shri Menon's derision of the Dulles policy of brinkmanship finds eloquent expression in his observations on the battle of Dien Bien Phu, the outcome of which he hails with enthusiasm. "I heard the news with the same thrill of pride as, when a child, I heard of the defeat of Russia by Japan at Port Arthur. In both cases a small Asian nation showed that it was more than a match for a great European power", he says (p 80). In the eight-year old war in Indo-China the French losses were 92,000 killed, 114,000 wounded and 28,000 missing, while the expense amounted to the equivalent of £ 3,000 million. The French were bled white ". . . and America, which egged them on to continue a hopeless fight, is writing articles on the heroism of the defenders of the free world". (p 79)

Shri Menon is fair enough to recognize Dulles's strength. Towards the end of his diary he reports a conversation with Khrushchev in which the Soviet leader, while expressing his disapproval of the policies of Dulles, appreciated the firmness of the U S Secretary of State. Dulles, said Khrushchev, was a person who knew his mind, possessed great authority and could take a decision at his will. He was quite different from the present-day American Government functionaries who "were behaving like goats, jumping in different directions, not knowing what they wanted". (p 310)

Shri Menon has written in greater detail on Hungary in his "Russian Panorama". There is, however, one startling piece of information here. During Shri Menon's ninety-minute farewell interview with the Hungarian communist leader Janos Kadar in April 1961, the latter disclosed that the late Imre Nagy, before his execution, had been offered his life if he would sign a declaration that he no longer considered himself head of the Government of Hungary; this Nagy refused to do which comes as further confirmation of the man's greatness.

The murder — for it is nothing short of that — of Imre Nagy is a blot on recent Soviet history. He had taken asylum in the Yugoslav Embassy in Budapest. When he came out of the embassy building, on an assurance of safe conduct to Yugoslavia, he and General Maleter were kidnapped by the Soviet authorities, and both were later executed. This was in clear violation of international law.

Before and After Khrushchev

There are some interesting references in the book to aspects of Soviet society. The Soviet Government did not send a message of condolence when Gandhi was assassinated; the Soviet press completely ignored the tragedy (p 18). Even interpreters refused to translate what they considered undesirable references to Gandhi. Shri Menon refers to an instance of an Indian visitor having to leave a meeting because the interpreter refused to



ON A SUMMER-SCENTED EVENING long ago, an exquisite princess is being married to a young Marwar prince. The eternal vows are on their lips when, suddenly, a blood-stained messenger stumbles in: "My Prince! Make haste, the enemy..." The young prince dons armour and rides away.

He is killed the same evening. The princess hastens to the battlefield and looks at her dead prince. "Let music commence, read the sacred texts," she commands, "for I shall now complete the marriage." She mounts the pyre and sits next to her prince. As the air trembles with the chant of Vedic hymns and the weave of gay lutes, the flames lick away...

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DC-583 A

translate his eulogistic references to Gandhiji (p 139). Similarly the Soviet press failed to report the remarks of Dr Radhakrishnan, then Vice-President of India, during his visit to the Soviet Union in June 1956 (p 155).

It is only fair to note that some officials in India can be equally suspicious of anything new or unusual. In 1947 when Shri Menon was Foreign Secretary to the Government of India, the Board of Censors banned a film showing a Soviet May Day Parade "on the ground that it would unduly impress Indians with the Soviet Union's military strength; and I had to step in to get this decision reversed". (p 197)

Contrary to popular belief, Shri Menon points out, there are classes in the Soviet trains — 'hard', 'soft' and 'international' (p 109) — and on Soviet ships — five classes ranging from the 6,000 rouble luxury class to the lowest costing 2,800 roubles by the *Pobeda* for a 24-day trip (p 159).

Shri Menon is unreserved in his praise of Khrushchev's liberal policies — both at home and abroad. Stalin's death has induced, among other things, a more intimate contact between foreign diplomats and the Soviet Foreign Ministry. "The change in the manners on the part of the Soviet officials has been accompanied by a change in the manner of writing" of Soviet newspapers, which "are less vituperative". (p 144) There has been a noticeable change in the approach to foreign governments which "is more than a matter of style; there is substance behind it". (p 145)

Yet in terms of long-term development of the society in USSR and her international relations there is room for questioning the wisdom of all the changes brought about by Khrushchev. Under Stalin social development had a purposive direction which is absent under Khrushchev. This can be admitted without endorsing the crimes and excesses of the Stalin era and giving credit to Khrushchev for his courage in exposing the crimes of the Stalin era. But to the question: what is the goal the Soviet Union is heading towards? the reply is far from clear.

On the Sino-Soviet rift, Menon notes that a reason "why China has been less opposed to Stalin's methods than the USSR is that China is in that stage of development in which the USSR was under Stalin" (p 211).

On the Sino-Indian Conflict

As an officer with a long record of service in the Ministry of External Affairs of the Government of India and as a skilful, knowledgeable and widely travelled diplomat, Shri Menon's observations on the India-China border problem are bound to be read with great interest. He considers it unfortunate that it was not possible to reach an agreement on the border dispute when an agreement was still possible and adds:

"The north-eastern frontier is of vital importance to us, whereas the Chin area is of little use, being hardly defensible; but Aksai Chin is of vital importance to China because it connects the two outlying, and historically troublesome regions, Tibet and Sinkiang. Unfortunately, public opinion in India was so excited over the prestige value of this area that the Government was left with no room for manoeuvre. Moreover, the bureaucratic fervour of both Foreign Offices and their passion for exchanging notes embittered the relations between the two countries. The incident demonstrated how, in the East as well in the West, men and nations can be propelled towards an abyss which all are anxious to avoid" (p 320).

Official Paper

Progress of the Backward

Report of the Commissioner for Scheduled Castes and Scheduled Tribes, 1961-62 (Eleventh Report)

THE social and economic disabilities of under-privileged minorities — popularly equated with "untouchability" — is a feature of Indian life widely known abroad and deeply regretted (officially) at home. Thus, the Constitution of India in the Directive Principles of State Policy places alongside such general economic ideals as the assurance of an adequate livelihood for all citizens, the promotion "with special care" of the educational and economic interests of the weaker sections of the people. The means by which this is to be achieved is also provided in the Constitution. But social change is notoriously slow; certainly, it cannot be accomplished by a legal snap of the fingers. In recognition of this, the original "grace period" of 10 years embodied in the Constitution for special legislative representation for the backward classes had to be extended by another 10 years. While the aim of planning is the improvement of the living conditions of the whole society, separate allocations have been made in all three plans for special programmes of welfare for the scheduled castes, tribes and other backward classes. But their success, the Third Plan admits, is "difficult to measure".

Any one seeking in the Eleventh Annual Report of the Commissioner for Scheduled Castes and Scheduled Tribes a systematic evaluation of the policy of social uplift is bound to be disappointed. This is not because the Report is not sufficiently exhaustive; it deals, in separate chapters, with the various aspects of the programme; it is also plentifully endowed with statements, appendices and annexures which form a separate volume. But if it is at all possible to quantify social progress and work out indices of advancement of the under-privileged, the Report does not attempt it. One might be inclined to consider the data on the cases registered under the Untouchability (Offences) Act as an indicator of the incidence of untouchability. But the Report warns that this cannot be, since most cases of violation of this tactile law never reach the police, for obvious reasons.

Halting Implementation

As a record of the year's administration, however, the Report gives plentiful and revealing details of the difficulties encountered in the implementation of policy. Most of these appear to stem from the basic nature of the governmental machi-

nery. Repeatedly through the Report, State Governments are pulled up, individually and collectively, for their laggardness. The most telling criticism is about the implementation of the plan schemes; the actual expenditure on the schemes, predictably, falls short of allocations made. The gap is more pronounced in the case of schemes for scheduled tribes. The experience of a decade of working the plans, the Report points out with regret, has not been of avail. As for the provision of Rs 260 crores made over and above the Plan allocations for rural works programmes, schemes for drinking water etc, the response from the States is "very poor". If the progress of the backward classes is slow, it is apparently not because of the inadequacy of financial allocations. "If all these programmes are carried out efficiently and with a sense of urgency" says the Report "there is no reason why the legitimate aspirations of the backward communities to come up to the level of the advanced communities should be fulfilled in the not too distant future".

As it is, the office of the Commissioner for Scheduled Castes and Tribes shows signs of frustration at the general lack of enthusiasm and cooperation. The State Governments take too long over investigating complaints of the practice of untouchability, harrassment, etc, referred to them by the Commissioner. An attempt to collect information on the concessions and privileges enjoyed by the scheduled tribes in the forest areas in each State was foiled because the Governments (with the sole exception of that of Tripura) just did not respond.

Particular instances of slackness in the States are abundant. For instance: Maharashtra, Orissa and Mysore are judged to have failed in taking adequate steps for the control of forced and bonded labour; in Andhra Pradesh, some houses constructed for tribals were occupied by officials of the State government ("this attitude on the part of the officials is highly undesirable and leads to discontentment among the tribals"). In some units of Orissa, land belonging to tribals has been taken away for plantation without payment of compensation. The Tribal Research Institute in Bihar has proposed to utilise the allocation meant for expansion of research activities and training programmes for the construction of buildings. And so on and on.

Education and Employment

Since the policy of special treatment for the backward classes rests primarily on education, employment and political representation, these aspects of policy are of special interest. One question that suggests itself immediately is, how many students, belonging to the scheduled castes and tribes, are there in colleges and schools now as compared to 10 years ago! The Report unfortunately does not provide this type of information. The physical targets of the plan programmes are given in terms of the number of scholarships. It is with operational difficulties that the Report is primarily concerned — with such facts as the failure of some State Governments to place sufficient funds with educational institutions for the speedy disbursal of scholarships and the absence of special reservations in some universities.

However, information on the number of scheduled caste and scheduled tribe employees in Government service is given. And the position is considered generally disappointing despite the "fairly satisfactory" representation in the All-India Services. Employment in Central Government services, for instance, is far short of the reserved quota of 12½ per cent for scheduled castes and 5 per cent for scheduled tribes. One reason given is that qualified backward class candidates are rejected on the basis of marks secured in oral interviews. Not just the backward classes but many others besides would agree with the Report's remarks on this form of subjective evaluation and its suggestion that, at least for junior posts, interviews should be done away with.

Political Representation

The special treatment in regard to political representation, effected directly through reservation of seats, is to last until 1970. The Report, however, feels that it can come to end only when a "large number" of persons from the scheduled castes and tribes are elected from general constituencies. And in this, all political parties have a role to play. They should set up as many suitable backward class candidates as possible. This consideration is apparently not given much weightage at present. In the Lok Sabha now there is only one member belonging to the scheduled caste and 2 belonging to scheduled tribes, returned from general constituencies. The position was a little better in the previous Lok Sabha which had respectively 6 and 3 such members.

Commonwealth in International Trade

ABOUT 30 per cent of the total imports into the European Community and European Free Trade Association countries last year came from Commonwealth countries, according to the Commonwealth Economic Committee in a report entitled "Commonwealth Trade, 1962", published last week.

The report shows that the Commonwealth contributed to the further increase in international trade last year, but accounted for a slightly lower proportion of the world total than in earlier years. The Commonwealth's share of the value of world exports, excluding those of the Sino-Soviet bloc, fell from 24 per cent to about 23 per cent. Total Commonwealth purchases (worth more than £12,000 million) accounted for almost 26 per cent of world imports.

Commonwealth countries sold about 34 per cent of their exports and bought 31 per cent of their imports within the Commonwealth. They increased their trade with non-Commonwealth countries to almost £6,700 million for exports and £7,750 million for imports. Much of this expansion was with the United States, which provides a market for about one-fifth of the total of Commonwealth exports. Most Commonwealth countries shipped goods to a higher value than in 1961 to this market. The increase was most marked for Australia — £104 million compared with £76 million. Commonwealth countries also bought more from the United States, largely because of increased purchases by India, Canada, Australia, and Pakistan.

Discrepancies in Official Export Statistics

Possible Explanations

J D Sethi

The estimates of the value of exports as made by the Exchange Control Division of the Reserve Bank and the Director-General of Commercial Intelligence and Statistics have shown marked differences over the years. The Reserve Bank has explained the differences as being caused by the time-lag in the recording of exports by the two agencies.

If, however, this were the complete explanation, either of the two estimates may be higher or lower than the other, not only from year to year but also from month to month. But the statistics tell a different story. For all the years up to 1957-58 and the first half of 1958-59, the estimates of the Exchange Control Department of the Reserve Bank were higher than those of the DGCIS, whereas in the subsequent years the position has been reversed.

An attempt is made below to provide a more complete explanation of the divergence between the two estimates of exports than that provided by the Reserve Bank.

SEVERAL contradictory statements about the "true" export earnings of India and confusing explanations in support of each of these estimates have appeared in the press. Government spokesmen have made the confusion worse by quoting one or the other estimate as it suits the spokesman of a particular department. Despite the fact that an authoritative publication of the Reserve Bank* lists and explains the various sources of discrepancy between different estimates, there is no end to speculation about the "true" export figures. The Reserve Bank is partly to blame for this confusion because it has not provided complete information on the subject in this publication.

In the table are given three different estimates of exports published by different official agencies. Column (4) gives export figures in value as recorded by the Exchange Control Department of the Reserve Bank. Column (2) lists estimates by the Director General of Commercial Intelligence and Statistics. These estimates are those which Reserve Bank publications attribute to DGCIS. Column (3) gives such estimates as are directly available from the Ministry of Industry and Trade. (All estimates are f o b). There is discrepancy not only between (2) and (4) which is largely recognised but also between (3) and (2) for which no satisfactory explanation is offered. Sometimes figures are marked as "provisional" but in subsequent issues little care is taken to explain corrections, except in the Reserve Bank publications.

* Reserve Bank of India: "India's Balance of Payments, 1948-49 to 1961-62" Bombay, April 1963.

Direction of Divergence

The purpose of this note is to find out whether satisfactory explanations exist for these discrepancies, for discrepancies exist in the export estimates of other countries as well. To get at the correct figures is not merely an academic exercise, but has serious implications for policy and its effective administration. Controversies have cropped up over policy, but they rest largely on statistical discrepancies.

Is there any definite direction in which the estimates of the Exchange Control Department of the Reserve Bank and the DGCIS differ? For, if the direction was known, the causes for the difference could probably be located successfully. Sometimes the Reserve Bank estimates are higher than those of the DGCIS and at others the position is reversed. The usual explanation offered for the difference between the two estimates is that the transactions in the balance of payments do not coincide with the transfer of ownership of the good sold. The date of physical export of goods need not coincide with the date on which the title to the goods is transferred to foreign residents. An exchange record covers payments made during the reporting period for merchandise export which may have occurred in a previous period or may not occur until later, as in the case of prepayment. In the exchange control records exports are entered after the goods have been shipped and this may or may not occur in the same month as that in which the shipment has figured in the customs data.

Elsewhere, however, the Reserve Bank states that since balance of payments is a double entry system, both legs of each transaction may not have been consistently entered in the accounts and, therefore, finally the differences find place in what is called 'Errors and Omissions'. The actual payments against

Estimates of Exports

(Rs Crores)

Year	DGCIS Figures used by the R B I	DGCIS Figures used by the C & I Ministry	ECD (Reserve Bank of India) Estimates	Difference between (4) and (2)
(1)	(2)	(3)	(4)	(5)
1948-49	459	(a)	483	+24
1949-50	506	(a)	514	+ 8
1950-51	601	624	647	+46
1951-52	733	743	730	— 3
1952-53	577	577	602	+25
1943-54	531	531	540	+ 9
1954-55	593	594	597	+ 4
1955-56	609	610	640	+39
1956-57	620	613	635	+15
1957-58	635	561	669	+34
1958-59	573	573	576	+ 4
1959-60	639	639	627	—12
1960-61	646	645	631	—16
1961-62	677	665	668	— 9
1962-63	699	694	(a)	

Note: All figures are F O B.
(a) Comparable figures are not available.

and receipts from a bill may be had at a date later than when the bills are actually drawn and credited or debited accordingly. This difference between the time of crediting the accounts and that of actual receipt, results, according to the Reserve Bank, in a discrepancy between the current and capital accounts. "If exports are rising and if receipts follow the actual exports of goods, an increase in assets may appear after the exports have taken place causing missing credits to show up as errors and omissions". (*op cit*, p 6). All this is, however, a mere accounting adjustment. What is surprising is the occurrence of differences, due to the time lag, at two places: one in the recording of f o b values and the other in "errors and omissions". Besides, it also reveals that the explanation given in terms of the time-lag in recording is unsatisfactory.

If the explanation offered by the Reserve Bank were the only true one, either of the two estimates may be higher or lower than the other, not only from year to year but also from month to month. However, the statistics tell a different story. For all the years upto 1957-58 and the first half of 1958-59, the Reserve Bank ECD export figures were higher than those of the DGCIS, whereas for all subsequent years the trend has been reversed. It is impossible that the lag in recording should have been for many years unidirectional and then reversed itself in the subsequent period.

Link with Under-Invoicing

In the absence of a satisfactory explanation, it has been suspected that it is the widespread under-invoicing of exports (along with over-invoicing of imports) which is what causes the difference. A lot of confusion and misunderstanding has been caused by the assumption that under-invoicing of exports and the discrepancies in export figures are inter-related. For instance *The Economic Times* (April 3, 1963) reports:

> "The Reserve Bank figures of exports are lower by Rs 17 crores than the figures of the Commerce and Industry Ministry, it is learnt. The wide disparity in the two figures is causing some concern in the Ministry. It is feared that some exporters might have done under-invoicing on a large scale".

Is there any causal relation between the disparity in export figures and under-invoicing of exports? In this connection, it needs to be stated at the outset that the estimates of the Reserve Bank and the DGCIS are *not* made from absolutely independent data. In fact, it is the same long-drawn out, time-consuming, form-filling and permission-obtaining process, from the first contract to the actual shipment, which produces data and documents for both the agencies. What really happens is that one of the agencies short-circuits this process for the data received and ignores the remaining transactions involved. A brief statement here of the procedure of recording of exports will be useful.

On towards progress . . .

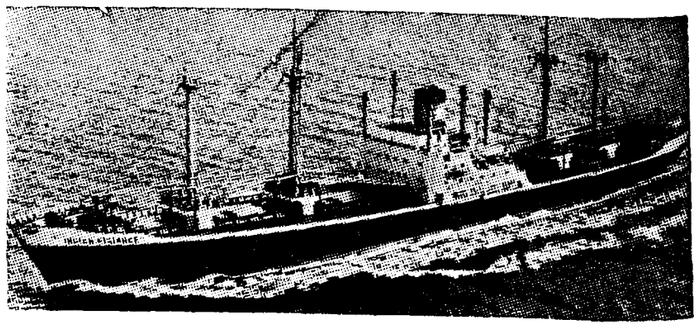
India Steamship Co., Ltd., has a steady record of progress . . . Since Independence, its tonnage has increased from about 85,000 D.W. tons to over 200,000 D.W. tons—more tonnage being still on order.

Its services are also extending to various trade routes. After initial consolidation in the India-U.K.-Continent trade—the Company entered the Indo-Soviet service to the Russian Black Sea ports in 1956 and later to Rumanian ports. In 1959 the Company forged still another link in the overseas with South America, and in 1960 it extended its service to Poland.

Their experience and reputation for fast, efficient and dependable service built on the personal care given by their experienced officers and crew to the cargo entrusted to them, have earned them the goodwill of their customers.

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The Reserve Bank's export figures are added up from what are called G R forms, which are supplied to the Bank in triplicate, at different time intervals and after completing necessary formalities, by the exporter, the exporter's bank and finally the customs office. Unless all the three copies of the G R forms finally reach the Reserve Bank, no final recording is made, and since all the three forms must give exactly the same information, no discrepancy should arise here. The value of export given in the G R forms may be less than the real values and thus an element of under-invoicing may creep in. But this under-invoicing cannot be related to any discrepancy between the statistics of exports collected by varying agencies.

DGCIS collects its data from shiping bills, which are again framed from the data as supplied in the G R forms. But G R forms are not required to provide all the information because some information such as freight and insurance are simply not available at the time when the G R forms are first filled. However, no serious discrepancies should arise normally if all export invoices are prepared in rupee currency and at f o b prices.

Shipping Bills and G R Forms

Discrepancy arises between values of exports given in shipping bills and G R forms. Shipping bills, which form the basis of DGCIS's export figures, are prepared for f o b values, whereas the G R forms are on the basis of the total value. In the latter the cost of freight, insurance etc, is only estimated in advance when G R forms are prepared. The actual cost of these items may be more or less than the estimated value. If the exporter inflates or deflates these costs, the Reserve Bank figures would be correspondingly more or less than the DGCIS's figures. The Reserve Bank is really interested only in the declaration of the total contracted export earnings and not merely in the declaration of f o b values.

A large number of traders, particularly foreigners, prepare invoices in foreign currencies and on c i f basis. The custom authorities try to separate, by their own system of rough estimation, f o b export values from c i f values, because the customs require an f o b value declaration, on the basis of actual or estimated prevailing prices, at the port, at the time of shipment. In case of c i f bills the customs estimate their own f o b values. The actual difference between f o b and c i f values, when actual payments for freight, insurance etc, are made, is not likely to be the same as estimated earlier by the customs. It is clear, therefore, that f o b values shown in the shipping bills in the case of c i f invoices cannot be the exact f o b values. The discrepancy, therefore, in the estimates of the RBI and DGCIS can be partly traced to this difference between the real and estimated values of exports. Whatever may be the degree of under-invoicing in any invoice for exports it cannot be related to this discrepancy in any way whatsoever.

Short Shipment

One additional discrepancy which emanates from this procedure can be traced to invoices made up in foreign currencies. In the preparation of shipping bills and bills of lading, the customs clearing agents use some conversion rate, based usually on the then prevailing market rate, which is generally not the same as that at which the bankers convert the foreign currency when actual bills are offered for conversion. The time lag explains the difference between the estimated and the actual conversion rates. Obviously, even this discrepancy has nothing to do with under-invoicing of exports as such.

Another factor which could create discrepancy is what is commonly called short-shipment, i e, shipment which could not take place at the last moment after all the documents were ready. This difficulty is faced by upcountry exporters who sometimes find that goods contracted for export are not available, for one reason or another, at the time when the ship by which the shipment of goods had been arranged is to leave. On the other hand, shipping bills are all ready, approved, submitted, and recorded in advance of the shipment. The daily list of exports issued by the customs to the DGCIS is prepared on the basis of the shipping bill.

Therefore, the sources of discrepancy are more than one and can certainly be traced. The explanation that the differences arise due to the time-lag in recording figures, the Reserve Bank's explanation, is not a complete one. But the suspicion that the divergence possibly arises on account of under-invoicing of exports should be dispelled. It is difficult to comprehend how an exporter can submit two different values of his exports and not run the risk of being caught for cheating, particularly when the same authority ultimately receives both estimates, i e those given in shipping bills and in the G R forms.

Some Wrong Notions

There is no doubt, however, that under-invoicing and over-invoicing are practised on large scale. It becomes necessary, therefore, to throw some light on the subject at least indirectly by removing some wrong notions about it. First, large scale under-invoicing can be practised only by large exporters who have their agents abroad or are themselves agents for a foreign company. For an ordinary exporter under-invoicing will only mean losses. Second, with export promotion incentives, for an exporter of goods on which large benefits exist, it may be profitable even to over-invoice exports. Third, even in the case of imports, an importer may conceivably under-invoice instead of over-invoicing. Take the case of raw material imports. By over-invoicing an importer will incur large losses, for heavy duties have to be paid on imports. He can reduce these losses by under-invoicing imports. This also applies to certain other imports like automobiles and their parts, etc. However, in the case of imports of capital goods, over-invoicing will certainly be useful.

TFRY-2



All for one, one for all!

"A solemn and public pledge," *said Tata-Fison.*

"To create!" *said Ralli, thinking of fertilizers.*
"To grow healthy crops—ensure bumper harvests—
feed India's millions."

"To destroy!" *thundered Tata-Fison thinking of pesticides.*
"We'll exterminate scurvy pests, villainous insec
and strangling weeds."

"In short," *they said together,* "a public pledge
to cover the field!"

Tata-Fison and Rallis have combined their separate marketing organisations into a single, unified service. For the future, all Tata-Fison products will be marketed by Rallis' Fertilizer and Pesticides Division. The merger will prove of immense benefit to the Indian farmer. For the first time, one integrated service will provide advice and products covering both crop growth and crop protection throughout the country ...a notable contribution to the cause of agricultural progress.

TATA-FISON AND RALLIS COVER THE FIELD!

TATA-FISON RALLIS

Nepal's First Budget under the Constitution

Y P Pant

Nepal's budget for 1963-64 is the first under the Panchayati constitution.

Though the budget does not contain anything that is new in principle, the pruning of non-development expenditure, and the creation of a surplus for diversion to developmental activities are its significant features. In this respect the budget reflects the Government's anxiety to reduce the country's excessive dependence on foreign aid by mobilising internal resources to the maximum.

The budget also marks a definite stage in the reform of Nepal's financial system.

[The views expressed in this article are the author's own and have nothing to do with his official position as Secretary, Ministry of Finance, His Majesty's Government of Nepal.]

NEPAL'S Budget for the fiscal year 1963-64*, presented to the National Panchayat on July 4, 1963, has been aptly described as "a budget of realistic austerity and economy". During the last three years persistent efforts have been made by the Government to restrain regular expenditure and contribute the savings effected for development activities. This is in keeping with the Government's desire that internal resources must be mobilised to the maximum as the Government takes on an increasing share of development expenditure. In the current budget it has been possible to show a surplus of Rs 2.94 crores in the regular budget when in previous years the regular budgets invariably showed deficits and the development budget used to be financed by short-term loans from the Rastra (Central) Bank. Ordinarily, the inflationary impact of the measures adopted to bridge the budgetery deficit was not felt because new money issued was absorbed by the expansion of the Nepalese currency area and the increased volume of transactions.

As compared with the fiscal year 1962-63, in the regular budget expenditure has been substantially reduced by cutting down certain administrative expenses and pruning the demands of various Government departments to the minimum. As a result it has been possible to show a substantial surplus of Rs 2.94 crores which will be carried to the development budget.

It will be seen from Table 3 that the Government will bear 31 per cent of the total expenditure out of which 16 per cent is to come from revenue resources and the balance of 15 per cent is to be raised by floating development loans. In the budget for 1959-60, 71 per cent of the expenditure was expected to be met from foreign aid. The corresponding percentage was 88 in 1960-61, almost 90 in 1961-62, and 84 in 1962-63. In the 1963-64 budget, however, it has been sharply brought down to 69. This reflects the Government's earnest efforts to mobilise internal financial resources for development. These efforts will enable the nation to gradually reduce its excessive dependence on foreign aid.

The development budget should be judged in the overall context of the Three-Year Plan which completed its first year in July 1963. The Plan is intended "to create the proper foundation for more realistic long-term plans in future". Its performance in the first year has been quite encouraging. According to revised estimates for 1962-63, 57 per cent of the estimated expenditure has been spent, compared to between 10 and 40 per cent during the First Five-Year Plan. As against the total target of development expenditure during the First Plan period of Rs 57.9 crores, the actual expenditure was only Rs 20.4 crores. Thus only about 35 per cent of the budgeted amount could be spent, due to "various limitations in the socio-economic structure which might have severely constricted the absorptive capacity of the economy". Against this record, the expenditure in the first year of the Three-Year Plan is impressive and is indicative of the improvement in administrative efficiency.

It is the policy of the Government, as stated by the Finance Minister, to devote more attention to improvements in general and financial administration. Planning in developing countries depends entirely on the implementation of individual projects in the plan which in turn is dependent on administrative efficiency. For example, utilisation of funds is not ensured by their availability. The Finance Minister said in his budget speech that some government departments are to be incorporated and made self-accounting units. Significant progress has also been made in training, both in general and financial administration.

The tax proposals in the budget for 1963-64 do not mark any fundamental change. From the revenue stand-point, last year's proposals were expected to yield Rs 3 crores which came to as much as 30 per cent of total tax revenue, whereas the proposals for the current fiscal year are estimated to bring in only Rs 70 lakhs. However, certain changes have been made from the stand-points of equity, simplicity and easier administration. For example, the entertainment taxes which were different in different parts of the country have been made uniform with a slight increase in rates. The income tax has been made more progressive with a greater percentage of the yield now coming from the upper income levels. Taxes based on occupation and religion and the land tax, which are anachronistic in modern times, have been abolished.

During the last two years the Government has attempted to diversify Nepal's trade with countries other than India gradually and the

Table 1 : Nepal's Regular Budgets

(Lakhs of Nepalese Rupees)

	Fiscal Years							
	1956–57 (Revised Estimate)	1957–58 (Revised Estimate)	1958–59 (Original Estimate)	1959–60 (Revised Estimate)	1960–61 (Revised Estimate)	1961–62 (Revised Estimate)	1962–63 (Revised Estimate)	1963–64 [1] (Original Estimate)
Revenue	667	726	805	823	974	910	1297	1439
Expenditure	664	838	795	811	1101	1035	1244	1145
Deficit (—) or Surplus (+) on Revenue Account	+3	—112	+10	+12	—127	—125	+53	+294

Source : Finance Ministers' annual budget speeches, Ministry of Finance, His Majesty's Government of Nepal.

[1] Though the revised estimates show some surpluses, most of the original estimates were deficit. Ordinarily, even in the regular budget not more than 90 per cent of the budgeted amount was acually spent.

Table 2 : Estimated Expenditure

Regular Budget

(Rs '000)

	Estimate of 1962–63	Revised Estimate 1962–63	Estimate of 1963–64
(1) Constitutional Organs	76,88		78,63
(2) General Administration	2,08,50	71,07	
(3) Revenue & Tax Administration	74,67	1,95,57	1,94,82
(4) Economic Administration & Planning	20,35	66,03	66,22
(5) Judicial Administration	25,98	18,59	18,52
(6) Foreign Service	69,94	22,54	27,16
(7) Social Service	1,34,74	69,85	57,28
(8) Economic Service	3,37,77	1,16,83	1,31,06
(9) Defence	2,77,00	3,21,44	2,12,83
(10) Miscellaneous	1,19,50	2,46,73	2,75,26
		1,14,92	83,16
	13,45,33	12,43,57	11,44,94

Source : Ministry of Finance (Budget), HMG.

Table 3 : Summary of the Estimated Revenue and Expenditure for the Financial Year 1963-64

(Rs '000)

EXPENDITURE		
Total Expenditure Estimate		29,54,27
Regular	11,44,94	
Development	18,09,33	
INCOME		
Revenue Estimate		13,68,70
Foreign Aid		12,50,02
America	8,45,51	
India	2,08,82*	
China	1,00,00	
Russia	72,09	
New Zealand	5,27	
U K	2,50	
Ford Foundation	14,33	
I L O	1,50	
Foreign Loans		1,34,34
Russia	1,14,58	
U K	19,76	
Deficit		2,01,21
Measures to cover the deficit		
New Taxation	70,000	
Internal Development loan	1,31,21	

* The amount of aid received from India for certain projects not directly undertaken by His Majesty's Government is not included in this amount. Taking into account all these projects, the amount of aid from India will amount to Rs 6.26 crores.

Source : The Finance Minister's Budget speech, Ministry of Finance, HMG.

Table 4 : Estimated Development Expenditure in 1963-64

(Rs '000)

Main Head	Grant Number	Head	Estimate for 1962–63	Revised Estimate for 1962–63	Estimate for 1963–64
Economic Administration & Planning	1	Statistics	20,16	16,21	8,51
	2	Survey	25,12	24,10	29,67
	3	Budget & Accountant Training Project	2,52	1,50	2,00
Social Services	4	Education	1,63,06	1,11,60	1,77,42
	5	Health	1,11,39	94,92	1,38,21
	6	Publicity & Broadcasting	12,24	12,24	13,95
	7	Panchayat	76,48	46,28	78,78
Economic Services	8	Agriculture	1,10,66	65,14	1,31,60
	9	Forest	46,95	46,95	51,59
	10	Industry & Commerce	2,03,10	97,08	3,73,83
	11	Communication	19,01	6,48	17,44
	12	Transportation	1,32,23	81,52	1,74,49
	13	Electricity	2,50,10	1,19,36	1,89,10
	14	Public works	3,57,23	1,31,05	3,97,77
	15	Investment Loan & Interest	35,52	26,00	8,14
Miscellaneous	17	Revoting	10,00	10,00	5,00
	18	Contingency	58,02	50,00	15,00
	19	Planning	1,19	1,19	1,33
	20	Administrative Reform	12,50		2,50
	*21	Land Reform	15	15	5,00
			16,54,66	9,48,77	18,09,33

* Includes Rs 15,000 for transportation & communication for the year 1962-63.
Source : The Finance Minister's Budget Speech, Ministry of Finance.

Table 5 : Main Sources of Revenue in Selected Years

(Rs '000)

Item	(1952–53 (Revised)	1953–54 (Original)	1956–57 (Revised)	1959–60 (Original)	1960–61 (Revised)	1961–62 (Original)	1962–63 (Revised)	1963–64 (Original)
Customs & Excise	10285	12130	28732	37841	40400	39149	46600	53700
Land Revenue	13216	13370	16005	25600	20000	28234	52964	59000
Forests	2365	2775	7463	15000	12000	8680	9805	13960
Total	25866	28275	52200	78441	72400	76063	109369	126660
Percentage of Total Revenue:	42.3	47.7	78.2	70.5	74.0	70.9	84.3	91.8

Source : Ministry of Finance (Budget), HMG.

* The fiscal year is from July to July, according to the Nepalese calendar.

budget accepts that "exchange earnings from exports must, at this stage, consist of products until such time as we are able to industrialise". In the field of monetary reform, the existence of a virtual dual currency system under which both Nepalese and Indian rupees circulate in the country, has made it very difficult for the Rastra (Central) Bank to use the various instruments of monetary control. At the same time, traditions and other socio-economic factors which make for the use of Indian rupees are still present, and these cannot be done away with at a stroke through a piece of legislation or Government decree. Therefore, to enable the orderly and progressive withdrawal of Indian currency and its substitution by Nepalese currency, the Government has been maintaining since April 1960 a rate of exchange of I C Rs 100 for N C Rs 160 on unlimited convertibility. As a result, the exchange rate is quite stable today in marked contrast with the earlier years when there were wide and frequent fluctuations in the rate. The Foreign Exchange Regulation Act came into force from August 17, 1963 in 20 important urban areas, mostly in tarai regions and some hilly regions and this should help to further stabilise the present rate of exchange. This will also, "assist in getting rid of the dual currency system and gradually introducing a single monetary unit throughout the country".

The budget for 1963-64 which is the first under the Panchayati constitution was approved by the National Panchayat in less than three weeks on July 22, 1963. Though it does not contain anything that is new in principle, the pruning of regular expenditure and the creation of a surplus for diversion to developmental activities are its significant features. The policies of the Government as set out in the budget are those which have been evolved and followed over the past two years or even more, but the budget marks a definite stage in the reform of the country's financial system. It also reflects the Government's anxiety to reduce dependence on foreign aid by mobilising internal resources to the maximum.

Business Notes

Gwalior Rayon

DESPITE an incrase in sales from Rs 12.07 crores to Rs 13.08 crores, the gross profits of Gwalior Rayon Silk Mfg (Wvg) Co for the year ended March 31, 1963, before providing for depreciation, development rebate and taxation, is lower at Rs 3.89 crores as against Rs 4.03 crores in 1961/62, recording a fall of about 3 per cent. Higher provisions for depreciation and development rebate reserve at Rs 83.89 lakhs (Rs 43.60 lakhs) and Rs 112.36 lakhs (Rs 9.56 lakhs) respectively and increased expenses and costs all round have reduced the net profit before taxation, from Rs 349.90 lakhs to Rs 192.55 lakhs, i e by 45 per cent, the net profit margin falling from 28 to 15 per cent.

The Directors attribute the lower profits to various reasons such as initial working expenses of the pulp factory last, started operations in January last, higher power and fuel expenses, donations, excise duty on sulphuric acid manufactured in the Company's plant. larger consumption of coal owing to the inferior quality and use of furnace oil involving extra cost. Preference and ordinary dividends have been repeated at the previous rates, namely at 8.57 per cent and 25 per cent (Rs 2.50 per share) subject to tax. The ordianry dividend which will absorb Rs 62.50 lakhs is proposed to be paid out of the General Reserve to which is transferred a sum of Rs 172 lakhs from the year's profit. After meeting the preference dividend of Rs 12.92 lakhs and allocating Rs 15 lakhs to preference shares redemption fund, a small balance of Rs 3,547 is carried forward.

No amount is set aside for taxation liability in respect of profits for the exepmtion period covered by an Agreement between the Company and M P Government, but a total sum of Rs 822 lakhs has been set aside in the General Reserve *inter alia* to enable appropriation of such liability if ultimately established against the Company. Subject to any such liability, the earnings per ordinary share works out to Rs 7.18 which covers the ordinary dividend by nearly 2.9 times.

Having sponsored a research work on 'High Tenacity Fibre' the Company has been granted an exclusive right of a patent in India, taken out by the Birla College of Science, under the title "A Process for Improving the Properties of Viscose Rayon Yarn or Filaments and Staple Fibre".

The Directors deplore the heavy incidence of excise duty which amounted to Rs 2.74 crores compared with Rs 1.91 crores in 1961-62. From March this year, the rate of excise duty on staple fibre has been stepped up by 33 1/3 per cent from Re 1 per kg. Besides, sulphuric acid manufactured in the Company's plant which is used for the production of staple fibre also bears an excise levy at 10 per cent *ad valorem*. The Directors point out that a heavy excise duty on stable fibre tends to restrict its use as a substitute for cotton. The Directors further state that the import of 25 million pounds of staple fibre permitted by Government to supplement cotton requirements, has adversely affected the staple fibre market in the country.

The Company's application for the expansion of its productive capacity of staple fibre to 150 tons per day is pending with Government. Rayon fabrics of the Company are exported to U K, U S A, Canada, Africa and East Asia in progressively increasing volume. The pulp plant of the Company in the State of Kerala, which is claimed to be the first plant in the world to produce rayon pulp from bamboo, has now started trial operations and is facing teething troubles which are expected to be overcome shortly.

Indian Dyestuff

THE Annual Report of the Indian Dyestuff Industries for the year ended March 31, 1963 shows that the Company's sales have gone down during the year from Rs 258.10 lakhs to Rs 238.91 lakhs. The gross profit has also declined from Rs 78.52 lakhs to Rs 52.18 lakhs. Depreciation provision is increased to Rs 16.18 lakhs (Rs 4.91 lakhs) and taxation absorbs less at Rs 4.30 lakhs (Rs 33.70 lakhs). Statutory development rebate reserve gets Rs 20.62 lakhs as against Rs 37,000 previously. Net profit is shown at Rs 7.50 lakhs compared with Rs 32.07 lakhs in the previous year. A sum of Rs 8 lakhs is brought from General Reserve to the year's profit to enable payment of a preference dividend at the rate of 8.58 per cent absorbing Rs 2.70 lakhs and an ordinary dividend at 7 per cent absorbing Rs 13.07 lakhs.

The less favourable results achieved during the year are attributed to the additional excise duty, unhealthy competition, rise in the price of essential raw materials, etc. The Directors state that the manufacture of sulphuric acid and oleum is expected to commence in 1964. An industrial licence for the manufacture of 1000 tons of Anthraquinone, a basic intermediate for the production of vat dyestuffs, has now been obtained by the Company and a collaboration agreement for the supply of technical knowledge for the manufacture of intermediates is concluded with Messrs A C N A of Italy, who have been allotted 5,120 equity shares of the Company against machinery and equipment supplied. The total technical fees paid to the collaborators in terms of the agreement amounts to Rs 17.70 laks.

Chemicoat

CHEMICOAT which has issued its Second Annual Report for the year ended March 31, 1963 has commenced trial production in the current year. Various varieties of indigenous paper are now being metallised to ascertain the qualities best suited for the process. Regular production will commence shortly.

As the products are likely to have a ready market and the demand is expected to be more than the available supplies, the Company has applied for Government's permission to expand its capacity. I C I C I has in all sanctioned a loan of 290,473 dollars and in addition, the Company has arranged a term of Rs 5 lakhs from its bankers.

The Accounts for the year show a loss of Rs 54,298 after capitalising Rs 1.84 lakhs as 'Expenditure during construction'. A net loss of Rs 46,259 is taken to the next account.

Universal Electrics

UNIVERSAL ELECTRICS went into production last May. The initial teething troubles have been successfully overcome and the plant is expected to reach its rated capacity soon. The House Service Meters produced by the Company have been testified satisfactory and the Company has already secured orders from some Government departments. These facts are revealed in the second Annual Report of the Company for the year ended March 31, 1963. The Company's collaborators, Mitsubishi Electric Corporation, have deputed their technicians at the Company's factory to train the staff and workers. Preference shares of the value of Rs 1.50 lakhs have been issued to the collaborators for consideration other than cash.

The Accounts for the year show a loss of Rs 25,840 after transferring Rs 2.03 lakhs to 'Expenses during Construction' Account and providing Rs 15,230 for depreciation.

Praga Tools Corporation

THE working results of Praga Tools Corporation for the year ended March 31, 1963 show that the factory output improved during the year from Rs 61.66 lakhs to Rs 73.22 lakhs and that sales were higher by 9.7 per cent at Rs 74.63 lakhs compared with Rs 68.05 lakhs in the previous year. But the financial results are highly disappointing. The Company's net profit is barely Rs 34,382, and after adjusting this amount against the previous loss of Rs 4.08 lakhs, there is still a net loss of Rs 3.72 lakhs to be wiped out. The Directors however state that there was some improvement in the ways and means position. While production has increased by 19 per cent, the capital blocked up is reduced by 6 per cent. This improvement has been achieved by rationalisation of production and economy in expenditure and improvement in labour-management relations. The position would have been happier still, had it not been for some teething troubles in the cutter grinder programme, unhealthy inter-Union rivalries and serious shortages of basic raw materials like pig iron and steel.

In regard to the implementation of different expansion projects of the Company, manufacture of chucks is delayed on account of the non-receipt of the special raw materials required. Production of tool and cutter grinder will commence by the end of the current year for which nearly 70 per cent of the machinery required has already arrived and is being installed and the balance will reach shortly. Praga's own type of lathe chucks are now produced in larger numbers and the rate of production is expected to increase by 25 per cent. In regard to the Polish project for the establishment of a Forge and Foundry unit, the decision of the Government of India is still awaited. As for the machine tool part of the project, it is likely that Government will divert the project to another company. The Expert Committee appointed to make recommendations in this context has already submitted its Report, and Government's decision thereon is awaited. The Company is producing some important items for defence requirements.

Chembra Peak

CHEMBRA PEAK Estates has maintained its dividend of 20 per cent on equity shares for the year ended March 31, 1963. The tea crop harvested exceeded the previous year's quantity and was a record. Coffee crop harvested was less but for which the financial results would have been better off.

After full provision for taxes, the net profit amounted to Rs 2.91 lakhs compared to Rs 3.60 lakhs in the previous year. Out of the disposable profits, Development rebate reserve absorbs Rs 14,000 and from the balance of Rs 3.03 lakhs, Rs 2.80 lakhs will be utilized to pay the equity dividend at 20 per cent.

The Chairman states that the estates are in good order, and a higher crop is expected in the current year. Sale Prices so far realised also show an improvement. As such, subject to imponderables, the Chairman feels that the future should be reasonably bright for the Company. As against the issued capital of Rs 14 lakhs, and Reserves and Surplus amounting to Rs 14.69 lakhs, the Company's fixed assets stand at Rs 27.96 lakhs.

Mysore Sugar

SHAREHOLDERS of Mysore Sugar Co, will feel happy to know the decision of hte Directors of the Company to issue bonus shares. But such bonus issue is proposed to be made after the issue of right shares in the ratio of two for one. This implies that shareholders will have first to provide further capital to the Company and then get the bonus issue. The present paid up capital of the Company is Rs 21.79 lakhs (in shares of Rs 10 each) which will be raised to Rs

65.38 lakhs by the issue of right shares. Bonus shares of the value of Rs 21.79 lakhs by capitalising a like amount from the General Reserve will be issued in the ratio of one for every three shares held (including rights shares) and thus the paid up capital will be raised to Rs 87.17 lakhs which is about four times the existing paid up capital. Still the Company will be having a large amount of reserves at its disposal.

The Directors also propose to invest Rs 30 lakhs in the shares of Mysore Acetate Chemicals Co, a new company in formation. The new Company is promoted by the Mysore Sugar Co in collaboration with American, Swedish and Belgium firms with an authorised capital of Rs 5 crores of which shares of the face value of Rs 2.25 crores are proposed to be issued for the present. Mysore Acetate will manufacture cellulose tri-acetate flakes employed in the production of raw films and secondary acetate moulding powders used in the plastic industry. Mysore Sugar Co will enter into a long-term contract with the new Company for the purpose of supplying acetic acid and acetic anhydride produced from its distillery to the new Company for manufacturing acetates.

Mysore Paper

THE Directors of Mysore Paper Mills report that during the year to March 31, 1963, production and sales improved slightly over the previous period. Sales amounted to Rs 1.23 crores as against Rs 1.19 crores. The higher price for paper approved since June 1962 was not, however, sufficient to offset the higher cost of raw materials, stores, etc. But operational efficiency brought down production costs appreciably.

The Company has provided Rs 6 lakhs for taxation (same as in the last account) and has no SPT liability. Net profit earned is Rs 6.14 lakhs (Rs 6.36 lakhs). Drawing Rs 37,500 from the Dividend Equalisation Reserve and taking into account the balance of the previous account, the Directors have proposed to pay a dividend of 12 per cent i e Rs 1.20 per share, taxable, which will absorb Rs 6.75 lakhs and leave Rs 15,100 for the next account.

In connection with its expansion schemes, the Company has drawn during the year foreign exchange loans amounting to Rs 63 lakhs from Commonwealth Development Finance Co, and Rs 44.8 lakhs from ICICI, and rupee finance of Rs 35 lakhs from the Industrial Finance Corporation of India. Part of the machinery has already been received and is being erected. Bulk of the equipments is expected to be installed and put to use by February 1964.

Money Market

Thursday, September 5.

A SUDDEN surge of demand early this week caused a mild flutter in the call money market with the call rate spurting from 1 per cent to 3 per cent within two days. This is not, however, due to any stringency in money supply; for the Scheduled Banks' returns for the week ended August 23 show that the return flow of funds into banks is still on the rise with aggregate deposits increasing by Rs 16.25 crores and bank credit contracting further — even more substantially than in previous weeks — by Rs 13.41 crores. The constantly widening gap between deposits and credits has increased the resources of banks and enabled them to pay off practically their entire borrowings from Reserve Bank and to swell their investments sizably. During the week ended August 23, the banks added Rs 15.36 crores to their investments and increased their cash and balances with Reserve Bank by a net amount of Rs 5.33 crores; they have further reduced their other borrowings by Rs 5.42 crores and now owe only a negligible amount to the Reserve Bank. In these circumstances, the demand for funds appears to have stemmed mainly from the need to make quarterly tax payments due by September 1, in which case the spurt may prove temporary. But it is likely that funds may find their way to Calcutta where the stringency is more perceptible, the call money rate going upto 4 per cent.

The plentiful supply of loanable funds was also reflected when Treasury Bill tenders were opened last on September 3. Rs 4 crores were offered against Rs 2 crores invited, the average rate of discount declining slightly from 2.320 to 2.318 per cent. Intermediates sold were also higher during the week amounting to Rs 7 crores comparing with Rs 7.19 crores in the previous week. If surplus funds continue to seek investment in Treasury Bills and giltedged securities, it will gradually lead to a contraction of floating funds and this will influence the future trend of the call money rate.

Reserve Bank's returns for the week ended August 30, indicate heavy withdrawal of deposits by banks to the tune of Rs 12.47 crores and only a small addition of Rs 44 lakhs to their borrowings. These additional resources may have been needed by banks to meet their current disbursements or to step up their investments. If it is for the latter, which is very likely in view of the rising trend of the giltedged, it will be reflected in the next return of scheduled banks.

Active notes declined further during the week by Rs 17.67 crores of which Rs 4.62 crores is held in the Banking Department and the balance of Rs 13.05 crores has been absorbed by the Issue Department. The rupee securities in the Issue Department stand reduced by Rs 14.91 crores. Besides this reduction in the Bank's securities there is a further fall in the Bank's investments and Treasury Bill holdings by Rs 7.28 crores in the aggregate. There is thus a total depletion of Rs 22.19 crores in the Bank's securities to meet other demands. In addition to the withdrawal of deposits by banks, State Governments' deposits have also been withdrawn by Rs 4.97 crores. Although Central Government's deposits are up by Rs 8.86 crores, there is a net fall in total deposits by Rs 9.01 crores. Foreign assets which increased last week by Rs 3.27 crores have declined this week by Rs 3.29 crores, the entire fall being in balances held abroad.

The giltedged market continued to rule firm during the week with demand persisting in several short and medium dated issues: 3½ per cent 1968 shot up to Rs 98.10; 3 per cent 1970-75 to Rs 89; 3 per cent 1966-68 to Rs 98; and 3 per cent Conversion loan to Rs 64.65. The undertone is firm.

From the Chair

Parrys Confectionery Limited

Statement by the Chairman, Mr H V R Iengar

THE following statement has been circulated to Shareholders of Parrys Confectionery Limited by the Chairman, Mr. H. V. R. Iengar :

Since the last Annual General Meeting, Mr. G. N. Noel-Tod, one of the founder-Directors of the Company, and Mr. P. Hadfield, who joined the Board in July 1959, have resigned their appointments as Directors consequent upon their return, for permanent residence, to the U. K. Both of them have made valuable contributions to the development of the Company from its small beginnings in 1954, and I am sure you will wish to join with me in recording our appreciation of their services. I feel sure you will also welcome the new members of the Board, Mr. K. P. Ramsami, Mr. C. S. Narasimhan, and Mr. J. S. Prabhu.

The Report & Accounts for the year ended 31st March 1963 have been in your hands for the statutory period and, with your permission, I will take them as read.

In spite of the increase in sales of 10% to a new record of Rs. 1.48 crores, the net profit for the year, after taxation at Rs. 3,88,903, is Rs. 1.36 lakhs lower than that of last year.

Impact of S P T

The main reason for this reduction is the provision of Rs. 1,85,000 which it has been necessary to make for the Company's liability under the Super Profits Tax Act, although the increased costs of production, to which I referred in my speech last year, mainly in respect of raw materials, packing and wages, have all tended to off-set the gains achieved by a higher turnover.

It is not possible to say at present whether the Super Profits Tax will be abolished or further liberalised, although, in view of the effect of the tax on the capital market, there is a very strong case for its abolition. The tendency for costs of production to rise has, if anything, been accentuated by the additional indirect taxes levied in the 1963 Budget. Additionally, your Company is faced with the need to conserve resources for rehabilitation of its plant and machinery which will involve substantial expenditure over the next ten years.

It is in this context that your Directors have recommended a reduction in the quantum of dividend on the Ordinary Share Capital of the Company for the year under review, to a total of Rs. 3,20,000 (representing 16% on the Ordinary Share Capital) as against Rs. 4,70,000 last year. Whilst the reduction in dividend is regretted, it will be noted that it is more than accounted for by the Super Profits Tax liability and that the total dividend for the year still represents a very high proportion of the net profits, after taxation, for the year.

At the same time, your Directors have appropriated to reserve the bulk of the surplus brought forward from last year and of the net profit for the year, after provision for dividend, so as to obtain the maximum benefit under the Super Profits Tax Act in respect of the current and future years.

I am happy to say that a significant feature of the year's turnover was that a major portion of the Defence Forces' requirements of toffees, valued at over Rs. 8 lakhs, was supplied by your Company against tenders placed by the Chief Director of Purchase and through the Canteen Stores Department.

The upward trend of sales in North India, to which I referred last year, was well maintained and approximately 40% of the increase in sales was in that area. This is an encouraging sign and it is hoped that in the not too distant future your Company's products will be as popular in North India as in the South.

Your Company, in common with the other units in the confectionery industry, faces two main difficulties, namely, rehabilitation of plant and machinery, and rising costs of production. The long-term progress depends largely on the Company's ability to obtain licences for import of machinery in order to maintain even the present rate of sales growth in the face of rising costs of production. The extent to which the industry can overcome these difficulties depends, in turn, upon the Government's licensing and fiscal policies.

Foreign Exchange Allocation

In the matter of allocation of foreign exchange for imports, the confectionery industry is accorded a low priority, although the types of machinery needed by the industry are not manufactured in India. In a consumer line like confectionery, more than in any other field, trends and ideas keep changing fast and pose a continuous problem to the industry to keep pace with refinements in manufacture and packaging. You will have noted from the sales pattern over the years that the demand for wrapped sweets has been steadily rising. While this development has taken place, the industry, owing to import restrictions, has remained insulated from the advance western countries have made in packaging and is, today, finding itself illequipped to meet the changed situation. The imbalance is greatest between the sweetmaking capacity and wrapping it in ways that will appeal to the consumer; and if the industry is to maintain its growth in the home market and, more especially, to play an effective role in developing exports, it must be assisted by grant of adequate licences for import of machinery required for modernization, rationalization, and replacement. Against this, the only remedy the Government has to offer is to exhort manufacturers to export, incurring heavy losses, and then allow only a nominal portion of the foreign exchange earned for import of machinery. This attempt to rehabilitate the industry through the medium of exports has proved ineffectual, costly, and uneconomic. I would, therefore, strongly urge the authorities to view this problem with sympathy and to accord a higher priority than at present to the confectionery industry in the matter of issuing licences for machinery imports.

Why High Cost ?

It is well known that the confectionery industry in India has to pay a much higher price for sugar, glucose, and wrapping paper — the main raw materials—than its counterpart in other countries. Additionally, the industry is dependent on imports for many items of raw materials like gum arabic, menthol, tartaric acid and lecithin, and it is virtually impossible to cover its requirements with the limited import licences made available. This, in turn, forces the industry to buy part of its requirements from established importers at very high prices. While this unwholesome position persists, it has been further aggravated by the increase in Customs and Excise Duties on cellophane, tinplate, and aluminium foil. Due to the additional tax levies, our wrapping and packing costs will rise by no less than Rs. 3.5 lakhs on the same turnover as last year. The increase in Central Sales Tax and surcharge on freight introduced at the same time will account for a further Rs. 50,000/-. Added to this is the steady rise in our wage bill owing to the continuous upward movement of the Cost of Living Index.

Increased costs can, no doubt, be off-set to some extent by higher turnover and operating economies, but, clearly, there is a limit to this process of adjustment. In the long run, higher costs inevitably force the industry to increase its prices. As confectionery is a semi-luxury item, a steep increase will undoubtedly inhibit consumption and is, therefore, not in the interests of the industry. It also makes it virtually impossible for the industry to develop the export market.

Liberal Import Policy Vital

It should cause no surprise, therefore, that our exports have so far been negligible in relation to the potential that exists. The quality of our product is not the obstacle. Except, perhaps, in the latest techniques of wrapping and packaging, we can offer a quality of sweet that can match the best available elsewhere. It is the wide disparity in the costs of production between the foreign and Indian manufacturer that stands in the way of our developing a large export market. The drawback of Customs Duty on imported raw materials and rebate of Excise Duty on sugar and other indigenous raw materials, together with the cash subsidy of 10% on the f.o.b. value of goods exported, still leaves the gap wide open. If a major break through is to be made in the export markets, I would urge the Government actively to consider a liberalisation of import policy in respect of machinery as well as of essential raw material.

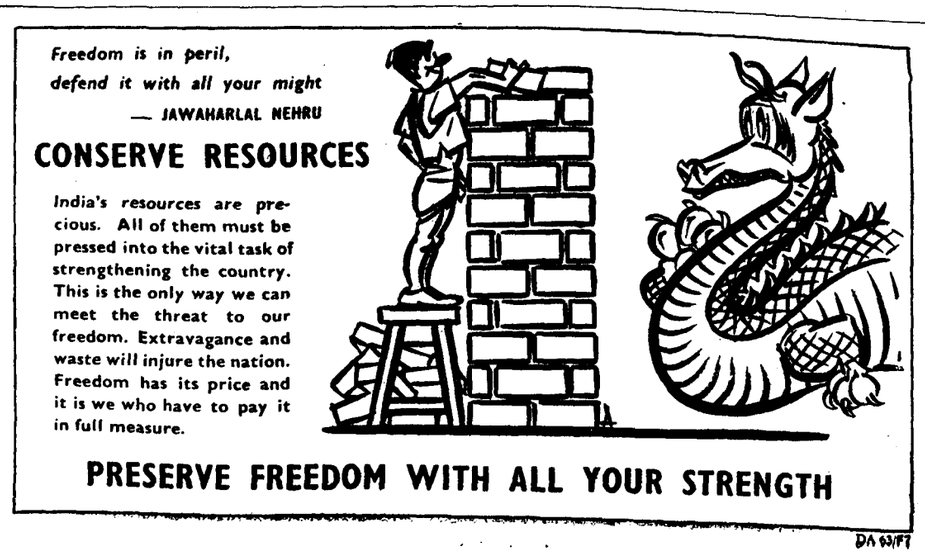
In a growing economy, the demand for consumer goods is bound to rise, but the future prospects of the confectionery industry depend largely on the assistance it receives from Government to reduce the high cost of production and to set right the imbalances that affect its working today.

During the year under review, our relations with the staff and labour have been most cordial, and I take this opportunity to record our sincere appreciation of the excellent work done by them.

The above statement is not a report of the proceedings of the annual General Meeting, which will be held on the 27th September 1963.

Simplex Mills

DURING the year ended March 31, 1963, Simplex Mills has shown a lower profit of Rs 22.80 lakhs compared with Rs 38.59 lakhs in 1961-62. Sales and miscellaneous income dropped from Rs. 3.39 crores to Rs 3.14 crores. The drop is attributed to the dislocation caused by installation of new machinery. Profits are less also on account of high prices of cotton, and stores and increased expenditure. Out of the profits, over and above the provision required for development rebate reserve, the Company had to set aside as much as Rs 17.04 lakhs as bonus due for the four years 1957-61. The amount left over is insufficient to pay any dividend. Hence the Directors have transferred Rs 9.62 lakhs from General Reserve No 1, and recommended a dividend of Rs 8 per share (Rs 11 last year) absorbing Rs 9.68 lakhs.



Kirloskar Oil Engines, Ltd, Poona 3

Speech of the Chairman, Shri S L Kirloskar

THE following is the text of the Speech delivered by Shri S L Kirloskar, Chairman, at the 17th Annual General Meeting of the Company, held in Poona on Tuesday, the 27th August, 1963 :

Ladies and Gentlemen,

I welcome you to this meeting.

Before I commence today's business, as you all know, Sir Shri Ram had been the Chairman of the Company from its very inception for a period of 15 years, and he resigned from the Board towards the end of 1962, on account of ill-health. He passed away on the 11th January, 1963, in Delhi. He, by his able leadership and astute business sense, guided the policies of the Company and led it on from success to success.

A Distinguished Industrialist

Apart from this, he was one of the foremost industrialists in the country and a great philanthropist, associated with various educational, research and other public institutions. He was a man of phenomenal energy and had acquired interest in texiles, sugar, heavy chemicals, fertilisers, potteries, sewing machines, fans, electrical appliances and other engineering industries. He was the first to foresee the importance of the export of Indian goods to foreign countries, long before the Government realised it, and organised and established an export business for sewing machines, fans, etc, which is now earning considerable foreign exchange for the country. In his death, we have lost a distinguished philanthropist and industrialist who has rendered singular service to our country. I am sure, you will join me in paying our tribute to him by placing on record our high appreciation of the great services rendered by him to our Company and to the country in general.

Another distinguished person, whom we had the misfortune to lose during the year, was Shri Rajaram Laxman Kirloskar. He was a partner of Kirloskar Sons and Company, the Managing Agents of your Company. In that capacity, he had played an important part in shaping the policies of the Company, which accounts for its prosperity today. He was a practical engineer of outstanding ability and an efficient administrator. By his merit and human qualities, he had earned for himself a distinguished position in the organisation. Unfortunately, he was snatched away from us in the prime of his life, a time when he would have been of greatest help to the Organisation. I am sure, you are with me in offering our respects to his memory.

Progress Maintained

You had the report of your Directors and the Audited Accounts of the Company for the year 1962-63 in your hands well in advance. I believe, you have gone through the same. You would, therefore, permit me to take them as read.

You might have noticed that the Company's continued progress for the last several years has been maintained during the year under review. The working results for the year reflect a period of steady progress. The accounts show a profit of Rs 89,85,375 (as against a profit of Rs 77,58,582 during the previous year) after providing for depreciation, remuneration to Managing Agents and the amount set apart for paying bonus to the employees. Adding to it the balance of the previous year, the total comes to Rs 90,17,891. Your Directors have, in their report, made recommendations for the allocation of this profit under various heads.

You will notice from the Balance Sheet that the provision that we had to make for the last year for taxation was Rs 37 lacs and now, due to the incidence of the Super Profit Tax, the provision that we have made for taxation for the coming year is about Rs 61 lacs; nearly 65% more. So, as against a sum of Rs 40.58 lacs which remained in our hands as profits after providing for taxation during the year 1961-62, we have, this year, only Rs 28.85 lacs inspite of our having greater gross profits during this year. It can, therefore, be seen that the imposition of Super Profit Tax leaves very little money in the hands of the Company for providing funds for its expansion schemes. We must keep on expanding, if we want to retain our leading competitive position in our industry. We want to insure our leading position. So, our first consideration, under the circumstances, has to be to see how we can secure sufficient finance for our normal expansion schemes before recommending dividend out of profits to the shareholders.

Dividend — A Fair Return

No doubt, the shareholders are entitled to the best dividend that the Company can afford to pay. At first sight, a higher dividend may be attractive. But the permanent long range interest of the shareholders lies in the continued prosperity of the Company. So, while making a recommendation as to the dividend to be paid to the shareholders, your Directors have considered your long range interest, which is assured only if adequate provision is made for the continued expansion of the Company's activities and rehabilitation of machinery. Unfortunately, the incidence of the Super Profit Tax falls much more heavily on companies which are running efficiently like ours. So, your Directors, after taking into consideration the new heavy burden of Super Profit Tax imposed upon industries, have decided to prune the dividend this year from 16% to 12% on enquity shares so that what little money can be saved from adopting this measure, can be utilised for ploughing back into the business to provide funds for the expansion programmes. The dividend recommended can be considered, under the circumstances, a fair return to the shareholders on their investment. Even after pruning the dividend, the Company has to abandon one of the projects it contemplated which, if implemented, would have earned for the country a crore of rupees of foreign exchange every year and would have also benifited

the Company. I am sure, you will appreciate the wisdom of your Directors in making this recommendation which, while giving a fair return on your investment, would also enable the Company to ensure your long range interest under the present circumstances.

However, even against this background of high taxation measures, which would inevitably affect our capacity to finance all over expansion programmes, the amount retained by pruning the dividend, would help us to a certain extent to implement the expansion programmes.

The working results for the year under review have been encouraging. The continued all round progress for the last several years has been maintained. Both the production and sales have showed appreciable increase. The demand for engines has been fairly good, and all that we produced, was sold. Every effort was made to shorten the period of delivery to a bare minimum, by increasing production, so as to keep pace with the demand. In addition, the emphasis laid on a high standard of quality and efficient and prompt after-sales service, have helped us in securing a ready market for our products.

Sales Abroad

Our Export Sales continued to expand during the year under review and we made further progress in marketing our engines in a few more markets in North Africa and Latin America. While we are exploring new markets, consolidation of our position in markets where we have established ourselves needs our immediate attention. In such markets, it is now necessary for us to accept direct responsibility of organising sales and after-sales service instead of depending on local agents. With this end in view, we are exploring the possibilities of opening our own sales offices with arrangements for carrying stocks of engines, and having efficient service units attached thereto. This arrangement would remove uncertainty in delivery due to shipping bottlenecks we are experiencing at present, and will ensure ready after-sales service. This will go a considerable way in consolidating our position in such foreign markets.

The production of bimetal bearings has shown considerable improvement during the year under review. I expect this to increase still further in the current year. On account of the shortage of foreign exchange, the Government informed us that a licence for the import of a bimetal strip manufacturing plant could be issued to us only if we can secure a loan in foreign currency. Unless we manufacture these bimetal strips ourselves, our production of bearings cannot expand; for, the import of bimetal strips again will involve foreign exchange. So, we are planning to secure such a loan in the required foreign currency.

Apart from supplying bearings to the various manufacturers of industrial and automobile engines, we are now supplying replacement bearings to most of the Nationalised Transport Undertakings in the country. So, the prospects for the sales of these bearings are quite bright.

Kirloskar Cummins Ltd

You know, your Company has invested a substantial amount in the share capital of Kirloskar Cummins Ltd. You would, therefore, be interested to know the progress this concern has made. The construction of the factory building is very nearly completed; the machinery already received is being installed and the concern would be able to go into production by the end of this year.

The Company's subsidiary, Shivaji Works Ltd, has a fairly good account to render. For administrative convenience, the concern has changed its accounting year. Now, its accounting year would end on 31st December of every year instead of 31st March. So, the accounts submitted this year are only for a period of nine months from 1st April, 1962 to 31st December, 1962. Its performance would have been still better, had it not been for the irregular supply of pig iron, coal and coke over which it had no control. This Company has expanded its foundry during the year and we expect its results for the current year to be more impressive.

Good Prospects

I believe, the prospects for the current year are good. But as stated earlier, the incidence of Super Profit Tax will be quite heavy and it would considerably hamper our expansion programme. However, every effort will be made to continue expansion and increase profitability. I view the coming year with confidence.

In the end, I would like to express, on your behalf and on behalf of your Directors, our sincere appreciation of the services rendered by the workers, staff and officers of the Company during the year under review.

Note: This does not purport to be the proceedings of the Annual General Meeting.

The United Commercial Bank Ltd

Head Office: 2, India Exchange Place, Calcutta.

G D Birla
Chairman

Authorised Capital	....	**Rs.**	**8,00,00,000**
Subscribed Capital	....	**Rs.**	**5,60,00,000**
Paid-up Capital	....	**Rs.**	**2,77,75,037**
Reserve Fund and Other Reserves	....	**Rs.**	**3,03,00,000**
Deposits & Bills Payable (31.12.62)	....	**Rs.**	**1,08,22,75,015**

With Branches in all important cities and towns in India, Pakistan, Malaya, Singapore, United Kingdom and Hong Kong and Agency Arrangements throughout the world, the Bank is fully equipped to give best service in India and abroad.

S T Sadasivan
General Manager

The Jaipur Udyog Limited

Speech of the Chairman, Shri S P Jain

THE following is the speech of the Chairman, Shri S P Jain, at the annual general meeting of the shareholders of Jaipur Udyog Limited held on August 21, 1963, at Sawaimadhopur:

Gentlemen,

It gives me great pleasure to extend to you all a cordial welcome to the Annual General Meeting of the Company.

The Directors' Report and Statement of Accounts for the year ended 31st March, 1963 have been duly circulated and you must have noted the details of the working results with satisfaction.

As stated in the Directors' Report, production during the working year registered a substantial rise and has made an all time record for your Company. Production of clinker has risen from 6,69,675 tonnes to 7,67,250 tonnes and that of cement from 7,42,298 tonnes to 8,23,238 tonnes. Modifications and improvements made in sections of the plant such as feeding device and cooler system for the kilns have been large contributory factors to this striking rise in production. Some additional quantity of power made available by the State Electricity Board was also helpful. In regard to despatches, as a consequence of improvement in the transport position mentioned by me in the last speech, substantial increase has been achieved making an all time record of 8,20,778 tonnes for the year from 7,34,139 tonnes in 1961-62.

Record Profit

The financial results also showed substantial improvement and the gross profit after providing for bonus to employees reached Rs 1,30,76,745/- the highest level so far attained by the Company. The net profit after depreciation stood at Rs 87,11,985 as against Rs 65,02,100. The better financial results were largely due to the substantial increase in production. Although the price increase was applicable for the whole year, it was more than off-set by the heavy increases in costs mainly arising out of Governmental action beyond the control of the industry.

The better working results have encouraged your Directors to propose an increased dividend at 10% against 8.36% in the previous year besides strengthening the finances of the Company by transfer of over Rs 64 lakhs to Reserves. In view of profits determined by the Income-tax Officer as exempt from tax under Sections 84 and 101 of the Income-tax Act 1961 and Rule 20 of the Income-tax Rules 1962, Income-tax and Super-tax are not payable by the shareholders under Sections 85 and 101 (2) of the Income-tax Act on the said dividends to the extent of Rs 15,92,030. The proposed dividend of 10% on ordinary shares would amount to net payment of 87.52 nP per ordinary share after deduction of Income-tax under Section 194 of the Income-tax Act 1961 on 4.16% dividend, the balance 5.84% dividend being exempt from tax. On this basis the shareholders would get a net dividend of 87.52 nP per ordinary share.

Developmental Price Policy Wanted

In spite of the fact that there is general recognition of the importance and basic necessity of the development of the cement industry, the Government policy and action continued to be characterised by the same complacency as in the previous years. Individual cement manufacturers and the industry as a whole have been representing to the Government from time to time about their difficulties and the continuing rise in costs mainly arising out of Governmental action. But no tangible change in Governmental policy towards the industry has been witnessed. It is a matter for regret that the common objective of increasing production of an essential commodity like cement is not being fulfilled only for lack of a developmental price policy.

I can say with pride that the industry is pulling all its weight to improve production and despatches within its means. The impediments to expansion are no longer the foreign exchange scarcity and non-availability of plant and equipment because indigenous machinery manufacturers are promising delivery of complete plants by 1964 and 1965 provided firm commitments are given now. Orders are not forthcoming from licencees because of low profitability and dearth of capital. It is only the non-availability of resources with the industry due to the price and tax policies of the Government that forms the impediment to development at present.

A Strategic Industry

According to a Reserve Bank study, the cement industry could retain only 11.18% of the profits after tax against an average of 36.4% for industry as a whole in 1961-62. In spite of distributing 88.2% of the profits after tax, gross dividends worked out to only 6.9% of net worth. This situation is a matter entirely in the hands of the Government. If the production of cement is not going apace the requirements according to the anticipated targets, the blame should fall squarely on the Government policies affecting the industry.

The cement industry is a strategic one and it has to be helped to develop at an accelerated speed. Unless the Government follows an appropriate price policy that encourages expansion, the development of the industry cannot take place and the country will be faced with continuing scarcity in respect of an essential basic material as cement. In our developing economy and particularly with the emergency the demand for cement will steadily mount. But the development of the industry is by no means showing any trend towards sufficiency to meet the need. Against the targeted capacity of 15 million tonnes the fulfilment of the existing proposals in different stages of execution will only lead to an attainment of 12.5 million tonnes capacity leaving a short-fall of nearly 3 million tonnes in the targeted capacity itself. Therefore, it is imperative that all the licensed schemes at present should be put into execution immediately if the Plan target is to be achieved within the Plan period as it takes about 3 years for a plant to go into production.

Cancellation of Licences

The Heavy Industries Minister Sri C Subramaniam has announced a policy of cancelling licences on which no effective steps have been taken. It is desirable to have a clear idea as to the implementation of the schemes. But has the Minister gone deeply and carefully into the reasons for the non-implementation of these licences? Sufficient appreciation of these basic reasons would have probably reflected a change in the Governmental attitude and policy in this respect. This fudamental problem has, therefore, to receive more earnest consideration at the hands of the Government leading to effective and prompt action.

In this light, the last price fixation has been disheartening. It reflected neither promptness nor perspective thinking. The increase granted with effect from 1st June 1963 gave your Company Rs 2.75 nP per tonne. This price increase is totally inadequate in view of the heavy rise in costs that took place after the previous price fixation due to governmental action. Further rises in costs have also not been checked by any means. Unless a system of automatic escalation to cover the increases under the major heads like fuel, power, transport etc arising out of governmental action is introduced by the Government, the industry will continue to face this problem of rising costs without adequate timely cover for same in the prices. Even after holding out definite assurance of providing for rise in costs due to their own action, Government failed to take timely action and when action was taken after considerable delay, the compensation was not sufficient and it was also not given retrospective effect with the result that the entire burden of enhanced costs due to Governmental action had to be borne by the industry.

Another factor on which also the Government is not taking a realistic decision is in regard to the quarterly packing charges. The scheme of price fixation does not include any element to cover packing charges as the Goverment has been following a policy of fixing packing charges quarterly on a certain formula based on actual costs. Since October 1962 the Government formula envisages 50% use of old bags and the prices of old bags have been taken at 65% of the price of new bags. This 50% use of old bags is impossible as it requires 100% return of new bags. In spite of the best efforts of the industry, the average for 1962 has only been 34% use of the old bags. In view of the short supply of packing bags and consequent competition in the market the actual price of old bags has been as much as 85% of the price of new bags. There has thus been a considerable loss to the industry on account of packing charges also. This will continue till the Government adopts a realistic policy in this matter.

I would also like to point out here that transport costs on limestone from the quarries to your factory are increasing year by year due to the continuous increase in railway freight. As stated in the Directors' Report the railway freight has increased 70% since 1954. Cement factories like yours which are situated at a distance from the quarry site are at a disadvantage as the cost of transportation of raw materials from the quarry site to the factory is to be borne by the industry while the outward freight of cement is pooled. As long as individual prices were fixed on the basis of individual costs, this factor was immaterial. But when prices are fixed on the basis of average costs as is being done now, this becomes a burden on the units concerned. While locational disadvantages or advantages to the industry are nullified by the pooling of freight on cement, there should be a similiar adjustment in the matter of freight on raw materials. In the case of your Works, the freight per tonne of limestone works out to Rs 4.40 nP. This freight for a distance of 15 miles is exorbitant and inequitable especially in view of the bulk movement in block rakes of a raw material. Your Company had also a definite agreement with the then State Government at the time of the establishment of the factory that concessional railway rates would be made available for the movement of the raw material and no terminal or short distance charges would be levied. This matter is still under correspondence with the Railway authorities and it is hoped that the unfair and unjust situation would be remedied. The incidence of this freight on the cost of cement is Rs 7/- per tonne, which is an additional burden on your Company as compared to units at quarry site.

Improvement of Efficiency

As I mentioned in my last speech, steps were taken for mechanisation of your quarries and installation of handling and other equipments at the Works. These should further contribute to efficiency and improve production. Your Company's application for import licence for balancing equipments is still pending with the Government for sanction. I had mentioned in my last speech that the grant of permission for such imports should be expeditiously given as the foreign exchange expenditure incurred would be more than compensated by the increase in the production of cement. Here again, a more practical approach on the part of the Government is warranted. May I express the hope that the experience, skill and the willingness of the industry to develop and make full utilisation of the capacity to satisfy the national demand for cement will meet with encouragement from the Government by appropriate policy and timely action.

I would, in conclusion, like to thank you all and on your behalf the workers and members of the staff at all levels for their continued co-operation.

Indian Steel Rolling

INDIAN Steel Rolling Mills has maintained its operations at a satisfactory level during the year ended March 31, 1963. Net sales were up at Rs 2.14 crores as against Rs 1.62 crores in 1961-62. But net profit after providing for taxation at Rs. 5.20 lakhs (Rs 4.30 9 per cent absorbing Rs 4.39 lakhs (Rs 4.88 lakhs).

The Directors state that production in the rolling and wire mills was satisfactory with the supply of raw materials to the mills and transport of billets from the producing centres remaining uninterrupted. The Company's new re-heating furnace was commissioned in May last.

The Mysore Paper Mills Limited, Bangalore

Speech of the Chairman Shri M D Shivananjappa I A S

THE following is the speech delivered by Shri M D Shivananjappa, I A S, Chairman and Managing Director, The Mysore Paper Mills Limited, at the Twentyeighth Ordinary General Meeting of the Company held at Bangalore on Thursday the 5th September 1963.

Ladies and Gentlemen,

I consider it a privilege and a pleasure to welcome you to the 28th Annual General Meeting of the Shareholders and to present the Report of the Directors and Accounts for the year ended 31st March 1963 along with the Report of the Auditors of the Company thereon. These have been circulated already and have been with you for sometime and with your permission, I shall take them as read and proceed to refer to a few salient features of the year's operations.

All Round Progress

It is a matter of great satisfaction for me to report that there has been an all round progress during the year under review; production of paper has increased by 212 tonnes over the previous year and the turnover has shown an increase by Rs. 3.69 lakhs over last year. Though the production and sale of paper and turnover have been slightly higher, yet the profits are slightly lower than the previous year and this is accounted for by higher working expenses. It has been reported to you previously that the Government of India had referred the question of paper prices to the Tariff Commission as early as 1958 and the Tariff Commission after elaborate investigation fixed prices which the Government of India accepted and announced in 1960. Prices recommended by the Tariff Commission and accepted by the Government of India were disappointing. The representatives of the Paper Industry made repeated representations to the Government of India for a suitable increase and it was only in June 1962 that the Government of India sanctioned a small increase. As stated in your Directors' Report, this increase is much too inadequate when compared with the increase in prices of raw materials, chemicals, coal and labour costs. Besides these increases, the emergency created by the Chinese invasion of our Land has brought in new Legislative measures which have further added to our costs. The Paper Industry has taken up again the question of revision of prices with the Government of India and I am not without hope that the Government of India will not only afford immediate relief but also will see their way to set up suitable machinery to revise prices promptly at least to absorb such increases in costs over which the Industry has no control. In this context, it should be noted that under the third five year plan, the target of 8,20,000 tons is planned to be achieved by expanding the capacity of the existing Mills and by starting New Mills, large and small. I have no hesitation to say that it is only a price policy which would ensure a reasonable and fair return on capital that would act as an incentive for expeditious implementation of expansion scheme of the existing units and for starting new units. It is also to be remembered in this context, that India is still low down in the list of paper producing and consuming countries with low per capita consumption and nothing should be done to retard the growth of this Industry, so vital to the Nation.

Turning to the Balance Sheet, I have to say that depreciation on fixed assets calculated in accordance with the rates allowed for normal depreciation and extra shift allowance as per Income Tax Act amounting to Rs 6,03,908/- has been provided. A sum of Rs 22,800/- has been provided towards Development Rebate in accordance with the Finance Act. Provision of Rs 6 lakhs has been made to meet the tax liability. Luckily, we do not attract Super Profit Tax because of large increase of equity capital by the recent Rights Issue and reserves built over the years.

Your Directors have considered it appropriate to transfer the following Reserves to the General Reserve:—

Reserve for fluctuation in the value of Stores and Raw materials	Rs 1,00,000

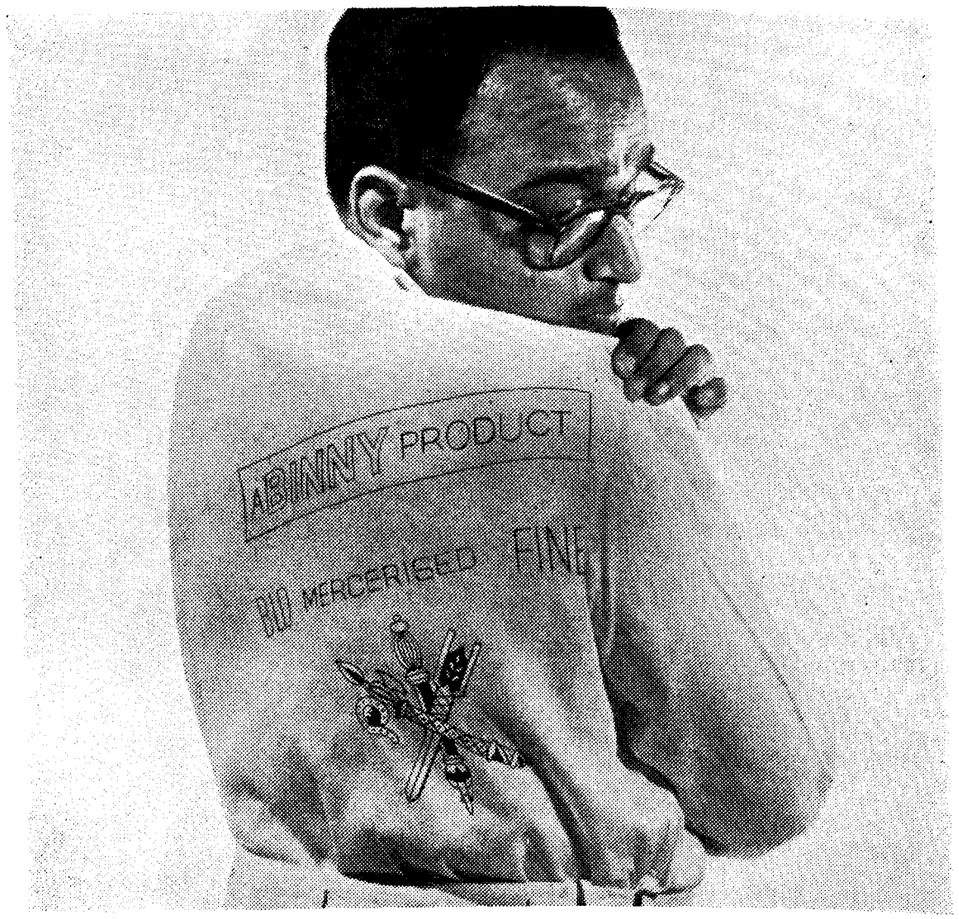
Rehabilitation Reserve 5,50,000 and have also decided to appropriate Rs 4,50,000 available in provision for repairs and replacements which is no longer required to General Reserve Account, thus bringing the General Reserve to Rs 36 lakhs.

In regard to distributable profits, as indicated in your Directors' Report, the net Profit for the year together with the balance of carry forward of Rs. 38,113/- and Rs. 37,500/- proposed to be drawn from Dividend Equalisation Reserve will amount to Rs. 6,90,100/- which your Directors have proposed to appropriate as follows:—

(i) To declare a dividend of 12% subject to tax or at the rate of Rs. 1–20 nP (taxable) per Share of Rs 10/- fully paid absorbing	Rs. 3,00,000
(ii) To declare a dividend of 12% subject to tax on partly paid Shares for proportionate period absorbing about	Rs 3,75,000
	Rs. 6,75,000
(iii) To carry forward	Rs. 15,100

12% Dividend

In making these proposals for distribution of surplus, your Directors have followed the sound policy of conserving Company's resources for development consistent with the interest of Shareholders and it is this consideration that weighed with your Directors to recommend declaration of 12% dividend subject to tax absorbing Rs. 6.75 lakhs as against Rs. 5.5 lakhs last year, and I hope you will agree to this. I am glad to inform you that the Industrial Finance Corporation of India have communicated their approval to our declaration of 12% dividend subject to tax in terms of the Agreement for which I am grateful to them. In the light of what I have said before regarding mounting production costs on the



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one hand over which we have no control and controlled prices of finished products on the other, you will consider the working results of the year quite satisfactory and I should like to point out that the pleasing results now presented are mainly due to continued vigilance and prudence exercised by the Management in all directions.

I am happy to inform you that the Labour-Management relations continue to be cordial. The Five-Year Industrial Peace Agreement concluded between the Management and Labour in May 1958 expired in May 1963. All reasonable demands of Labour are sympathetically considered by your Directors. Your Directors have sanctioned financial relief involving an annual expenditure of Rs. 3 lakhs to staff and labour. Further, a bonus of three months' salary or wages and one more months' salary or wages as ex-gratia for having reached the highest production, have been sanctioned and disbursed to all our employees. It will be of interest for you to hear that a good number of our employees have become Shareholders of the Company by acquiring new Shares, thus identifying themselves with the interests of the Concern.

Scheme of Expansion

You will naturally expect me to say a word or two on the progress made in the implementation of the Scheme of Expansion since we met last. I informed you last year about this time that arrangements had been completed to secure the complete range of equipments necessary to step up production to 18,000 tonnes and contracts concluded with the Suppliers of Plant and Machinery in Germany and United Kingdom. Messrs. J M Voith of Germany in execution of the Contract for supply of Pulp Plant have despatched practically the entire equipment and a portion thereof has already reached the factory site. Messrs. Escherwyss of Ravensburg, Germany and Messrs. Millspaugh of Sheffield, England, with whom orders have been placed for Paper Machine, Stock and Chemical Preparation Plant and other Paper Machine equipments respectively have despatched the entire set of equipments and 50% have been received at the Factory and the balance is expected to reach Madras Port shortly. Likewise, Messrs. Masson Scott and Co., with whom orders have been placed for the Duplex Super Cutter, have arranged for the despatch and the shipment is expected early. Boiler and Steam Distribution equipments and also the Black Liquor Recovery Unit ordered with Messrs. Babcock and Wilcox have all been received at the Factory site. I am glad to inform you that the erection of the Boiler has already been taken up and the erection of Pulp Plant and Paper Plant is expected to be taken up sometime in October/November this year.

On the side of the development Finance, you had been told that all agreements and arrangements with the three Lending Institutions, The Commonwealth Development Finance Co., Ltd., London, the Industrial Credit and Investment Corporation of India, Bombay and the Industrial Finance Corporation of India, New Delhi had been completed. We have drawn £ 5,25,000/- (sterling) from the Commonwealth Development Finance Company Limited, and Rs. 55,00,000/- (in foreign currencies) from the Industrial Credit and Investment Corporation of India to pay for foreign purchases and Rs. 35,00,000/- from the Industrial Finance Corporation of India for purposes of indigenous purchases and local expenditure.

I would like to avail myself of this opportunity to thank you, the members present here and other members who are not present here today not only for the satisfactory response made in subscribing to the Rights Issue and payment of calls, but also for the continued support you have been extending to me all along.

New Plant

Necessary funds have been secured for the expansion scheme. Thanks to our Suppliers, good progress has been made in the acquisition of equipments from abroad. The Civil Engineering Works at the Factory site have made satisfactory progress. Unless there be any unforeseen or insurmountable difficulties, I expect the New Plant to go into production before we meet next and to be able to present you with the Complimentary Letter Pads containing samples of paper turned out of our new Paper Machine.

Your Directors have contributed a sum of Rs 25,000/- to the National Defence Fund, and I trust you will appreciate and accord approval to the same.

A Special Resolution to amend Article 96 of our Articles of Association is being placed before you suggesting an increase in the Sitting Fee to your Directors. For reasons stated in the Explanatory Note, annexed to the Notice convening this Meeting, I hope the proposal would meet with your whole-hearted approval, and with your permission, I shall seek the approval of the Central Government to this enhancement of Sitting Fee and consequent amendment in due course.

On behalf of the Company, it is my pleasant duty to express my thanks to the authorities of the Commonwealth Development Finance Company Ltd., London, the Industrial Credit and Investment Corporation of India, Bombay and the Industrial Finance Corporation of India, New Delhi, State Bank of Mysore, State Bank of India, and the Canara Banking Corporation Ltd., for their support and assistance in the implementation of the Development Plans.

I would also like to express on behalf of the Directors and Shareholders, our grateful thanks to the Central and State Governments for the continued interest they are evincing in the progress of the Mills.

I am very grateful to my colleagues on the Board for their wholehearted support and valuable guidance.

I wish also to express on behalf of the Directors and my own our warm appreciation of the willing and efficient co-operation of all our employees.

Ladies and Gentlemen, with these observations, I now move that the Directors' Report and Audited Balance Sheet and Profit and Loss Account for the year ended 31-3-1963 be *"approved and adopted."*

N.B. :—This does not purport to be a Report of the proceedings of the Shareholders' Meeting, a copy of which shall be sent to the Shareholders separately.

Around Bombay Markets

Dalal Street in Good Temper

Thursday, Morning

THE mood has changed and Dalal Street appears to be in form again. Equities have recorded all-round improvement and the rise has been fairly impressive in the case of speculators' favourites. Within less than a fortnight, Indian Iron has shot up from Rs 22.48 to Rs 23.80, Tata Steel from Rs 140 to Rs 146, Hindustan Motor from Rs 16.16 to Rs 17.20, National Rayon from Rs 317 to Rs 339, Century from Rs 528 to Rs 546 and Bombay Burmah from Rs 59.70 to Rs 62.70. Turnover has increased though activity is still predominantly professional. With outside public interest continuing to be on the low side, the stock market, however, lacks the buoyancy associated with a big rise in prices.

The recent corporate news has no doubt been encouraging but the turn in market sentiment cannot be easily explained on that score. The explanation that the recent strength in the stock market reflects its optimism about substantial modifications in the Government's fiscal policy, Gold Control and compulsory deposit scheme following the changeover of the Finance portfolio also does not convince. In according an appreciative welcome to TTK as the new Finance Minister, the stock market is perhaps making amends for the unkind thoughts it has all along been entertaining about him. Had not the stock market registered a sharp decline when it heard of TTK's unopposed election? Big Business — and Dalal Street does represent Big Business — which is known to have always been critical of TTK can scarcely afford to incur his displeasure now that he is once again in charge of the Finance portfolio.

It is quite amusing to hear market men say that a few prominent operators have been trying hard to rig up the market by lending sustained massive support in order to create an impression that TTK is more welcome than Shri Morarji Desai. And the market being rather thin, it has responded quickly to selective professional purchases. Of course, absence of any adverse news from across the northern borders has also been very helpful in pushing up the market. The rectnt rise has brought the market fairly close to its July top - the highest for the year - from where it had slipped badly on alarming reports about the heavy concentration of Chinese troops along the borders. Technical reactions apart, the market could be expected to edge its way further up unless the sentiment is again upset by developments on the borders. The threat of Chinese aggression is, however, likely to keep the public away from the market. Prosperity is unlikely to return to the stock market in the near future.

Cotton

Prices Drift Lower

WEATHER is still the main factor determining the mood of the market. And the news last week was generally encouraging. Nearly all the important cotton growing tracts which had begun to feel a little uneasy because of the prolonged wet spell reported dry weather; and what is more, Cutch received the badly needed rains. Certain areas in the Punjab, however. reported some damage to the Deshi and 320F crops on account of the recent floods. With the overall weather reports quite favourable, the cotton market last week developed a distinctly subdued tendency. In futures, the March contract which had improved from Rs 700.75 to Rs 714.50 (per 3 quintals) between 19th and 27th August was down again at Rs 701.75 on 4th September and at its Wednesday's closing of Rs 705, it showed a net loss of Rs 6.25 over the week. Corrective profit-taking alone could have produced the setback that occured last week. But it is not unlikely that this setback may mark the beginning of an important downward move, provided, of course, the weather continues to oblige. Though the early maturing crop (Jarilla 197/3) is feared to have been adversely affected by excessive moisture, informed observers forecast the 1963-64 crop to be better than in the previous season when production set an all-time record of 57 lakh bales. These forecasts are based on normal weather conditions until the crop is ready.

Another good harvest can bring about a marked change in the outlook for cotton prices, especially when the carryover from the previous season has been fairly large around 21 lakh bales. Unlike last year, the market will not experience any scarcity of goods during September and October because stocks with the mills and the trade, particularly with the mills, are so big that they have little to bother until the new crop begins to move into the market in quantity. Spot prices can be expected to develop pronounced weakness once the trade is assured of a good crop. It is still too early to say what the crop will be like because it all depends on the weather during the next few weeks. September is a very critical period for the cotton crop.

Activity in the futures market is gradually picking up and the general sentiment is turning bearish. The turnover in the spot market continues to be restricted which is quite normal for this time of the year. Only the Southern mills have been figuring as the main buyers recently, with their interest centring mostly on CO2. Bengal Deshi prices have continued to display a firm tendency due to extremely poor carryover and emergence of domestic mill inquiry. Prices paid by the mills for new crop Deshi are considerably higher than those quoted by the Japanese buyers. Exporters, however, seem optimistic about an early revival of Japanese buying around the prevailing Indian prices.

While it will be some time before the Government announces its import programme for the current season it is reasonable to assume that normal imports, around 7 lakh bales, will be allowed to meet the industry's requirements of long staple cotton. It is said that the new Indo-Pakistani trade agreement will make possible the import of some 60,000 bales of cotton from Pakistan. Mention might be made here of Shri Manubhai Shah's statement in Parliament that there will be no further import of viscose staple fibre under the U S non-project assistance. This decision follows the representation made by the Indian Cotton Mills' Federation against imports of this fibre.

Oilseeds

Steadier at Week-end

IT was quite an unexciting week for the oilseeds market. Business was usually on the low side and fluctuations were very narrow. Groundnut futures which continue to monopolise speculators' attention moved both ways between Rs 218.75 and Rs 216.62 and closed unchanged over the week at Rs 218.37. Castor March drifted idly between Rs 164 and Rs 162.50. Linseed attracted some attention near the week-end and the March contract which had eased from Rs 37.25 to Rs 36.31 was up again at Rs 37.37 (per 50 kgs). While recovery in groundnut futures was in the nature of a technical correction brought about mainly by short covering, the buying in linseed futures was said to have been induced by rumours about an early increase in the export incentive for linseed oil.

With weather reports from the groundnut producing areas continuing to be very favourable, the trade expects the new crop to be appreciably larger than that in the previous season. But bears are still reluctant to be aggressive because of the continued firmness in the spot material which might persist for some more time until new crop begins to find its way into the market. Though the demand for ready goods continues to be fairly satisfactory and offerings are restricted, few observers expect any important rise in spot prices in face of the large prospective supplies. In any case, the current prices for the new crop January contract appear to be on the high side and if the weather conditions remain favourable futures prices can be expected to record a moderate decline from the current levels.

Export houses reported fairly good business in groundnut extractions with the U K though the prices realised were about 10 shillings per ton lower than in the preceding week. Shippers were able to offer their goods at lower prices because of the availability of charter freight at 90/92 shillings per long ton as against the Conference freight of 117-10 shillings (net after allowing deferred rebate). The latest U K quotations for Indian extractions were placed at £ 36 for September shipment, 36-5 for October, £ 35-10 for November, £ 35-5 for December and £ 34-10 for January shipment. Export prospects for groundnut extractions are considered to be quite promising though prices are likely to show an easier tendency because of the increased Indian offerings once new crop groundnuts become available in plenty. The crop movement will be in full swing after about the middle of October. Export houses did not mention any fresh business with Communist countries last week but these countries are unlikely to keep off the market for long. Apart from extractions, fairly good business was reported to have been put through in groundnut HPS. Poland was mentioned as the main buyer, taking nearly 1,500 tons. December shipment, at around Rs 1,040 per ton f o b Indian ports. There were also reports of some 800 tons of castor oil having been purchased by Czechoslovakia. The U K did not evince any interest in Indian castor oil and the prices quoted were around £ 102 per ton for Commercial and £ 106 for BSS. Linseed cake and linseed oil continued to be completely neglected. Export business in linseed oil can revive if the export incentive is liberalised. There seems little justification for not treating linseed oil at par with groundnut oil under the export promotion scheme. In fact, it would be a much better policy to encourage the export of linseed oil instead of groundnut oil. Export of linseed oil can earn the same foreign exchange as groundnut oil without seriously disturbing the domestic price level for edible oils.

Hindustan Motors

THE Directors of Hindustan Motors state in their Annual Report for the year ended March 31, 1963, that despite various difficulties such as delay in obtaining licences, drastic cut in foreign exchange allocation, power shortage, and scarcity of raw materials, the working results have been satisfactory. Production of cars and trucks increased during the year. The indigenous content of the Ambassador car and Bedford truck have increased thereby making further progress towards self-sufficiency. Demand for the Company's vehicles is good with a back-log of orders for cars booked with dealers throughout India pending delivery. Sales expanded to Rs 29.29 crores from Rs 24.90 crores in the previous year. Gross profits rose from Rs 386.19 lakhs to Rs 421.50 lakhs. Depreciation absorbed was less at Rs 71.50 lakhs (Rs 73 lakhs). Development rebate reserve also got less at Rs 9.75 lakhs (Rs 11.50 lakhs). But provision for taxation took away Rs 70.50 lakhs more at Rs 222.50 lakhs. Balance of profit was lower at Rs 117.75 lakhs as compared with Rs 149.69 lakhs in 1961-62. Including the last year's balance of Rs 1.26 lakhs, the amount available for disposal came to Rs 119.01 lakhs (Rs 152.45 lakhs) from which Rs 25 lakhs (Rs 50 lakhs) have been allocated to General Reserve, Rs 85,409 earmarked for preference dividend. Rs 3,043 carried to next account, and the balance of Rs 93.13 lakhs transferred to a Dividend Reserve. The Directors propose to pay out of the Dividend Reserve, dividend on ordinary shares at Rs 1.15 per share, subject to tax, as against Rs 1.25 in the previous year. The reduction of net available profits is, according to the Directors, due to the impact of SPT and increases in import and excise duties, central sales tax and other taxes, and has led to a cut in the dividend.

CURRENT STATISTICS

Foreign Trade of India

PRINCIPAL EXPORTS

(Rs lakhs)

	Apr '63- Jun '63	Apr '62- Jun '62	Jun '63	Jun '62
Food	**4868.5**	**3798.1**	**1455.1**	**1258.5**
of which				
Meat and meat preparations	49.5	39.4	15.2	14.0
Fish and fish preparations	112.7	65.5	33.8	21.4
Fish: fresh or simply preserved	98.7	47.8	31.0	11.1
Fish and fish preparations, canned or not	14.1	17.7	2.9	10.3
Cereals and cereal preparations	5.4	1.7	1.9	10.3
Fruits and vegetables	685.6	645.5	201.7	194.8
Fruits and nuts, fresh	521.7	517.0	144.2	154.4
Dried fruits	6.4	6.5	2.1	1.6
Vegetables, fresh and dry	136.2	106.6	48.3	33.6
Vegetables preserved	18.5	12.5	6.2	3.9
Sugar and sugar preparations	1321.6	483.1	298.2	78.1
Sugar	1321.1	482.8	298.0	78.1
Coffee, tea, cocoa, spices and manufactures thereof	1889.2	1889.8	674.4	779.3
Coffee	259.0	159.6	61.3	11.3
Tea and mate	1339.7	1395.9	536.9	672.0
Spices	286.1	332.4	75.6	95.3
Feeding stuff for animals	800.3	665.4	228.4	167.3
Beverages and tobacco	**841.0**	**759.6**	**228.2**	**105.0**
Tobacco and tobacco manufactures	840.7	759.6	228.2	105.0
Tobacco unmanufactured	824.3	744.8	223.1	100.9
Tobacco manufactures	16.4	14.8	5.1	5.4
Crude materials, inedible, except fuels	**3238.9**	**2738.9**	**1088.4**	**815.0**
Hides, skins and fur skins, undressed	277.2	274.9	73.7	92.1
Hides and skins, undressed	262.9	269.7	72.9	91.7
Oil-seeds, oil nuts and oil kernels	95.7	114.9	16.8	27.0
Wood, lumber and cork	85.0	90.6	21.3	20.2
Wood in the round or roughly squared	84.9	90.1	21.3	20.2
Textile fibres and waste	766.1	661.0	274.6	224.7
Wool and other animal hair	83.2	169.5	40.6	42.9
Cotton	501.1	406.9	179.5	161.2
Jute, including jute cuttings and waste	96.0	1.6	30.5	—
Vegetable fibres, except cotton and jute	67.4	59.8	16.3	13.6
Waste material from textile fabrics, including rags	12.4	9.1	3.6	3.0
Crude fertilisers and crude minerals, excluding coal, petroleum and precious stones	300.6	342.9	91.5	116.5
Crude minerals	299.1	339.5	90.5	116.1
Metalliferrous ores and metal scrap	1167.1	779.9	424.3	208.7
Iron ore and concentrates	863.2	454.0	308.7	114.1
Iron and steel scrap	93.5	46.0	34.1	9.3
Ores of non-ferrous base metals and concentrates	209.7	277.9	81.1	34.5
Animal and vegetable crude materials, inedible, n e s	547.1	473.8	186.2	125.8
Crude animal materials, inedible n e s	119.9	141.6	33.1	33.3
Crude vegetable materials, inedible n e s	427.2	332.2	153.1	92.6
Mineral fuels, lubricant and related materials	**234.4**	**125.0**	**94.0**	**44.8**
Coal, coke and briquettes	66.0	70.9	14.9	24.5
Petroleum products	168.4	54.0	79.1	20.3
Animal and vegetable oils and fats	**592.3**	**269.6**	**175.4**	**70.3**
Vegetable oils	572.9	251.7	169.0	63.9
Oils and fats processed, and waxes of vegetable or animal origin	19.5	17.9	6.5	6.4
Chemicals	**178.4**	**204.0**	**67.0**	**76.7**
Chemical elements and compounds	48.4	27.5	17.0	9.8
Inorganic chemicals	13.6	10.9	2.8	5.0
Organic chemicals	34.7	16.5	14.2	4.7
Mineral tar and crude chemicals from coal, petroleum and natural gas	8.6	2.1	3.7	—
Dyeing, tanning and colouring materials	13.5	5.6	4.9	1.4
Medicinal and pharmaceutical products	22.5	20.9	7.9	9.2
Essential oils and perfume materials, toilets, polishing and cleansing operations	78.9	139.7	31.2	53.1
Essential oils, perfume and flavour materials	78.9	139.7	31.2	53.1
Perfumery, cosmetics, soaps and cleansing and polishing preparations	10.0	12.0	2.6	3.7
Manufactured goods classified chiefly by material	**7048.7**	**6078.4**	**2379.2**	**2271.0**
Paper and paper board	15.2	17.3	5.3	9.7
Textile yarn, fabrics, made-up articles and related products	6172.8	5284.6	2066.9	2011.5
Textile yarn and thread	308.4	356.7	79.3	115.3
Cotton fabrics of standard type	1118.9	1001.4	397.9	306.1
Textile fabrics of standard type, other than cotton fabrics	3036.1	2022.2	976.0	901.0
Tulle, lace, embroidery, ribbons, trimmings and other small wares	29.2	29.5	8.9	7.8
Special textile fabrics and related products	40.1	44.3	16.2	20.0
Made-up articles wholly or chiefly of textile materials n e s (other than clothing and footwear)	1411.4	1450.4	520.7	599.5
Floor coverings and tapestries	228.7	180.1	67.8	61.9
Non-matallic mineral manufactures	21.8	32.1	6.7	8.0
Lime, cement and fabricated building materials, except glass and clay materials	5.4	12.4	2.0	3.5
Mineral manufactures, n e s	5.9	5.9	2.4	2.2
Glassware	6.2	5.4	2.0	1.8
Silver, platinum, gems and jewellery	29.5	28.6	4.1	3.8
Precious and semi-precious stones and pearls, unworked and worked	4.5	2.8	1.2	1.0
Jewellery and goldsmiths' and silversmiths' wares	25.0	25.4	2.8	2.3
Base metals	47.7	33.8	29.3	9.6
Iron and steel	26.7	32.4	13.3	9.2
Copper	5.6	1.0	1.2	—
Manufactures of metals	70.2	77.5	23.1	23.7
Machinery and transport equipment	**120.5**	**85.5**	**44.4**	**39.1**
Machinery other than electric	51.3	57.0	13.4	26.4
Power generating machinery	16.1	14.5	4.2	6.6
Mining, construction and other industrial machinery	32.7	40.0	8.3	18.4
Electric machinery, apparatus and appliances	43.7	20.0	16.8	10.1
Transport equipment	25.5	8.5	14.2	2.7
Miscellaneous manufactured articles	**394.4**	**248.3**	**139.4**	**76.3**
Travel goods, handbags and similar articles	7.8	5.7	2.7	1.7
Clothing	117.5	15.7	40.6	4.5
Footwear	62.7	63.5	23.2	13.1
Professional, scientific and controlling instruments; photographic and optical goods, watches and clocks	51.9	37.4	20.1	12.7
Exposed cinematographic films, whether developed or not	47.3	33.3	19.0	11.8
Miscellaneous manufactured articles, n.e.s.	143.1	115.3	49.2	39.8
Printed matter	32.4	27.8	10.2	8.9
Manufactured articles, n.e s	106.8	82.7	37.6	29.4
Miscellaneous transactions and commodities; n e s	**98.7**	**127.7**	**23.6**	**32.4**
Postal packages, not classified according to kind	46.6	91.2	5.9	23.3
Returned goods and special transactions	32.7	17.1	11.9	2.0
GRAND TOTAL	**17616.4**	**14435.1**	**5694.6**	**4789.2**

Source: Department of Commercial Intelligence and Statistics, Government of India, Calcutta.

BANKING RETURNS

(Rs Crores)

Reserve Bank	**Aug 30**	**Aug 23**	**Aug 2**	**Aug 31, '62**
1 Note circulation	3205.13	2208.74	2215.14	2011.38
2 Rupee coin	325.00	121.83	119.65	124.43
3 Deposits				
(a) Central Govt	73.90	65.04	121.36	92.12
(b) Other Govts	10.22	15.19	32.79	34.85
(c) Banks	89.14	101.61	82.73	81.13
(d) Others	159.82	160.25	204.64	168.19
4 Foreign securities	89.46	89.46	92.26	88.34
5 Balance abroad	5.06	8.35	5.98	5.75
6 Rupee securities	1892.20	1907.12	1904.32	1723.00
7 Investments	222.28	223.31	327.11	236.32
8 Loans and advances to Govts	45.40	45.03	38.48	26.27
9 Other loans and advances	139.68	138.22	138.10	156.07
Scheduled Banks	**Aug 23**	**Aug 16**	**July 26**	**Aug 24 '62**
1 Aggregate deposits (net)	2196.07	2179.81	2174.74	2060.62
Demand (net)	960.10	957.39	928.49	801.27
Time (net)	1235.96	1222.42	1246.24	1259.35
2 Cash in hand	53.95	59.08	51.45	51.98
3 Balance with Reserve Bank	95.03	84.57	79.33	99.17
4 (2)+(3) as % of (1)	6.78	6.59	6.01	7.34
5 Borrowings from Reserve Bank				
(a) Against usance bills and/or promissory notes	—	—	0.09	—
(b) Others	0.38	0.32	0.25	0.75
6 Advances	1256.23	1269.30	1272.14	1193.21
(a) State Bank	240.48	245.60	245.94	253.35
(b) Others	1015.75	1023.70	1026.20	939.86
7 Bills discounted				
(a) Inland	161.67	163.97	162.45	130.88
(b) Foreign	49.93	47.96	51.46	48.75
(c) Total	211.60	211.93	213.91	179.63
(i) State Bank	15.92	16.27	16.84	14.38
(ii) Others	195.68	195.66	196.07	165.25
8 (6)+(7) as % of (1)	66.84	67.95	68.33	66.62
9 Investment in Govt Securities	745.84	730.48	687.17	681.22
10 (9) as % of (1)	33.96	33.51	31.60	33.06

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WHEN MAHABIR SEES RED...

...he thinks of motor spirit! It's a natural reaction. Mahabir Routh is a general workman at Garhara depot. One of his many jobs is the loading of bulk petroleum products. The valves controlling the flow from tank to delivery vehicle are coloured—Red for motor spirit, light Blue for kerosine oil, Grey for high speed diesel oil and so on. Mahabir knows them all. In his seventeen years on the job, he has acquired skill and confidence. He follows instructions to the letter and does his work well

HIS PROUDEST POSSESSIONS?

A generous moustache, two grandchildren and his job. Mahabir's face softens perceptibly when he talks of his grandchildren. His favourite: a girl aged six. 'She is intelligent,' Mahabir says. He has already planned her education. Quiet and friendly, over the years he has won the trust of his co-workers.

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How Poor, the Poor?

THE great income controversy is at last at rest. Lohia, who brought up the subject in his speech in the debate on the no-confidence motion in the Lok Sabha, has been proved wrong — though, we may be sure, not silenced. Nanda has quoted chapter and verse of National Sample Survey reports and Planning Commission studies to establish that the people of India, even the poorest of them, are not as poor as Lohia makes them out to be.

But how poor are the poor? According to Nanda, the poorest ten per cent of the population have an average monthly per capita expenditure of Rs 8 in rural areas and Rs 10 in urban areas, or 4.3 annas and 5.3 annas per day, respectively! What does that mean? The most austere balanced diet with a minimum consumption of other items would, it has been estimated, cost something like Rs 35 per head per month. For the poorest ten per cent of the population, over 40 million people, to be able to aspire to this standard by 1976, that is by the end of the Fifth Plan, the rate of growth of per capita income would have to be 12 per cent, compared to the Third Plan target of 4 per cent and the slight *fall* in per capita income actually achieved in the first two years of the Plan.

There is more to all this than the growth of per capita income. How deep do the scanty benefits of development percolate? Income distribution is a subject about which much is suspected, little known (and the Mahalanobis Committee seems to be in no mood to oblige). The precise arithmetic of *average* per capita consumption is not, therefore, really very meaningful. What is meaningful is that from all available accounts the under-privileged sections of society have very little to show for the 15 years of Independence and a decade and more of planned economic development.

Once again, abandoning percentages let us consider two sections of the population, the unemployed and the agricultural labourers, who, it may be assumed, are among the most under-privileged. Now, no one may know for sure the state of unemployment in the country, but even those who can still get enthusiastic about the Plan know that the most that it claims to do is to provide employment to fresh entrants to the labour market, leaving the backlog of 9 million unemployed carried over from the Second Plan untouched. It is not likely to do even this and in fact the Planning Commission now appears to be reconciled to the Plan ending with more people without jobs in the country than there were when it began.

What then has gone wrong? Did not the Third Plan promise a "comprehensive programme of rural works" which, it was expected, would not merely create additional employment opportunities but also be the means to harness the large manpower resources in the rural areas for economic development? To admit that unemployment will increase over the Plan period, is that not an admission of the Government's incapacity to devise and put into operation economic policies and programmes which can turn into productive use the idle manpower of the countryside which is, after all, India's greatest asset potentially and its greatest responsibility at present?

If statistics of unemployment are at best impressionistic, even less is known about another part of the population which is perhaps only just better off than those who have no means of livelihood at all. Allowing that confusion over definitions and concepts vitiated the data thrown up by the Second Agricultural Labour Enquiry, its conclusion that incomes of agricultural labour families actually *declined* by 11 per cent between 1950-51 and 1956-57 cannot be ignored. What is important is not the exact decline in incomes or even whether there was a decline at all, but that the benefits of an outlay of almost Rs 300 crores on agriculture and community development in the First Plan had gone to sections of the rural population other than this, the weakest. Economic concentration and the tendency for the rich to get richer have not found the rural soil infertile.

The powers that be, to which gods do they offer oblation? Certainly not to Vivekananda's God, the poor.

Malaysia

A JUDICIOUS vagueness about Malaysia is appropriate as we go to press three days before the proposed federation is declared born or postponed. It is not clear whether birthday wishes should be sent or messages of alarm at 'developing tension'. Britain, in its maternal guise, has shown both a marked propensity for bringing forth federations, and a marked lack of success in ensuring their survival — the Central African and West Indian Federations are gravestones along the way; verdict would be premature on the South Arabian or East African Federations.

The marriage of the four south-east Asian territories unites many more complex variables than might initially have been supposed. First, within the Malaysian territories, Malaya is overwhelmingly the most powerful element. The most prosperous country in Asia, it needs to expand its influence, spread the scope of its economy and strengthen its territorial power against its more powerful neighbours. In addition, it needs to offset the powerful role of the Chinese in Malaya — racial conflict is a minor factor in the situation, but always a potential friction point (witness the current tussle between Sarawak and Malaya over their future Governors). Singapore is the most developed of the four, an island of high urban prosperity and occassional political instability. Lee Kuan Yew, the Prime Minister, has had to run fast to keep ahead of his own powerful left-wing : submerging Singapore in Malaysia would both solve the anomalous position of Singapore as an independent port dependent in the main on Malayan trade, spread the city's economic base, and strengthen Lee in his war against the militants. Accordingly, Lee, having bargained hard, pressed strongly for the creation of Malaysia by August 31 (that is, before the current elections broke upon him). When the date was postponed, he was one of the more truculent critics of Tunku Abdul Rahman, and organised a substitute celebration by unilaterally announcing Singapore's complete independence of Britain from August 31. While this may have saved the municipality expense, it intensified the friction between Malaya-Britain and the city. Having failed to stampede Malaya into federation, Lee had little more to offer to his domestic critics than further assertions of independence and criticism of Malaya and Malaysia.

In Sarawak, a strong Communist group opposes federation, and in the last elections, helped to ensure a majority for anti-Malaysian candidates. It is by no means clear, however, that a majority of the population is against federation, despite sporadic bouts of rioting. Self-government on August 31 does not seem to have deflected Sarawak's leaders from moderate support for Malaysia. Similarly in North Borneo (Sabah), self-governing on the same date, riots and guerilla warfare, supported from over the border in Indonesian West Borneo, have not provided a clear index of opinion — indeed, given the primitive level of some sections of the population, it is doubtful whether there is wide awareness of a problem, let alone definable choice.

The major variable in the equation, however, is outside Malaysia. Indonesia, an army with a country (the major share of national revenue went to the armed forces in 1962), faced with extreme economic strain and inflation (consumer prices increased 480 per cent between January 1961 and November 1962), has domestic troubles which impinge directly upon its foreign affairs. The powerful Indonesian Communist Party decided long before Moscow or Peking that Malaysia was an imperialist conspiracy to retain British military power in south-east Asia (which it perhaps is) — and whether with relief at finding a convenient diversion from domestic headaches, or in order to outbid the Communists, Sukarno took up the challenge with enthusiasm. Indonesia will one day be amongst the most powerful countries in the world, and Malaya was wise to treat its demands with circumspection : especially when those demands amounted to very little in real terms except face-saving for Sukarno. Tunku Abdul Rahman gracefully accepted the postponement of Malaysia's foundation day (later setting it unilaterally for September 16) and accepted an independent enquiry into opinion in North Borneo and Sarawak. Sukarno made it fairly clear that whatever the UN enquiry finally discovered (in the presence of Indonesian observers or not), he would still regard Malaysia as a dark British plot. There are restraints, however, most notably the extensive Indonesian economic interests in Malaya and Singapore which would be sequestered in the event of hostilities; British military power which is pledged to defend the infant federation; and the unstable domestic situation in Indonesia — hostilities might strengthen Sukarno against his rivals, but it might also be the straw that breaks the poor camel and Sukarno with it.

Latest reports suggest the UN enquiry will offer support to the Tunku, to the intense relief of all Malaysians since any further delay would increase the temptations to disintegration : at this late date, for example, the Sultan of Kelantan, asserting State autonomy (Malaya is itself a federation), has sued the Government to restrain it from federating. Meanwhile Indonesia has advanced beyond the stage of encouraging volunteers to join the North Borneo guerilla force, and has defined the grandiloquent 'policy of confrontation' which includes the formation of special battle units to stand by on the border (in answer, it is alleged, to the build-up of British forces in the area). In addition, Sukarno is despatching to the UN General Assembly (opening on September 17) a strong delegation, armed with irrefutable evidence that both disputed territories oppose Malaysia.

This then is the situation. On balance, the combination of the Tunku's determination and British military power should ensure that Monday will see the dawn of the federation, whatever complaints Indonesia has. Whether the infant will prove as lusty as its parents originally thought, remains unclear. In any case, it has to live with Indonesia. But that turns upon the balance of power within Indonesia, whether this impels stability or brave words and romantic postures.

Monetary Policy

THE principal interest in the annual reports which the Reserve Bank's Central Board presents to the Government on the working of the Bank centres on the discussion of developments in the sphere of credit and finance and the rationale of the Bank's monetary policies. The reports also contain a compact review of the general economic situation during the year, providing much authentic factual information. The report for the year July 1962 to June 1963, released this week, follows this usual pattern.

The discussion of the economic situation in the report leads principally to a reiteration of the importance of increasing agricultural output to raise living standards and rural incomes, to reduce industrial costs and to promote exports. It is pointed out once again that the State Governments have not made the necessary effort to tax agriculture. Taking the economy as a whole, however, the report expects that the Plan target of additional tax revenue would be substantially exceeded. Tax revenue as a proportion of national income has risen from 9.6 per cent in 1960–61 to about 13 per cent at present. Further increase in tax receipts, the report feels, would have to depend largely on income expansion rather than on new fiscal measures or upward revision of existing tax rates.

The report is appreciative of the "bold tax effort" in the current year's budget. In contrast to the "large quantum of net bank credit to Government, which is the overall measure of deficit financing, witnessed during the last two years", the Budget for 1963-64 "aims in a purposive manner at alleviating the pressure of demand", thereby rendering the task of monetary policy easier. It is gently pointed out that the Reserve Bank's monetary policy cannot succeed without a fiscal policy that is consistent with its objectives.

Turning to particular aspects of the Bank's monetary policy, it is suggested that the technique of the slab system provides a compromise which solves the conflict between the Bank's role as the lender of last resort and as the regulator of credit. It may be asked, however, whether these conflicting roles could not be reconciled by the more traditional methods of raising the Bank Rate and prescribing some sort of a ceiling on borrowing from the Reserve Bank. The real purpose of the slab system is different; it avoids frequent changes in the Bank Rate, which may upset the Government securities market. Why not say so ?

The justification advanced in the report for prescribing a higher liquidity ratio for banks also cannot stand close scrutiny. The reason for prescribing a 25 per cent liquidity ratio, it is said, is that it would prevent the banks from neutralising an increase in the reserve requirements by lowering their security holdings. But the banks can make offsetting changes in their investment portfolio even with a higher liquid assets ratio as long as their investment in government securities exceeds the statutory minimum. The change required, then, is not in the statutory minimum ratio for liquid assets, unless larger bank resources are required for the public sector (which seems to be the motivating factor behind this change). If the Reserve Bank were empowered to change the liquidity ratio, say from 20 per cent to 40 per cent, it would have been much more effective for the purpose than the higher liquid assets ratio. The power to change this ratio along with the reserve ratio would enable the Reserve Bank to regulate bank advances to the private sector better than the new powers which it has obtained.

The new legislation empowering the Reserve Bank to grant advances to banks against export bills for 180 days was long overdue. However, in the present form it does not go far. If the purpose is to give credit incentive for exports, banks should have been allowed to borrow against all export usance bills at 2 per cent below the Bank Rate, provided exporters were charged ½ per cent less than the Bank Rate by the banks; the new facility offered is only for rupee bills and that too at the Bank Rate. This is clearly inadequate and cannot be very attractive to exporters.

An interesting development mentioned in the report is the shift in favour of demand deposits in the banking system when over the last decade or so the trend has been in favour of time deposits. It would be worth examining whether this trend changed during 1962-63, as the report suggests. In fact, no basic change seems to have taken place. What seems to have happened is that people, a little panicky because of the Emergency, did not want to lock up their funds in fixed deposits, and so converted their time deposits into demand deposits. This appears to be a purely temporary phenomenon and need not be made much of.

Weekly Notes

Changing Army

THE Defence Minister has followed up his statement on the NEFA report with another describing the steps being taken to increase the strength and combat efficiency of the army and improve communications in border areas. So there is at last a show of giving out information on defence. This is welcome so far as it goes, but how far does it go?

That our intelligence system has improved is probably shown by the Minister's statement that "the bulk (of Chinese forces in Tibet) is concentrated at strategic points closer to our borders than they have ever been before". The pace of recruitment of other ranks is "more than satisfactory" and the facilities for training have been expanded substantially. Special incentives are being offered to attract medical and technical personnel whose response to the offer of emergency commissions has been, understandably, poor. The construction of border roads is going ahead vigorously. The Eastern Command has been bifurcated, some changes have been effected in the organisation of the Army Headquarters and commanders at different levels are now said to have a better awareness of their responsibilities.

On the question of equipment and the organisation of infantry divisions the Defence Minister had little enlightening to say. We have been told, or re-told rather, that ordnance production has doubled and that six new ordnance factories are to be set up, of which, however, only two have been assured of foreign assistance. Production of a highly satisfactory semi-automatic rifle has "now started" at Ishapore. Early this year, the Ishapore factory was reported to have started the manufacture of an automatic rifle. That announcement, made by the Prime Minister himself, it now appears, was premature or referred only to the production of an experimental prototype. Between this stage and the mass production of the weapon there has to be necessarily a gap. What one needs to know, therefore, is not just that a particular design for a semi-automatic has been chosen and that its production has started but how long it will take to get it into mass production and general use, and how far it will be complemented by domestic production of the ammunition required for it. The Defence Minister's statement threw no light on these points.

Regarding the re-organisation of infantry divisions, the Minister made only a cryptic reference. Their 'formation' is being adjusted in accordance with their enhanced fire power and the requirements of operational flexibility. What precisely does this mean? Indian infantry divisions hitherto consisted of about 20,000 men instead of the normal strength of 10-12,000. This double-division formation was a hangover of the Second World War and was marked by low firepower per soldier. This pattern of organisation has quite understandably proved unsuitable on mountainous terrain. As fire-power and communications improve it should be possible to reduce the strength of divisions without affecting their effectiveness.

The reorganisation of the infantry division may be a technical matter, however important, but it is well to recognise that the entire army is in the process of undergoing a profound transformation. Long before the Chinese aggression, there had begun to appear a substantial shortage of officers in the army, largely because of the retirement of those recruited during the War. This deficiency had to be made up before meeting the requirements of the fresh large-scale expansion. This has necessitated the recruitment of a very large number of officers. According to the Defence Minister, by the end of this month some 6,000 new officers would have been commissioned and by the beginning of next year — that is within a period of about 15 months — the army would have more than 8,000 new officers. It is a matter for consideration whether such large scale recruitment and rapid commissioning can be carried through without serious dilution of standards. The danger is even more real in the case of JCOs and NCOs, considering the educational and general background of recruits to these ranks. The average length of service before promotion of JCOs and NCOs has been steadily declining in recent years and the present burst of expansion will sharply accelerate the process.

Persia to the Polls

ON September 17 Iran goes to the polls to revive the truncated Parliament (Majlis) that existed before the Shah dissolved even this to rule by Cabinet decree (May 1961). The Shah's wisdom in holding elections at all seems on the face of it substantially less than his courage.

Since the fall of Mossadeq, the Shah has waged a long drawn-out campaign to fortify his own rule with popular support and thus open the way to reform in Iran. Such has been the nature of this campaign, that the Shah has succeeded in alienating not only the centres of orthodox reaction, but also at least some of those sections of Iranian society he so assidously wooed. As a result, he has been forced to dispense with democratic forms at the same time as expanding the military and administrative machine to a point where it is a positive barrier to Iranian prosperity, let alone development.

In the political field, the Shah sought to break the independent power of the landowners in the Majlis. In 1958, he created two puppet parties, a Government and a 'Loyal Opposition', which were to have a monopoly of nominating candidates for the Majlis. The attempt failed ignominiously — independents defied the king and stood for election. The Shah was forced to admit the elections had been rigged. Political opposition continued, and the Shah was driven to dissolve the Majlis and rule alone.

With undivided autocracy, he was able to make more systematic attempts to separate landowners from tenants, to make the poor peasants along with the workers and women his natural allies against Khans and Mullahs. Accordingly, a wide-reaching land-reform programme, local and regional Government reform (to break Khan domination and institute local peasant democracy), profit-sharing in factories and enfranchising adult women were all introduced. The counter-attack was sudden and violent — riots broke out in Shiras, Qom and, most seriously, in Teheran (1,000 casualties are rumoured in the city). Only military force, not the hoped-for popular support, saved the regime. Again, the least useful form of expenditure for development, military, was increased to safeguard the reform programme.

Despite the suppression of opposition, however, the main reforms have not thereby been expedited. The land reform programme has been slowed down because it was not closely planned beforehand, administrative staff to direct operations is lacking, and opposition on the countryside is not insignificant. Registration of voters for next week's elections has been similarly very slow, reflecting wide doubts or indifference.

The apathy, if not opposition, is one of the results of three years' recession which has had effects far more profound than the royal reforms. Investment is down, unemployment up, and general activity sluggish. Non-oil exports for the past three years have dropped from $105 million to $80 million. Last year's £100 million increase in bank credit to stimulate the economy merely swelled static bank accounts. The Development Plan, one year old, is scarcely begun, partly because of the cut in its finance. Given the economic problems and political instability, foreign aid-givers are reluctant to oblige. On the other hand, the foreign exchange position has improved and oil revenues are up by 10 per cent. In addition, the Government has announced a wide housing programme, and tentatively suggested rural development projects to prime the pump.

The specific limitations on political activity might conceivably succeed in uniting the reactionary opposition and the Left — a prospect that ought to cause the Government some alarm since then it will have only the bureaucracy to prop it up. However, perhaps the Shah's estimate of political realities envisages that the general economic situation might get worse, and that elections better be held now in case they become entirely out of the question. Yet no one in Iran can be taken in by the gesture. If the orthodox political machinery is robbed of its significance in this way, the Shah has only himself to blame when genuine opposition takes a different and, for him, far more threatening form.

Bokaro without U S Aid

SUBRAMANIAM'S requiem for U S Aid to Bokaro merely confirmed what had been leaked out to newspapers days earlier — that India had officially withdrawn the request for American aid for this project. There was little choice in the matter considering that the U S Congress had virtually forbidden the Administration to touch Bokaro for a year at the least. All that remained was to force on a smile and complete the civilities. This Subramaniam did by expressing his deep appreciation of "the efforts of the U S Administration and of President Kennedy himself to help us" and describing in some detail America's role as the largest aid giver to this country and the close cooperation between the two countries "in a number of fields". The withdrawal of the request for assistance, he emphasised, did not mean a lessening of U S interest in assisting India as was clear from the level of U S aid pledged at the Consortium meeting "which is higher than that given to any nation". Far from it, the decision to withdraw Bokaro from the list of projects for which India was seeking U S aid was taken in the interest of "preserving and further developing the basic friendship and sympathetic understanding" between the two countries and also of speeding up the execution of the project.

The latter was a weighty consideration for, in spite of all the preparatory work which Subramaniam claimed had been done, the infructuous negotiations for US aid lasting a year and a half have delayed Bokaro very considerably. Whereas the Third Plan expected a capacity of one million tons of steel ingots to be created at Bokaro by 1965-66 and an output of 0.3 million tons of finished steel in that year, it is now certain that Bokaro will not go into production till well into the Fourth Plan.

On the crucial question how the Government intends to go ahead with Bokaro without U S assistance, Subramaniam had nothing definite to say. However, he made two points which deserve some attention. First, it is the Government's intention to "make full use of the indigenous capacity already available and being built up to produce equipment for steel plants". Second, for equipment which cannot be manufactured internally the Government will invite tenders from a number of countries.

Import of equipment from many countries will involve formidable problems of coordination and will necessarily place a heavier responsibility on Indian technical expertise than if the supply of the entire plant were entrusted to one foreign manufacturer or even a consortium. This opportunity, if properly exploited, could provide the break-through to Indian engineering talent which many knowledgeable critics maintain it has not got so far for various reasons. It may also afford greater scope for use of Indian equipment. But in the absence of any reliable assessment of indigenous manufacturing capacity, scepticism is induced by the fact that it has not been possible to reduce appreciably the foreign exchange cost of the expansion of the three public sector steel plants now under way. The foreign exchange component of initial investment to set up the three plants came to about 50 per cent; as against this, the expansion programme for Rourkela, for instance, is expected to have a foreign exchange component of no less than Rs 48 crores in a total investment of Rs 105 crores.

Agricultural Income Tax

THE exclusion of agricultural incomes from the scope of the income tax in India was primarily a historical accident. Even when the anomaly was amended in 1935, agricultural income was still treated as separate and distinct and allocated to the States for taxing. But the States with their general disinclination to tax and in particular to touch the rural sector, have not made much of this source.

True, Bihar imposed a tax on agricultural incomes in 1938, within three years of the allocation of that revenue head. But the yield from the tax is insignificant and has increased by less than Rs 10 lakhs over the past decade. Other States have also introduced the tax but not with much more spectacular success.

A factual study of the agricultural income tax in the latest issue of the Reserve Bank's *Bulletin* highlights the variations in the tax as imposed in different States. The tax is currently in force in all but three States — Gujarat, Punjab and Andhra. But apparently it means very different things in the different regions. It is applicable only to certain areas — Bhopal and Vindhya Pradesh — in the M P and only to one particular type of agricultural income — that derived from the cultivation of commercial crops — in Mysore. In Jammu and Kashmir also it is only income from orchards and vegetables that is taxed. In Maharashtra it has been intended in the main as a levy on large sugarcane farms. There are also significant differences in exemption limits, rates, etc.

The study points out that as much as 55 per cent of the total cropped area in the country is outside the purview of this tax and also that the receipts are concentrated in a few States, where plantations are important. Of the total collection during the last three years, over 70 per cent was in Assam, Kerala and Madras. However, considered in the perspective of total State finances, agricultural income tax is of some significance only in Assam, where it forms about 15 per cent of tax revenue (though only 8 per cent of total revenue); and it is only in Assam again, among all States, that the yield from the tax is higher than the State's share of income tax. In Kerala the tax forms only 6 per cent of tax revenue while in Madras the proportion is even less, being just about 2 per cent.

Institutional changes may be partly responsible for this poor record. The Reserve Bank's study feels that "with the abolition of the intermediary type of tenures and with the imposition of a ceiling on the existing land holdings resulting in the disappearance of big landholders, the scope for this tax has been considerably restricted". But, that, surely, is not the whole tale; the attitude of the States to taxation in particular is no less relevant.

However, it was not for considerations of yield or incidence that the Taxation Enquiry Commission so strongly recommended the agricultural income tax. The Commission's primary concern was the anomaly created by the compartmentalisation of income into agricultural and non-agricultural. What they desired was the integration of the two for purposes of taxation. But this they considered a "long term objective", to be achieved in course of time, and hence made no specific recommendations on that line. As a first step, they recommended the imposition of the agricultural income tax by *all* States. But this by itself cannot smooth out all the anomalies arising out of the bifurcation of income; so they further suggested the adoption by *all* States of a system of surcharges on agricultural income-tax on the basis of the assessee's non-agricultural income, if any. That was over nine years ago. Today, some States have still to make a start with the agricultural income tax; and not one of those levying the tax has imposed the surcharge.

Farm Costs

THE question of a price policy for agriculture comes up for discussion from time to time. The last time this question was considered at an expert level was in 1957, by the Foodgrains Enquiry Committee, headed by Asoka Mehta. This Committee suggested the setting up of a high-powered authority to formulate a price stabilisation policy for agriculture and to work out detailed measures for enforcing it. It suggested also the establishment of a suitable organisation to carry on purchase and sale operations in foodgrains.

According to the Committee, the scope of the Price Stabilisation Board — the policy-making body — would cover not merely food prices but also the prices of a number of related consumer and producer goods. Thus the Board would examine prices of such commodities as cloth, oilcakes, fertilisers, iron and steel, etc, and study the margins charged at different stages before sale to the cultivator and make appropriate suggestions. It was considered possible for a vigilant Price Stabilisation Board to help in maintaining "a reasonably stable price-structure" by ensuring better coordination of the various measures bearing on prices of foodgrains and other related commodities.

As regards the minimum prices at which Government would be prepared to buy foodgrains for stocking, the Committee recommended that this should be reconsidered from season to season in the light of various factors, e g trend of costs, incomes, price parities, etc. Various relevant factors, e g cost of production of the concerned foodgrains and competing crops, cost of living of agriculturists and industrial labour, relative movements in prices of foodgrains and cash crops, and in incomes of agricultural and non-agricultural workers, were thus expected to be taken into account.

There is no doubt that these are difficult suggestions to implement, quite apart from the fact that the basic data on which the decisions of the Board have to be based are still largely unavailable. Nevertheless, the Government has been attempting on more or less *ad hoc* basis to control prices of foodgrains by buffer stock purchases. But apart from this it is doubtful if any progress has been made towards a well-thought out price policy for agriculture, not to mention the even more thorny problem of achieving some sort of parity between agricultural and non-agricultural prices.

This is, to say the least, most disappointing. The Government seems to believe that nothing more is needed than sporadic studies of costs. The new Food Minister, Sardar Swaran Singh, recently hinted that the Government may set up an Agricultural Commodities Advisory Committee to advise Government on agricultural production and price policy. But the only basis one can see for such policies are the farm management studies made at various centres, largely by private institutions. But these studies cannot take the plane of scientific study of cost in agriculture, properly planned and conducted on a

sample basis covering the entire country. An agricultural price policy cannot be made to rest on the results of even such a wide survey, conducted just once. Surely the State Statistical Bureaus and, if necessary, the machinery of the National Sample Survey could be pressed into service. And there is no time to be lost because in any case it will be quite a few years before the data are collected, tabulated and made usable for formulating price policies.

Not Enough Cane for Sugar?

WITH the approach of the sugar season, the Government will soon have to come to grips with the problem of ensuring that the industry will produce 33 lakh tons of sugar, which is what the country has been promised. This is 5 lakh tons more than in the last season. The capacity of the sugar industry, according to Sardar Swaran Singh, the new Food Minister, is 28 lakh tonnes, but this is largely irrelevant since in both 1959-60 and 1960-61 the industry produced as much as 5 lakh tons in excess of its national capacity. This is nothing surprising since in the sugar industry capacity is very elastic depending on the quality of cane and the length of the crushing season. The length of the crushing season, in turn, depends on the availability of cane which is, in fact, the hub of the problem.

Present sugarcane crop prospects indicate that if 33 lakh tons of sugar are to be produced in the coming season there is going to be very keen competition for cane between mills and gur and khandsari producers; and the outlook for mills is not exactly hopeful. While it is true that sugar prices have gone up somewhat over the last year, the rise in prices of khandsari and gur has been little short of phenomenal. The index of wholesale prices of sugar stood at 136 in the last week of July, compared to 131 in July last year; the index for gur was 227 against 165 last year. The Food Minister himself has conceded in Parliament that gur and khandsari prices are almost double what they were during the last crushing season. Even normally gur and khandsari makers consume twice as much cane as the sugar factories which account for a little less than one-third of the crop, but with prices of gur and khandsari what they are, the diversion of cane from gur and khandsari to sugar which is necessary to boost sugar output to 33 lakhs will not be easy and particularly since any further increase in sugar prices cannot really be considered.

The Food Minister has informed Parliament that the Government intends to promulgate a Sugar Control Order which would authorise State Governments to regulate the "utilisation, purchase and distribution of sugarcane with a view to enabling them to deal with the supply of sugarcane, principally to factories and, where considered necessary by State Governments, to power crushers". The sugar mills are also to be granted a rebate in excise duty on excess production over the 1961-62 level. The rebate will mean a relief of about Rs 4.5 crores to the industry as a whole.

The abnormally high gur and khandasari prices — which are, in turn, partly the result of the shortage of sugar — will, however, continue to overwhelmingly influence the distribution of cane. It might have been possible to make some impact on these prices had the Government been in a position to liberalise sugar releases in the few months before the crushing season gets going, but with the mills carrying less than six lakh tons of stocks and the new output still more than two months away, action along these lines is clearly ruled out.

Banks in the Dock

A Correspondent writes:

THE communists have always demanded that banks should be nationalised. Lately, however, some other opposition parties in Parliament and even a few members of the Congress party have lent their support to the demand. Although the non-official bill calling for nationalisation of banks has been rejected, the subject cannot be said to be dead; in fact, it is to be expected that it will figure more frequently in public debate in future. Textbook arguments for and against nationalisation will continue to be advanced, perhaps with even greater gusto than hitherto and possibly with further refinement.

It may be worthwhile to ask why the subject has suddenly gained such importance. To say that nationalisation of banks in Burma has been the provocation is to do injustice to the intelligence of the nationalisation enthusiasts. What is perhaps much nearer the mark is that the image of banking which has gradually evolved in the public mind is such as to make banks vulnerable to criticism by the advocates of nationalisation. The bulging balance sheets of banks testify to their remarkable progress over the last decade. But the question is whether their massive expansion has made a commensurate contribution to the economic development of the country.

Anti-inflationary credit restrictions have become a semi-permanent feature of Indian monetary policy. Their impact is heavier on credit available to small business than to big business. Discussing the impact of credit restrictions in America, Professor Galbraith has said: "Curiously enough, despite the squeeze bank loans outstanding have risen steadily. There is at least a possibility that those who have lost their lines of credit in the squeeze have merely given way to larger and stronger borrowers". From the constant clamour one hears from small businessmen, what is a 'possibility' in America may be a 'certainty' in India. If banks had been publishing statistics of their advances according to size of borrowings, the image of banks as a provider of credit only to big business might not have emerged.

The expansion of banks in rural areas in recent years has also contributed to the distorted image of banking in the public mind. The impression is gaining ground that banks are mobilising rural resources to finance business and industrial tycoons of big cities. No attempt has been made by banks to publicise their advances in rural areas and thus correct this impression.

Indian banks have yet to learn that public relations has become an important adjunct of modern banking and that it does not stop with the publication of advertisements in newspapers. The bank is no more a mysterious institution — it is a public institution. If, therefore, anyone is responsible for putting banks in the dock, it is their own negligence to project a proper image of their activities in the public mind.

Letters to Editor

Rate of Saving in India: A Comment

PLEASE refer to the criticism of the NCAER's Urban Household Saving Survey by Ashok Rudra ("Rate of Saving in India", Special Number, July 1963). As one who shared responsibility for the Survey, may I be permitted to make a few comments ?

Though household sample surveys are needed for estimating the value of different components of household saving, sample survey data may be more reliable for some components of saving and less reliable for others. Such surveys generally lead to underestimation of certain types of household saving. [See "Who Saves" by Irwin Friend and S Schor, *Review of Economic Statistics*, Part II, May 1959; "Saving Survey" by M J Errit and J L Nicholson, *Bulletin of the Oxford Institute of Statistics*, Volume XX, May 1958, "An Investigation of Response Error" by J B Lansing, Gerald P Ginsburg and Kaisa Braatan, published by the Bureau of Business Research, June 1961, University of Illinois, Urbana.]

In the case of the NCAER's study, adjustments had to be made in the Survey results for three reasons :

(a) for non-coverage,

(b) for conceptual differences, and

(c) for under-reporting biases.

In estimating urban saving, the under-reporting biases were arrived at on the basis of available RBI and NCAER data after careful scrutiny of the figures. The adjusted estimates given in the report on Urban Income and Saving are, therefore, tenable. It would be clearly wrong to think, as Ashok Rudra seems to do, that by following this method one would get any estimate of household saving one wanted. If attention is paid to the aggregate statistics already available and the survey data, the household saving estimates for the urban household sector as given in the report on Urban Income and Saving appear to be of the right order of magnitude.

It is not clear from Rudra's criticism whether he thinks that sample surveys alone can provide all the data required for estimating household savings, or whether they fail to do so in respect of certain items. In any case, he would do well to refer to the publications on sample surveys of saving and to note the complexities of the problems involved. I would only like to point out that household surveys alone cannot estimate all the components of household saving, though they may be very useful for this purpose.

Saving surveys are designed basically for three important purposes :

(a) to estimate certain components of saving which cannot be estimated as satisfactorily from other data;

(b) to indicate distribution of such estimates among different groups in the population (which cannot be done in any other manner); and

(c) to construct through the joint use of survey and aggregate data reasonably independent estimates of income elasticity of saving or of the marginal propensity to save.

The last purpose necessitates the assumption that the biases are approximately proportional to income. This may well be incorrect but it is the best assumption possible and provides a useful check on income elasticity derived from other approaches.

Ashok Rudra's criticism of the adjustment made for conceptual differences seems to be based on a misconception or careless reading of the report. Thus he states. "It is not clear why, if they were so left out, data was all the same collected for them, and why the survey estimates are also presented for them in Table 38 side by side with the corrections". The most important item involved here is currency holdings of which an insignificant amount was covered in the Urban Saving Survey for reasons explained on page 96, where it is noted that additions to currency holdings are obtained only for business households.

Those who were responsible for the NCAER's study are, of course very anxious to examine what saving surveys can achieve and what they cannot. Therefore, we have earnestly endeavoured to list all the qualifications to which the Survey data were subject (see pages 5, 6 and 75, foot notes to pages 61, 66, 68, 78 and 79, the appendix to chapter 5 and several other pages where the limitations are spelt out). We have also endeavoured to give the limitations of the marginal analysis on page 80. Nevertheless, Rudra concludes that the break-even point occurs at an income level of Rs 3,000 without noting the sentence that follows immediately. Actually we stated (page 79 lines 12, 13 and 14) that on an adjusted basis (both for income and saving) it may be noted that the break-even point occurs at an income level much lower than Rs 3,000. The limitations of the cross-sectional marginal analysis were fully noted on page 80. Ashok Rudra has ignored all this completely.

In conclusion, I would point out once again that it would be almost impossible to build reliable household saving estimates for different components either for the entire economy or for a part of the economy without the help of aggregate (non-survey) statistics for certain components of saving and survey statistics for other components.

I R K SARMA

NCAER, New Delhi,
August 31, 1963.

Reply

I DO not require to refer to any publications on Sample Survey to know about the complexities of any sampling problem, nor need I cite any authority in reiterating that by the method followed by the NCAER one can arrive at any rate of saving one desires to have. It is said that the under-reporting biases were estimated on the basis of the available RBI and NCAER data. It is thus presumed that these latter give the true values and on this point I shall repeat what I wrote : "if the true values are known one does not undertake a Sample Survey to estimate them". Incidentally, the NCAER and RBI estimates *do not* give any estimate with respect to the urban sector : does "careful scrutiny" give birth to information that does not exist in a body of data ?

It is, of course, quite true that the Sample Survey method may fail to give reliable estimates for certain items, but in that case either one does not conduct a survey for such items or one rejects the data when it is found to be defective. It has been said that one of the purposes of conducting a survey is to obtain estimates of the marginal propensity to save and the point I made is conceded that it could only be done on the assumption that the biases are distributed in a particular fashion. But any statistical assumption made with respect to biases makes them equivalent to random variables which they are not. It is true that the NCAER report itself notes many of the limitations, but does that in any way reduce the invalid character of the conclusions drawn ?

ASHOK RUDRA

New Delhi,
September 7, 1963.

Letter from Punjab

Nehru Defends Kairon, But . . .

THE Supreme Court judgment on an appeal by Dr Partap Singh, a former Civil Surgeon of Jullundur, has provoked another major political outburst involving the Punjab Chief Minister.

On June 3, 1961 while the Civil Surgeon was on leave preparatory to retirement, it was announced that the leave had been revoked. It was also stated that he had been placed under suspension, pending a departmental enquiry into charges of misconduct against him. Dr Partap Singh challenged the legality of the order before the Punjab High Court, on the ground that it was contrary to the Civil Service Rules and that it was passed *mala fide* by or at the instance of the Chief Minister who was also the Health Minister then and who, it was alleged, was personally hostile towards him. To prove his contention he produced tape records of conversations between him and members of the Kairon family. But the High Court declined to accept them as evidence and rejected the Surgeon's case. It allowed him to move the Supreme Court, though.

Supreme Court's Strictures

The Supreme Court has allowed the Surgeon's appeal and has in its judgment passed scathing strictures against the Chief Minister. Two important points are made.

First, Kairon was personally hostile to the Surgeon. On several occasions the Chief Minister and members of his family had asked the Surgeon to supply costly medicines, etc. Some of these demands the Surgeon had met, but after a time he had begun to refuse them —thus incurring the Chief Minister's wrath. There were some other charges of the same nature. The Supreme Court found the charges "in large part true".

Defending the Indefensible

Second, "the dominant motive which induced the Government to take action against the appellant was not to take disciplinary proceedings against him for misconduct which it *bona fide* believed he had committed, but to wreak vengeance on him". The Court went on, "We therefore hold that the impugned orders were vitiated by *mala fides*, in that they were motivated by improper purpose . . . and the said orders should therefore be set aside".

These are serious charges indeed, and Kairon's opponents, both within the Congress and outside, have lost no time in assailing him. That he has survived the first onslaught is due to the support the Central Government, the Prime Minister in particular, has given him. But the Centre's defence of Kairon has been feeble and unconvincing. Nanda's statement in Parliament was unimpressive and Nehru's was even more so. After all weren't they both trying to defend something patently indefensible ?

Another point made by the Prime Minister was that Kairon, not being a party to the case should not be censured because of the strictures. Kairon himself has clutched at the subtle point with some zeal. But how valid is this distinction? In this connection the following remarks in another judgment on May 10, 1963 (*Hazara Singh Gill vs the State of Punjab*) are pertinent : "In proceedings of this kind, it should be known that the Court does not examine witnesses in support of allegation of facts made by either side. Ordinarily, the Court acts upon the affidavit of one side or that of the other. But if one side omits to make an affidavit in reply, that of other side remains uncontroverted".

Shri Nanda and the Prime Minister told Parliament that the Supreme Court judgment was a majority judgment and not a unanimous one. Everyone knows that it is always the majority judgment that is *the* judgment of the Court and the minority opinion is of no consequence legally. It is significant that during the last few months alone the Supreme Court has allowed five or six petitions seeking transfer of cases to courts outside Punjab as the petitioners contended, to the satisfaction of the Court, that the Chief Minister being personally hostile to them, they could not hope to get justice from any court in Punjab. Besides, Kairon has shown scant regard for the Supreme Court's previous judgments, and two senior officials still remain under suspension though they have been exonerated by the Court.

A Political Liability

The Prime Minister's reference in Rajya Sabha, to "the high moral principles" that would be kept in view in a further detailed examination of the case perhaps means, in political terms, that Kairon is recognized to be an increasing political liability now and will be dispensed with before long. That the Prime Minister had to defend him was a matter of political compulsion, for Pandit Nehru would not like to give the impression of having sacrificed a colleague under pressure from the Opposition. But knowledgeable political circles now feel confident that Kairon will go, in weeks if not days.

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"You mean brass bands, flags, pretty girls?" *Fison asked hopefully.*

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TFRY-3

Capital View

Who is Playing What Role

Romesh Thapar

TO SIT around at various gatherings in the Capital these days is not very instructive. Nobody seems to know what is happening. Yes, Lohia has set himself up as a one-man statistical institute. Morarji Desai is not going to offer Lal Bahadur Shastri an uncontested election to the presidentship of the Congress. Gopala Reddy and Shrimali are refusing to vacate their ministerial lodgings for less opulent shelters. S K Patil has made clear his intention to stage a coup in Bombay and Y B Chavan is not inclined to oppose him. Bijoo Patnaik continues to live in awe of Morarji Desai. And Bakshi Ghulam Mohammad, for once in his life, is thoroughly confused about the next step. But the political scene is no longer made up of such stuff.

The feeling is general that by September 20, Prime Minister Nehru will announce the second part of the purge under the Kamaraj Plan and that about the beginning of October, when Gandhi Jayanti is being celebrated, we will have before us the full picture of the change. Of course, the set-up in the organisational wing of the Congress will take more time to mature, but it is believed that this will depend largely on what happens at the ministerial level. And, therefore, the feeling that all judgments be suspended until we know more about what is intended.

Reaction to Kamaraj Plan

With much good sense, the Prime Minister has been studying the reaction both at home and abroad to the first significant developments under the Kamaraj Plan. Internally we have witnessed considerable enthusiasm among large sections of the politically-conscious, although there is much argumentation about the authorship, motivations and perspectives of the Kamaraj Plan; this state of affairs only points to a growing political maturity, a refusal to be misled by high-sounding mumbo-jumbo which in the past has been used to cloud and confuse the real issues. Internationally, the purge is seen as marking the end of the drift in India's policies, particularly noticeable to the foreign observer since the invasion of the Himalayan region by China.

The opinion is crystallising in Congress circles that the new expectations generated by the Kamaraj Plan will have to be largely met if the ruling party wishes to salvage its lost prestige. The party's troubles at State level, however, are a source of grave embarrassment. The 'stalwarts' who were 'transferred' from the ministerial to the organisational wing of the party were expected to assist the resolution of the factional crises in the States. The opposite has happened.

The evidence which is accumulating suggests that the four main organisation men — Lal Bahadur Shastri, Morarji Desai, Jagjivan Ram and S K Patil — are at the moment more concerned with winning a dominant position in their respective States, a position akin to Kamaraj's in Madras. They believe that this is the only way in which they can ensure political relevance from outside the ministerial wing.

Return to States

Soon. Morarji Desai's men will rule in Guiarat and Jagiivan Ram's in Bihar. Whether S K Patil is able to entrench himself again in Bombay will depend on how effectively Y B Chavan can defend his position from distant Delhi. As for Lal Bhadur Shastri, it does not need explaining why he faces the most difficult task in Uttar Pradesh. Until these 'personal problems' of the organisation men are taken care of, the Congress Party is likelv to pass through rather unpredictable times. But the major factional battles within the State organisations will have to be called off by the time the presidential elections of the party are held and the All-India Congress Committee has met in Jaipur early in November.

To somehow cope with the unsavoury developments expected during the coming months, and to preserve for the Congress Party the undoubted gains of the Kamaraj Plan, is a task which falls almost wholly on an already harrassed and over-burdened Prime Minister. This is not a happy situation to be in. Every day he becomes increasingly the target of criticism from all quarters, including those who were his colleagues until only yesterday. Indira Gandhi, too, is not spared; anonymous notes, bristling with false allegations, are circulating against her in Parliament and outside. Had the Prime Minister been in better health, he would have long ago broken this wave of dishonest criticism. But this is not to be.

Empire-Builders

Indeed, much of the attack would be ignored if the Prime Minister's present colleagues in the Cabinet, particularly T T Krishnamachari who holds the Vital Finance Ministry, acted with discipline and precision to inject dynamism into policies connected with administration, commerce and industry. TTK, conscious that Subramaniam was offered the Finance Ministry and had declined it, seems obsessed with the idea that he should make his presence felt in the planning, administration and expansion of public sector projects — an interference which the Finance Ministry is empowered at present to indulge in, but a practice which has been signed out for severe criticism by every expert who has studied the troubles of Government-sponsered development in India.

TTK should be the first to assert the need for the autonomous functioning of public corporations in the interests of efficiency, but this he will not do unless compelled to by the Prime Minister. This obstinate refusal to think big and to act big has been the bane of the men the Prime Minister relies on.

Perhaps, the projected re-organisation of the Planning Commission and the reported move to persuade Asoka Mehta to head it might have a salutary effect on those senior Ministers whose only concern appears to be to build an empire for

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themselves within the Cabinet. Asoka Mehta, or some one like him with the necessary *expertise*, will not allow himself to be pushed around or hedged in by ambitious elders.

Technocrats of this kind can also be confident of winning the support of the Congress parliamentary party which is now more than ordinarily suspicious of the new empire-builders who create vicious inter-ministerial tensions and paralyse crucial decision-making. The Congress Party, with its natonal prestige seriously affected by the events of the past year, can no longer afford the luxury of ministers in the habit of making war on their colleagues for narrow, personal ends.

The 'Great Petition'

And so, while we speculate on who is playing what role at this important juncture in the life of the Congress Party, the Capital is promised a 'giant march' organised by the Communist Party on Parliament, with representatives from all parts of the country, to present a 'great petition' against the 'anti-people policies' of the Congress. The date fixed for the 'massive' demonstration is Friday the 13th! Auspicious or inasuspicious?—and for whom?

However, the fact remains that between 25 to 50 thousand persons are expected to take part in the march, and they will carry a petition signed by some 10 million people. Arrangements are being made at the Talkatora Gardens to house about 10,000 marchers who are due to arrive from various parts of the country. If the demonstration takes place as planned, it will represent a sizeable achievement for a battered CPI — and another pointed comment on the state of the nation.

From the London End

TUC Politicking

THIS year's Annual Conference at Brighton last week was one of the most important Conferences of the TUC since the War. Discussion centred round the TUC pamphlet on planning which was referred to in these columns in the issue of August 31.

The Press has made a great deal of the apparent contradictions among the three main resolutions that were passed. There was an overwhelming vote for the report on Economic Development and Planning (7,474,000 in favour, 629,000 against). But delegates went on to pass a resolution opposing any form of wage restraint, which was implicitly implied in the first motion even though the controversial clause on incomes policy was watered down under pressure from Frank Cousins, the powerful General Secretary of the Transport and General Workers' Union. Three of the largest Unions which had just supported the motion on planning voted for the second motion as well. Voting on the motion opposing "any form of wage restraint" was 4,283,000 in favour and 3,903,000 against. The voting on a composite motion which advocated control of profits and capital gains as a pre-requisite of an incomes policy was 5,994,000 in favour and 2,015,000 against.

Conflicting Views

However, as an indicator of Trade Union feeling on the vital subject of planning and an incomes policy, the Conference represented very clearly the conflicting hopes and fears of different elements in the Trade Union movement. Taking the votes that were actually passed, one might sum up the mood of the Trade Union Congress by saying that although it was, in theory, in favour of planning and strict control over the economy as a whole, it was not prepared to swallow the official policy hook, line and sinker. The Congress registered its opposition to wage restraint as an isolated policy while at the same time enfranchising its leaders for further discussions within NEDC. As one commentator put it, the TUC Congress reflects a genuine and not discreditable doubt: a hard-headed suspicion of buying a pig-in-a-poke versus an equally practical belief that if Union leaders are to wield power, they must walk the corridors where power exists.

The Radical Left

As far as a national incomes policy is concerned, Frank Cousins reflected the dominant feeling of the Congress when he pointed out that a national incomes policy, to be effective, would have to embrace such items as profits and dividends, as well as wages. He declared roundly: "We will not have wage restraint whoever brings it in and wraps it up".

Ted Hill's resolution rejecting a wage freeze at any price, but adding a proviso that the trade unions might be prepared to consider such a policy if a Labour Government were in power, reflects the Trade Union movement's deep suspicion of the Conservative Government. Indeed, it was distrust of the motives and intentions of the present Government which induced many delegates to vote for the resolution rejecting wage restraint, and it was accepted that the vote would have been different if a Labour Government were in office. However, with memories of Stafford Cripps's policy of wage freeze still very much alive in the minds of trade unionists, it remains to be seen whether in actual practice the rank and file of the movement would be prepared to accept any policy which smacked of a wage freeze, even under a Labour Government.

Behind-the-scenes Battle

The battle over the wages policy at the Congress was fought mainly behind the scenes and — to the annoyance of some delegates — on television rather than on the Conference floor. One delegate referred derisively to the television interview of George Woodcock and Frank Cousins as appeals to "the housewives of Granadaland".

Trade union participation in planning the economy can only make sense if the purpose of the plan is to promote growth and to redistribute wealth. It is absurd to expect workers to participate in

a plan in which the principal sacrifices are demanded from them, and in which there is no prospect of dynamic expansion. This is really the argument which lay at the heart of Frank Cousin's speech. Until the Conservative Government can provide such a plan, the TUC may reasonably conclude that its duty — national as well as sectional — is to put first the interests of its members, the working people of Britain, and strive to ensure a national policy which secures those interests.

In essence the Woodcock view that the trade unions "have left Trafalgar Square a long time ago" and that the proper thing for the trade union leaders "is to deal with the affairs of the moment in committee rooms with those who have had power given to them by the electorate" means in practice that trade union leaders must not back up their demands by the use of the organised strength of their members. Instead they must use their powers of persuasion. As Harry Douglas put it, "you will get a high standard of living, not by using brute force, but by using brains".

A Beating for Woodcock

There is no doubt that the Woodcock viewpoint which dominated the TUC pamphlet received a severe beating at Brighton. The structural changes the trade unions so urgently need are going to be even harder to attain than a theoretical wages policy. Woodcock's original proposal that the unions should accept industrial unionism as their eventual goal was rebuffed some months ago. It is true that the historic diversity of the British trade union movement has to be accepted, but this does not mean that nothing can be done. During the next year, the TUC will bring together groups of related unions and try to get them to face their common problems. Sometimes the solution may be in amalgamation; sometimes there may be a federal solution.

Although the debate on nationalisation was far from exciting, the TUC reasserted its belief in "the popular control of key enterprises as a means of creating a more democratic society". Where privately-owned institutions required state aid, there should be an element of public participation in the ownership and control of these concerns. The General Council was asked to campaign for the nationalisation of road transport, steel, aircraft, ship-building and electrical engineering. It expressed "alarm at the concentration of economic and political power in the hands of a few powerful groups arising from the increase in mergers".

Comprehensive Incomes Policy

The General Council's reaction to this is certain to be cool, because many of its members realise that a nationalisation "shopping list" would hardly be an asset to the Labour Party at the next General Election.

Labour leaders are confident after the Conference that a Labour Government would be assured of union co-operation in an income policy. They have already made it plain that a Labour administration would insist on a comprehensive incomes policy — covering rent, profits and other forms of income, as well as wages — and they have no doubt that they would have union co-operation in any degree of wage restraint that was part of an overall incomes policy. They also regard what happened at Brighton as notice served on the Conservative Government that it cannot expect to implement an incomes policy in the present circumstances and in view of its record on wages and profits.

Power Struggle

The year ahead will see the most subtle and relentless power struggle in the British Trade union movement for many years. Personality is now playing a central part in the struggle for change in the trade unions. George Woodcock wishes to build up the image of a modern forward-looking trade unionist who will modernize the movement and make it into a machine which can present a coherent and efficiently drilled front to Government and employers. Frank Cousins, on the other hand, believes that society can be transformed for the better only when the levers of power are in different hands. On an incomes policy, Woodcock is prepared to bargain with the Government of the day, whether it is Conservative or Labour. Frank Cousins is prepared to do a deal with a Labour Government only, and then only when he has been satisfied about its social credentials.

Commenting on the Congress, the *Economist* says: "On the face of things, Mr Woodcock suffered a more bitter string of defeats at Brighton than any Labour leader since Mr Gaitskell at the Party Conference at Scarborough in 1960; but in paradoxical fact he, as Mr Gaitskell also did at Scarborough, may have immensely strengthened his future standing — and with it the opportunity to fulfil his declared purpose of getting the Trade Union movement 'out of Trafalgar Square' and into the inner counsels of the nation".

Too Non-Political

It should, however, be noted that a group of unions calling itself the radical left, as opposed to what is called Woodcock's radical right, is to draw up its own economic document within the next month or so. The group thinks Woodcock, who would bargain with almost any Government, is too non-political and it wants to co-ordinate the movement's intelligent left wing.

The Economic Weekly

Foreign Subscription Rate

Due to increase in foreign postal rates it has been found necessary to revise our foreign subscription rate. With effect from July 1963, the annual foreign subscription will be Rs 34, 50s or $ 7.

A FERNANDES
Business Manager

A Calcutta Diary

Away with the Deputies

WRITERS' Building is a very different place from the Kremlin. No Nikita Khrushchev presides over it; and it would be a gross exaggeration to liken the late Dr B C Roy to the late Joe Stalin. The difference between the two is not of degree but of kind and dimension, both of achievement and evil. Why, then, did two such dissimilar entities come to mind together? Because Writers' Building too, in Dr Roy's time, came to acquire a cult of personality; and, since his death on July 1 last year, there has taken place a certain de-Royisation on the lines of de-Stalinisation in the Soviet Union or de-Patelisation in New Delhi. Perhaps more outside West Bengal than within, the image of West Bengal was completely identified with that of Bidhan Babu; and when death supervened the reaction was almost apocalyptic.

It is too early to say whether his successor, P C Sen, has measured up to him or whether he ever will. Some of the schemes initiated by Dr Roy have made fair progress; Durgapur's gas has just started flowing into Calcutta. Some schemes of Dr Roy such as deep sea fishing have been abandoned, although not until the Fisheries Minister had made a fool of himself by saying that the scheme, after incurring a loss of Rs 64 lakhs, had been "a success". What has been proved anew is that it is not in the divine scheme of things to make any man indispensable, for in that event He would have made some of us immortal. Prafulla Sen carries on, not too badly. Having thus demonstrated the dispensability of Dr Roy, Sen came out with a thoughtless remark. When the Kamaraj plan burst on him, he said that all his colleagues were "indispensable" and there would be no retrenchment in his Government. So far so good.

Doing Without

Only a few days later, behind the scenes, something happened somewhere which, of course, as free citizens of a free country, we have no right to know. All we know is that, on a sudden, on September 1, Shri Sen not only found half his colleagues not indispensable but he actually dispensed with them with the greatest of ease. All the expendables were found in the ranks of Deputy Ministers, of whom there is now none in West Bengal which Dr Roy once described as "under-administered" or "under-governed". It is certainly true that the Deputy Ministers were grossly under-employed. These poor things walked the corridors of Writers' Building, swapped gossip with MLAs and lower division clerks — it is to be doubted that the upper division clerks took the Deputy Ministers very seriously — and sometimes accompanied Ministers on tour (to carry their luggage?). Now even these pleasures of life are gone. There may shortly be a trade union of dismissed Deputy Ministers.

It really is hard on the poor chaps. Some Secretaries, especially if of the ICS, might not show them files or even address them as "sir"; but there was the salary; there was the free telephone; there was a minor flower show or something to open in the evening; and the initials D M might sometimes be mistakenly taken to stand for District Magistrate. Now all that is, or will be, gone. It seems unlikely in the extreme that the jobless Deputy Ministers will be found enough work in the party; useless in office, they are hardly the men to revitalise the Congress Party which, some may remember was the proclaimed purpose of the Kamaraj plan. The considerable amount of money that had so long been wasted on the Deputy Ministers, their travelling and other amenities will now be saved. Good; but only the heartless will withhold a tiny tear for the unemployed Deputy Ministers, all nine of them.

More to Go

Sen has a 34-strong, if "strong" is the word, Council of Ministers, Ministers of State and Deputy Ministers. With the extinction of the last species, it will be smaller. Sen says he wants it still smaller; no more than 18. Professor Parkinson worked out the size of an ideal Government; if memory serves, the number was five and that would include a Minister of Defence. Since defence is not the States' business in India yet, four should be ample. Has Parkinson's Law been at work in giving the small State of West Bengal 34 Ministers? Only partially. What really did the trick was what I shall modestly call Flibbertigibbet's Law. Cabinets expand so as to fill the emptiness of MLAs' lives after winning an election on false promises, as a reward for the further promise to the Chief Minister that, as Ministers, they will intrigue less against him than as mere MLAs. All this has no relation whatever to the amount of work to be done in Writers' Building.

Well, Shri P C Sen had better think again. He should remember the experience of Hare Krushna Mahatab in Orissa a few years ago. In cohort with Rajendra Singh Deo, Mahatab tried the rule of three; there were three Ministers in the coalition Government. It did not work long; more Ministers had to be taken, and, eventually, Mahatab himself had to go and set up shop in New Delhi. The threat to Sen does not, at the moment, come from the direction of MLAs but from another quarter. Yet there is a limit to what even loyal MLAs will stand. Crediting, for argument's sake, the MLAs with brains, these will now be idle; and everyone knows whose workshop these are the venue for.

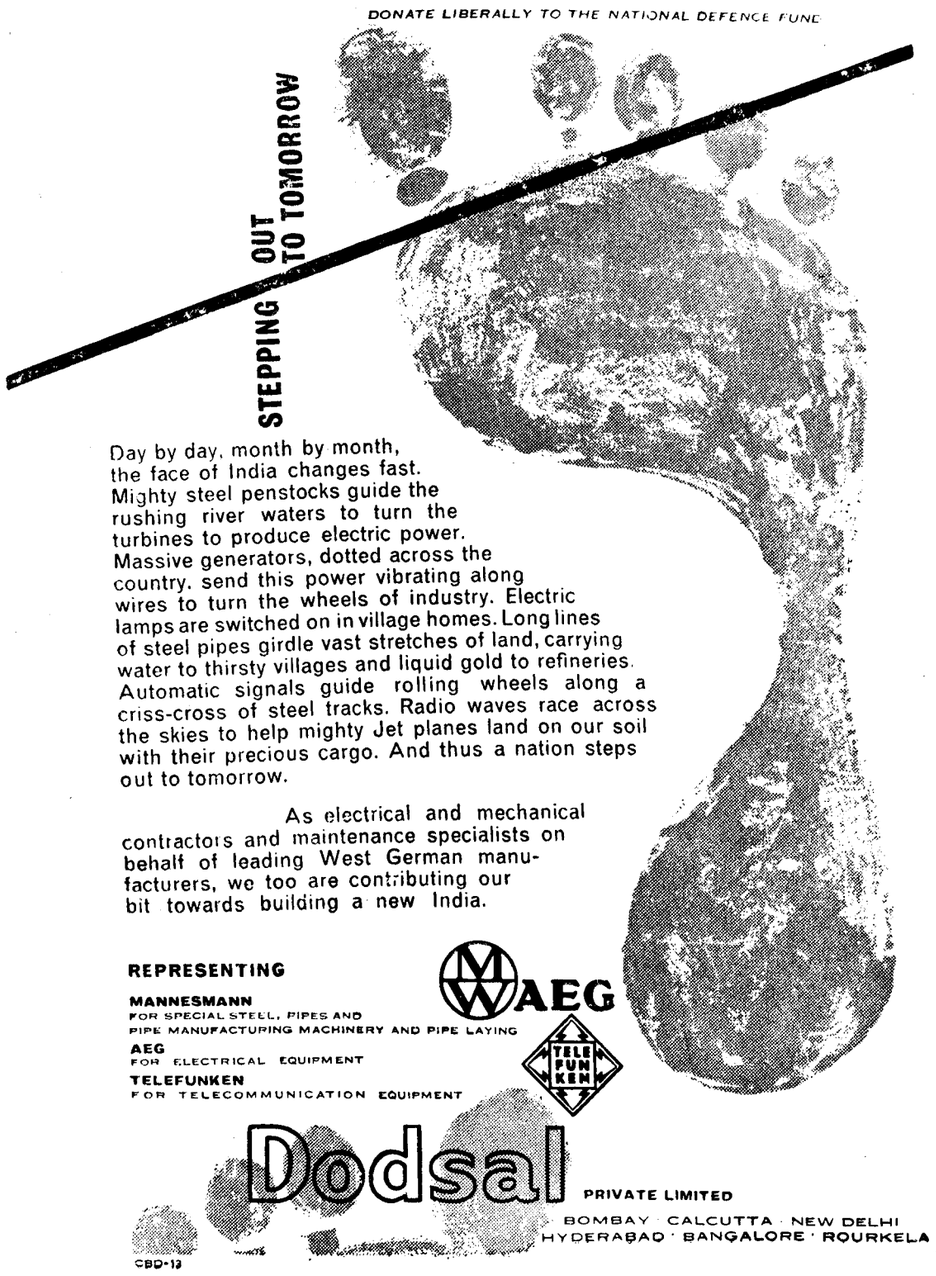
Wanted Sinecure

This writer is a great believer in the political usefulness of useless offices and various workless or underemployed democratic, decorative institutions. Dr Johnson was not right when he said that no man is more harmlessly employed than in making money, or words to that effect. The "robber barons" of America disproved him long ago; and we have our vegetarian "man-eaters". But, it can truly be maintained that no politician is more harmlessly employed than when signing files and making speeches in the Assembly. Ministers and legislatures cost the public a lot of money; but you can't have democracy without paying for it. What is suggested is that the price, if not

prohibitive, as in India, is worth paying.

Some argue that Governors and Upper Houses should go. It is true enough their functions are marginal. But by filling Government Houses and Upper Houses the country keeps a fair number of people out of greater mischief. It is not necessary to name names; but, although the Congress did it for its own reasons, the imprisonment of Pattom Thanu Pillai in Chandigarh Government House, for instance, was a distinct service to Kerala. P C Sen is said to have sacked so many colleagues in consultation with Atulya Ghosh; the latter may even have been the originator of the idea. And nobody has ever accused Ghosh of ever doing anything without a purpose. About just what it is, in the long run, P C Sen may be no wiser than this writer.

— *Flibbertigibbet*



Book Review

Research for Small Industry

M C Shetty

Economic Research for Small Industry Development : Illustrated by India's Experience by S Nanjundan, H E Robison and Eugene Staley, Stanford Research Institute, California and Asia Publishing House, India, 1962. Pp ix + 316, price Rs 18.00

A COORDINATED small-industry development programme has been in operation in India for over a decade now. The organizational pattern for the programme was provided by the Ford Foundation (International Planning) Team way back in 1954, much the same way as the rationale or the basic strategy of small industry development was provided by the Karve Committee (1956). Administrative leadership and helpful assistance from Ford Foundation consultants have by and large succeeded in evolving an integrated and comprehensive programme on the broad principles and framework provided by the two reports.

The programme comprises industrial advisory, research and training services, industrial estates, aids in financing, marketing and in the procurement of equipment and materials, etc. The present publication covers the various aspects of the industrial research services. The programme of industrial research consists of "specially trained economic investigation teams to provide information and analysis for two broad purposes: (1) to guide the planners and the administrators of the small industry effectively, and (2) to assist small entrepreneurs and potential entrepreneurs, directly or through industrial extension officers, in making better economic decisions".

Investigation Teams

The economic investigation teams are attached to the various State Small Industries Service Institutes and work in close cooperation with each other, the actual work of coordination being done by a similar team attached to the Central Small Industries Organization, under the Development Commissioner (SSI). The work of the Teams can be broadly divided under three functional heads: (1) The Industry Planning Analysis Reports which concern individual studies (2) the Market Aid Surveys (Distribution and Research), which concern specific products of an individual entrepreneur or industry, and (3) the Area Development Surveys whose concern it is to assess the industrial potential of selected areas. Various aspects pertaining to each of these research activities — right from staffing pattern, staff responsibilities and training, survey format, study content, project priorities, follow-up actions — are subjected to a thorough and critical appraisal, their shortcomings highlighted and desired directions of improvement indicated. Indeed, these detailed and critical appraisals of the format and the functioning of the programme will not only be invaluable to the Indian authorities in reviewing and reshaping the programme, but also to those elsewhere engaged in the organization of similar programmes.

Significant changes have been made in each one of these research activities in the course of their evolution over the years, changes touching upon emphasis, content and objectives. The attempt in each case has been to render them more effective and utilitarian to their respective clientele. Adherence to a time-schedule, brevity of reports and realistic recommendation have been the objectives of these reports. These indeed are important. But in the process, it would seem, they have lost some of their wider and long-term utility. For example the excessive emphasis laid on their being of immediate and "practical" utility to the entrepreneur has deprived the Industry Analysis and Planning Reports of their utility to planners and to students of economics generally. The over-emphasis on qualitative appraisals in these reports again has rendered them almost unfit for being used for global estimates or projections in such important aspects as employment, capital, output, capacity utilization and so on. Sometimes certain basic concepts such as fixed and working capital, capacities rated and utilized, etc, are either not clarified or not uniformly employed. Details of inputs and cost-structure are seldom given and derived ratios and coefficients seldom worked out in a scientific manner. This is an aspect which the Perspective Planning Team (Dr Staley and Mr Robison are members of this Team) could usefully consider.

Project Priorities

Equally interesting are the author's views on project priorities, especially in regard to the Area Development Surveys. They are inclined to opine that those areas the development of which promise to maximise the growth potential of the national economy should have priority over the rest. As a basic tenet of growth economies the principle appears to be sound. Since maximization of growth and hence the reinvestible potential in the short-run is best achieved through investment in projects which yield the highest marginal returns. When applied to Area Development Programmes, the principle dictates the preferential development of areas which display the best potentialities for easy development. But the snag here is that in many "undeveloped" tracts, their state of underdevelopment is mostly a reflection of the absence of essential overhead facilities such as power and transport than the absence of other factors conducive to development. Assigning a lower priority to such areas and to prefer those relatively advanced in respect of these overhead facilities and hence appear to be promising in terms of the "quick growth" strategy, may neither yield maximum marginal returns to investment nor maximise the overall growth potential of the national economy. Besides, there are also social considerations.

Further, the area selected for study is not a closed economy but is increasingly subject to the competitive forces and structural changes emerging both within and outside the area economy. This under-

scores the need for correct and reliable knowledge of the locational requirements of each industry-line under different conditions and for assessing its relative advantage in the area surveyed vis-a-vis other areas. The surveyed area should, therefore, be large enough to permit an adequate assessment of resources and markets and to ensure consideration of alternative locations for the unit.

Concepts such as "efficiency", "market-size" and "living standard" are better stated relatively in a dynamic setting than in absolute terms as is to be found in the following quotation :— "It is essential, then, for maximum efficiency, lowest costs, largest markets and highest living standards that each Block or area concentrate on what it can produce most cheaply or at least cost in relation to competitive areas" (p 91). As a statement of the comparative cost theory none can take exceptions to this. But, it has to be remembered that just as insistence on "local self-sufficiency" is suicidal so is over-emphasis on "regional specialisation" foolhardy. For one thing immobilities of factors and imperfections of market are as strong within the political boundaries of a country (especially a developing country) as they are between developed countries.

Secondly, once a sizeable area unit is determined, there is advantage in seeking to bring about a balanced and mutually supporting pattern of industrial growth in the area. The question obviously is to determine the "viability" of a given area unit for sustained industrial growth. One way of ascertaining an economic area unit is, as the authors say, through a two-stage survey, first covering a wider area corresponding to the division or contiguous block of districts followed by surveys of individual districts.

Guidelines for Future

In respect of future orientation, the authors rightly emphasise studies of product-supply-demand position in the countryside and the competitive strength of specific small-scale units. They recommend study of such industry lines as have proven rural markets and scope for dispersed development. They also emphasise the need for a shift in the emphasis from "industry analysis" to "plan analysis" within the overall "industry setting", calling for "accurate and informed judgment on closely enmeshed technical and economic factors, including production requirements, minimum or alternative sizes of plant, locational advantages and disadvantages, raw material problems, competitive costs, and local distribution factors".

There is also a forceful plea for a "balanced" research programme, consisting of development-oriented industry studies, dovetailed to area development at various levels, small factory economic guides, regional reports on important local industries, comparative studies of large *vs* small-scale development for individual industries, area development surveys consisting of "divisional" or multi-district surveys and district surveys, substantive studies on common small industry development problems on various current and long-range topics and market studies including Manufacturers' Distribution Aid Surveys, Regional Industry Market Studies, Industry Marketing Aid Studies and research and counselling for distributors.

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Industrial Truce in the Emergency

Its Working in Rajasthan

Pradeep Kumar

Representatives of employers and workers meeting in Jaipur in November 1962 agreed on an industrial truce in the State while the emergency created by the Chinese agression lasted. One of the resolutions adopted by the conference called upon workers not to strike work or go slow and upon employers not to resort to lock-outs or retrench workers.

This resolution came to be known as the Industrial Truce Resolution. It was drafted on the pattern of the resolution adopted earlier by the all-India conference of workers and employers in New Delhi.

The Rajasthan Government's labour Department has now issued a press note reviewing the working of the industrial truce during the period November 1962 to June 1963. Though the note claims that "on the whole the Industrial Truce Resolution has worked well", an examination of some of the facts revealed in the note leads to exactly the opposite conclusion.

THE Industrial Truce Resolution stressed the need for maximum recourse to negotiation and arbitration for settlement of industrial disputes and suggested that:

(a) the grievance machinery in industrial undertakings should be made more effective;

(b) joint councils should be formed or the scope of works committees should be enlarged to attend to labour problems;

(c) labour unions affiliated to central labour organisations should form small committees to exercise control and restraint on their constituent units in the matter of maintenance of peace and avoidance of strikes, etc;

(d) employers should give advance notice of one month of industrial situations likely to result in stoppage of work or retrenchment of workmen, within which time attempts should be made to resolve the dispute by conciliation or arbitration;

(e) efforts should be made to settle all industrial disputes first at the level of the undertaking by negotiations between employers and labour organisations within a period of seven days; failing this, the dispute should be reported to the Government's conciliation machinery;

(f) the official conciliation authority should attempt to settle such disputes within 14 days and report results to the Government soon after; and,

(g) the disputant parties should agree before the conciliation officer to refer disputed matters for arbitration, except matters involving creation of new rights having wide repercussions or involving a large financial stake, and the arbitrator should give his award as early as possible and in any case within a period of three months; failing this, the dispute should be referred for adjudication by a joint application.

The Conference also suggested that the Government should request the Tribunal to conclude adjudication proceedings within a certain time limit. It called upon employers and workers not to file writ petitions against the award of the adjudicator except in cases involving creation of new rights or having substantial financial implications. It was decided further that the Standing Labour Committee, constituted in October 1960, should meet frequently to review the implementation of the Industrial Truce Resolution.

Unfounded Claim

The State Government's Labour Department has now issued a note reviewing the working of the Industrial Truce Resolution during the period November 1962 to June 1963. The Note shows clearly that the working of the Resolution has been anything but satisfactory. The author of this article visited the main centres of textile industry and found that there has been no appreciable change in the industrial climate towards harmony and a greater desire to settle issues by negotiations. Although the State Government's note hails management and unions who exercised 'restraint in a number of cases' and took positive steps to promote co-operation, there is no definite indication of the success of the industrial truce except that the number of man-days lost through strikes and lockouts was appreciably lower in this period. The number of man-days lost was only 1,311 during November 1962 to June 1963, against 8,650 during January-October 1962.

The resolution provided for the formation of small committees by labour unions affiliated to central labour organisations. No such committee has been formed till this day. The bitter rivalry among unions, the charasteristic of the Indian trade union movement, contiues unabated. It is alleged by the leaders of AITUC and HMS that the national emergency has been used to suppress these unions and to boost the INTUC. Out of 96 industrial undertakings employing more than 100 workers, only 31 have set up production committees; many of even these 31 have just turned their works committees into production committees. Even where they exist, these committees remain on paper. In the textile industry, out of the seven undertakings that the author visited where production committees had been set up, in only one was the committee working satisfactorily. Out of the remaining six, in five the committees had not met and in one though it had met thrice during the last eight months no decisions had been taken. Workers, though full of enthusiasm to raise production, are not acquainted with the techniques of production planning and employers hesitate to explain production techniques to workers' representatives.

During the period under review, according to the official note, as many as 344 workers were retrench-

ed by 9 undertakings. "In addition to these, a number of workers were retrenched in the PWD and Irrigation Departments of the State due to closure of some works during emergency".

Employers Reject Arbitration

The Resolution required that there should be maximum recourse to voluntary arbitration. It has also been laid down that all complaints pertaining to discharge of workers, victimisation and retrenchment, which cannot be settled mutually, should be settled through arbitration. The note says: "The experience in this direction has not been good. Most of the employers have not agreed to voluntary arbitration. In 11 cases the employers did not agree for arbitration. Only in one case the management agreed for arbitration during this period. No specific reasons were given by the management for refusing arbitration".

Regarding dismissal and discharge of workers the note reports seven cases in which a number of workers were dismissed and discharged and arbitration was refused by the employers. One of these cases was reported in the Rajasthan State Roadways, a public sector undertaking. The note concludes that "On the whole the Industrial Truce Resolution has worked well. On the side of the workers there has been commendable restraint though the employers in some cases have not shown the same spirit".

It is pointed out that out of the 106 cases pending before the conciliation authority on November 1, 1962, 102 cases were settled either by mutual negotiation or by the intervention of conciliation officers. This does not, however, necessarily reflect the desire of employers and workers to settle disputes without taking recourse to the expensive and delaying adjudication machinery. Out of the 64 cases that were pending before the industrial tribunal and the labour court only in 10 cases did the parties yield to the persuasion of the Government to agree to out-of-court settlement. And this when the Tribunal and the Court did not exist during this period due to the refusal of the judge to accept the appointment.

Why the Truce Failed

The Government's note lists the following difficulties in the implementation of the Industrial Truce Resolution:

(1) Employers do not agree to arbitration even in relatively minor cases of discharge and suspension of workmen. This has created a feeling of discontentment among the workers, because court procedures are costly and usually take a long time.

(2) There have been a number of cases of discharge and dismissal of workmen by the employers on minor matters which is against the spirit of the Industrial Truce Resolution.

(3) Where there is more than one union in an industry, the representatives of the different unions do not cooperate in the working of the emergency production committees.

(4) Though a large number of emergency production committees have been formed in the State, targets of production and other statistics are usually not disclosed by the employers so that workers do not know how much production or productivity has increased.

(5) Public sector undertakings in the State have not been cooperating in forming production committees.

Conflict over Cooperatives

(6) Workers have not been enthusiastic about setting up cooperative stores. The reason is that where there is rivalry among workers, it is not possible to have one common store for all the workers of the factory, while the Cooperative Department insists that there should be only one cooperative store for each unit.

(7) Employers are not prepared to give loan and subsidy to the cooperative stores as envisaged in the model scheme.

(8) There have been instances of breach of the Truce Resolution even by INTUC unions.

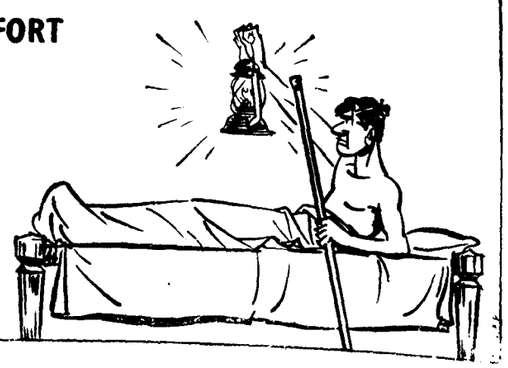
(9) The collection of money for the National Defence Fund from the workers has slowed down. The AITUC unions particularly are opposing deduction from wages. They are also opposing the working of additional shifts or working of factories on Sundays, etc.

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DEFENCE OF THE COUNTRY NEEDS CONTINUOUS EFFORT

The external danger that faces us is not of today only. It may last for a considerable time. So the nation will always have to be on its guard. There can be no complacency, no slackening of effort to strengthen defence in every way.

WORK RESOLUTELY



Small Enterprises' Contribution to National Income

An Alternative Approach

A G Majumdar

In spite of the frequent criticism of the estimates of national income prepared by the Central Statistical Organisation, we are still very much dependent on the CSO for any data on national income.

The estimates presented in the CSO's 'white papers' are broadly based on the concepts, methodology and source materials used by the National Income Committee. However, since the publication of the Final Report of the NIC in 1954, there has been much improvement in the availability of primary statistical material which has made many of the assumptions of the NIC untenable.

In fact, the present sector-wise estimates of national income do not provide reliable measures of output, and this is particularly true of animal husbandry, forestry, fishery, factory establishments, small enterprises, other commerce and transport, professions and liberal arts, domestic services and house property.

An attempt has been made below to present an alternative estimate of the small enterprises sector's contribution to national income.

THE coverage of the small enterprises sector, for the present purpose, has been taken to be the same as adopted by CSO for their *ad hoc* publication "National Income Statistics: Proposals for a Revised Series of National Income Estimates for 1955-56 to 1959-60". In other words, it includes all manufacturing establishments not covered by the Factories Act, 1948.

In case of the small enterprises sector, apart from the 'white paper', two other sets of estimates of national income for the period 1955-56 to 1959-60 are available. The first of these two sets was prepared by the CSO a few years ago and published in NIS whereas the other series was prepared jointly by P N Dhar and S Sivasubramanian (*The Economic Weekly, Special Number, July* 1962). Both Dhar and Sivasubramanian and the CSO have adopted a combination of "product approach" and "income-approach" for estimating the net contribution of the small enterprises sector to national income. Net value added per engaged person was estimated first and then it was multiplied by the working force (i e, the number of persons engaged). In order to estimate the net value added per engaged person, Dhar and Sivasubramanian have used practically the same methodology and source materials as used by the CSO in their NIS. For estimating the working force, however, Dhar and Sivasubramanian have used the "Special employment data collected during the 9th round (May-Nov, 1955) of the National Sample Survey (NSS)"* whereas CSO's estimate of working force was based on (1) economic data of the 1951 population census and (2) data relating to additional employment generated during the first and second Five-Year Plans as provided by the Planning Commission.

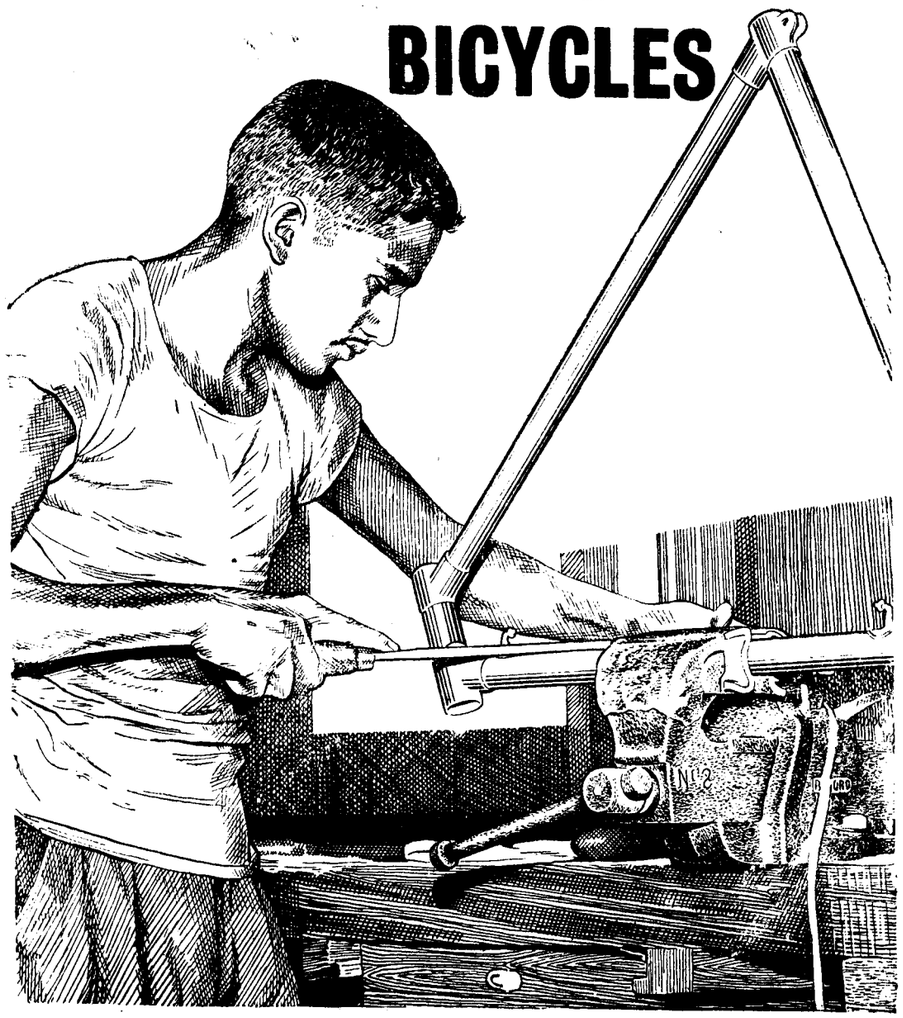
Non-comparable Estimates

In estimating the net value added per engaged person Dhar and Sivasubramanian, like the CSO, have collected statistics relating to value added, number of persons engaged, gross output etc, from various studies on small industries sponsored by the Research Programmes Committee of the Planning Commission, State Statistical Bureaus, Development Commission for Small-Scale Industries and the annual reports of the National Small Industries Corporation. The main defect of this procedure lies in the fact that most of the surveys are 'local' in nature and the definitions of small industries vary from one report to another. Dhar and Sivasubramanian themselves admitted that "unfortunately the definitions and methods of measurement used are not identical in all these reports". The estimates of value added per engaged person as prepared by the CSO also suffer from defects of the same nature. Curiously enough, the data relating to output, value added etc. pertaining to small enterprises sector as collected during various rounds of NSS and given in Report Nos 19, 51, 52 were completely rejected by both CSO and Dhar and Sivasubramanian on the ground that the NSS definition of small enterprises does not strictly conform to that adopted by them.

As a complete census of small industries (similar to the Annual Survey of Industries in case of large industries) is rather impossible, the estimates for small enterprises have to be prepared from the data collected through properly designed sample surveys. In spite of its many limitations, the NSS is the only source which gives valid estimates for the whole small industries sector. It may be mentioned here that in estimating the net output of the agriculture sector, the data in respect of several input items given in various reports relating to 'Studies in the Economics of Farm Management' have been rejected by the CSO in their NIS. One of the reasons given by the CSO for rejecting the Farm Management data is that as they relate to "two contiguous districts, the estimates based on them may not be truly representative of the State". Whereas in the agriculture sector the data which are local in nature have been rejected, they have been preferred to NSS data in case of small enterprises sector in spite of the fact that other reports suffer as much from the defect of "definitational non-comparability" as the NSS.

* A special tabulation of the aforesaid NSS data was done originally for H F Lydall for a study the results of which are published in "Role of Small Enterprises in Indian Economic Development".

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The Approach

In the present paper, contribution of small enterprises sector has been estimated by adopting a combination of the "product approach" and the "income approach". For the purpose of estimation, the small enterprises sector has been divided into two sub-sectors, viz, (i) household industries, and (ii) non-household small-scale manufacture. Net value added by household industries and non-household small-scale manufacture has been estimated separately and then the sub-sectoral estimates added together to give an estimate of the net output of the small enterprises sector.

In the 14th round refering to the period July 1958 to June 1959, the NSS has collected data on small-scale manufacture and handicrafts from unregistered households establishments, the results of which are available in NSS reports. The geographical coverage of the 14th round was the whole of the Indian Union excluding NEFA, Ladakh and the Islands of Andaman, Nicobar, Amindivi, Laccadive and Minicoy. The results given in the report pertain to all unregistered household manufacturing establishments. Unlike earlier rounds, in the 14th round "the small scale products produced by the sample household which was consumed by the sample household itself was taken into consideration". Government agencies, joint stock companies, co-operatives and other non-household enterprises engaged in small-scale manufacture were excluded from the survey.

Value Added by Household Industry

Statewise estimates of (1) total number of households (2) total number of persons engaged (3) total number of household persons (4) per household value of output (5) per household value of input and (6) per household value added are available in the report separately for rural and urban areas. Utilising the above information, value added per person engaged in household manufacture for the combined rural and urban areas of different States has been estimated for 1958-59 and then brought up to 1960-61 with the help of an index of wages of rural skilled workers in the different States, specially constructed for the purpose. The value added per engaged person, thus estimated, is then multiplied by the number of workers engaged in household industries (as given in Census Paper No 1, 1962) to arrive at the Statewise estimates of net output from household manufacturing industries. It may be mentioned here that the figures given in Census Paper No 1, 1962, refer to March 1, 1961; for the present estimate, the number of workers as given by the population Census (1961) has been assumed to represent the year 1960-61. Net contribution of household industries to national income is then found by totalling the net output of individual States as Rs 397 crores. Details are given in Table 1.

Manufacturing other than Household Industry

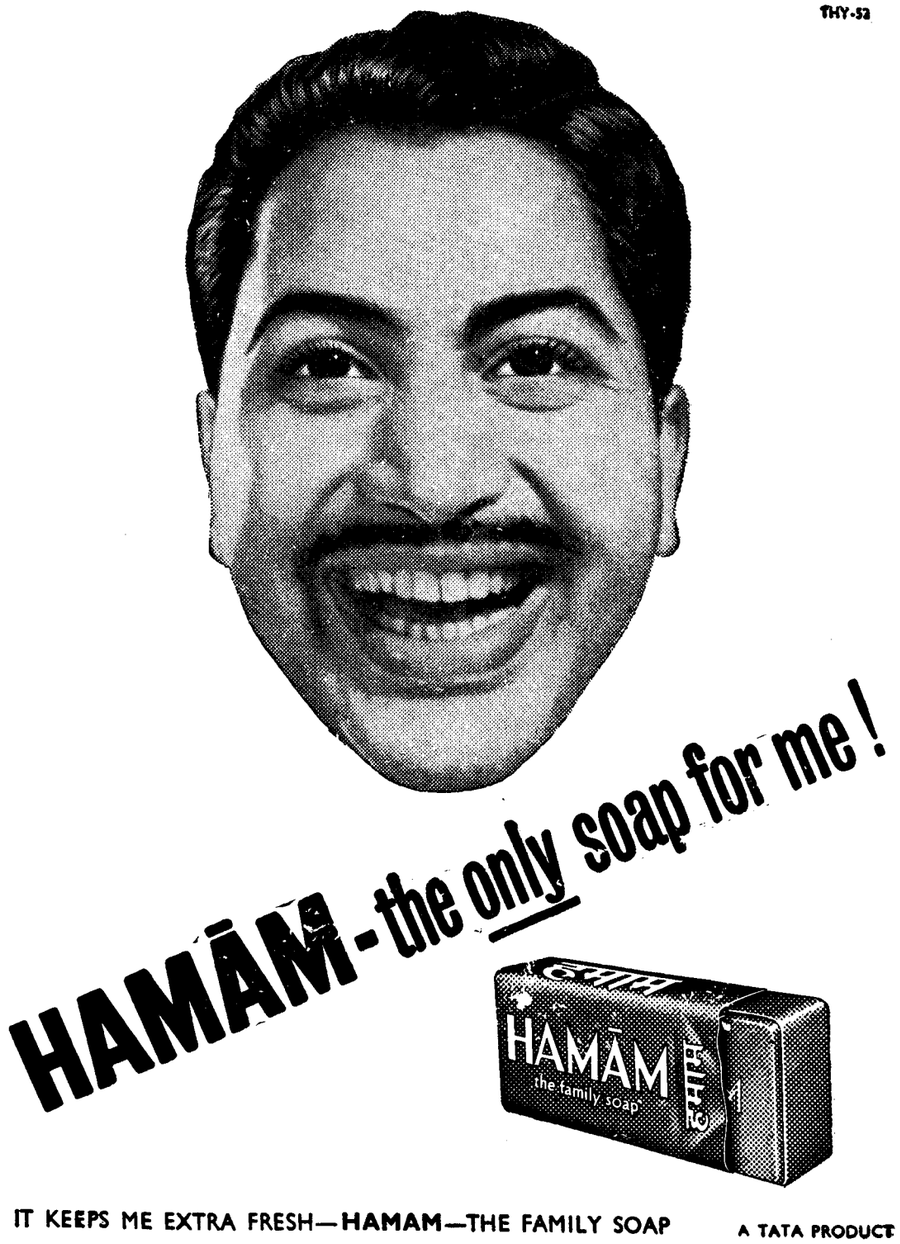
In addition to the number of workers engaged in household industry, Census Paper No 1, 1962, also gives the number of workers engaged in manufacturing other than household industry. From the Indian Labour Year Book (1961) and the Annual Survey of Industries, 1959 and 1960 (ASI), the number of persons engaged in large scale manufacturing industries for different States have been estimated. It may be noted here that the number of persons engaged in large scale manufacturing industries is slightly larger than the number of persons coming under the purview of the Factories Act, 1948. In the ASI (census portion), data relating to (1) number of persons coming under the purview of the Factories Act, 1948 and (2) total number of persons engaged in large scale manufacturing industry for the reporting establishments are available. From the total number of workers engaged in manufacturing other than household industry as given by Census (1961), number of persons engaged in large-scale manufacturing industry has been deducted to arrive at an estimate of number of persons engaged in non-household small-scale manufacture for different States.

In order to estimate the value added per person engaged in non-household small scale manufacture, a slightly indirect method has been adopted. With the promulgation of Collection of Statistics (Central) Rules, in 1959, the collection of data relating to industrial statistics from 1959 onwards is being conducted through a comprehensive Annual Survey of Industries (ASI). The coverage of ASI extends to all factories coming under the purview of the factories Act, 1948. In order to make it operationally successful,

Table 1: Estimates of Income from Household Industry for 1960-61 at Current Prices

	States	Employment in Household Industry (nos)	Value Added Per Person in Household Industry (Rs)	Value Added (Rs lakhs) col (2) x col (3)
	(1)	(2)	(3)	(4)
1	Andhra Pradesh	1815154	175	3176.52
2	Assam	280353	385	1079.36
3	Bihar	1057900	248	2623.59
4	Maharashtra	832169	607	5051.27
5	Orissa	530809	210	1114.70
6	Punjab	540849	970	5246.24
7	Madhya Pradesh	841395	303	2549.43
8	Madras	1206812	198	2389.49
9	Uttar Pradesh	1801746	257	4630.49
10	West Bengal	487311	720	3508.64
11	Kerala	488562	175	854.98
12	Mysore	708710	229	1622.95
13	Rajasthan	598182	172	1028.87
14	Gujarat	555606	612	3400.31
15	Delhi	16710	1025	171.28
16	Himachal Pradesh	44849	1025	459.70
17	Tripura	25153	395	99.35
18	J & K	95628	358	342.35
19	Others †	102815	330	339.29
Total		12030713		39688.81

† Includes Laccadive, Minicoy, Amindiv, Andaman and Nicobar Islands, Manipur, Dadra-Nagar Harchi, NEFA, Nagaland and Pondicherry. Estimates of value added is based on value added per person derived from all States other than 'other States'



the ASI is divided into Census and Sample parts. The Sample part covers comparatively smaller factories. In fact, it includes only those factories which employ more than 9 workers but less than 50 workers using power or more than 19 workers but less than 100 workers not using power. From the results of the sample part of ASI, 1960 it has been possible to estimate the value added* per person engaged for different States for 1960. It is expected that the value added per person engaged in non-household small-scale manufacture will be higher than the corresponding estimate of household industries but will be lower than the value added per person engaged in smaller factories covered by the sample part of ASI.

Therefore it has been assumed that a simple average of value added per person pertaining to factories covered by sample part of ASI and household industries will represent the value added per person engaged in non-household small-scale manufacture. The value added per person engaged thus estimated is multiplied by the number of persons engaged in non-household small-scale manufacture to get Statewise estimates of net output of non-household small-scale manufacture. Adding the State estimate, the national total is arrived at (see Table 2).

The contribution of small enterprises sector to national income is taken as the sum of (1) net output of household industries and (2) net output of non-household small-scale manufacture. Thus, in 1960-61, the total contribution of small enterprises sector national income is estimated at Rs 863 crores at current prices (see Table 3).

Comparison of Different Estimates

It is perhaps worthwhile to place the present estimate against similar estimates prepared respectively by Dhar and Sivasubramanian and the CSO and examine its magnitude. The following table gives the present estimate of net output of small enterprises sector along with those of CSO and Dhar and Sivasubramanian:

Source	Year of Reference	Net Output (*Rs crores*)
CSO's estimate as given in NIS	1959-60	786
Dhar and Sivasubramanian's estimate	1959-60	1044
The present estimate	1960-61	863

As the reference period of the present estimate is not the same as others, it is necessary to make some adjustments in the other estimates in order to make them comparable. As has been already stated, both CSO and Dhar and Sivasubramanian have prepared the estimates of net output at current prices for the period 1955-56 to 1959-60. From these data, the average rate of increase per an-

Table 2: Estimates of Income from Smaller Manufacturing Industry Excluding Factories and Household Industry for 1960-61 at Current Prices

	States	Employment in Manufacturing Industry (nos)	Employment Covered by Factory Establishments (nos)	Employment in Smaller Manufacturing Industry (nos) col (2)—(3)	Value Added Per Person in Smaller Mfg Industry (Rs)	Value Added in Smaller Manufacturing Industries (Rs lakhs) col (4) x col (5)
	(1)	(2)	(3)	(4)	(5)	(6)
1	Andhra Pradesh	475675	229354	246321	566	1394.18
2	Assam	103624	88549	15085	1509	227.63
3	Bihar	425896	199334	226562	1082	2451.40
4	Maharashtra	1304335	805417	498918	1212	6046.89
5	Orissa	86197	34122	52075	834	434.31
6	Punjab	354058	134342	219716	1840	4042.77
7	Madhya Pradesh	336845	165539	171306	733	1255.67
8	Madras	848302	328610	519692	1068	5550.31
9	Uttar Pradesh	800835	340935	459900	1007	4631.19
10	West Bengal	1319160	746954	572206	1386	7930.78
11	Kerala	529472	170440	359032	1094	3927.81
12	Mysore	421880	176362	245518	1186	2911.84
13	Rajasthan	172025	61549	110476	706	779.96
14	Gujarat	536159	360673	175486	1548	2716.52
15	Delhi	170324	72783	97541	1840	1794.75
16	Himachal Pradesh	6735	2444	4291	1791	76.85
17	Tripura	10839	2108	8731	604	52.74
18	J & K	33453	10857	22596	841	190.03
19	Others †	20722	1204	19518	1159	226.21
Total		7956546	3931576	4024970		46641.84

Table 3: Estimates of National Income from Small Enterprises for 1960-61 at Current Prices (*Rs lakhs*)

	States	Value Added in h h Industry	Value Added in Smaller Manufacturing Industries	Total Value Added in Small Scale Industries col (2) + col (3)
	(1)	(2)	(3)	(4)
1	Andhra Pradesh	3177	1394	4571
2	Assam	1079	228	1307
3	Bihar	2624	2451	5075
4	Maharashtra	5051	6047	11098
5	Orissa	1115	434	1549
6	Punjab	5246	4043	9289
7	Madhya Pradesh	2549	1256	3825
8	Madras	2389	5550	7939
9	Uttar Pradesh	4630	4631	9261
10	West Bengal	3509	7931	11440
11	Kerala	855	3928	4783
12	Mysore	1623	2912	4535
13	Rajasthan	1029	780	1809
14	Gujarat	3400	2717	6117
15	Delhi	171	1795	1966
16	Himachal Pradesh	460	77	537
17	Tripura	99	53	152
18	J & K	342	190	532
19	Others †	339	226	565
Total		39687	46643	86330

† Please see foot note to table 1.

* Net of depreciation. Depreciation has been estimated at the same rate as given in Census part of ASI.

Table 4: Value Added Per Person and Size of Working Force

Source	Year of reference	Estimate of working force ('000)	Value added per person (Rs)
CSO's estimate as given in NIS	1955-56	11237	565
Dhar-Sivasubramanian estimate	1955-56	12619	625
The present estimate	1960-61	16056	538

num has been derived for both the series separately. These rates are then applied to the corresponding estimate of net output for 1959-60 to get rough estimates of net output for both the series for 1960-61. The net outputs thus estimated are Rs 824 and Rs 1108 crores for CSO and Dhar and Sivasubramanian, respectively.

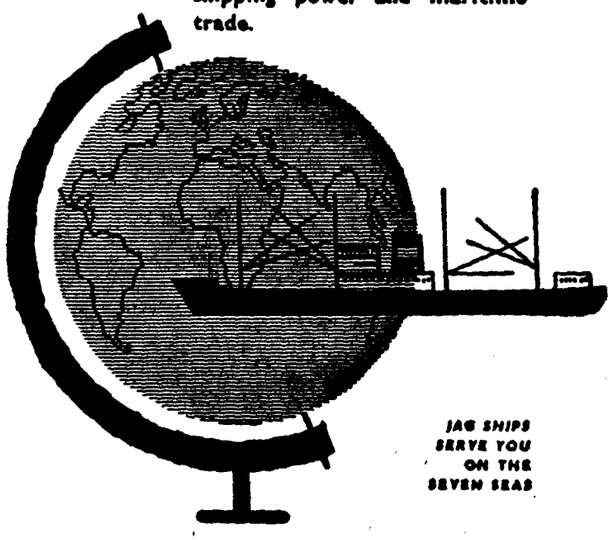
It may be observed from the above sets of figures that the projected CSO estimate for 1960-61 is not much different from the present estimate, whereas Dhar and Sivasubramanian's estimate of Rs 1108 crores is far higher. Due to the absence of separate figures of value added per person for both the CSO and Dhar-Sivasubramanian series for years other than 1955-56, it is not possible to locate exactly the origin of differences. However, a not-too exact idea can be formed with the help of 1955-56 data. Table 4 shows the value added per person and working force separately for all the three sets of estimates. It will be seen that both in case of working force and value added per person, considerable differences exist between the present estimate and other estimates. In case of working force, the differences can be explained, to some extent, by the fact that during the last decade there has been a tremendous increase in population and it is quite likely that a substantial portion of the new entrants to the labour force is absorbed in household industries.

It has already been pointed out that both CSO and Dhar-Sivasubramanian have used results of surveys which are local in nature to arrive at the estimate of value added per person at the national level and, therefore, it is no wonder that their estimates differ so much from the present estimate. It is a well-known fact that value added per person varies widely from region to region and therefore different estimates of value added per person at the All-India level can be found by using different sets of weights. Whereas the weights used in the present estimate are based on a scientifically planned sample survey, those used by both CSO and Dhar and Sivasubramanian for combining the value added per person obtained from various local reports were more or less arbitrary.

It is hoped that research workers on national income will give more weight to the data collected through scientifically planned and properly designed sample survey like NSS and the various Saving Surveys conducted by the National Council of Applied Economic Research for estimation of sectoral incomes.

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Regional Over-Supply of Labour and the 'Protectionist' Argument

Reply

Amitava Sen

ARUN K Dattagupta's criticism (August 24, 1963) of my article (July 6, 1963) is misdirected partly because the problem he is concerned with is different and partly because he misinterprets my analysis.

The Problem

(1) While I was mainly thinking of inter-regional transfer of a typical labourer who spends his boyhood in a lagged region, the productive period of his life in a growing region and retires to his source of origin when he grows old. What Dattagupta seems to have in mind is the once for all migration of a labour family from the lagged region to a growing region. This is clear from the opening paragraph of his 'comment' and his subsequent enumeration of the gains of the lagged region. Only when he comes to the 'possible' losses, is he alive to the two-way mobility of labour.

(2) While I mainly addressed myself to the problem whether such inter-regional transfer of labour helps or retards growth of the lagged region and tried to throw some doubts on the generally accepted proposition, Dattagupta makes a static analysis of the gains and losses of the growing region and the lagged region. In preparing the balance sheets, he does me the honour of incorporating certain points suggested by my analysis but his balance-sheets are, by no means, exhaustive particularly since he also allows for the non-economic effects (e g his credit item no 3 for the lagged region). Besides his credit item no 1 (he makes a specific criticism of my analysis for not allowing for it) seems to imply that if the prevailing capital-labour ratio is non-optimal because of less capital per unit of labour it can be corrected by retrenching more labour and changing the ratio. From the point of view of the growth of the lagged region, there is an important distinction between changing the ratio by (i) investing more capital and (ii) retrenching more labour, for the latter method does not necessarily help growth unless the marginal productivity of labour is negative. On the other hand it may retard growth, since retrenching of labour would be followed by a reduction in total output.

Assumptions

(3) I confined my analysis strictly to the inter-regional export and import of unskilled labour and did not allow for compensatory movement of other real resources like capital. The basis of such a simplification is that the capital resources have an inherent tendency to be attracted to the growing regions and even a large part of such resources generated in the lagged regions finds its way to the growing points. More about this later.

(4) While I have considered it highly probable that a large portion of money income transmitted to the lagged region would be spent on locally produced goods, Dattagupta brings in 'the demonstration effect' to doubt this possibility. Ultimately, this is a question of fact and not of logic. But such sociological factors like the joint-family system, caste and group loyalties, the tendency of the comparatively large number of non-earning dependent to cluster around the more prosperous rural families, social prestige being more 'dependent' on ownership of land rather than on consumption habits and maritial ties being primarily determined by caste and sub-caste groupings rather than income-groupings — in short, group-centred motivations rather than ego-centred motivations — may well explain why purchasing power generated in these regions remains unrequited. This is a fact as well as a hypothesis which underlies the policy, suggested by many leading economists, of directing deficit-financed public investment projects to the rural sectors. With my limited knowledge of the intricate sociological and institutional characteristics of the lagged regions of India and other underdeveloped countries, I hesitate to delve into the realm of sociology and cultural anthropology. But I think it is more or less safe to assume that unless these sociological institutions decay too rapidly, the demonstration effect of urban consumption pattern is not going to be as strong in the lagged regions as suggested by Dattagupta.

Some Misrepresentations

(5) While I tried to show that the mere transfer of purchasing power (i e, a command over real resources) does not necessarily increase the scope of productive investment under the peculiar circumstances that exist in the lagged regions without bidding up the prices of scarce resources, I have no quarrel with the proposition that the trickling down of economic progress of the growing regions in the form of relieving the pressure of a portion of superfluous labour on land and other scarce resources does increase the scope for such investment without inflationary implications. But the question is not the existence of investible resources but why they are not so invested in the lagged regions. See in this connection point (3).

(6) I mentioned the possibility that a large number of migrated labourers may use their earnings from the growing regions for purchasing land and since this would divorce ownership of land completely from land management, agriculture, especially preparatory tillage and other operations needed in the slack season might be neglected. It is known that the productivity curve of labour in the busy season would depend on the amount of labour input on land during the slack season. So far as leave difficulties, the lack of a regular channel of timely information and the fact that the seasonal peak is not fixed at a particular time during the year but varies with the early or late arrival of monsoon, etc, create

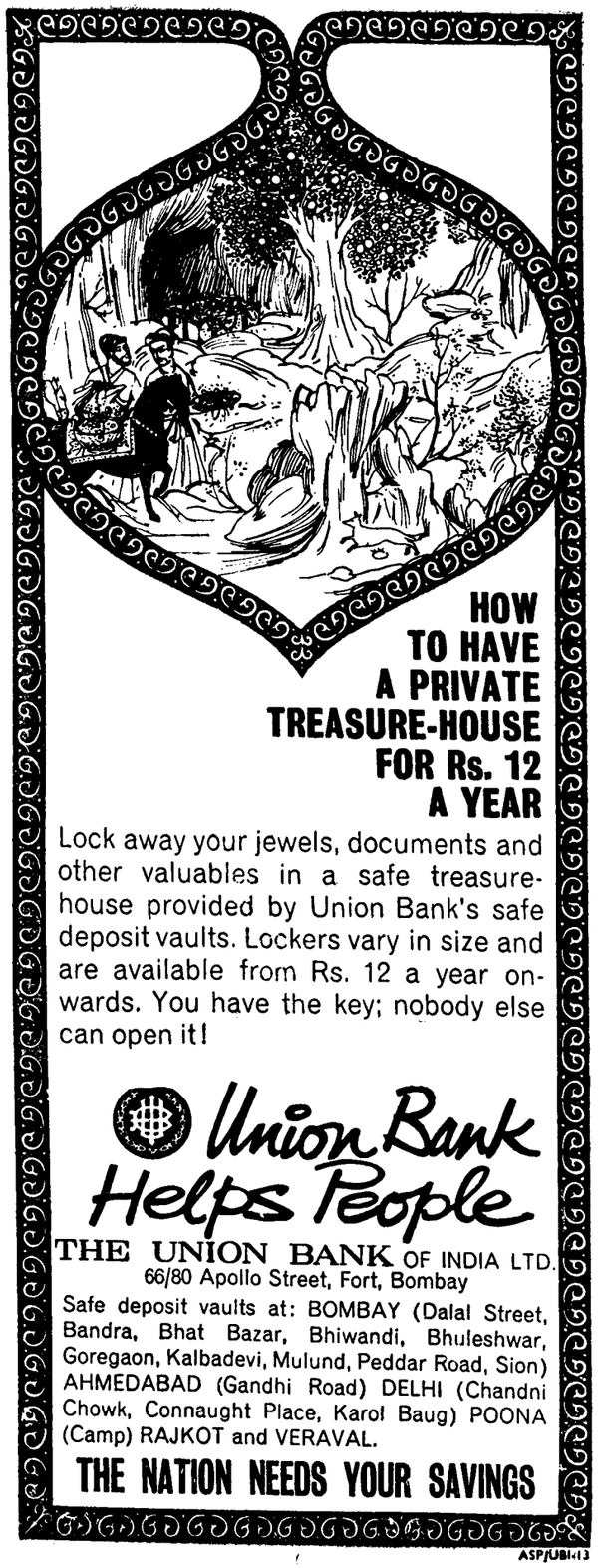
some uncertainity about the timely arrival of the labouring population from the growing regions to the lagged regions, farming operations would be less ambitious and less intensive than they would have been otherwise. I should also like to ask Dattagupta why industrial absenteeism sharply increases during a particular period of the year if labourers go back to their homelands only to maintain contact with the rural nexus.

(7) It is with some diffidence that I come to the concluding paragraph of his 'comment' since I have not fully understood the exact relationship between the 'protectionist argument' and the old controversy over concentrated versus dispersed growth. Does Dattagupta refer here to regional dispersal of public (or private, so far as their location can be influenced through incentives) investment projects? If so, does he put any faith in such a programme? Then, of course, the dichotomy between the growing region (which keeps growing) and the lagged region (which lags behind) is not very helpful. Or does he mean by regional dispersal a deliberate policy of switching surplus labour of the lagged region to the growing region irrespective of its absorptive capacity? Then it is not regional dispersal of growth but regional dispersal of non-growth, for, by following such a policy to the required degree, both the lagged region and the growing region can be depressed. I think it is his static framework of analysis and his preoccupation with the gain-loss calculus that confused the issues involved here. Besides, I have no knowledge of any policy-maker for whom such a deliberate policy of investing growing regions with surplus unskilled labour is a settled issue.

Nuclear Power Cost Halved

BRITISH scientists have succeeded in halving the cost of nuclear power generation over the past seven years, according to Professor John Baxter, chairman of Australia's Atomic Energy Commission.

Professor Baxter forecast that within another three or four years the efficiency of nuclear power stations would be so improved that countries with limited power resources would find it economical to build them.



Around Bombay Markets

Dalal Street Turns Hesitant

Thursday, Morning

DALAL STREET tried to push its way further up last week but the going was not easy. The market met considerable resistance at higher levels but offerings dried up quickly as prices receded a little with the result that even the most popular speculative counters moved irregularly in a narrow range. Interest continued to be extremely selective with half a dozen counters accounting for the bulk of speculative business which is still too small to bring any cheer to the stockbroking community. Outside public interest continues to be extremely restricted.

Official concern about the prolonged stalemate in the capital market and persistent support from the Life Insurance Corporation from time to time have imparted a feeling of steadiness to the market but confidence to follow the rise is lacking which seems due mainly to the continuing political uncertainty. Inspired talks that Shri T T Krishnamachari would yield to the mounting pressure from the business community and from within the Congress Party for modifying the compulsory deposit scheme, gold control order and some of the fiscal measures in order to restore the confidence of the private sector had enlivened sentiment on the stock market recently. But hopes of any major changes in respect of compulsory deposit scheme, gold control and fiscal measures now appear to be gradually receding. The Prime Minister has done well in discouraging hopes of any large-scale changes in the fiscal policy as a result of the exit of Shri Morarji Desai. Financial policy, after all, is the responsibility of the Government collectively and not of any particular Finance Minister.

T T K Comforts Market

The stock market can certainly derive comfort from T T K's anxiety to stimulate economic growth but it has only itself to blame if it pitches up its expectations about tax relief very high. All that it can hope for is the rationalisation of the tax structure without in any way sacrificing much of the revenue so badly needed for defence and development. Big Business might feel a little uneasy because of the official move to strengthen the Company Law Administration in order to exercise a stricter control over the financing and management of joint stock companies but not the investing community. With the Government anxious to bring about a revival in the capital market, equity prices might not register any important decline from the current level unless there is a further deterioration in India's relations with China and Pakistan, but the market will find it difficult to push its way and sustain the rise in face of the political uncertainty. The more so if the economic tempo does not pick up appreciably, and profitability of the corporate sector remains low. According to a recent survey of *The Economic Times* on post-budget declaration of profits and dividends, 202 companies out of the 490 companies included in the survey reduced the dividend rates and only 108 companies were able to step up their dividend. The pre-tax profit recorded an increase but the companies have had to make a substantially larger provision for taxation.

Cotton

Prices Ease Further

WITH weather continuing to oblige, the cotton market last week developed further weakness which was more pronounced in ready than in futures. At its Wednesday's closing of Rs 693.75, the March contract showed a net loss of Rs 11.25 per 3 quintals over the week whereas losses in ready ranged between Rs 15 and Rs 30 per candy. Over the past one month or so ready cotton prices have declined sharply by Rs 50 to Rs 150 per candy, good quality CO2 being the worst sufferer. The fall has come about without much activity, reflecting mainly the drastic change in market sentiment because of the large carryover and expectations of another good harvest. With the final estimate of the 1962-63 crop revised to around 57.44 lakh bales, the carryover of Indian cotton is now placed around 19.50 lakh bales — a record high for six years. The carryover of foreign cotton is placed around 1.50 lakh bales. Another good harvest could bring about a basic change in the outlook for cotton if imports are maintained even at the normal 6 lakh to 7 lakh bales. Cotton prices could decline farily close to the revised floor level and the fall in prices need not be viewed with concern. In fact, the availability of cotton at cheap prices will help strengthen the competitive position of the Indian textile industry in international markets and obviate the need for an upward revision of cloth prices.

Not only that. If cotton prices keep well below the ceiling, the authorities will find it extremely difficult not to concede the trade's demand for doing away with compulsory survey and the supervisory scheme which are intended primarily to implement successfully the price control order. The Textile Commissioner has assured the trade that he would review the supervisory scheme as well as compulsory survey system some time in October when a clear picture emerges of the crop. Meanwhile he has reduced the commission for supervisory work to 3/16 per cent of the final invoice value of cotton, from 1st September. It is to be hoped that the Textile Commissioner will not hesitate to abolish the supervisory scheme if the new crop turns out to be really good. Inquiries with the trade indicate that the area sown under cotton is about 5 per cent more than in 1962-63 which holds out the promise of a bigger crop provided weather conditions remain favourable during the rest of the season. September is a critical month for cotton, more particularly the period from 25th September to 5th October. Weather conditions in the next few weeks will have a significant bearing on the crop outturn. One can only hope

for the best. Despite a record crop of about 57.44 lakh bales in 1962-63, production continues to be far behind the Plan schedule. Apart from ensuring supplies to the industry at reasonable prices, a bumper crop can help make a beginning towards the building up a buffer stock to take care of lean years. Rarely has the weather been known to oblige for more than two successive years.

Bengal Deshi prices which had been holding remarkably firm for a long while have developed a slightly easier tendency due to lack of any fresh export business. Overseas buyers continue to keep off the Indian market in the hope of securing their supplies at cheaper rates. And it is not unlikely that prices here will move further down before any important export business can be put through.

Oilseeds

Subdued but Irregular

AFTER a brief show of strength the oilseeds market developed a sagging tendency but turned steadier again near the week-end and Wednesday's closing prices showed only fractional variations from the previous week-end levels. Groundnut and linseed were slightly down, castor were a little higher while cottonseed were virtually unchanged. Groundnut January which had eased from Rs 219 to Rs 215.75 were up again around Rs 218. Castor March eased from Rs 164 to Rs 162.75 but recovered to Rs 165.12 before winding up the week at Rs 164.62. Linseed March moved irregularly between Rs 37.31 and Rs 36.81 and cottonseed January were neglected around Rs 96.50. Speculative interest continued to centre mostly around groundnut but near the week-end castor also received considerable attention due to revival of overseas inquiries for castor oil.

With offerings scarce and offtake satisfactory, spot groundnut and groundnut oil continue to display a firm tendency. Buyers, however, are no longer aggressive because of the encouraging reports about the new crop which will begin to move into the market in quantity after about the middle of next month. The general market opinion is that if weather continues to oblige in coming weeks, the new groundnut crop will be about 2 lakh to 3 lakh tons more than in the previous season. If groundnut futures have not registered any significant decline despite prospects of a good harvest it is mainly because of the strength in the spot material and persistent rumours about liberalisation of the export incentive for crude groundnut oil. The export trade is reported to have represented to the Government for increasing the incentive for crude oil from 60 to 70 per cent because at present export business is restricted to a few prominent manufacturers of vanaspati owing to the larger incentive for refined groundnut oil. It is doubtful whether the Government will accept the trade's plea for a bigger incentive for crude oil but if it did it will have a significant bearing on the outlook for groundnut prices. The Government will be well advised to encourage the export of linseed oil and castor oil instead of groundnut oil by liberalising the incentives for these oils. The export potentialities of linseed oil have not been properly exploited. This is also partly true of castor oil.

Inquiries with the export trade indicated that Spain was again in the market for refined groundnut oil though the business put through was not large. Indian shippers have refuted the charges made by importers in Spain about the inferior quality of groundnut oil supplied to them. The Minister for International Trade will do well to look into the matter carefully because the country can ill-afford to lose foreign customers due to lack of observation of quality standards. Apart from groundnut oil, some business was also reported in groundnut H P S at around £ 86 per ton for Bold December-January shipment. Groundnut extractions were distinctly easy. Export business was moderate but prices realised were 10 to 15 shillings per ton less than in the preceding week. The U K was mentioned as the main buyer and the week-end quotations were placed around £ 35-5 for September, £ 35-10 for October, £ 34-15 for November and £ 33-15 for January-March shipment. With offerings from India likely to increase as a result of larger crushing when the new crop movement gets into swing, it is quite likely that the overseas buyers will mark their prices further down. The U K was reported to have purchased about 700 to 1,000 tons of castor oil last week and it paid about £ 105-10 for Commercial grade. Exporters seem optimistic about putting through further business in the near future. Linseed oil continues to be completely neglected and export business in linseed cake is also limited. The U K and the Continent made moderate purchases of cottonseed cake but the prices paid were lower around £ 31 per ton.

Maharashtra Housing Board

TENDER NOTICE

Sealed and superscribed tenders in 'D' Form are invited by the Executive Engineer, Housing Chembur Division, Bombay for the supply of Ready Mixed Paint during the year 1963-64 so as to reach his office upto 12.00 Noon on 7-10-1963 and will be opened on the same day if possible.

Sr. No. Name of work	Estimated Cost.	Earnest Money.	Security Deposit.
1. Annual supply of ready mixed paint during the year 1963-64.	Rs 71,670/-.	Rs. 720/-	Rs. 3584/-

Blank Tender forms can be had on payment of Rs. 5/- each from the Office of the Executive Engineer, Housing Chembur Division, Tata's Godown, Jackeria Bunder Road, Sewri, Bombay-33 on or before 3-10-1963 during the office hours.

Right to reject any or all the tenders received without assigning any reasons is reserved.

VHM/10/9/63.

Business Notes

Jaipur Udyog

THE financial results of Jaipur Udyog for the year ended March 31, 1963 have shown substantial improvement over the previous year. The gross profit rose to Rs 130.77 lakhs, the highest attained by the Company. The net profit after providing depreciation amounted to Rs 87.12 lakhs as against Rs 65.02 lakhs. The improvement was largely due to higher production reached during the year. Production of clinker increased from 6.70 lakh tons to 7.67 lakh tons and that of cement from 7.42 lakh tons to 8.23 lakh tons. Higher production has been made possible by modifications and improvements in some sections of the plant, additional supply of power and improved transport facilities. But the price increase granted by Government was offset by heavy increased costs mainly arising out of Government action and beyond the control of the industry.

The better working results have enabled the Directors to transfer Rs 64 lakhs to Reserve and to step up the equity dividend from 8.36 per cent to 10 per cent. The Company is not subject to income-tax and super-tax under the various provisions of the Income-tax Act. The shareholders will get a net dividend of 87.52 nP per ordinary share of Rs 10 after deduction of tax on 4.16 per cent of the dividend.

Addressing the shareholders of the Company at the last Annual General Meeting, Shri S P Jain, the Chairman, expressed regret that the objective of increasing production of cement, an essential commodity, has not been fulfilled for lack of a developmental price policy. The difficulties of the cement industry and the continuing rise in costs are matters which the industry has from time to time represented to Government. The industry is pulling all its weight to improve production and despatches within its means. The industry does no longer depend upon foreign imports of machinery which is now available indigenously. Low profitability and dearth of capital dissuade orders from licencees.

Shri Jain has pinpointed the fact that non-availability of resources for industry due to the price and tax policies of Government forms the main impediment to development at present. Shri Jain has substantiated his statement by quoting from a Reserve Bank study, that the cement industry retains only 11.18 per cent of its profits after tax and that in spite of distributing 88.82 per cent of the profits after tax, gross dividends worked out to only 6.9 per cent of net worth. Therefore if cement production does not reach the anticipated target, Shri Jain holds, Government's policies should alone assume responsibility for this. To rectify this position, Shri Jain suggests that Government should follow an appropriate price policy that would encourage expansion of the industry. As against a targeted capacity of 15 million tons, the fulfilment of existing proposals in different stages of execution will lead to an attainment of 12.5 million tons, and the need therefore is imperative to put into execution all the schemes licenced at present.

Shri Jain further observes that unless a system of automatic escalation to cover increased costs is introduced, the industry will continue to face the problem of rising costs. He also pleaded for a more realistic decision in regard to quarterly packing charges, as the present formula in respect of the use of old bags leads to considerable loss to the industry.

Since rising transport costs on limestone from quarries to the factory borne by the industry operate as a disadvantage to the industry, Shri Jain expressed the view that there should be pooling of freight on raw materials similar to the pooling of freight on cement.

Kirloskar Oil Engines

THE management of Kirloskar Oil Engines is exploring possibilities of opening the Company's own sales offices in foreign countries, where it already has a market, with the object of organising sales and after-sales services instead of depending on local agents. This was revealed by Shri S K Kirloskar while addressing the shareholders of the Company at the Seventeenth Annual General Meeting held recently. The export sales of the Company continue to increase. Additional markets have been found in North Africa and Latin America during the past year. Further markets are being explored. The establishment of sales offices, the Chairman said, will remove the uncertainty in delay due to shipping bottlenecks, ensure ready after-sales service and enable the Company to consolidate its position in foreign markets.

Commenting on the progress of the Company over a period of years, Shri Kirloskar stated that production and sales improved appreciably year after year. The engines had a good demand. Production is constantly increased to keep pace with demand and every effort is made to shorten the period of delivery. The high quality and efficient and prompt after-sales service have brought the Company an increasingly ready and easy market.

The Company is planning to secure a foreign exchange loan, at the instance of Government, to import a bi-metal strip manufacturing plant in order to increase the production of bi-metal bearings. The bearings are supplied to various manufacturers of industrial and automobile engines and also to many Nationalised Transport Undertakings in the country. The prospects for the sale of these bearings are considered by the Chairman quite good.

Dealing with the progress of the subsidiaries, Shri Kirloskar stated that Kirloskar Cummins, in which the Company has invested a substantial amount, would be able to go into production by the end of this year. Shivaji Works has shown a good performance which would have been better still but for the irregular supply of pig iron, coal and coke. The foundry of this subsidiary is expanded further this year and the results of the current year are expected to be more impressive.

Shri Kirloskar justified the reduction of dividend from 16 per cent to 12 per cent on the equity shares, on the ground that the resulting savings could be ploughed back into business for expansion purposes. The SPT levy had increased taxation by 65 per cent and thus cut into the profits of the Company

which could otherwise be available to the Company for financing expansion schemes.

Referring to the future outlook, Shri Kirloskar feels that the prospects of the Company for the current year are good. He has assured the shareholders that every effort will be made to continue expansion and increase profitability although the incidence of SPT will be quite heavy and hamper expansion programmes.

Parrys Confectionery

THE Indian confectionery industry is facing two main difficulties, namely the rehabilitation of plant and machinery and the rising costs of production. The extent to which the industry can overcome these difficulties depends upon the Government's licencing and fiscal policies: thus observed Shri H V R Iengar, Chairman of Parrys Confectionery, in his statement circulated to the shareholders along with the Annual Report and Accounts for the year ended March 31, 1963.

The types of machinery needed for the manufacture of confectionery are not produced in India; yet the industry is accorded only a low priority. With frequently changing trends and ideas in the line, more than in any other, the import restrictions pose a perennial porblem for the industry which has to keep pace with refinements in manufacture and packaging, on which depends the sales turnover. The industry remains not only insulated from the advance made by western countries but ill-equipped to meet changing conditions. The great imbalance between sweets-making capacity and wrapping now existing will not enable the industry to play an effective role in the development of exports, unless assisted by the grant of adequate licences for the import of machinery required for modernisation, rationalisation and replacement. The process of exporting and earning foreign exchange for the purpose of importing machinery needed, puts the industry to heavy losses and is therefore found ineffectual. Shri Iengar has therefore urged upon the authorities to accord a higher priority than at present to the industry for the issue of licences to import machinery.

There is another reason for poor exports in relation to the potentialities of industry. Higher cost of production leads to higher selling prices, inhibit consumption and make it impossible to develop export markets. Sugar, glucose and wrapping paper, which are the main raw materials cost more in this country. Other raw materials like gum arabic, menthol, tartaric acid and lecithin are imported in limited quantities and are not locally available except at high prices. On top of this, customs and excise duties on cellophane, tinplate, aluminium foil etc, and additional tax levies have put up wrapping and packing costs. The industry has again to face higher central sales tax and wage bills. All these factors contribute to high production costs and selling prices. Although the quality of the sweets can match the best available elsewhere, absence of latest techniques of wrapping and packaging and wide disparity in production costs between foreign and Indian manufacturers are the twin factors that stand in the way of developing an export market. The concessions shown to the industry by way of drawback of customs duty on imports, rebate on excise duty on sugar etc, and the cash subsidy of 10 per cent on exports still leave a big gap to cover. In view of these facts, Shri Iengar has strongly urged Government to liberalise the import policy in respect of machinery and raw materials essential for the industry in order to step up exports substantially.

Mysore Paper

ADDRESSING the shareholders of Mysore Paper Mills, Shri M D Shivananjappa, Chairman of the Company, revealed that the Paper industry has again taken up the question of price revision with the Government of India not only for getting immediate relief but also for the setting up of a suitable machinery to revise prices promptly to absorb any increases in costs over which the industry has no control. Government sanctioned an increase in paper prices only from June 1962 on the recommendations of the Tariff Committee which investigated the claims of the industry as far back as 1958, but whose recommendations and price fixations were accepted and announced in 1960. The increase however proved quite inadequate due to subsequent increases in the costs of raw materials, chemicals, coal, etc, and higher labour costs. New legislative measures as a result of the emergency have also added to the industry's costs. Shri Shivnanjappa insisted that only a proper policy ensuring a fair and reasonable return on capital would act as an incentive for the expenditious implementation of expansion schemes.

After reviewing the working results of the Mills for the year, Shri Shivnanjappa referred to the expansion scheme of the Company and stated that the complete range of equipment required for stepping up production to 18,000 tons and ordered for from different suppliers in Germany and the UK, have arrived or already been despatched and that the erection work of the Pulp and Paper plants would commence in about a month. The Chairman expects the new Mills to go into production within a year from now.

Hindustan Lever

HINDUSTAN LEVER has successfully negotiated for a further loan of Rs 60 lakhs from its parent Company, the Unilever, London. The Company has already availed of a loan of Rs 20 lakhs in sterling from Unilever. The entire amount of Rs 80 lakhs will, it is learnt, be utilised to finance the Company's expansion plans, mostly in new projects, which include the installation of an additional glycerine still, manufacture of nickel catalyst, an additional plant for the production of synthetic detergents and the setting up of a modern research laboratory. The projects already on hand, namely, the milk products factory at Etah (U P) and dehydrated vegetable plants at Ghaziabad and Etah are reported to be nearing completion.

The loans of Unilever are already approved by the Union Government. An interesting feature of the loans is that Unilever hopes to convert them into a permanent investment in India in due course before repayments fall due.

Larsen & Toubro

LARSEN & TOUBRO is entering into a collaboration agreement with Caterpillar Tractor Co of Peoria, Illinois, US, for the manufacture of tractor parts and machinery, Mr H Holck-Larsen, Chairman of the Company, informed the share holders at the Eighteenth Annual General Meeting. Of the total estimated outlay of Rs 1 crore, the US collaborator would invest Rs 30 lakhs in the shape of technical know-how, plant and equipment. Larsen & Toubro proposes to invest a like amount. For the Company, the Chairman said, this would be a very important project.

The sales of the Company are showing an improvement in the current year. Utkal Machinery with which the Company is associated shows a turnover of Rs 2 lakhs to Rs 3 lakhs a month which can be expected to rise to Rs 4-5 crores a year when the factory goes into production in full swing. This Company has orders worth about Rs 2 crores on hand.

There is no immediate possibility of raising fresh capital by a further issue of shares, but the need for expanding the capital base might arise from the expansion of the Company's business, perhaps after a year or two. Mr Larsen ruled out the suggestion of bonus issue as he saw no point in making the bonus issue by paying a tax unless the Company could maintain the dividend on the increased number of shares.

Sewri Engineering Construction

THE Sewri Engineering Construction Corporation, Bombay, celebrated its silver jubilee this month. Speaking at a function organised to mark the occasion. Shri S K Wankhede, the Maharashtra Minister for Industry, congratulated the Corporation on its excellent record. The Minister also held out the assurance that the proposed construction corporation of the Maharashtra Government would not come in the way of established private sector units like Sewri Engineering.

Shri C V Deshpande, Managing Director of Sewri Engineering, described how hard work, determination and technical and professional competence of a very high order had gone into building up the company.

Cochin Refineries

COCHIN REFINERIES, Ltd is now incorporated with a paid-up capital of Rs 15 crores. The Company is the fourth oil refinery in the public sector and is a combined venture of the Union Government, Philips Petroleum Company of US and Duncan Bros of Calcutta. The Union Government will hold 51 per cent of the share capital while the other two partners will be holding the remaining 49 per cent.

Money Market

Thursday, September 12

THE inter-bank call money rate continued unchanged at 3 per cent, a rate higher than those prevailing in preceding weeks. When the supply of funds continues to be easy with rising deposits and contracting credits, the tendency of the call rate to stay around 3 per cent requires an explanation. This may be found in the fact that those with surplus funds are reluctant to lend at poor rates when Treasury Bills yield about 2.320 per cent and giltedged give a return of 4 to 5 per cent. Besides, the rates in Calcutta, though frequently fluctuating, have been ruling around 3½ per cent, often tending to harden further. The search for remunerative use of funds is reflected in the sharp rise in the investments of scheduled banks by Rs 15.20 crores during the week ended August 30.

The accretion to giltedged holdings week after week is, of course, a patent feature of the slack season, but this can be said to have an added significance this season because the yields on government securities are relatively higher. The banks have not merely used the increase in deposits of Rs 1.71 crores and the return of advances of Rs 6.86 crores during the week, but also withdrawn about Rs 7.02 crores from their balances with the Reserve Bank and utilised their own cash balances to the tune of about Rs 3.15 crores to swell their giltedged portfolio by Rs 15.20 crores. The continuously rising investments of banks suggest that banks have now become noticeably giltedged-minded and in this respect there is a change in their attitude from the time of the issue of the new Government loans. It is mostly on this account that the call money rate rules steady and will continue to do so, unless there is very large and unexpected increase in either the supply of or demand for funds.

The rush for Treasury Bills tenders and Intermediates which was evident last time did not continue this week. Tenders received on September 10, amounted to only Rs 2.10 crores (Rs 4 crores on September 3) against Rs 2 crores invited, and Intermediates sold from September 4 to 7 were hardly about Rs 2.27 crores (Rs 7 crores and Re 7.19 crores in the previous two weeks). The lower tenders are to be attributed not merely to lower returns but to the increasing preference of the banks for the giltedged.

During the week ended September 6, notes in circulation expanded by Rs 27.81 crores; the expansion was met by the Banking Department to the extent of Rs 15 crores, the remaining being secured by an additional issue of Rs 12.81 crores. The increase which is a normal feature of the beginning of the month may have also been caused by withdrawals for tax payments which is reflected in the rise of Central Government deposits. Rupee securities in the Issue Department have been inflated by Rs 15 crores to effect the additional note issue and to make up for the fall in rupee coins.

Central Government's deposits continued to rise, the increase being Rs 20.64 crores during this week. Deposits of State Governments recorded a fall of Rs 2.46 crores, and balances of scheduled banks were likewise lower by Rs 2.22 crores. Aggregate deposits were, however, higher by Rs 14.56 crores. Against this, the Bank's advances increased by Rs 7.92 crores to Governments, by Rs 2.22 crores to scheduled banks and by Rs 8.24 crores to others. Further the Bank has added Rs 23.53 crores to its Treasury Bills holdings. Mostly as a result of payments exceeding the accretion to deposits, the Bank's investments have come down by Rs 17.21 crores.

Further rise was noticeable in the giltedged market during the week. The 3 per cent Conversion Loan, 1986, moved up to Rs 64.85. Several other loans gained ground with expanding investment demand from institutional quarters.

CURRENT STATISTICS

Foreign Trade of India

PRINCIPAL IMPORTS

(*Rs Lakhs*)

	Apr '63-Jun '63	Apr '62-Jun '62	Jun '63	Jun '62
Food	**3464.6**	**4663.0**	**598.0**	**2296.7**
of which				
Eggs	2.8	0.9	1.1	0.1
Fish : fresh or simply preserved	107.7	88.4	47.3	42.1
Fish and fish preparations, canned or not	0.2	0.9	0.1	0.5
Rice	998.4	1501.3	61.9	987.5
Cereal preparations	1.9	5.0	0.9	1.6
Fruits and nuts, fresh (not including oil nuts)	330.2	265.7	65.8	109.1
Dried fruits	118.6	126.6	11.3	49.3
Vegetables, fresh and dry	6.4	4.3	4.5	0.6
Vegetables, preserved and vegetable preparations	0.4	0.4	—	0.1
Cocoa	3.1	4.9	0.4	2.5
Spices	30.7	21.5	8.7	8.8
Beverages and Tobacco	**6.6**	**9.0**	**1.5**	**3.1**
Tobacco and tobacco manufactures	1.3	2.1	0.1	1.8
Tobacco unmanufactured	1.2	1.8	—	1.8
Tobacco manufactures	0.1	0.4	—	—
Crude materials, inedible	**3030.5**	**2746.7**	**862.1**	**878.9**
of which				
Hides, skins and fur skins, undressed	94.3	70.8	39.6	28.6
Hides and skins (except fur skins), undressed	93.9	70.7	39.4	28.6
Fur skins, undressed	0.3	—	0.2	—
Oilseeds, oil nuts and oil kernels	237.8	231.7	88.1	64.7
Wood, lumber and cork	19.3	112.6	4.1	34.2
Wood in the round or roughly squared	11.2	58.3	2.0	32.4
Textile fibres and waste	1742.6	1427.0	465.3	439.4
Silk	15.8	36.3	5.3	20.1
Wool and other animal hair	474.1	342.8	75.1	95.0
Cotton	1002.7	943.7	295.0	290.9
Jute	62.0	62.8	25.7	18.4
Vegetable fibres, except cotton and jute	45.7	26.4	19.6	6.6
Synthetic fibres	142.3	14.9	44.6	8.5
Crude fertilizers and crude minerals, excluding coal, petroleum and precious stones	311.8	283.7	85.4	86.6
Fertilisers, crude	63.1	73.9	17.6	13.0
Crude minerals	248.7	209.8	67.8	73.6
Metalliferous ores and metal scraps	54.5	25.0	12.0	9.5
Iron ore and concentrate	0.3	0.6	0.1	—
Iron and steel scrap	2.2	1.8	0.2	0.7
Ores of non-ferrous base metals and concentrates	34.2	6.0	2.9	1.7
Animal and vegetable crude materials inedible, n e s	46.6	49.1	15.0	12.8
Crude animal materials, inedible n e s	11.5	14.2	2.7	4.1
Crude vegetable materials, inedible n e s	35.1	34.9	12.3	8.7
Mineral fuels, lubricant and related materials	**2930.8**	**1875.9**	**1228.7**	**226.8**
Coal, coke and briquettes	2.8	7.7	—	3.4
Petroleum products	1833.5	964.1	534.2	223.5
Animal and Vegetable oils and fats	**104.6**	**219.9**	**31.9**	**45.1**
Animal oils and fats	15.5	22.3	2.5	5.6
Vegetable oils	85.0	109.5	22.4	30.4
Chemicals	**2618.3**	**2524.4**	**897.3**	**880.1**
Chemical elements and compounds	999.9	1115.1	318.1	371.8
Inorganic chemicals	419.6	441.2	140.1	170.2
Organic chemicals	580.2	673.9	178.0	201.6
Dyeing, Tanning and Colouring Materials	284.1	311.8	88.4	100.7
Coal-tar dyestuffs	223.2	232.1	70.0	79.1
Dyeing & tanning extracts	30.0	36.9	9.4	5.2
Pigments, paints, varnishes and related materials	30.8	42.9	9.0	16.4
Medicinal and Pharmaceutical products	236.3	265.9	91.0	87.2
Essential oils and perfume materials, toilets, polishing and cleansing operations	23.1	25.3	6.0	6.3
Essential oils, perfume and flavour materials	20.9	22.5	5.5	5.6
Perfumery, cosmetics etc.	2.1	2.7	0.5	0.6
Fertilisers, manufactured	717.9	480.8	257.4	180.7
Explosives and miscellaneous chemical materials and products	356.3	374.4	136.1	133.2
Miscellaneous chemical materials and products	285.2	281.6	112.6	82.0
Manufactured goods classified chiefly by material	**4542.5**	**4957.4**	**1298.6**	**1645.4**
of which				
Leather	0.8	1.0	—	0.2
Rubber manufactures, n e s	65.5	39.3	18.3	13.2
Rubber manufactured articles, n e s	60.1	35.4	16.2	11.7
Wood and cork manufactures	13.4	13.0	4.7	2.8
Veneers, plywood etc.	6.7	7.6	2.7	2.0
Paper, paperboard and manufactures thereof	306.8	265.1	97.1	80.0
Paper and paperboard	302.4	257.5	96.1	77.5
Textile yarn, fabrics, made-up articles and related products	261.5	369.0	72.8	132.8
Textile yarn and thread	234.3	315.4	64.5	111.3
Cotton fabrics of standard type	1.9	5.4	0.5	1.8
Textile fabrics of standard type	2.9	10.4	2.0	2.1
Special textile fabrics	19.3	35.4	4.0	17.3
Made-up articles, wholly or chiefly of textile materials n e s	3.1	2.1	1.7	0.2
Non-metallic mineral manufactures, n e s	127.9	153.1	37.7	52.5
Lime, cement and fabricated building materials	4.9	11.0	2.2	1.6
Clay construction materials	26.6	44.1	7.0	17.5
Mineral manufactures	57.2	61.6	13.8	18.7
Glass	24.5	22.5	11.2	9.5
Glassware	13.9	12.9	3.4	4.8
Silver, platinum, gems, jewellery	39.3	61.6	14.8	12.7
Precious and semi-precious stones and pearls	31.3	54.2	9.9	9.4
Base metals	3297.0	3664.6	941.2	1227.0
Iron and Steel	2013.0	2225.5	623.2	819.3
Copper	613.3	469.7	112.9	126.6
Nickel	22.7	38.5	6.4	12.9
Aluminium	185.2	345.0	30.3	115.5
Manufacture of Metals	429.9	390.2	111.6	124.0
Machinery and transport equipment	**10130.3**	**9501.0**	**2898.8**	**3098.3**
of which				
Power generating machinery	853.9	1111.0	213.3	388.3
Agricultural machinery	51.7	22.5	23.4	6.8
Metal working machinery	1012.3	886.6	295.2	291.9
Mining construction and industrial machinery	4557.0	4289.9	1337.1	1381.7
Electric machinery, apparatus and appliances	2054.8	1454.1	587.3	397.8
Transport equipment	1366.0	1482.9	376.8	519.2
Road motor vehicles	669.0	697.3	207.2	223.1
Aircraft	285.2	307.8	55.8	102.9
Miscellaneous manufacured articles	**607.9**	**564.6**	**213.7**	**213.3**
Sanitary, plumbing, heating and lighting fixtures	9.9	11.2	2.3	3.7
Professional instruments, optical goods, clocks etc.	298.2	308.5	92.3	88.6
Printed matter	73.0	74.0	26.4	28.9
Manufactured articles	216.8	161.1	89.8	90.5
Miscellaneous Tranasactions and commodities, n e s	**163.5**	**198.5**	**91.4**	**67.1**
of which				
Postal packages	46.6	85.6	6.1	25.5
Returned goods and special transactions	116.8	111.0	85.3	37.6
GRAND TOTAL	27614.4	27260.4	8535.1	9354.8

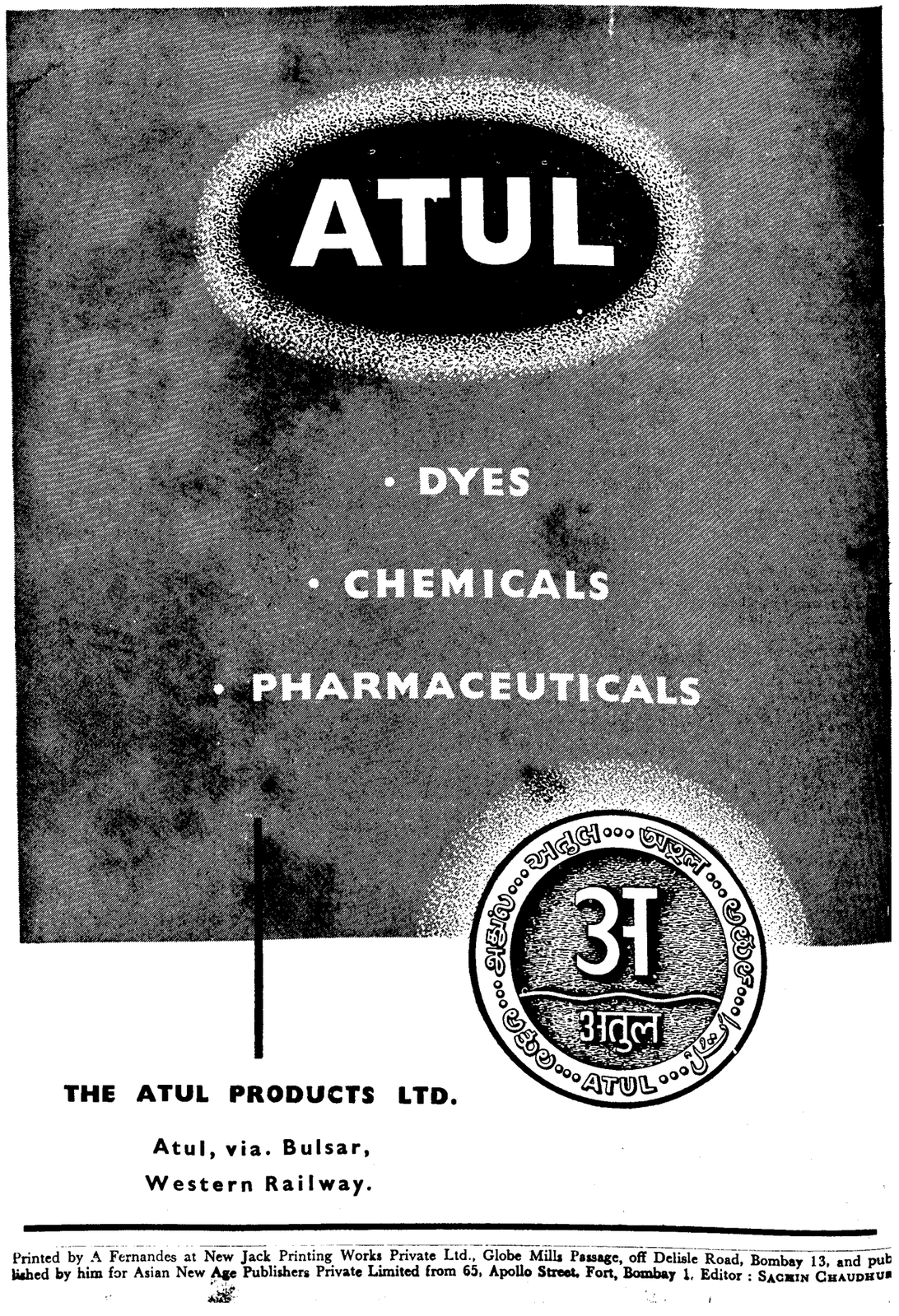
Source : Department of Commercial Intelligence and Statistics, Govt of India.

BANKING RETURNS

(*Rs crores*)

Reserve Bank	**Sep 6**	**Aug 30**	**Aug 9**	**Sep 7, '62**
1 Note circulation	2218.88	2191.07	2246.93	2044.06
2 Rupee coin	121.50	123.69	118.43	122.27
3 Deposits				
(a) Central Govt	94.54	73.90	101.44	114.74
(b) Other Govts	7.76	10.22	24.26	21.64
(c) Banks	86.28	89.15	86.40	89.97
(d) Others	159.05	159.82	204.24	162.25
4 Foreign securities	89.46	89.46	90.26	88.34
5 Balance abroad	6.67	5.06	5.09	5.44
6 Rupee securities	1907.21	1892.21	1931.32	1728.00
7 Investments	205.07	222.28	274.49	221.02
8 Loans and advances to Govts	53.32	45.40	36.82	27.12
9 Other loans and advances	150.96	140.50	144.64	184.24
Scheduled Banks	**Aug 30**	**Aug 23**	**Aug 2**	**Aug 31, '62**
1 Aggregate deposits (net)	2197.78	2196.07	2161.59	2045.76
Demand (net)	956.94	960.10	939.87	810.47
Time (net)	1240.84	1235.96	1221.72	1235.29
2 Cash	50.80	53.95	49.62	47.90
3 Balance with Reserve Bank	88.01	95.03	81.48	75.28
1 (2)+(3) as % of (1)	6.32	6.78	6.06	6.62
5 Borrowings from Reserve Bank	0.84	0.38	2.05	15.93
(a) Against usance bills and/or promissory notes	—	—	0.59	8.66
(b) Others	0.84	0.38	1.46	7.27
6 Advances	1249.22	1256.23	1274.23	1208.03
(a) State Bank	237.23	240.48	248.54	260.78
(b) Others	1011.99	1015.75	1025.69	947.25
7 Bills discounted				
(a) Inland	159.95	161.67	162.93	140.81
(b) Foreign	51.80	49.93	50.90	48.91
(c) Total	211.75	211.60	213.83	189.72
(i) State Bank	15.75	15.92	16.28	14.74
(ii) Others	196.00	195.68	197.55	174.98
8 (6)+(7) as % of (1)	66.47	66.84	68.84	68.32
9 Investment in Govt Securities	761.04	745.84	692.01	695.71
10 (9) as % of (1)	34.63	33.96	32.01	34.01

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Rule of Law?

COMMENTING on the Supreme Court's judgment on the Defence of India Rules, the hope was expressed in these columns ("Emergency and the Law", September 7, 1963) that the implications of the judgment would receive the earnest and immediate consideration of Parliament and Government. The Government's first reactions to the judgment, which became available soon after, however, showed how misplaced this hope was likely to prove. Now this Thursday's two-hour debate in the Rajya Sabha has fully confirmed this. Reports of the debate in the Lok Sabha are not available at the time of going to press, but speaking in the Rajya Sabha both the Law Minister and the Minister of State for Home Affairs have left the Government's attitude in no doubt.

The principal argument with which the two Ministers sought to support their contention that the Supreme Court's judgment did not call for any changes in the Defence of India Rules was that, to quote a newspaper report, "if it was intended that even during an Emergency only those laws should be enacted which were in conformity with the fundamental rights then there was no meaning in declaring a state of Emergency". This is clearly to avoid the issue. For the charge that the Ministers were called upon to answer was that the Defence of India Rules are repugnant to the Constitution and, surely, the Constitution is not suspended even in an Emergency?

The implications of the Supreme Court's judgment were examined in some detail in the editorial referred to above. The extent to which the legislative competence of the State is enlarged during an Emergency is clearly stated in Article 358 of the Constitution, under which the Defence of India Rules have been enacted. This Article empowers the State to make a law even if such a law infringes the fundamental rights of the individual guaranteed in Article 19, but not the other fundamental rights. The Defence of India Rules, however, violate rights guaranteed by Articles 14, 21 and 22 of the Constitution and, therefore, in enacting them the State has clearly transgressed the limits of its legislative competence as specified in the Constitution. It is an altogether different matter that by a Presidential order, under Article 359, the Government has decreed that the courts cannot be moved to enforce any of the fundamental rights and that the courts are, therefore, powerless to redress the State's action under the unconstitutional Defence of India Rules. This makes no difference to the fact that the Defence of India Rules are repugnant to the Constitution since it was beyond the competence of the State to enact them.

If it satisfies the Government to make this use of its power to disarm the courts, it may be asked why it was necessary at all to enact the Defence of India Rules. In an Emergency once the courts have been rendered powerless by a Presidential order under Article 359, the Government can well proceed to rule the country by executive fiat. This would be a perfectly safe course for it to pursue if it was assured of the uncritical support of the legislature as the present Government is.

Is it the purpose of the Defence of India Rules to keep up the appearance that the rule of law continues since the country is governed by laws enacted by Parliament? If it is the pretence, then it is a false one, for, to be ruled by illegal laws is no more rule of law than being ruled by no laws at all.

Ayub Khan's Problems

THE fussilade by Pakistani troops across the East Pakistan border brings to a head a series of deliberately provoked incidents. Though these incidents vitally affect Pakistan's relations with this country, an explanation for them has to be sought really in internal developments in Pakistan. An examination of the principal problems facing Pakistan is thus called for.

First, economic development, one of the promises of the 1958 coup, has this year been rather poor. Up to the June Budget, a 1.1 per cent increase in national income had been recorded in this, the third year of the current plan (as compared to 3.8 per cent and 3.9 per cent in the first two years). The target of 24 per cent increase during the five year plan has thus not even been half achieved although three years have gone. The unexpected increase in the population has, in addition, meant that this year there was a positive decline of one per cent in per capita income. The failure in overall output expansion is attributed to decreased agricultural production (the index of agricultural production, 131 in 1961-62, was 126 in 1962-63), but in addition, exports have stagnated over the three plan years while imports have made sharp advances. Thus, despite the brave hopes of decreasing Pakistan dependence on foreign aid, it is the highest ever this year—48 per cent of receipts in the current Budget, and 70 per cent of development expenditure for the coming year. The slight expansion of the swollen Pakistani armed forces has not helped—like its CENTO colleague, Iran, Pakistan is far too well-defended for economic health. To this, natural disasters, floods, typhoons and droughts have been added. The mild inflation (somewhat sharper in East Pakistan) demanded a hard budget and later more stringent credit restrictions.

Second, Ayub Khan's attempted political settlement has succeeded neither in theory nor practice. The Pandora's Box, opened in June 1962 with the ending of martial law and proclamation of a new constitution, has released all the evil spirits which allegedly destroyed the previous regime. Government of the President, by the President, for the President (as an Opposition leader describes it), marginally sanctioned by an electorate of no more than 80,000 'basic democrats', cannot force itself to be loved. Without fundamental rights defensible in the courts, without the right to form political parties, Pakistani opposition has no option but to be extreme. The President's attempts to accommodate himself to the mood without relinquishing real power only trap him in sharper criticism—his Franchise Commission (which recommended return to universal adult suffrage) and constitutional amendment provided focal points for all opposition fury. The President in the face of such opposition urgently needs popular sanction, and given that the Government majority has been eroded by a recent Supreme Court decision disqualifying Ministers from retaining their seats in National or Provincial Assemblies, that sanction becomes a necessity. Either the experiment in limited democracy was a failure and martial law was needed once more (a change that would have been an invitation to the opposition to become guerilla warriors), or the President had to fight the 'politicians' on their own terms. Given that the loyalty of the army has not increased since 1958 (the opposition leader warned the Government darkly that 'junior officers' were plotting a new coup), the President's decision was inevitable—he paid his two annas and became an ordinary member of the Government wing of the Muslim League, primarily to bolster up its declining fortunes with his own prestige.

Third, the old source of basic tension in Pakistan has not been eliminated—the imbalance between East and West Pakistan continues, and it is from East Pakistan and the West provinces of Sind, Baluchistan and the North-West Frontier that opposition comes. East Pakistan with 54 per cent of Pakistan's population (but 15.1 per cent of its land) stands to gain most from the restoration of universal suffrage and direct elections. With 930 people per square mile (against West Pakistan's 140), earning 60-70 per cent of the country's foreign exchange earnings but purchasing a minority share of its imports, receiving only one third of total expenditure allocations over the period since 1947, only nineteen per cent of US foreign aid and eighteen per cent of Colombo Plan aid, East Pakistan has consistently lagged behind West. A Planning Commission economist estimates that per capita income in the East was some sixty per cent below the West.

This then is the back-cloth to the unrest that has shaken the country this year — industrial and student protest, a vituperative opposition and a violent press. Attempts by the opposition to unite in a National Democratic Front (successfully achieved in East Pakistan where it campaigned for a new constitution and the restoration of democracy) have been hindered by the arrest of major opposition leaders on sedition charges. To prevent the violent opposition criticism of the regime reaching the people, the Government has sought to restrict the press. The attempt, for the moment, was unsuccessful, but the ordinance has been postponed, not cancelled, pending the good behaviour of the press.

In foreign policy, achievement has not been as substantial as to outweigh domestic troubles. Pakistan's natural inclination to non-alignment has at long last been allowed to express itself through the loosening of the Cold War blocs. China is not, however, and cannot be an economic substitute for America—while neutralist feeling in Pakistan might be strong, pro-China attitudes are not common. The President was not unaware of the dangers—his common border with China has remained on the alert, and the Pakistani forces there have been kept fully up to strength ever since the outbreak of the Sino-Indian dispute five years ago. In addition, through the good agencies of the Iranian Shah, the President has prudently settled his Western border with Afghanistan. Otherwise, hopes on the Kashmir talks were disappointed, and the Shah of Iran offered no joy at the President's suggestion of a non-Arab muslim merger of Iran, Afghanistan and Pakistan.

It is in this context that recent events on the East Pakistan-Assam border should be seen. Differing estimates suggest a very large number of people have crossed the border into India since 1950. So large a number cannot melodramatically be described as 'infiltrators', but rather as refugees, some evidence of the misery that exists in East Pakistan. For India to send these people back on some merely legal point is to play the same inhuman game with innocent lives that Pakistan plays when the unwanted emigres arrive back in East Pakistan. The light-machine gun barrage (40,000 rounds since last Sunday), the violation of Indian air space by two Pakistani jet fighters, the fortification of this border and concentration of troops there, are more serious matters. Given all that has gone before, Ayub Khan needs a focal point to hold his disintegrating empire together, and particularly a means to strengthen East Pakistan loyalties. In addition, if Pakistan could prove that American arms were used by Indians to repulse attacks in Assam, Ayub Khan's case in Washington might seem stronger.

In such a situation, there are no simple solutions for India. Holding the border and preventing incidents is a long, wearisome and thankless task. The only ultimate solution would be the emergence in Pakistan of a serious and dedicated opposition that could simultaneously supersede the existing regime (whose span of fruitful activity seems now to be ended) as well as the reactionary elements in the country's political life and could settle down to the long and urgent task of developing Pakistan democratically.

Smooth Take-Off

TO describe international air transport as a "fiercely competitive industry" is true only in a sense. Competition usually implies the possibility of price cutting which is totally absent in this industry. In this sense international air transport is really a cosy cartel with all airlines operating at fixed rates unanimously agreed upon among themselves under the aegis of the International Air Transport Association. What makes the industry competitive is that supply, particularly since the airlines changed over to jet aircraft, is far in excess of demand.

Air-India's performance in this non-price competition has been gratifying. Occasionally an offbeat gimmick of its may cause some eye-brow-raising in Parliament, but its latest Annual Report released this week is proof that by and large it has drawn the right kind of attention from the air-traveller the world over. Last year, which for international airlines generally was a vast improvement over the year before, Air-India was once again among the leaders in the field from the point of view of operating performance. It made what is for it a record operating profit of Rs 3.45 crores which has enabled it, for the first time, to pay a dividend of 5 per cent on its wholly Government-subscribed capital. This does not make Air-India unique among our public sector commercial undertakings, but it certainly classes it among the exceptions to the rule.

The Corporation now operates a fleet of six Boeings and proposes to add to this at the rate of one new Boeing every year. Over the next seven years this expansion programme is estimated to cost Rs 25 crores which the Corporation is confident of being able to provide from its internal resources—hence the claim to have reached the "take-off stage". Even considering the impressive financial results of last year, this is a considerable claim to make when it is remembered that from 1966 the Corporation will have to start paying interest at 4.5 per cent on the non-equity half of the Government's capital investment of Rs 26.82 crores.

The advent of the jets has made its impact principally on the airlines' average loads and their operation costs, both of which have gone down sharply. Air-India's average load factor has declined from 58.2 per cent in 1959-60, the last pre-jet year, to 45.3 per cent in 1962-63 or by some 22 per cent. Against this, operating cost per available tonne kilometre, which is the unit of production, has declined by 37 per cent from Rs 1.33 to Re 0.84. Air-India's average load is no higher than that of many other airlines but what enables it to keep its head above water, and comfortably so, is its low cost structure. With this level of costs, it would break even at present fares with a load factor of just 40 per cent. No other airline in the world, it is estimated, has such a low break even load factor.

Air-India's costs may be among the lowest in the industry, but the change-over to jets has meant substantial economies for every airline in the world. None of this saving in costs, however, has been passed on to the air-traveller. On the contrary, the North Atlantic fare has been raised twice since 1959, the second raise becoming effective from last April. If the airlines emerge from their current conclave in Salzburg to announce a fare reduction, as they are expected to, the thanks must go not to the IATA but to the US Civil Aeronautics Board which took violent objection to the last increase in the North Atlantic fare. The IATA may never be the same again after the bullying it has taken from the CAB, but price competition in international air transport will never materialise, for if it did, some airlines will have to go to the wall, and this their Governments will not countenance as airlines, whether nationalised or private, are also symbols of national prestige.

Weekly Notes

Exchange Control

THE Finance Minister cannot, surely, think that it is enough to admit that the Government's exchange control regulations are vexatious and unimaginative? What does he intend to do to make them less vexatious and less unimaginative? This he did not indicate. Probably he and his Ministry are considering the question and reforms will follow in course of time. There are, however, three specific irritants, decisions to remove which can and should be taken without delay.

The first concerns students wishing to go abroad for advanced training and study. Advanced training and study in almost *any* subject benefits the students and the country and the practice of allowing students to go abroad for study in certain subjects but not in a large number of others, therefore, needs careful reconsideration. The argument is strengthened when one takes into account the fact that the foreign exchange spent on students is hardly a crore of rupees at present and with relaxation of restrictions it is unlikely to exceed this figure by more than half a crore at the most. There is undoubtedly a strong case for permitting all students with certain minimum qualifications to go abroad for study or research in the subject of their choice.

Another vital activity which is hamstrung by the present foreign exchange regulations is export promotion. The regulations are hardly designed to encourage a dynamic entrepreneur to explore markets, for, before he can get a permit to go abroad, he has to be an established exporter, he must have entered into correspondence with parties abroad, and must 'prove' his ability to export. This procedure decidedly favours entrenched interests; those who have already made some exports go abroad for pleasure trips on the pretext of export promotion, while a new but genuine entrepreneur is often denied a vital trip. A more discriminating set of regulations which will not penalise an intending exporter just because he is new in the field is clearly required.

Finally, the precise rules and regulations governing exchange control should be made known to the public. It has been pointed out in these columns ("The Bank and the People", October 13, 1962) that "when it comes to letting people know what they should know and thus eliminating wastage of time, avoiding unnecessary fraying of nerves and misdirection of efforts both on the part of the public and its own staff, the Reserve Bank is tight-lipped". Further, the authorities cannot, be unaware that public ignorance on the subject actually creates scope for corrupt practices and that under the present system it is the influential and the rich who manage to go abroad without too much trouble? In fact, from the way in which the regional exchange control offices function, it would almost appear as if there were no rules or regulations in force except the whim or caprice, and possibly inertia, of the persons in charge! This chaotic situation will continue until applicants for foreign exchange permits know the exact rules which govern the authorities' judgment on their requests.

Random Harvest

A CENTRAL BANK is a unique institution in that though it is unmoved by the profit motive, some of its operations are inherently lucrative. Orthodox tenets of central banking preclude "ordinary banking business", but even the performance of traditional functions, such as those of the lender of the last resort and banker to banks and the government, yields an income. There is, for instance, the interest on advances to banks and on securities and the discount on treasury and internal bills. Transactions in foreign exchange are not fruitless and then there is the commission for management of the public debt. What all these total to is usually higher than what a compact organisaion like a central bank with its well-defined functions has to spend on itself.

Generally, therefore, central banking operations yield a surplus and in most countries there are statutory provisions relating to its disposal. Where the shares of the central bank are privately held, there are directions regarding appropriations for dividend; sometimes transfers to reserve and other funds are specified; and usually there is a clause about the payment of the balance of the surplus to the government. This is important where the institution is privately owned and there is danger of the lure of profits leading to unsound practices.

The Reserve Bank of India, of course, was nationalised 14 years ago. Before that it paid its shareholders a dividend, first at 3½ per cent and later at 4 per cent. But now Section 47 of the Reserve Bank of India Act directs that "after making provision for bad and doubtful debts, depreciation in assets, contribution to staff and superannuation funds and for all other matters for which provision is to be made by or under this Act or which are usually provided for by bankers, the balance of the profits shall be paid to the Central Government".

The profits of the Reserve Bank of India have been rising continuously and substantially. The surpluses that the Bank has annually transferred to the Government of India since nationalisation total over Rs 370 crores. The latest Annual Report of the Bank shows that for the year ended June 1963 the amount transferred was Rs 44.5 crores, the highest recorded so far. This is a striking figure, especially when considered alongside certain others; it is almost double the contribution of the railways to the last Budget; and the 46 companies in the public sector made a total loss of about Rs 10 crores last year. Such comparisons are, of course, all wrong; the operations of the central bank are in a wholly different category from those of a public utility like the railways or a commercial undertaking like, say, Hindustan Machine Tools. Nonetheless, this serves to underline the irony in a situation where a purely regulatory function is far more rewarding financially than outright commercial activity.

The rising profits of the Reserve Bank are the result of two factors. The more important of these is that gross income has gone up, along

with the rising tempo of financial activity. At the same time, the Bank's expenditure has not kept pace with this. The proportion of expenditure to total income is, therefore, lower now than at the time of nationalisation. "Eastablishment", which is the most important item of expenditure, accounted for about 54 per cent of total expenditure in 1953–54; but by 1961–62 this proportion had come down to 45 per cent. Last year, however, there was the Tribunal Award raising the salaries of employees, and the expenditure on "Establishment" increased by more than Rs 1 crore as a consequence. Considering the volume of paper work involved in central banking operations, the increase in expediture on "Stationery, etc" from Rs 4 lakhs in 1948-49 to Rs 11 lakhs in 1962–1963 seems quite moderate. Certain other items such as "Agency Charges" have risen sharply. On the other hand, expenditure under the head "Directors and Local Board Members' Fees and Expenses" has declined, especially in the last two years.

So much for expenditure. What about the Bank's income? Have there been any significant changes in it in recent years? The Bank's Annual Reports are of no help here. They have always shown "Income", under a single head, sweepingly titled "Interest, Discount, Exchange, Commission, etc". A break-down, such as is adopted by the Bank of Japan for instance, might satisfy the curious but the Reserve Bank is unlikely to alter its time-hallowed pattern of reporting for *that* reason.

Development Banks

An Industrialist writes :

SHRI T T Krishnamachari's statement that the Industrial Finance Corporation would soon be "converted" into a development bank has caused some surprise since not only the IFC, but also the ICICI and the SFCs are by their statutes expected to perform the functions of development banks. What then does the Finance Minister have in mind? Does he want just to rename the IFC or does he propose some far-reaching modifications in its operation? It is to be hoped that it is the latter course of action that T T K intends to pursue.

The criticisms which can be levelled against the functioning of the IFC are, to a greater or lesser extent, true also of the other financial institutions. All these institutions have hitherto contented themselves with a passive role in the development process. They examine, with a view to assisting, projects which ask for their assistance, but they do not actively initiate new projects, inviting entrepreneurs to take them up. An important function of a development bank is to initiate new projects and seek out the business talent that will undertake them. This task is not performed by the existing institutions. In fact, the *raison d'etre* of these institutions is to formulate projects for the private sector in accordance with Plan priorities and assist entrepreneurs who take up these projects. If the development banks considered this as the true scope of their functions, the planning and implementation of private sector projects would be much more rational and purposive and, further, the latent entrepreneurial talent in the country would be stimulated into action.

The second criticism of the working of these institutions follows from the first: their approach to projects that come up for assistance is marked by excessive financial circumspection. For vigorous development, calculated risks have necessarily to be taken. An accountant's approach will foster neither new entrepreneurial talent nor new industries. It is a pity then that 'accountants' should hold sway in these vital institutions.

There is also the organisational problem. At present there is little coordination among the activities of the ICICI, the IFC and the SFCs. If the IFC is to be made a central development bank, the SFCs could function as its branches. This rationalised structure should be made principally responsible for industrial planning in the private sector and for extending long-term credit. Then, between the ICICI and the IFC, there could be some rational division of work, both working in close touch with the Reserve Bank and the commercial banks.

In such a system there would be need for an expert group to formulate schemes, examine projects for which assistance is sought and weed out those that are inconsistent with the Plan. The National Industrial Development Corporation, conceived by T T K himself as the promoter *par excellence* of industrial growth, could perform this function and sponsor industrial projects and unearth entrepreneurial talent to execute them with its active assistance.

While there may be differences on details, the point to be emphasised is that what is necessary is not to concentrate on any one of the existing institutions, but to build up an integrated system which would promote as well as regulate industrial development in the private sector.

Crude Oil Prices

IN its report the Government of Indias' Oil Price Enquiry Committee had argued that since the petroleum companies get crude oil at a discount from their principals abroad, this advantage should be passed on to the Indian economy. What stood in the way of this, it was pointed out, were the Refinery Agreements under the terms of which "the prices of the refinery products are determined on the basis of import parity, which does not take into account, at present, the discounts available from time to time, on posted prices of crude oil, and the benefit of the discounts is absorbed by the refineries/ consignors, without corresponding gain to the consumers".

Facts relating to the real prices of crude oil were little known till now and had to be mostly inferred from indirect evidence. The release last month of an internal memorandum on oil pricing by Royal Dutch-Shell conclusively establishes the existence of varying discounts on crude oil which the major oil companies had maintained were available only on a very small part of the crude sold in the 'free' market. The memorandum also gives reasons for the existence of these discounts. American oil companies outside the United States have had the problem of disposing of their crude oil since U S commercial policy did not permit them to send it home. Further, Russian crude supplies have been an increasingly important factor on the international market since 1957. Finally, tanker freights have also been going down since 1957.

Because of the stiffer competition in the oil market and the lower tanker freights, the international oil oligopoly have had to reduce their prices of crude oil and this they have done by the technique of discounts on posted prices. The affiliated refining companies in the various countries get the benefit of these discounts, depending upon the refining margin which they want to show in their books. Of course, transactions between the affiliated refining companies and the crude oil oligopoly are governed by their total interest and need not show the actual position.

Among the oil consumers, Japan seems to have got the highest discounts on her crude oil purchases; others have also derived this benefit, depending upon their bargaining position which has been strengthened by the activities of the Soviet Union and the ENI, Italy, in the world oil market. Some idea of the size of these discounts can be had from the disparity between the Arabian Gulf posted prices of crude oil and oil products. This disparity has been growing since 1957 and it is now substantial.

It is interesting how the conflict between the interests of the oil producing countries in the Middle East and the oil companies has brought to light this fact of discounts earlier than the oil companies would have otherwise desired. It is known that the Organisation of Petroleum Exporting Countries has been pressing the oil companies for higher prices as their royalty receipts depend on these prices. The oil companies have thus been compelled to reveal that they have been unable to sell crude oil even at the present posted prices. Shell's memorandum on pricing is intended to back up this argument. It is significant that its publication coincided with the visit of the Secretary-General of the Organisation of Petroleum Exporting Countries to London to negotiate with the oil companies on behalf of the Iranian Government. The implication of the memorandum is that the question of royalty and other payments to the oil producing countries has now to be settled on some basis other than the posted price.

It is important to find out the real discounts that the private oil companies in India have been getting on crude oil from their main companies. This question needs now to be more throughly investigated than the Oil Price Enquiry Committee was able to do, so that the benefit of the discounts available on crude oil prices can be passed on to the Indian economy. If India could get the discounts that Japan, for instance, gets the saving of foreign exchange would be very substantial indeed.

China's Trade

THE openly hostile phase of the Sino-Soviet dispute has only ended a long period in which economic contacts between China and the Soviet bloc have been declining. Perforce China has had to rely on her own domestic ingenuity, and what imports her reserves and western embargoes will permit. The achievement has not been insignificant, and promises to expand even further. It will be even more substantial if businessmen in the West succeed in persuading their Governments that business is, after all, business.

The latest figures for trade between China and Japan in the first quarter of this year suggest that 1963 will see a return to the 1958 level after the severe curtailment of 1959. This, of course, will not bring it back to pre-war standards when China provided Japan with 73 per cent of her soyabeans and 68 per cent of her coal. Japanese trade with China is now only about 0.8 per cent of her total trade, as compared to 20 per cent before the war. Today, by contrast, 20 per cent of her trade is with South-East Asia, and 30 per cent with the United States.

Despite the vicissitudes of the Cold War and the embargo list, the pressures of America and Taiwan, Japanese business has retained a belief in the long-term importance of China as Japan's natural (and now fast-expanding) market. Recent steps to strengthen the American dollar have emphasised the dangers of Japan's present dependence and the attractions of China trade have been correspondingly enhanced.

Last autumn, a memorandum on long-term barter trade was agreed in Peking and on the first quarter's figures, 88 per cent of the total agreed in this memorandum will be taken up. This achievement should be about $100 million, to which can also be added another $50 million of other trade on the private basis existing before the memorandum. In August of this year, after much soul-searching, Tokyo ratified a $20 million contract with payments deferred over five years, for the sale of a vinylon plant to China. This was the first agreement of this kind and it constituted a significant new precedent. The US Government made its general disapproval known publicly, but took no positive steps to press Japan to refuse ratification of the contract.

In addition, Japanese firms are expanding their activities fast in China. Two major trade fairs exhibiting the products of some 900 Japanese firms will be held this autumn in Shanghai and Peking. Earlier this month a Japanese Trade Mission visited Peking to negotiate the second year of the barter memorandum.

Meanwhile, other countries have been probing the posibilities of trade with China. Canada, for example, has raised the quantity it is willing to purchase this year from China from $ 4.5 million to $ 7 million. Britain has just expanded its sales of sheet steel, tinplate and machine tools to China, and orders for the current year are estimated at $ 2 million. After the successful ICI plastics exhibition in Peking this summer, British businessmen are unofficially following up this month with a visit to China. The steel orders already placed by China with Britain are the largest of their kind to date, and suggest that an even larger market exists in China.

All this is, by world standards, rather small game. But, small as it might be, it is a straw in the wind. Increasingly, businessmen operating in the West are going to find the restrictions of the Cold War onerous — and their pressure, if nothing else, will help to gradually restore China to the world of ordinary commercial activities.

Capital View

Waiting for Kamaraj

Romesh Thapar

ANONYMOUS pen-pushers, *durbaris* and flatterers, fixers and five-percenters, are waiting expectantly for the ministerial changes which will affect their fortunes one way or the other. The Prime Minister, who holds the key to the changes, must be wondering why his last years should be so clogged with the mess of politics; he would much rather be over the hills and far away, in some distant valley where no jobs have to be given, where there is no need for flatterers and fixers. Yes, the general atmosphere in Delhi is none too conducive to the idealist whose earth-bound spirit dreams of seating.

President's Rule, only Way?

Nehru, the local wags say, would have a Kamaraj Plan for Supreme Court judges, particularly after the Kairon business. The people are not concerned about the none too savoury reports and allegations about the bureaucrat who has been restored to his original position in the administration of the Punjab, but they are incensed by the tactics of a Chief Minister who appears to rule his State as if it were his private preserve. Now, the situation is somewhat out of hand and it is rumoured that there is a 'Kairon Plan' under which the present Home Minister of the Punjab, Mohan Lal, will take over the chief ministership after a month — that is, after Kairon has 'settled the affairs' of his sons !

Of course, if any one is responsible for this chaotic state of affairs in the Punjab, it is the Prime Minister himself. Over the years, he has placed too much faith in Kairon and created the legend that he alone is capable of ruling this turbulent border region. Even if this approach was warranted by the situation, the Prime Minister could have disciplined his satrap long ago. Today, he is too powerful to be disciplined. He can only be broken. And, inevitably, the situation develops increasingly dangerous overtones until an acceptable successor is found and given enough time to entrench himself — possibly, with the same kind of methods !

There are the 'efficiency-experts' who maintain that the rot has gone too deep in certain States, that a change of chief ministers will yield no improvement but only a parallel form of corrupting patronage backed by an 'always willin' police force, that the only way out is to order President's Rule in these States and push through a vigorous clean up. These views sound logical in a Punjab setting, where Hindu and Sikh have still to understand each other and where powerful interests are dedicated to carving out a new State of Hariyana, but what relevance has this theorising in the context of Kashmir?

Bakshi's Successor

The Prime Minister has spent several days studying the startling implications of his decision to accept the resignation of Bakshi Ghulam Mohammad. No longer are the demonstrations in support of Bakshi dismissed as of no consequence. The ruling party, the Kashmir National Conference, has made it clear to Delhi that it will not have a leader 'imposed' upon it from outside — an obvious rejection of the enlightened G M Sadiq-Mir Qasim group. A deeper probe indicates that the Bakshi administration has established a ramified system of graft, nepotism and patronage which is now sought to be preserved through the nomination of Bakshi Rashid, the Secretary-General of the National Conference who is at present a member of parliament.

As is always the case with systems propped up by built-in levers of corruption, Bakshi now finds it extremely difficult to ease the way for Sadiq's promotion. Yet, this is precisely what will have to be done if the Kashmiri people are to benefit from the clean-up which the Kamaraj Plan intends to carry through. At the moment the assumption is general that as soon as Sadiq inherits the powers of Bakshi he will be able to consolidate his position in the National Conference, particularly with the aid of the younger and more dynamic Mir Qasim. But it would be wise to caution against over-confidence, for the web of the corruption which corrodes the life of Kashmir is widespread and has been woven at many levels.

Alternatives in Kashmir

Various interesting alternatives present themselves, including the continuance in office for some months of Bakshi Ghulam Mohammad with the specific object of assisting the installation of a government approved by the Centre. If this drastic step is found necessary, then it is likely that other parallel moves will follow — the merger of the National Conference with the Congress Party and full freedom for opposition parties to function in the State. These moves have been discussed at the highest levels; it is generally believed that they will consolidate further the integration of Kashmir with India and will make possible the setting up of a government more responsive to the criticism of the people. That Bakshi Ghulam Mohammad may have to be asked to preside over this transition is ironic, to say the least.

What of the other 'border States'? They, too, present a dismal political front. In Uttar Pradesh, a series of faction fights are promised. In Bengal, the outward calm is known to be nothing more than a convenient posture for a weak and demoralised administration. And Assam is still recovering from the traumatic shock of last October-November. Obviously, the ruling party in these States is the least concerned about the Chinese presence in the north. May be this fact will stir the Congress High Command to suspend some of the leading factionalists irrespective of whether they will create trouble from outside the party. This fear of disgruntled leaders embarrassing the party is at last dissolving — and will make for health.

While these troubles have been brewing, the Prime Minister has

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now definitely taken the decision that Asoka Mehta will be Vice-Chairman of the Planning Commission — in other words, the effective Chief. It is not yet clear whether the Planning Commission is to be given powers to ensure the implementation of its decisions through cells attached to various ministries or whether it is to be cut down to a brains' trust concerned only with the mechanics of planning. Several vital issues are involved in these decisions. T T Krishnamachari, determined to build the dominance of the Finance Ministry, would reduce the Planning Commission to a research institute. Asoka Mehta will, therefore, soon have to decide what role he wishes to play within the ministerial establishment.

As was to be expected, T T K is moving to concentrate considerable power in his hands. Co-ordination has been digested and attention is now focused on Planning. The Finance Minister believes that this is the only way to get things moving, particularly in the sluggish industrial field. Indeed, TTK's name is being linked with the theory that India's economic future lies in opening up certain major industrial sectors of the country to private foreign capital and that this cannot be done unless doctrinaire roadblocks to investment from abroad are removed. We may yet see the discredited, tattered concepts of the past presented again as original ideas.

All this speculation, however, is meaningless — at least, until such time as we know what the reorganised government of Jawaharlal Nehru is going to look like and how it is going to act. The 'great march' staged by the Communist Party to present its 'petition' to Parliament—the biggest demonstration witnessed in the capital for many years — and the growing favour of other oppositional activity is a timely reminder that the Congress Party can no longer rely on its 'brutal majorities' in the legislatures.

From the London End

The Liberal Platform

THE annual conference of the Liberal party at Brighton last week, gave the Liberals their big chance to put their policy before a nation profoundly ignorant of what the Liberals really stand for. The main threads which were sought to be woven into a Liberal policy at the Conference included planning by consent, industrial partnership, tariff reduction, urban renewal, regional government, entry into Europe and a class-less Britain.

The trouble with the Liberal party is that, apart from such platitudes, it really has no clear-cut policy and freedom from the prospect of holding power enables it to indulge in experimental thinking which often turns out to be contradictory. Their election manifesto, "Partners in a New Britain", consists of a string of wide-ranging policies.

What a Liberal Government Will Do

What, in the main, are the Liberal policies which emerged from the Brighton conference ?

Parliamentary reform : Much of the time at Brighton was spent on arguing about how Britain should be run and the debate on Parliamentary reform—the Liberals have made it very much their own subject — which was the first major debate, showed how superficial Liberal thinking on this subject has really been. What the Liberals very justifiably are seeking is a Parliament better informed and more expert at its job and a more inventive and creative civil service.

Their proposals, however, do not go very far. The main proposal was the abolition of the House of Lords and a non-hereditary second chamber with two-thirds of its members elected on a regional basis. Parliament itself was to be reformed with specialised committees, to ensure greater control over the executive. Great emphasis was placed on giving more power to elected local authorities and a reform of the electoral system so that it more accurately reflects public opinion. The proposal to reduce the qualifying electoral age to eighteen, was narrowly defeated. Commenting on the proposal for specialised committees, the *Economist* says, "How such committees would have made any difference to the two examples of executive irresponsibilities which Mr Thorpe gave in the debate, the Suez crisis and the decision to apply for membership of the Common Market, he failed to explain."

Economic Expansion : Here, the Liberals propose to set up a Ministry of Expansion which will take over the funtions of the National Economic Development Council as well as those of the economic section of the Treasury and the Board of Trade. The Ministry of Expansion would become the driving force of economic policy and would be charged with the task of "preparing a five-year master plan .... laying down investment and production targets for major industries and co-ordinating their execution with industry." Despite the intense debate that has been going on recently about a National Incomes Policy, no reference has been made to this in the Liberal election manifesto. Even more interesting is the fact that no mention is made of the Trade Unions, either ! The party would also like to create an "Office of Mobility" which would help movement between jobs and co-ordinate the work of employment exchanges.

Practical Policies Lacking

While the theory behind Liberal planning is certainly high-minded, the practical policies suggested do not match this. Liberal planning is based on the principle that all government action in the economic field should be part of a design to give all men true economic freedom to match their political liberty. The dilemma lies in the fact that individualism by itself does not ensure economic liberty while collectivism without limit ultimately destroys political liberty. It is brave but not enough for the Liberals to say that they seek to use a balance of the two in order to secure economic freedom without destroying political liberty and individual initiative.

Housing : Perhaps the debate on housing aroused the most excitement. The move to raise the target for new houses from 375,000 to 500,000 a year was rejected after a spirited debate. However, the conference accepted a demand for a permanent Council of Housing, rates based on site values and measures to prevent land speculation.

Agriculture : Here the Liberals demand a managed agricultural market with commissions for meat, grain and horticulture. Britain should take a lead in promoting international agreements on food and agriculture.

Commonwealth: The programme for Commonwealth development received unanimous endorsement. It was suggested that the Colombo Plan framework should be extended to Africa, the Carribean and the Pacific. Commonwealth scholarships should be increased, a Commonwealth public service created, and a Commonwealth enquiry set up to advise on the future of the remaining dependent territories. The demand for the repeal of the Commonwealth Immigrant Act was defeated but a resolution was carried which contained a programme for Commonwealth consultation on an immigration policy. Other items in the programme dealt with the National Health Service, the Liberal Social Charter, education, science and technology, racial discrimination and penal policy.

Perhaps the best description of the confusion in Liberal thinking was expressed by a young delegate at the conference, who said, "This morning we were all in favour of regionalism. This afternoon we are believers in centralization. This morning we were syndicalists, now we are statists."

End of the Revival ?

Does the Brighton conference indicate that the Liberal revival is now spent? The conference itself opened against the background of the *Daily Telegraph* Gallup Poll, which throws cold water on any hopes of a massive Liberal revival at the next general election. The poll shows that in forty out of the fifty constituencies where Liberals held first or second place, the percentage of support for the Liberals has declined from the 1959 level of twenty-nine per cent to twenty-three per cent. The Liberal share of the national poll is now static at fifteen per cent. While last year the Liberals scored 320 gains in the borough election, this year they could only scrape together 81. The recent fortunes of the Liberals illustrate very clearly the polarising process by which, as the time for a general election draws nearer, both the Tory and the Labour parties begin to attract votes away from the Liberals.

Last year at Llandudno, the Liberal party was carried away by the post-Orpington glow. Then hopes ran high that the Liberals would be able to present themselves as a valid third alternative at the general election. This atmosphere was singularly lacking at Brighton.

However, having said all this, the fact remains that the 1,600 Liberal delegates who came to the conference were able to note the measure of progress that has been achieved since the last general election. At that time, the Liberals had only two hundred candidates they could put up, but to-day it has adopted some 470 candidates. Membership of the party has now doubled to 300,000. As far as local government is concerned, Liberal representation has increased from 457 counsellors to a total of 1,878.

Who Will Vote Liberal ?

The Liberals like to see themselves as a "new and class-less party — a radical third force." The main essence of their appeal in the general election is that both main parties are class parties and therefore do not want the kind of changes which would be in the interests of the majority of the electorate, and hence they cannot take action to release the latent energies of the British people. The main Liberal theme is one of class collaboration and the main vote-catching appeals are based on their being a party above class with a dynamic leadership. The very title of their policy statement attempts to give this impression: "Partners in a New Britain."

So far, their main appeal is to the middle class and they lack a foothold in the traditional working class areas, the Labour strongholds. The trouble with the Liberal Party is that it has no major interest group which it represents. The Conservatives support lies with Big Business and Labour has the Unions. The core of Liberal support is in the suburbs, the spreading urban areas whose inhabitants are not tied either to the trade unions or the traditional upper classes. Other supporters involve defectors from the two main parties who are quite likely to change back at the time of the general election. At present there appear to be more defectors from the Tories than from Labour.

Campaign to be Launched

The Liberals are to launch a campaign to counter the effects of Conservative propaganda about the dangers of wasting Liberal votes and letting Labour in by the back-door. They feel that if they can hold 2½ million votes, within their reach at recent levels, they will succeed in establishing a third force on a national basis and give reality to the influence of a centre party. If fortune favours them this is the very best they can hope for, and it would certainly be no mean achivement. But, Brighton made it quite clear, that even with more than 400 candidates the Liberals cannot hope to be returned to Parliament in large numbers. The false Orpington dawn is now fading away. At the close of the Conference, drawing what comfort he could, Mr Grimmond said that if the Liberals could not form a government, a solid block of Liberal MPs could influence the whole thinking of the country and the attitude of whatever Party might be in power.

The Economic Weekly

Foreign Subscription Rate

Due to increase in foreign postal rates it has been found necessary to revise our foreign subscription rate. With effect from July 1963, the annual foreign subscription is Rs 34, 50s or $ 7.

A FERNANDES
Business Manager

A Calcutta Diary

Kamaraj versus Kadambini

FORGETTING the Old Woman of Chowringhee, something has been happening to the Calcutta Press. The reason for this wonder is that, for all practical purposes, Kadambini has just about ousted Kamaraj from the front pages of Calcutta's four out of five main daily newspapers. Even if you are mystified by his plan and its real purpose or purposes, you must know who Kamaraj is. If you were in Calcutta, you would be more informed about Kadambini. Not Kadambini of the touching Tagore short story, which poor woman had to die to prove that she had once lived, although something similar might or might not be said about the evolution of the Calcutta Press. This Kadambini is a rhinoceros somewhere in North Bengal; she had apparently strayed away from some reserve forest and, since, has certainly landed on the front page of two important and serious dailies. More is being written and pictured about her than, say, the Chinese aggression or the great three anna debate.

Animal World Dominates

Nor is Kadambini the only citizen of Animal Farm to dominate newspapers in West Bengal today. Only the other day we read endless accounts of Phulmala, an elephant in Alipore Zoo who had to be shot in sorrowful circumstances. There were also stories of a couple of chimpanzees who, we were told, did not like each other much; the names were Mohan and Caroline. Then there was the story of a monkey kidnapping a human baby and doing it no harm. About the white tigers of Rewa, newspaper readers could apparently not have too much. There is much to be said for getting away from politics now and then, for politics can be a morbid obsession. Or, is there more to it than that ?

If the animals have at last "arrived", so far as the Calcutta Press is concerned, there are other arrivals to report. Some foreign journalists, from Australia or Canada or Britain have been deputed to this country by the International Press Institute to improve our newspapers in which, no one can say there is no room for improvement. After Madras, Delhi, Bombay and other places some "experts" have arrived in Calcutta; and, to put it mildly, they have certainly made their presence felt. Several newspapers now look very different, for better or for worse. This writer is not in principle opposed to all import of experts; after all, English is their language, not ours. Worth considering, unexcitedly, are the sociological implications, for, whatever some might say, newspapers do count in at least West Bengal where the readership is serious and reads even leading articles.

For this readership are being produced newspapers more suitable for countries in which the bus conductor and the factory worker and the shop assistant read newspapers. In India in general and West Bengal in particular they do not, yet, buy or read newspapers; their readers are the educated middle class, politically conscious and socially aware. They may occasionally be amused by an odd story from the zoo; but their main interest is social and political and economic. They read newspapers mainly to be informed, not for entertainment. It may be that the Calcutta papers are seeking a new, larger readership with brighter make-up and more "human" stories which, so far, seem to consist mainly of animal stories. They may even "click", "catch on"; one never knows. At the moment, however, the new journalism seems to contain more than a small element of escapism, conscious or otherwise. Some may be getting away from politics because they are unpleasant — or inconvenient. The last is important because at least some publishers are not free of direct political involvement.

In a Vacuum

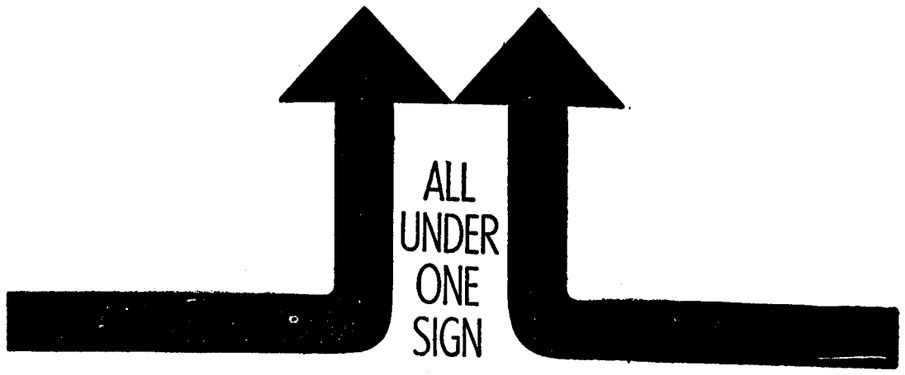
It is not fair to criticise the imported "experts" too harshly, as they have been in some quarters. If journalism were all technique and nought else, they would be worth their weight in gold, at least 14 carat. But, one likes to think, journalism is something more. You have to know your people, feel for them both individually and collectively. Your reader is not as faceless or anonymous as you may have been told. Of course you don't give him only what he wants or what you think he wants; even then you would need to know what he does want. This is where an element of unreality may have been imported with imported "expertise". (Incidentally, "expertise" does not mean expertness, a perfectly good English word; in French "expertise" means a survey.)

How is a young Australian or Canadian to know what it means to be a lower middle-class Bengali in 1963? Unknown to him are the springs of his emotions — the transfer of the capital to New Delhi, the successful Gandhian take-over bid of the nationalist movement, the rise of the Marwari, partition and freedom, the continuing influence of the Bengal Chamber of Commerce, the aggressiveness of Hindi, the quiet but steady transfer of property in Calcutta from Bengali hands to non-Bengali and a thousand other factors that have shaped the complex Bengali mind. It is easy, often necessary, to change the lay-out, the typography, the pictorial arrangement of a Press; more serious are the implications of changing its character. It is suggested here that, unless all are wary, the latter change may be round the corner.

Dangerous Corner

There is no excuse at all for dullness; and, let it be said, there was, is, plenty of it in the Calcutta Press or the Indian Press in general. Those who know Bengali publishing will testify how, in recent years, the get-up of Bengali books has improved beyond recognition; the binding, the printing, the cover are all brighter today. Yet it is an empty view of life, advocated by Madison Avenue, which holds the body dearer than the soul, the cover of a book more important than its writing, the package worthier of attention than its contents. The Press is worth nobody's atten-

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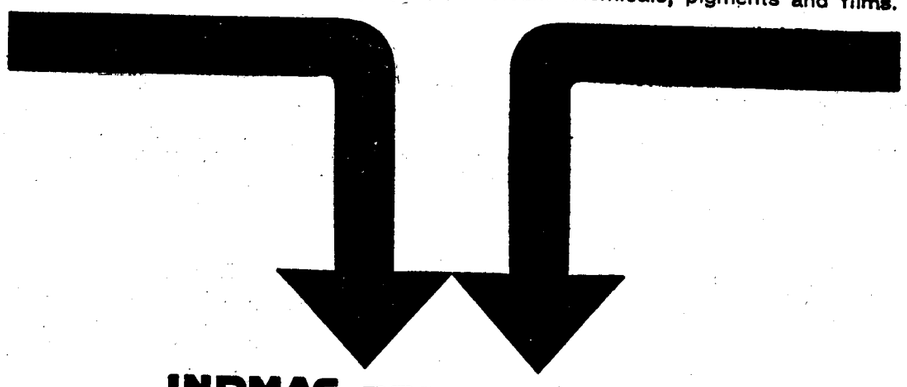
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DIM-19

tion if it cannot maintain its status beyond merchandise. It is not suggested that any of the foreign "experts" are attempting any such crime, for their effect on the soul of the Press can be only negligible. There are others to be wary of, all indigenous.

The warning is necessary because the Indian Press is one of not many institutions left which yet have a chance to remain truly free. The State controls the municipalities; the State controls the universities; the State controls most collective cultural activities. If the judiciary retains some independence in some pockets, it is not because the State has not been trying hard to take it away. The Press has its own perils. Some proprietors are less liberal than others; some journalists less honest than others. The State has devious ways of robbing the Press of its independence without, as Stephen Potter might say, actually cheating. Let us have a bright page one by all means. Let us, still, remember that brightness is not all; truth and conviction are slightly more important. Or, else, why not sell stocks or coal or something ?

— *Flibbertigibbet*

Letter from Manila

How Much Planning?

WHILE typhoon 'Oniang' spread destruction over the Luzon mainland, reducing Baguio city to shambles and causing several deaths, President Macapagal of the Philippines was busy electioneering. Local elections are due to be held in mid-November. Both the major parties, the ruling Liberal Party and the Nacionalist Party, are staking everything in the forthcoming elections. Like the British local elections, a good deal of importance is attached to their results as an indication of the direction in which public opinion is moving and people base their guesses about the results of the national elections on the outcome of the local elections.

Barn-Storming Schedule

Is it any wonder then that President Macapagal should have set himself what a Manila paper described as "a hectic barn-storming schedule"? In India, rightly or wrongly, it seems somewhat odd that national leaders should engage in local electioneering. Perhaps wrongly for it is naive to think that politics can be kept out of local elections. When the national leadership dissociates itself from local politics, the danger is that petty local issues become too important in local fights. Moreover, while the national leadership can be depended upon more not to exploit caste and religious sentiment, when the battle is left to the local leadership, campaigns are bound to take on much more irresponsible forms. Also it sounds so illogical to say that politics should not be allowed to enter local elections and at the same time to maintain that elections at the national level provide the very basis of democracy. If politics is bad at one level of government, it cannot be good at another level. Any way, the Filipinos take a lively interest in elections at both levels.

What is interesting is that President Macapagal's main charge against the Nacionalistas is that they had destroyed "good government" during eight years of power. He uses very strong words indeed when he deplores "the destruction of the country's economy by the Nacionalistas which caused the price of rice to rise to pesos 3 per ganta of commercial rice and pesos 1.20 per ganta of government rice". A ganta is approximately equal to 2 kilos and one peso is equal to Rs 1.26 nP. Macapagal claims credit for having brought down the price of rice to 0.80 peso per ganta.

It will interest people in India that the Philippines Government which otherwise swears by private enterprise is deeply committed to the nationalisation of trade in rice and corn, the two most important staple food items of the Filipinos. At the moment, however, private traders operate side by side with the Government rice distribution agency called the R C A. And the people are not very happy with the way the R C A is operating. True, government rice sells at 0.80 peso per ganta, but the complaint is heard often that the only people who benefit right now are the black-marketeers. A Manila paper carried the following story:

> A friend of ours told us how his neighbours, the mother and four children, have been making a living out out of the R C A rice. All the five members of the family line up every-day, thereby buying a total of five gantas. They sell four gantas at 1.35 pesos a ganta, making a profit of 2.20 pesos a day.

Any Indian reader of this story will possibly recall several such instances from his daily experience. The sale of sugar at controlled rates at present will provide several.

In fact, the true position is that the retail price index of all foodstuffs for July 1963 was 5 points higher than in June 1963 and compared to the level in January 1963, the price rise has been over 2 per cent. The opposition is not going to take things lying down. It is bound to counter-attack Macapagal by pointing out to this price rise. Moreover, Nationalists' record was not so bad after all, at least on the economic front. During the first four years of office, 1953-56, national output increased at the annual rate of 6.5 per cent. In the second term, the rate slackened no doubt but the annual average was still as high as 4.2 per cent. Compare this performance with the rates of growth in India, 3.3 per cent in the First Plan period and 3.54 per cent in the Second Plan period.

Planning *vs* Free Enterprise

President Macapagal took a little time off the other day to attend a function which his wife, Evangeliat Macapagal, was presiding over. This function was held to mark the transfer of the government-owned Cebu Portland Cement Company to a private company. The President described this transfer of ownership from government to private hands as "a milestone in the development of the free enterprise system in this country". Again and again, one hears of the important role of free enterprise, whether one talks to government economists, bankers or politicians. And

still the Philippines sports a Plan. In recent years, particularly since Macapagal came to power, the planning machinery has, if anything, been strengthened. How do we reconcile the facts with professions?

In the post-war period, no less than 14 plans have been drawn up. But, according to the ECAFE's 1961 Annual Survey, "economic planning has tended to be more an intellectual exercise or a call to action than a specific blueprint to be implemented". Now Macapagal has set up a Plan Implementation Agency which translates the national economic goals set by the National Economic Council into specific plans, year by year and project by project. The Agency is responsible directly to the President himself and has already begun to influence the decisions of the Government, governmental agencies and semi-government institutions. Therefore, there is no doubt that there is more effective planning today under Macapagal than there ever was in the Philippines.

High Consumption Economy

And still the bulk of investment has been and is made in the private sectors. If anything, the share of government in total investment has been falling in recent years. Planning in the Philippines, it is proudly argued, operates within the framework of private enterprise. The Government holds a very important lever in its hands and this is the lever of finance.

The Philippines is a high consumption economy in the sense that a very high proportion of personal income is spent on current consumption. Not even a casual visitor to the Philippines can fail to observe this. The shops, the bars and the night clubs reflect this in good measure. Statistical evidence supports one's observations. Between 1951 and 1960 households were in deficit practically every year, i e, they dissaved constantly. Private corporations had, therefore, to rely largely on government for supplementing the saving of the corporate sector. This dependence on government for finance is used as a lever to direct private investment into channels that are rated high in the Plan's scheme of priorities. Previously, exchange control was the other important lever available but now that the peso has been made fully convertible, it is no longer available.

The very fact that the Philippines is a high consumption society is bound to pose a serious question for the economy when it is coupled with the other fact that population is rising at the phenomenal rate of 3.2 per cent. How will the Philippine economy step up its rate of domestic saving? If households continue to dissave, the other ways open are to allow profits to rise still further or to impose heavier taxation on households or to resort to deficit financing. The rate of saving will have to be raised even to maintain the existing rate of growth of national income. Because with a shift in investment from consumer goods to investment goods industries, the existing rate of saving will yield a smaller rate of growth of output. The strain on the economy will be greater than in the past decade and it will be interesting to see how the Filipinos face the problem without affecting their basic policy of retaining the free enterprise framework.

On towards progress . . .

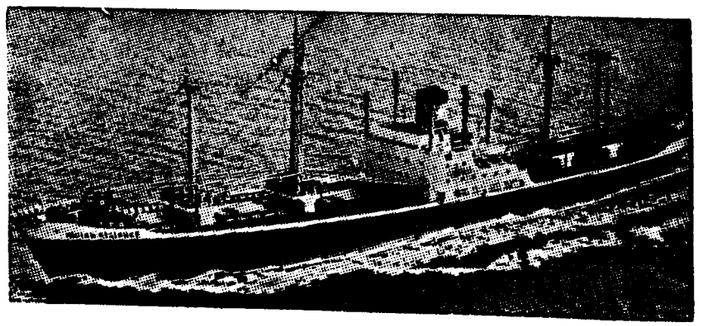
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Book Review

Planned Research is Happy Research

Tirril Harris

Research in Family Planning, Edited by Clyde V Kiser, Princeton University Press, 1962. Pp 662, $ 12.50.
Differential Fertility in Central India, Edwin D Driver, Princeton University Press, 1963. Pp 152, $ 4.50.

THE high birth rate of research projects in birth control over the last decade has drawn not a few caustic comments on the need for planning this growing family. In answer to this the Milbank Memorial Fund and the Population Council jointly sponsored a conference in New York in October 1960, and the papers presented there have been collected and edited by Clyde Kiser. Broadly speaking they fall into two groups, one giving a picture of research in this field 'in the several areas of the free world' (the iron curtain countries had already been considered the year before), and the other devoted to more critical consideration of research design, measurement, motivation and communication.

The composite picture of 'the free world' is undeniably depressing. Of course participants are quick to seize on encouraging factors: a paper on Lebanon by David Yankey "indicates that very personal data can be collected from Moslem women who have been widely regarded as particularly unapproachable on such matters" (p 596). In the West Indies and the Carribean, George Cadbury reports, "where contraceptive advice and sterilization are available, Roman Catholics take advantage of them just as much as other religious groups". This sounds encouraging, but he also reports that "the location of active planned parenthood societies, except in the special case of Puerto Rico, is entirely in islands where there is not a Roman Catholic majority" (p 330). The independence of the laity from the priests seems less in other areas: in Santiago, Chile, the survey did not dare to broach the subject of contraception, but found the size of family considered ideal was clearly correlated with frequency of attendance at religious (Catholic) services. The "Growth of American Families" study found almost half the Catholic wives interviewed expressed some form of disapproval although the question was carefully worded to avoid any implication that it related to "artificial birth control" or to "any other concept that a well-informed Catholic would oppose" (p 179). The Princeton Study pinpointed the connection of high fertility with education in the Catholic school system. (On the other hand Jews showed a high degree of fertility-planning success). Sydney Spivack's unusual study of American doctors incidentally encountered some opinions, the violence of which is all the more in contrast to the socio-economic level of the medical profession: one Catholic doctor remarked, "the use of contraception has no more virtue than sodomy. It is just a sexual perversion" (p 207). That religion exerted more influence in the American studies than any of the socio-economic variables used was particularly significant in view of contrary preconceptions.

Comfort for India

Viewed negatively, such factors might provide some small comfort for India; at least there is no religious opposition to the idea of family limitation, at least the family structure does not include 'visiting relationships' as in Jamaica, which allow the men to escape the burdens of child support by desertion. And as far as people's initial attitudes to the prospect of obtaining family planning information are concerned, the papers on projects in India are by no means discouraging. But replies to initial questions are not always reliable, as emerges in the description by S J Poti of his method for adjusting the inevitable discrepancies between the husband's and the wife's accounts of contraceptive practice in a given period; still less are they reliable guides to action, as shown by the lamentably small proportion of initially approving women who subsequently adopted contraception. It is true that more recent reports on two of the projects, the Swedish-Ceylon pilot project and the Rural Population Control Study at Singur, here described by Arne Kinch and K K Mathen, show better results than were available at the time of the conference in terms of use of contraception and falling birth rate. But such results were obtained only over a long period, at great expense, and with high pressure home-visiting campaigns of a kind which in other cases have proved unpopular (p 12) or ineffective (pp 485-6). and which would be impractical on a national scale.

This brings us to sterilization. The record-breaking sterilization camps in India only became news after this conference, but Kumidini Dandekar's project in Sang'i was already underway in late 1959, and her report gives some indication of the demand. R A Gopalaswami derives his commendable comments on the administration of family planning programmes from a comparison of India with Japan. The spectacular fall in the Japanese birth rate in the decade 1947-57 was largely due to induced abortion at a rate of 12 per thousand; while abortion only diminishes the number of childbirths by one, sterilization before the birth of the fourth child can reduce that number by at least three, and a sterilization rate of five per thousand per annum could, therefore, achieve a similar miracle in India, even allowing for a less rapid growth in the use of contraceptive appliances. He gives an encouraging assessment of the cost of such a programme, estimating that a free supply of cheaper (and less effective) contraceptive appliances to all poor people would cost some five times more per head of the total population per annum. His reference to the Japanese experience is important; most of the papers in this section, and especially the two on Japan, suggest that parents in the underdeveloped countries would rather take remedial than preventive action, thus avoiding the continual



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"U.P., Bihar, Bengal..." *said Tata.*

"Madras, Kerala, Mysore..." *interrupted Fison.*

"Maharashtra, Gujerat," *cried Ralli, not to be left out.*

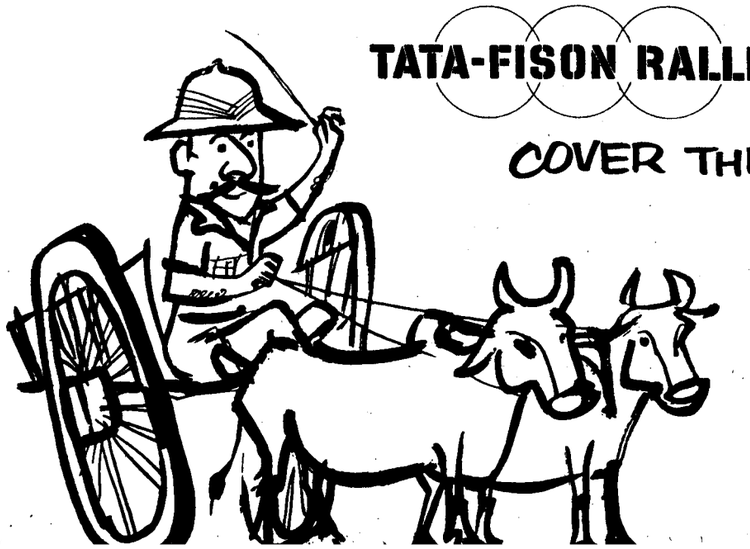
"North, South, East and West—we're everywhere at once," *they said together.*
"We're really very good in the art of distribution."



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TATA-FISON RALLIS

COVER THE FIELD!



bother of being careful (p 500), and that they prefer to have their children as soon as they are married, only thinking of family limitation when they already have three or four. While the latter would minimise the major disadvantage of sterilization (its irreversibility) the former suggests why, in common with abortion, it could succeed when other methods fail. But the conference was not unanimous: in summing up, Frank Notestein stated, "it is not likely that a population too weakly motivated to use the simple and effective means of contraception that are available will turn *en masse* to sterilization" (p 607).

Despite the fact that throughout the book there is no discussion of the advisibility, as opposed to the feasibility, of sterilization, both R A Gopalaswami and K V Dandekar make a point of justifying it; in doing so the former politely criticises the 'orthodox school' to whom "it is obvious that the use of contraceptive appliances is the only possible way of practicing family planning. They recognise no other method" (p 71). This foreshadows J Mayone Stycos' scathing attack on the International Planned Parenthood Federation for its medical, middle-class, and feminist biases, which lead it to adopt quite impractical approaches in underdeveloped areas. Evidence gleaned from other papers here suggests that these approaches are not entirely appropriate even in developed areas: for example, "A Guttmacher remarked that sterilization does not need to be sold to the American public. One popular article he wrote on sterilization brought a response of 3,000 letters with one theme: the writer's desperate need for this totally effective method" (p 383). David Glass' excellent survey of the chaos of studies, and non-studies, on family limitation in Europe spotlights the role of abortion in the Scandinavian and East European countries both in reducing the birth rate and in starting some sort of contraception movement. Donald Bogue reports that among the artificial methods most effective in reducing the birth rate in Europe and America both in the nineteenth century and today, "the condom is king" (p 518), and yet, Stycos expostulates, "clinics taking their orientation from Planned Parenthood rarely recommend it or make it readily available" (p 498); fortunately, given the stringency of the 1920 act, it is not defined by law as a contraceptive in France (p 233). Demographic historians generally credit *coitus interruptus* as having a major responsibility for decline in Western fertility, yet Stycos presents numerous samples of the disparagement of this method, despite the fact that no serious research has ever established whether withdrawal is in fact harmful physiologically or psychologically: among other examples here he quotes an unfortunate remark by an Indian Army expert, "*Coitus interruptus* is only mentioned to be condemned".

The second group of papers includes sections on research design and measurement which contain many valuable comments on statistical problems and the control of variables, and a section which brings news of recent physiological experiments in fertility control. A paper by Christopher Tietze concludes that the most important reason for contraceptive failure is irregularity of practice, and that "use-effectiveness of a method thus becomes, to a considerable extent, a function of its acceptance" (p 369), so returning attention to the focal point of the conference, motivation, which is the prerequisite of acceptance.

Motivation and Communication

It is in the section on motivation and communication that the conference really faces up to the problems posed during the early sessions, and this is the most lively and important part of the book. A general agreement prevails that there is no philosopher's stone to turn all into gold, no one answer to the problem of acceptance, and that in the absence of any accepted theory of motivation, explanations of behaviour should pay great attention to the situation in which the individual is acting. Ronald Freedman typifies this approach in his functional interpretation of social values about family size; his remarks about the value of children as labourers in family enterprises or safeguards for old age security in an underdeveloped society are more common currency than his analysis of the role of the family in contemporary America. He suggests that there children have the status of consumer goods, things to be enjoyed, and that fertility levels will thus depend on the income-elasticity of demand for them. In commenting on the Princeton Study's not finding any relationship, contrary to expectation, between social mobility and more effective family planning, he suggests, "it is precisely in such a mobile and specialized urban society, where people learn to expect and plan for change within reasonable limits as part of the routine of life, that the nuclear family has the unique function of serving the individual as the only continuing primary group which he can carry with him in his travels through space and society" (p 226).

The same sensitivity to social contexts marks Donald Bogue's "tentative recommendations for a 'sociologically correct' family planning programme in India". He picks out lack of communication rather than lack of motivation as the essential weakness to date, stresses that attempts at persuasion and creation of a panic atmosphere can never be effective in obtaining a long-term change in behaviour, and deals most effectively with the view that there are psychological techniques or 'gimmicks' by which basic values can be changed independently of the social situation. Interesting in this connection is Minoru Noda's distinction of two stages of economic motivation to limit family size: the first, more primitive, motivation is merely to maintain family livelihood in a world of economic chaos; the second develops in conditions of economic wellbeing and stability when people desire to raise their living standards continually. In support of this he cites a survey made in Japan in 1958 in which people were asked their aim in life, and a high percentage of both workers and peasants replied they wished to enjoy life rather than become rich, serve public welfare, or maintain livelihood. Another new approach, to communication rather than motivation *per se*, was Stycos and Kantner's system of 'leader' distributors in Puerto Rico; its encouraging results at that stage do much to support Stycos' criticisms

of the traditional clinical approach in underdeveloped countries.

This general 'social' approach to motivation has the merit of inducing scepticism as to the reliability of interview opinions as guides to behaviour. This scepticism is extended to reasons often cited in India as accounting for the failure to practice contraception, such as storage and disposal difficulties, and lack of privacy: Freedman comments, "the high birth rate suggests that lack of privacy is not a deterrent to sexual intercourse in India and similar countries, so perhaps this factor is exaggerated" (p 617).

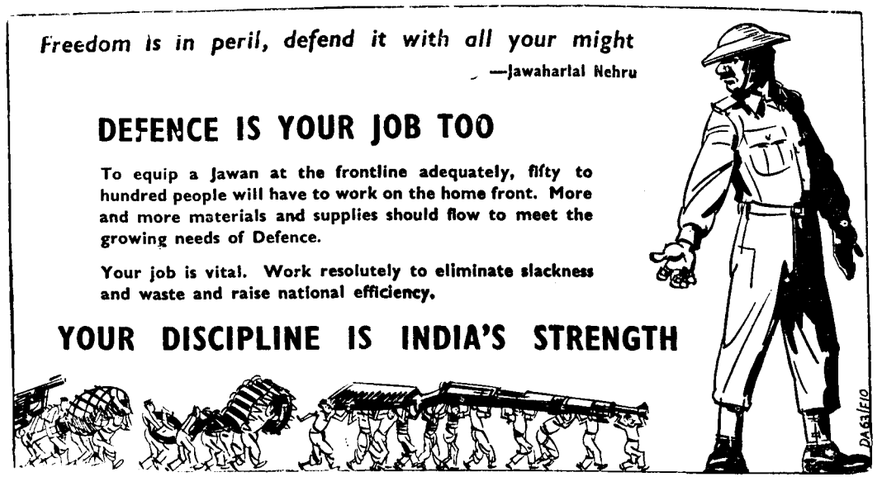
One of the most important functions of this conference was the delineation of specific areas of ignorance where assumption is still accorded the respect due only to established fact. Notable among these were the effects of *coitus interruptus*, the possible temporary sterility produced by warm water applied to the testicles (a view first advanced over thirty years ago), the role of the notorious mother-in-law, the importance of apathy and even antagonism among the administrative and professional personnel, and the relevance of storage problems, sleeping arrangements, basic family structure and patterns of sexual behaviour to fertility variables.

Unsurprisingly the overall conclusions of the conference were that there was much to be done. Administrators were greatly outnumbered by researchers, and occasionally complaints about perfectionism reach the pages, but there seemed a general satisfaction that the discussions served to clarify rather than harass government programmes, and subsequent developments in the latter, especially in India, are a tribute to the significance of the conference.

Differential Fertility

Edwin Driver's book is a thorough and competent account of his study of fertility in the Nagpur district in 1958. His findings indicate that fertility patterns are quite similar for couples who are distinguished on the basis of either place of residence, occupational class, or income level, but dissimilar for those belonging to different religions, castes, land ownership groups, or educational levels. Of the factors which might explain these differentials he could only examine rates of widowhood and spinsterhood, sterility, use of birth control, family structure and age at marriage; none of these appeared relevant, though there was a slight positive association between young age at marriage and high fertility. On the other hand knowledge, as opposed to use, of birth control devices and interest in family limitation were greater in the city and among couples belonging to the minority religions, the professional class, and the higher income and educational groups. The best chapter is devoted to a discussion of the joint family, a variable which has not received enough attention in fertility research. Otherwise the ratio of discussion to statistics is disappointingly low. Driver merely states that his findings partly agree, and partly disagree, with those of studies conducted in other areas of India, and concludes quite simply, "the kinds of fertility differential .... will depend in part on the area of study". This is undoubtedly true, but when enunciated as the last sentence, it does bestow undue attention on geographical location, a variable of little explanatory power *per se*, and tends to confirm the impression that this study has concentrated more on the 'what' than the 'why'.

Nevertheless, in the absence of previous studies on Central India, his data are very welcome, and should prove of considerable use not just to Indian administrators but to the thoughtful demographer at large. The first book, by Kiser, is of course a 'must' for demographers, family sociologists and government planners; and despite its weightiness and its orientation towards research it is of considerable value to that darling of reviewers, the layman interested in the problems of development. For the problems encountered in rapidly reducing the national family size are to a large extent the same as those in rapidly raising national output: a regrettable covariance when the failure of the one can only be comfortably met by the success of the other.



Wage-Profit Relations in Agriculture

A Study in Andhra Pradesh

C H Hanumantha Rao

The abolition of absentee landlordism and intermediaries in agriculture and the failure to effect redistribution of land by fixing ceilings on land-holdings are said to have led to the growth of owner-farming with hired labour, or capitalist farming.

In this context of owner-farming, studies of wage-profit relationships could throw some light on the prevailing patterns of distributive relationships in agriculture.

A study of this type is of particular relevance to Andhra as, according to the Farm Management Studies, the proportion of hired labour to the total labour input was found to be the highest (around 75 per cent) in the Delta region of Andhra.

An attempt is made below to study seventy five farms operated wholly through hired labour situated in the three distinct economic regions of Andhra and to draw certain inferences on the relative shares of wages and profits in the net output per acre of some representative crops.

[*This paper has been prepared at the Institute of Economic Growth, Delhi.*]

THE estimates presented below are based on data collected through field survey for the year 1959-60 as well as on published data. Net output is obtained by deducting from the value of gross output, current expenses on seeds, manures, fertilisers and feed of animals and depreciation on fixed equipment such as farm-structures, plough-cattle and implements. Profit is defined as the return on land, capital invested and entrepreneurial functions and is the residue after deducting wage-costs from net output.

The changes in wage-profit relation are studied broadly under two sets of conditions: first, where the technique of production has been constant, implying thereby a constancy in the physical quantities of input factors and output per acre; secondly, where the technique of cultivation has been changing causing a change both in input-structure and physical output per acre.

Under Constant Techniques

The first kind of situation is conceivable for quite a large area where the methods of cultivation have in fact remained, by and large, unchanged. Under such a situation, the divergence between the relative shares of wages and profits could arise due to the relative changes in wage rates and prices. Since a considerable proportion of the wage-bill in agriculture consists of payments in kind, mostly in the form of foodgrains, it may be useful to analyse the wage-profit relation separately for regions producing mainly food crops and for regions where non-food crops are significant.

Taking the predominantly food-crops-growing area first, insofar as the wages paid in kind are relatively sticky, they can be said to vary in value with the prices of the crops concerned. A change in the relative shares of wages and profit could then arise only due to change in cash-wage rates. The determinants then are :

(a) changes in cash-wage rates vis-a-vis changes in prices of food crops, and,

(b) the size of the cash-wage component of the total wage-bill.

In areas where non-food (or commercial) crops are significant, apart from the above factors, two other factors, viz, changes in the relative prices of food and non-food crops and in their relative significance (both in terms of area and value of output) are relevant. If a significant proportion of wages in kind consists of foodgrains, a rise in the prices of cash crops relative to those of foodcrops may reduce the share of wages relative to profits. Conversely, if the prices of foodgrains rise faster than those of cash crops, the relative share of wages may rise. It is, however, assumed that the prices of other input factors such as bullocks, implements, etc, do not change to neutralise significantly the effects of variations in wage rates and prices. This assumption is justified because the value of these inputs is much smaller compared to either profits or wages and also because the prices of some of these factors, e g, fodder and bullocks, tend to vary in the same direction as those of food-crops. However, in arriving at the precise estimates of wages and profits at different points of time, allowance has been made for variations in the prices of these inputs.

Under Changing Techniques

For the sake of simplicity and as limiting cases in the region under study, let us take two types of changes in technique : (a) changes which result in increased use of labour and in an increase in the physical yield per acre. This may range just from the use of fertilisers to more radical changes in methods such as the adoption of transplanting or the Japanese method in the cultivation of rice, in preference to the broadcasting method; (b) replacement of human labour by tractors and other machines which may change the cost-structure but leave the physical output per acre unchanged. Under type (a) the wage-profit shares depend on the incremental labour-net output ratio. Allowing for the additional costs on other inputs, if the ratio of increase in wage-bill to the value



of increase in net output is lower compared to the ratio under the previous technique, then though the absolute share of wages in the total net output will be higher, the share of wages relative to profits will be lower. Under type (b) the rate of substitution between labour and machinery — expressed in terms of value, the ratio of diminution in wage-bill to the increase in costs on machinery — determines the wage-profit shares. If machinery is introduced to increase profits (as one would expect) and not merely to get rid of troublesome labour, then the share of profit in the net output will rise both absolutely and relative to wages.

Turning to statistical data, let us first consider the case of the deltaic regions of East and West Godavari and Krishna districts, where about 80 to 90 per cent of the cultivated area is under rice, and transplantation has been practiced for more than a decade. About 50 per cent of the wage-bill in 1959-60 (in the villages surveyed) consisted of payments in kind, mostly to permanent farm servants. The farm-harvest prices of rice were about 55 per cent* higher compared to 1949-50, whereas the wage rates of casual labour (weighted averages of male and female labour for different operations) had risen by 45 per cent.† Since the value of wages in kind varies with the prices of the crop concerned, we get an overall wage-price lag of only 5 per cent.

Stable Shares

In the deltaic regions, even the cash-wage rates tend to keep pace with the prices because of the intensity of seasonal demand for labour. Owing to monoculture, labour is required for the whole of the cultivated area during sowing, weeding and harvesting seasons which happen to be relatively shorter in this region. Assuming constant production technique, i e, constant physical inputs and output, and making allowances for changes in the prices of the latter, the share of wages in the net output is found to be constant around 32 per cent in the two periods, i e, 1949-50 and 1959-60. It is assumed that the increase in yield per acre between the two periods in the delta region is mainly due to the application of fertilisers. In arriving at these estimates, the effect of fertiliser-input on yield over this period is isolated by means of the input-coefficient of fertilisers estimated by the Indian Council of Agricultural Research through experiments conducted in this area. These estimates indicate the existence of a more or less stable relation between wages and profits in the delta area.

Fluctuating Shares

In some of the upland districts of Rayalaseema, according to Survey data, about 48 per cent of the cultivated area is under commercial crops such as groundnut, chillies and cotton, accounting for about 55 per cent of the value of total output. About 84 per cent of the total wage-bill consisted of payments in kind, about two-thirds of which being payments to permanent farm servants, mostly in rice and jawar. Between the years 1939 and 1949 the farm-harvest prices of rice and jawar rose by 295 per cent and 280 per cent respectively as against a rise of 602 per cent and 472 per cent in the prices of groundnut and chillies. The cash-wage rates showed a rise of only 146 per cent, thus lagging behind the prices of both food and cash crops. This must have caused a reduction in the share of wages relative to that of profits.

Between 1949-50 and 1959-60, on the other hand, the farm-harvest prices of groundnut (which alone accounted for 45 per cent of sown area and 41 per cent of the total value of output in the year of Survey) declined by 26 per cent as against a 32 per cent and 26 per cent rise in the prices of rice and jawar respectively. During the same period, the cash-wage rates rose by about 57 per cent. There must have, therefore, been a change in the shares of wages and profits in favour of the former. Thus the shares of wages and profits seem to fluctuate under the existing modes of wage payment, where the crop-pattern is significantly diversified.

Effect of Use of Fertilisers

Let us now consider a change in the technique of production and start with the effects of using fertilisers. According to the experiments conducted for three years by the Indian Council of Agricultural Research in the deltaic region of East Godavari, a combination of ammonium sulphate and super phosphate, 1½ maunds each (this combination appears to be more common in actual practice than other combinations experimented with), of the total value of Rs 30 per acre, would yield 6.3 maunds of additional paddy of the value of Rs 75.60‡. In areas already irrigated, the application of fertilisers results partly in the more intensive utilisation of existing resources such as attached labour, carts, bullock labour, etc, and involves additional cost for spraying in the field and then for threshing and packing the additional output. The additional expenditure on labour (estimated from the Survey data) comes to about Rs 9 per acre which gives an incrementary wage-net output ratio of 1 : 5. If we extrapolate the figures of physical inputs and output relating to the year of Survey to the year 1949-50, on the basis of the respective wages and prices and allow for the changes in the inputs of fertilisers and labour as also in the output, the share of wages in the net output per acre shows a decline from 32 per cent in the year 1949-50 to 28.5 per cent in the year 1959-60.

A change-over from the broadcasting method in the cultivation of rice to the transplantation method necessitates additional input of water, labour and manure, etc, although the seed input is considerably reduced, sometimes even offsetting completely the increased costs on other items. Investigations showed that in the upland region (Ravalaseema), where over 50 per cent* of the rice area is estimated to be under the broadcasting method, wages constitute 52 per cent of net

* Sources of price data: Government of Andhra Pradesh, "Handbook of Andhra Pradesh Statistics" (1958); Government of India, *Agricultural Situation in India*, (1959-60)'; and Survey data.

† Sources of wage data: Government of India, "Agricultural Wages in India", Vol 1: and Survey data.

‡ Indian Council of Agricultural Research, *Indian Farming*, April 1958.

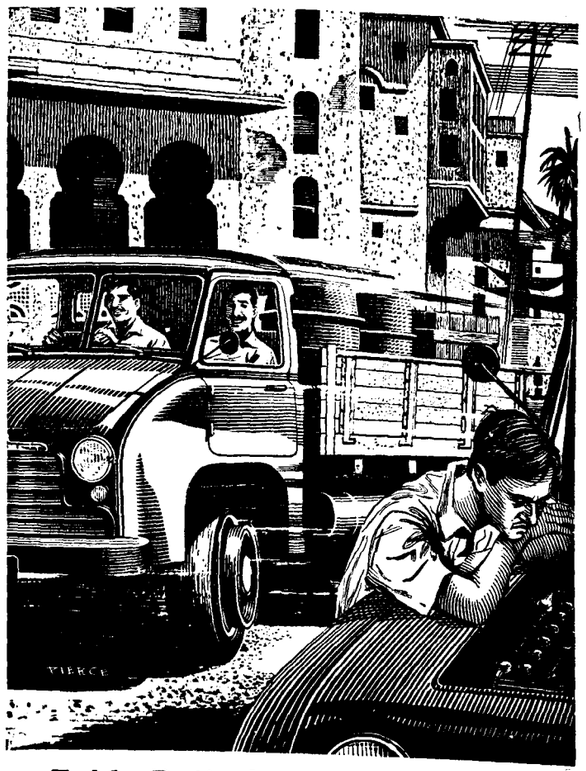
* For an account of the area under different methods of rice cultivation and their relative remunerativeness in different regions of the State see Government of India: "Rice Revolution in India".

output as against 28.5 per cent in the delta area where the transplantation method is common and 31 per cent in the Telangana area where the practice of transplantation is spreading. We do not know what the share of wages would be under the Japanese method of cultivation. However, since the Japanese method has much in common with the transplantation method in the matter of an increase in the input of water, labour and manure and a reduction in the input of seed and a significant increase in output, it appears that under the existing wage rates a shift from broadcasting to the Japanese method would result in increasing the share of profit relative to wages.

Japanese Method Not Favoured

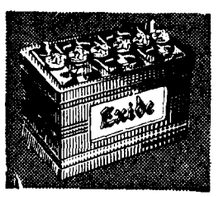
It would thus appear that as between different methods of cultivation a larger output per acre is associated with larger absolute share of both wages and profits, but with a lower share of the former relative to that of the latter. In the delta region, the method of cultivation has relatively improved and productivity per acre is already high and the adoption of the Japanese method under the existing wage rates (which are the highest in the State) is generally considered unremunerative. Some scope for increasing profits in this region may still lie in increasing the average per acre input of fertilisers, which may result in turn, in lowering the relative share of wages.

Because of high wage rates there is an incentive to use labour-saving machines, which, as observed in the course of the Survey, seem to be already attracting the big land-owners. In such a case, a significant change in the shares of wages and profits may arise partly due to the displacement of labour and partly due to the consequent reduction in wage rates, if alternative channels of employment are not open to the displaced labour. In the upland regions, on the other hand, the methods of cultivation are largely primitive and productivity per acre is very low. Because of the low wage rates, labour-intensive methods of improved cultivation, which are being encouraged under Community Development programmes may spread rapidly, especially among the big farmers, because it is likely to be highly remunerative. Although the absolute share of wages may increase because of increased employment opportunities, wages relative to profits may decline rapidly until the increased demand for labour resulting from the adoption of labour-intensive methods pushes up the wage rates.



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The National Coal Development Corporation

A Review of Its Working

A B Ghosh

Of the Third Plan target of 20 million tons of additional coal production in the public sector, 3 million tons are expected to be raised by the Singareni collieries in Andhra and the remaining 17 million tons by the National Coal Development Corporation. The NCDC is thus almost entirely responsible for coal development in the public sector.

However, as against the target of 33 million tons for 1965-66, the actual output of coal by the NCDC in the second year of the Third Plan was only 8.30 million tons. It is, therefore, very much on the cards that the public sector programme for coal may fail to fulfil the Third Plan target as happened in the Second Plan.

The analysis of the latest Estimates Committee report on the NCDC attempted below throws light on the reasons for the Corporation's disappointing performance.

THE thirty-second report (March 1963) of the Estimates Committee of the Third Lok Sabha on the National Coal Development Corporation is an informative and useful document on the public sector coal industry. It can be divided into three parts :

(a) chapters 1 to 6 concerning the production and washing of coal, the two main functions of the NCDC;

(b) chapter 7 dealing with the organisation of the Corporation; and,

(c) chapters 8 and 9 devoted to the problems of finance and of welfare of employees.

The NCDC was set up, following the recommendations of the Railway Collieries Enquiry Committee (1949) and of the Estimates Committee (Fifteenth Report, First Lok Sabha), as a limited company in September 1956 with an authorised capital of Rs 50 crores subscribed entirely by the Government of India. It was charged with managing the then eleven State collieries and opening new mines since the Industrial Policy Resolution of 1956 listed coal in schedule A among industries the future development of which was to be the exclusive responsibility of the State.

Juggling with Figures

The NCDC and the private collieries were assigned 10.50 million tons and 10 million tons of additional output respectively in the last year of the Second Plan, the latter "from their existing workings and immediately contiguous areas" (see Table 1). Although the Second Plan specifically laid down that "in future the policy of retaining all new undertakings in coal in the public sector should be more strictly followed", and that, "expansion of production by the establishment of new collieries will be undertaken wholly in the public sector", of the 49 new areas allowed to the private sector during the Second Plan 24 were non-contiguous. No doubt, the Second Plan did not completely rule out the establishment of new units in the private sector "when the national interests so required". But this created uncertainty which, according to the Estimates Committee, "is not conducive to the proper development of the industry". The Committee has, therefore, suggested that the Government should make a definite statement of policy in regard to future development of coal.

The NCDC's actual production in 1960-61 was only 8.05 million tons and fell short of the target of 13.50 million tons. But by a strange interpretation of the target of production to mean the rate of production in the last quarter of the last year of the Second Plan, i e, in January-March 1961, the Corporation claimed in its fifth Annual Report (1960-61) that it not only reached its Second Plan target but slightly exceeded it (see Table 2). The Ministry of Mines and Fuel did not consult the Planning Commission in deciding upon this interpretation. "which does not appear to have any rationale behind it" since "it is well known that targets of production of coal laid down in the Plans are estimated on the basis of the annual requirements of the various industries".

Third Plan Target Too High

The NCDC's attempt to inflate output in the last few months of the Second Plan had disastrous consequences. The resulting accumulation of stocks (8 lakh tons and 16.76 lakh tons in January and March 1961, respectively) increased the risk of loss by fire, pilferage and deterioration in quality. "The actual loss due to these factors was estimated at Rs 16 lakhs. In addition, to clear the accumulated stocks, a deliberate decision was taken by the

Table 1 : Second Plan Coal Targets

Sector	Actual Production in 1955-56	Targets of Production in 1960-61
	(million tons)	
Public Sector		
(i) Existing State Collieries (NCDC)	3.0	3.50
(ii) New Mines (NCDC)	..	10.00
(iii) Singareni Collieries	1.5	3.00
Private Sector	33.9	43.50
Total	38.4	60.00

Table 2 : NCDC's Output, January-March 1961

	Actual Production *(lakh tons)*	Annual Rate of Production *(million tons)*
January	10.40	12.48
February	10.89	13.07
March	12.97	15.55
Total	34.26	13.70

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management to restrict production in the following year" (1961-62) to 6.05 million tons. The Estimates Committee concludes, therefore, that "it was neither proper nor prudent to have resorted to accelerated production in the last quarter of 1960-61" and hopes that such wasteful decisions would be avoided in future.

Table 3 gives the NCDC's targets for the Third Plan and actual production in the first two years of Plan. The immensity of the task of raising its annual production from 8 million tons in 1960-61 to 33 million tons in 1965-66 is obvious, particularly as this depends on "extraneous factors like timely provision of railway siding facilities, adequate supply of wagons, power supply, lifting of coal by certain thermal power stations from connected collieries and commissioning of washeries as scheduled". Against these ambitious [illegible] even in the second year of the Third Plan the production was only 8.30 million tons. (The coal target for the Third Plan is 97 million tons, of which the share of the NCDC is fixed at 30.5 million tons. The NCDC has, however, fixed a higher target for itself).

Table 3 : NCDC's Production Targets and Actual Production

Year	Annual Targets		Actual Production
	Original Targets as given in the Annual Report of the Ministry for 1961-62	Revised Targets as Indicated to the Estimates Committee	
	(*million tons*)		
1961-62	5.86	..	6.05
1962-63	10.61	12.60	3.61*
1963-64	18.06	14.60	
1964-65	24.35	18.66	
1965-66	33.63	33.50	

* April-September 1962.

Mistakes Repeated

A major defect which marked the NCDC's functioning in the Second Plan and which persists is that the NCDC makes frequent changes in its colliery-wise and field-wise targets. The Estimates Committee recognises that "circumstances can arise which may require adjustments in production programme", yet, "for planned development it is essential that year-wise and field-wise targets of production are framed realistically".

The Second Plan objective of developing new mines mostly in the outlying fields (i e outside Bihar and West Bengal) was also not achieved to any appreciable extent, for, 7 out of the 11 new mines developed by the NCDC are in Bihar. Of the 16 mines proposed to be developed during the Third Plan, 12 are in the outlying fields. It is important that the programme of developing outlying fields is more assiduously pursued than in the Second Plan "as this would not only reduce haulage of coal over long distances but would also result in regional self-sufficiency to a certain extent". However, most of the new mines to be developed in the Third Plan are even now either at the project report or exploratory stage. Everything points to a repetition of the Second Plan experience of long delays in commissioning new mines. It is necessary to lay down detailed schedules of completion of various stages of each project so that actual progress can be watched and delays or difficulties, if any, attended to in time. The Estimates Committee has pointed out in this connection that the NCDC has not even started preparation of the comprehensive completion reports required in the Third Plan for each major project "giving entire history of the project, including mistakes which occurred and risks taken, remedial measures adopted and lessons drawn so that such a report might serve as a reference book and guide to engineers charged with the execution of similar projects in future".

Coal Washeries

Expansion of steel production in the Second Plan required the establishment of capacity for washing 11.63 million tons of raw coal (8.1 million tons in terms of washed coal). Part of this capacity — 6.03 million tons (4.1 million tons in terms of washed coal) — was established during the Second Plan. NCDC was responsible for the washeries at Kargali and Korba. The Korba washery had to be abandoned after incurring an expenditure of Rs 5.95 lakh on preparation of the project report by Tiazpromexport, USSR. The Estimates Committee is critical of the fact that "the economics of the project were not fully gone into by the Corporation before entering into contract for the project report". There was a delay of 10 months in commissioning the Kargali washery, and the percentage of output to rated capacity rose from 27 in 1958-59 to only 60 in 1961-62. No project report was prepared and the contract entered into with the Japanese firm was defective as "it did not provide for the performance guarantee of the integrated plant and hence they could not be held responsible for ensuring the rated throughput". Further, very heavy expenditure on repairs and maintenance has had to be incurred. The staff employed was nearly double that estimated by the contractors, and there was no proper utilisation of middlings and rejects.

The Estimates Committee has recommended that the Government should examine the desirability of equipping all new mines with washeries as is the normal practice in the developed countries. It has also suggested that the feasibility of the NCDC managing all washeries in the public sector should be carefully considered since, in any case, all the new washeries to be set up in the Third Plan will be managed by it. (At present four washeries are managed by Hindustan Steel).

Foreign Collaboration

The Estimates Committee makes the following observations after a scrutiny of the NCDC's agreements with foreign collaborators: "The existing practice under which the entire work relating to a project, including the preparation of project reports, working drawings, designs, etc, is done by the foreign collaborators, even though the Corporation has the necessary technical know-how to do it, has many drawbacks. First, our own engineers would not be trained in those complex and difficult tasks, and gain the necessary confidence which comes from practical experience. Secondly, it entails considerable avoidable expenditure of foreign exchange on the preparation of project reports, etc, as well as on de-

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putation of technicians from and to the collaborating countries to settle details of specifications". The Committee recommends that foreign technical personnel should be used only when the necessary expertise is not available at home and even then their use should be kept to a minimum. It also suggests simplification of the agreements with foreign collaborators to avoid delays in approving project reports, the inclusion of a penalty clause in the agreements and the formation of a special cell for scrutinising agreements with foreign firms with a view to ensuring uniformity of practice in all public undertakings.

The Committee then proceeds to analyse mechanisation, transport, power supply and other matters related to production and washing of coal. Regarding mechanisation they approvingly quote the following observation of Mr Longden, a member of the National Coal Board, U K, who visited the mines of the Corporation in July 1960: "In developing both the new mines and the new quarries the NCDC has, as a matter of policy, decided to mechanise operation to the greatest possible extent, and it has spent very large sums on acquiring some really first-class equipment. Having adopted this policy, it is, in my view, essential that the equipment should be used to the best possible advantage, which means: (1) it must be operated with the minimum of labour and at maximum capacity; (2) the machines must be kept running for the maximum number of hours in the twenty-four; (3) there must be a first-class maintenance service to back up these needs; and (4) there must be transport facilities for getting the coal away from the site with the least possible delay".

Idle Capacity

The Committee estimates that idle capacity of men and equipment in the NCDC was 15 per cent in 1959-60, 27 per cent in 1960-61, 55 per cent in 1961-62 and 41 per cent in the first six months of 1962-63. It has recommended an expert enquiry with a view to reducing such large scale wastage of capacity. The Committee also emphasises that greater care should be exercised in indenting machinery as much of the new plant and machinery imported from abroad for Second Plan projects is still lying unused. As much as 89 per cent of the machinery required by the NCDC in the Second Plan had to be imported. Since the requirements of machinery and equipment during the Third Plan are about three times as large, the importance of stepping up domestic manufacture cannot be exaggerated. The disappointing working of the Central Workshop at Barkakhana deserves mention in this connection. The workshop's output of spare parts was only 50 per cent of the estimate for 1961-62 and the labour employed was thrice that of similar units elsewhere.

The Estimates Committee has recommended that the Government should review the working of the coke plant at Giridih where output has been declining from year to year while the annual recurring expenditure has remained at the same level, exceeding sales by about Rs 5 to 7 lakh every year. The Committee has also questioned the need for a separate printing press for the NCDC at Ranchi and suggested the pooling of the printing requirements of all public undertakings. It has urged the NCDC to plan coal production on the basis of the availability of transport and siding facilities so as to avoid detention of wages.

II

Organisation and Administration

The organisational and administrative problems of the NCDC have been analysed under the following heads:

(i) Board of Directors;
(ii) Organisational set-up;
(iii) Liaison offices;
(iv) Government control;
(v) Participation of State Governments; and
(vi) Personnel matters.

The NCDC's Board of Directors is composed of two non-officials including the chairman and five officials, not counting the Managing Director. No director excepting the Coal Mining Adviser to the Minister appears to have any experience of the coal industry. The members of the Board of the National Coal Board in U K are appointed by the Minister from amongst persons "appearing to him to be qualified as having had experience of and having shown capacity for industrial commercial or financial matters, applied science, administration or organisation." Referring to the practice in U K, the Fuel Minister had said in the Lok Sabha on August 13, 1959 that "the principle is unexceptionable. The only difficulty is a real one of finding appropriate men from those technical fields who could be put in these positions". The Estimates Committee is not convinced of the necessity of representatives on the Board other than from the administrative and Finance Ministries and points out that the representative of the Railways attended only 17 out of 33 meetings held during the last three years.

The Committee suggests that the functions of the Board of Directors should include "(a) formulating policy; (b) coordinating effectively its execution; (c) evaluating the performance of management; (d) stimulating developments; (e) raising the standards of management; (f) collecting and disseminating information and new ideas; (g) establishing common executive and administrative practices; and (h) ensuring proper accounting and efficient utilisation of finances". The Board of the NCDC has only one full-time member out of eight; the National Coal Board in U K has eight full-time members out of nine. The Committee, therefore, recommends the appointment of more full-time members.

Decentralisation, How?

Mr H A Longden of the National Coal Board, U K, and M Signard of the Charbonnage-de-France, who visited India in the first half of 1960, have pointed out the weaknesses of the organisation of the NCDC at the point of production. As a result of the recommendations of the NCDC's Managing Director who visited U K, France and West Germany towards the end of 1960, the NCDC collieries were grouped into six areas in March 1961, each area being placed under a General Manager. The Indian Productivity Team in the Report (1961) on its visit to USA, UK, France and West Germany suggested the formation of subsidiary companies region-wise or State-wise on the French pattern leaving the Central Body to con-

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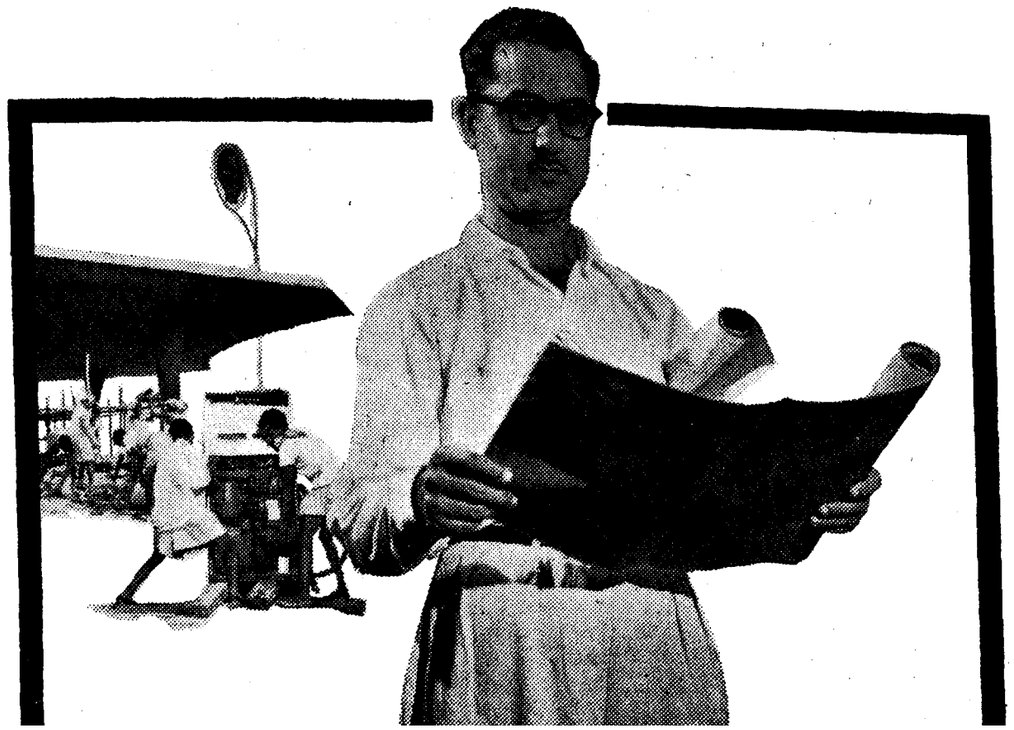
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centrate on policy making, planning direction and over-all supervision. As the Productivity Team and the Managing Director do not agree on this question, the Estimates Committee has suggested a fresh review of the organisational set-up.

The NCDC has liaison-offices at Calcutta and New Delhi. Twelve other public undertakings also have their liaison offices in New Delhi. The Committee has suggested a review of the need for the expensive liaison offices set up mainly for chasing files at the Secretariat.

As regards participation of State Government in the exploitation of coal, the Committee feels that the Central Government should state its policy clearly. At present the Centre's attitude is ambivalent. Thus whereas it has entered into a partnership with Madhya Pradesh for the Korba mine, West Bengal has been allowed to develop its own projects.

The Estimates Committee pulls up the NCDC for the higher-than-average absenteeism in its collieries. It has also pointed out that between 1960 and 1962 the staff had actually increased while total production had fallen. The increase in the number of officers was as high as 34 per cent and promotions had been given "without regard to even the minimum length of service required to be rendered by an officer in the lower grades". The Committee has reiterated its earlier suggestion (39th report; First Lok Sabha) for a separate Personnel Commission for public sector undertakings.

III
Finance

Investment by the Central Government in the NCDC during the Second Plan was Rs 42.35 crores (Rs 18.90 crores contribution to capital plus Rs 23.45 crores long-term loans). The outlay on the NCDC envisaged in the Third Plan is Rs 101 crores but the Corporation has asked for Rs 166 crores. The Government has tentatively agreed to revise the outlay to Rs 133 crores.

The Estimates Committee has provided some data to judge the commercial performance of the NCDC (see Table 4). In the private sector the capital-sales ratio for 42 selected coal mining companies was 1:0.95 in 1960-61 which is in marked contrast with the highest figure for the NCDC, 1:0.35. The position in respect of profits is no less discouraging. A recent Reserve Bank study showed that gross profits as per cent of total capital employed and net profits as per cent of net worth in 44 coal mining companies in the private sector were 9 and 8.6, respectively, as against the highest figures of 4 and 4.2, respectively, for the NCDC. Even if the two Giridih collieries, running at a loss for several years, are excluded, gross profits as per cent of capital employed comes to only 5.7 for the NCDC. An analysis of colliery-wise financial results shows that 4 of the 11 old collieries have been incurring losses during 1960-62, of which two may be resuscitated but two, the Giridih collieries, which have been working since 1863 need to be closed down.

Why No Dividend?

During 1958-62 the NCDC earned a net profit of Rs 157 lakhs, the entire amount being carried to the Development Reserve Fund. The Estimates Committee, however, thinks that "since the share capital of public undertakings is financed from borrowing on which the Government pays an interest ranging between 4 and 4½ per cent, it is reasonable to expect that they should declare some dividend which should cover not only the interest charges on its share capital but much more".

The Corporation has been providing depreciation on the historic value of its assets rather than on their replacement value. The Coal Board in U K followed this practice until recently when the replacement cost basis was adopted. The Estimates Committee feels that as the man-made assets of the coal industry are subject to rapid wear and tear, the present basis for calculating depreciation is not satisfactory and should be re-examined by the Government.

The NCDC met only about 5 per cent of the capital expenditure on its expansion programme during the Second Plan and is expected to provide about 20 per cent of the outlay in the Third Plan from its reserves and surpluses. This raises the question of defining surplus which, according to the Estimates Committee, should mean disposable profits for dividend distribution and allocation to reserves. The Committee feels that since public undertakings have been working for some time now and have acquired sufficient experience, the broad principles regarding their financial obligations should be laid down by the Government as early as possible.

Unbusiness-like

The very large book debts outstanding from customers which amount to as much as 55 per cent of sales indicate the unbusiness-like way in which the NCDC conducts its operations. This is deplorable, particularly since it borrows large sums of money from the Government for working capital. This is further corroborated by the accumulation of inventories, which work out to about 4 to 6 years' requirements at the present rate of consumption, involving (a) heavy foreign exchange expenditure; (b) risk of deterioration and pilferage; and (c) expenditure on extra store godowns and extra staff. The Estimates Committee is critical of the sales policy of the NCDC as sales are confined to a few big dealers, and suggests that "the tendency for dealership to get into the hands of monopolists should be discouraged by public undertakings as far as possible". It also emphasises that the NCDC can be made a perma-

Table 4 : NCDC's Financial Results

		1958-59	1959-60	1960-61	1961-62
(1)	Gross Profit as Percentage of				
	(a) Total Capital	1.5	1.4	2.8	1.26
	(b) Sales	5	6	11.3	5.8
	(c) Capital in Collieries under Commercial Production	—	—	4	1.7
(2)	Net Profit as Percentage of Net Worth	2.6	1.8	4.2	.45
(3)	Ratio of Total Capital to Sales	1/0.30	1/0.23	1/0.25	1/0.22
(4)	Ratio of Capital in Collieries under Commercial Production to Sales	—	—	1/0.35	1/0.30

nently viable unit only if it does "not remain a 'hewer' of coal merely" and undertakes also "low temperature carbonisation and other ancillary activities like coking of coal, gasification of coal, production of smokeless fuel, manufacture of bricks, etc".

As regards welfare of employees, the Estimates Committee indicates the possibility of reduction in the cost of construction of townships. It is critical of the slow progress in associating labour with management.

It may be pointed out, in conclusion, that though compared to the earlier reports of the Estimates Committee the analysis of the operations of the NCDC in this report is more comprehensive and constructive, there is an important lapse. The Committee's last report on the NCDC (152nd report, Second Lok Sabha) gave an analysis of the action taken by the Government on the recommendations contained in the 93rd Report of the Estimates Committee (Second Lok Sabha) on the NCDC. It was pointed out that 53 per cent of the recommendations had been accepted by the Government. A similar analysis of Government action on the recommendations of the 152nd Report should have been included in the present report.

Kathara Coal Washery

A CONTRACT for setting up a coal washery at Kathara in Bihar was signed on Monday last between the National Coal Development Corporation and Tjazhpromexport, USSR. Under the contract, the Tjazhpromexport would supply, for the washery, equipment, instruments, apparatus and other materials valued at Rs. 20.47 million (3.89 million roubles) out of the Indo-Soviet Rouble Credit Agreement of February 1961.

The Kathara washery, which would be one of the biggest units in the country, would have a throughput capacity of three million tons of raw blendable coaking coal per annum. The detailed project report for the washery, prepared by the Soviet designing organisation Giproshacht, had been approved by the NCDC.



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Panchayati Raj in Mysore

Manu

Under the Mysore Village Panchayats and Local Boards Act Panchayati Raj institutions have been turned into bureaucratic cells. There is no organic link between different tiers of Panchayati Raj nor do the sources of revenue allocated to each bear any relation to the functions it has been charged with.

In fact, the Act is so full of shortcomings that what is necessary is not to amend it, but to draft an altogether new Bill. The recommendations of the Government-appointed Study Team on Panchayati Raj should form the basis of the new legislation.

THE Mysore Village Panchayats and Local Boards Act 1959 is now four years old; the working of the Act has revealed glaring imperfections which affect the basic tenets of the Panchayati Raj like decentralisation of decision-making power, organic relationship between different tiers and democratisation of administration. The objective of increasing people's involvement in the development efforts of the State has not been attained because of the unrepresentative character of the District Development Council. The DDC is composed of the Deputy Commissioner of the District as the chairman, all the presidents of the Taluka Development Boards, Members of Parliament and State Assemblies, government officers not exceeding 15 in number, a member of the scheduled castes and a woman member nominated by the Government. The inclusion of directly elected members in addition to the *ex officio* and nominated members would have established a link between the DDC and the masses. The DDC is not an executive body with financial and executive powers but an advisory body at the district level meeting once in a quarter to review the work of the TDBs, scrutinise its budget and to attend to "any other work entrusted by the Government relating to the work of the TDB". The non-deliberative and non-executive nature of the DDC has made the third tier superfluous. Genuine decision-making that is expected from such a body is not possible without executive powers.

Under the Act TDBs are composed of members directly elected by voters in each taluka. This precludes the representation of the village panchayats on the TDBs which is necessary to link the lower and the middle tiers. As for village panchayats, villages with populations not below 1,500 have panchayats, the rest form group panchayats. Group panchayats have led to groupism in the villages and as a consequence the development of villages without panchayats has suffered considerably. Besides, the Act has no provision for the constitution of Nyaya Panchayats and Gram Sabhas. Gram Sabhas can wield considerable influence on the activities of the panchayats. The objective of "arousing popular consciousness" of Plan programmes will be better accomplished if the Gram Sabhas are vested with functions like approving the annual budget of the panchayat, supervising panchayat production plans,[1] etc.

Functions and Resources

Functions assigned in the Act to the three tiers do not bear any relationship with the finances and resources at the command of each. The DDC does not have any independent sources of revenue nor any independent functions. The TDBs have certain obligatory functions like construction, repair and maintenance of public roads, primary school buildings, minor irrigation works, establishment and management of dispensaries, rest houses, etc, and certain discretionary functions like running of primary and secondary educational institutions, encouragement of cooperatives, granting of loans to industrial enterprises, etc. The statutory separation of functions into obligatory and discretionary has resulted in the complete neglect of discretionary functions which are no less important for the economic prosperity of the taluka. The main sources of revenue of the TDBs are the local cess of 12 nP in a rupee on land revenue and on water rates, a stamp duty on transfers of immovable property and a tax not exceeding 25 nP per animal brought for sale in the markets within the jurisdiction of TDBs. The TDBs have also a 25 per cent share in the land revenue collection of the taluka, and 5 per cent share in that of the State. In view of the inelastic sources of revenue and the wide functions assigned to the TDBs, there has not been any significant improvement in the development of the taluka since the launching of the Panchayati Raj.

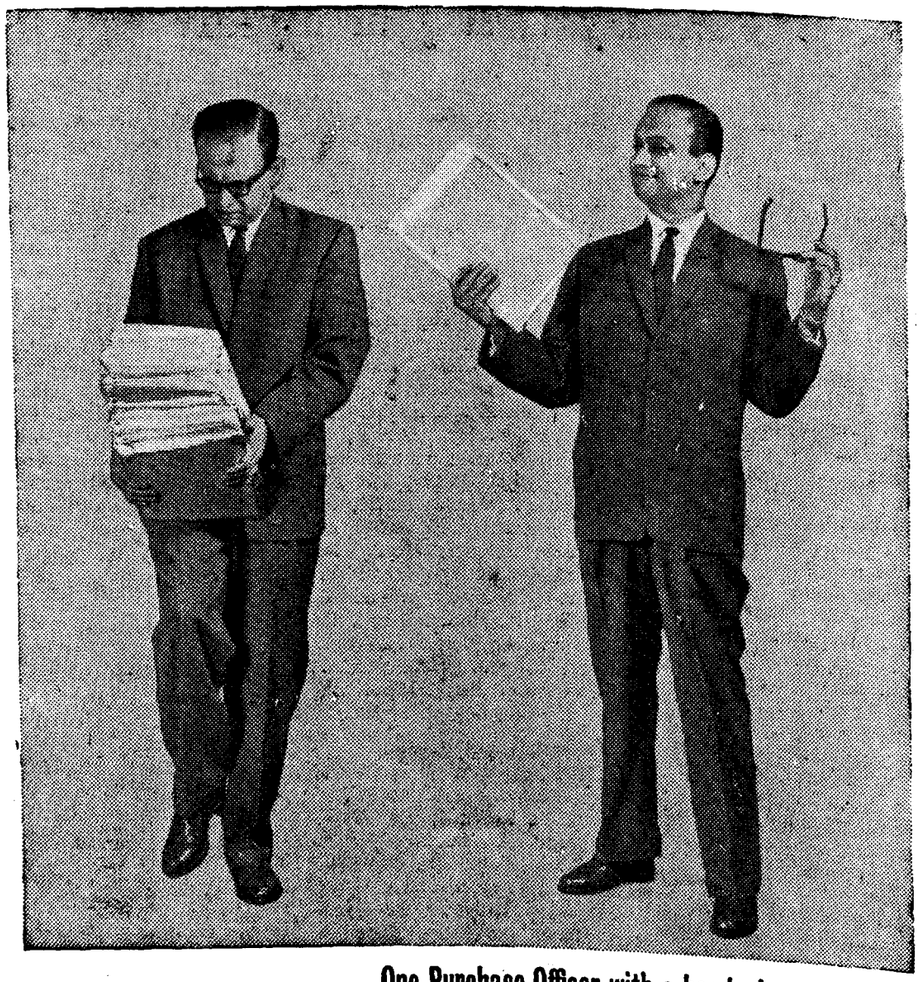
Village panchayats likewise have obligatory functions like construction, repair and maintenance of village roads, public wells, allotment of places for storing manure, laying out village extensions, etc, and discretionary functions of a broad nature affecting village life and prosperity generally. The panchayats have been assigned other 'agency functions' by the TDBs and the Government like execution of construction works, distribution of irrigation water, management of minor forests, pasture and common lands. The main sources of revenue of the panchayats are taxes and grants. The Act empowers panchayats to impose a building tax not exceeding 8 per cent of rental value, land tax at the rate of one rupee for every 100 sq yards unassessed to agriculture, and tax on professions, trades, callings and employment at specified rates. The panchayats also have a 30 per cent share in the land revenue collection of the village and 5 per cent share in that of the State. Although the tax coverage appears fairly wide, tax receipts invariably fall short of dues because of the inefficient recovery machinery of the panchayats.

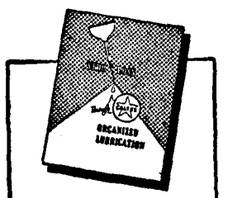
[1] Dr V S Vyas, "Panchayati Raj in Gujarat", *The Economic Weekly*, April 13, 1963.

II

Study Team's Report

The study team on Panchayati Raj, which recently submitted its





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report[2] on the working of the Panchayats and Local Boards Act, has suggested far-reaching changes. The team's recommendations include, among others, reorganisation and renaming of the DDC on the model of the Zilla Parishads of Maharashtra, reconstitution of TDBs by making it a partly directly-elected and partly indirectly-elected body so as to link it to the village panchayats, and constitution of Gram Sabha and Nyaya Panchayats. The team has also suggested measures to strengthen the financial position of all the tiers and recommended certain criteria for allocation of grants-in-aid and other revenue.

Role of Zilla Parishad

The team suggests that the third tier, the Zilla Parishad, should be a more effective body than the DDC is today and must consist of directly-elected members, with a non-official as chairman. The District is to be divided into electoral divisions with a population ranging from 35,000 to 50,000 and one member will be elected from each division. Members of Parliament and State Legislature, and the Chairman of the District Cooperative Bank will be associate members without the right to vote. The Zilla Parishad will have a chief executive officer of the rank of the Deputy Commissioner as its Secretary and the president of the Parishad will exercise administrative supervision over him. He is liable to be withdrawn by the State Government if not less than two-thirds of the total number of members other than associate members vote in favour of such a resolution. The Parishad will have development and administrative functions. Under the former are included administration and management of primary and secondary education, opening and maintenance of seed farms, maintenance of veterinary hospitals and dispensaries other than district hospitals, construction and maintenance of minor irrigation works, registration of cooperative societies whose working capital does not exceed Rs 5 lakhs. Under administrative functions are included power to incur expenditure on education or medical relief outside its jurisdiction, to contribute to associations at national, State or inter-State levels and to render financial or other assistance to any person carrying on work in the district related to any of the functions of the three tiers.

The study team has recommended that the TDB should consist of partly directly-elected and partly indirectly-elected members, the latter from among members of the panchayats in the taluka. By far the most important recommendation of the team is the constitution of Nyaya Panchayat and Gram Sabha for each village panchayat. The membership of the Nyaya Panchayat should be restricted to the residents of the village and each panchayat should elect from among its members 5 persons, one being a member of the Scheduled Castes. Offences like obstruction of and encroachment on public streets, grazing lands, etc, offences under the Mysore Compulsory Primary Education Act like failure to send a child to school or employing the child in a manner which prevents it from attending school, may be tried by the Nyaya Panchayats.

III

New Sources of Finance

The team's recommendations on the finances and resources of Panchayat Raj bodies do not touch upon the problem of exploring the possibility of imposing new taxes in addition to or in lieu of existing ones whose administration is found difficult or whose receipts fall short of realisation. This is particularly important in the case of panchayats. Now that it is the obligatory function of the panchayats to prepare panchayat production plans, and production of cereals, etc, is likely to go up, there is scope for the imposition of a grain tax. The grain tax, if levied by the panchayats on the basis of per acre yield, is sure to increase the panchayats' resources in kind. If the tax receipts are marketed through the village cooperatives, that tax will achieve the dual purpose of increasing the resources of the marketing societies and stepping up the marketable surplus.

The team has enunciated certain principles to govern grants-in-aid to Panchayat Raj bodies by the State. It suggests that the entire land revenue collection, including the surcharge, without deduction of the cost of collection should be assigned to the three tiers in the following proportion: village panchayats 30 per cent, Taluka Development Boards 35 per cent, Zilla Parishads 20 per cent. The balance of 15 per cent will be paid into a State Equalisation Fund which is meant to make good shortfalls in land revenue as a result of suspension or remission and to assist bodies which have very small resources so as to reduce inequalities. This 15 per cent is to be allocated thus: panchayats 5 per cent, TDBs 5 per cent and Zilla Parishads 5 per cent.

Grain Tax

If the principle of percentage distribution of land revenue is accepted, poor regions with lower land revenue will get a smaller share, and regions with higher land revenue will get more. Even an equalisation grant of 5 per cent may not substantially alter the position. A more rational principle would be to distribute grants on per capita basis. The per capita formula has to be linked with the taxable capacity of the people residing within the jurisdiction of each tier. If this principle is accepted, the larger the population and the lower the taxable capacity of the people, the higher will be the grant. The acceptance of this principle will achieve two purposes. First, grants will be made contingent upon tax contribution and, second, regions with lower income from land revenue but higher income from forestry or mining will not suffer because of their low land revenue share.

There is also the problem of financing the 'agency functions' assigned to the different tiers. If the Zilla Parishad assigns more agency functions to the TDBs and Panchavas, the resources have also to be assigned to them to carry out the 'agency functions'. The main sources of revenue for the Zilla Parishad are the consolidated cess of 40 nP in a rupee on all items of land revenue, excise and other items of State and local revenue and the tax on animals brought to its markets.. The team has not, however examined the financial implicactions of assign-

[2] 'Report of the Study Team on Panchavati Raj' (Chairman Shri Kondaji Basappa, Dy Minister for Cooperation and Development, Government of Mysore).

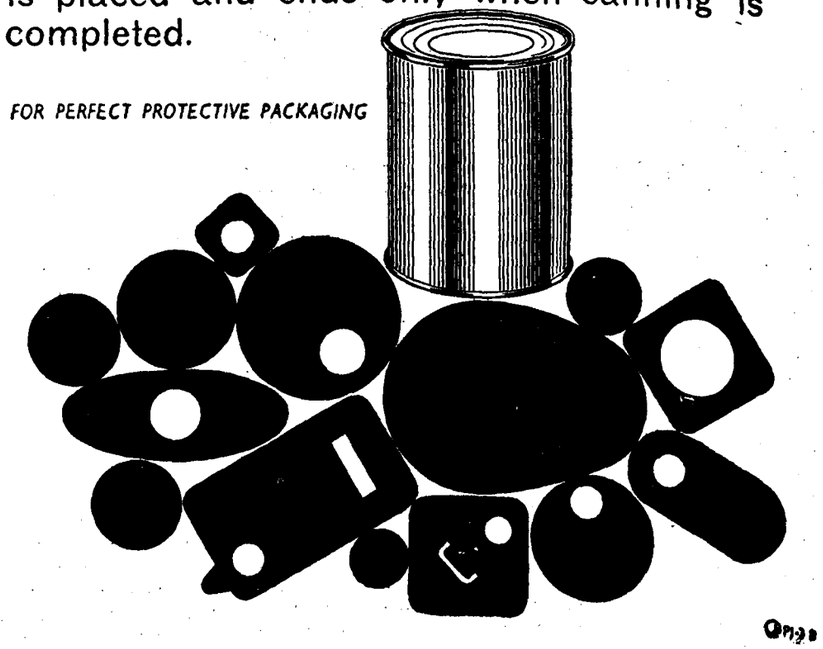
ments of 'agency functions' to the different tiers.

These shortcomings notwithstanding, the team's recommendations if accepted by the government, will make Panchayati Raj far more genuine in Mysore. As it is, the Village Panchayats and Local Boards Act has made a mockery of Panchayati Raj and has turned Panchayati Raj bodies into bureaucratic cells. The introduction of an altogether new bill in the light of the team's recommendations is more desirable than the amendment of the existing Act which will create more ambiguities and make the task of those in charge of implementation more difficult.

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Around Bombay Markets

Patchy Performance

Thursday, Morning

THOUGH Dalal Street managed to put on a firmer appearance last week, there was no significant change in the general pattern of trading and the overall performance could well be described as patchy. Activity continued to be purely professional and interest remained extremely selective. Speculative interest last week centred mostly on Century and Hindustan Motor though Indian Iron, Tata Steel, Telco, National Rayon and Kohinoor also received fair attention. Despite sustained selective professional support, interest in cleared securities has not broadened to any noticeable extent. Persistent reports suggesting that the Finance Minister Krishnamachari will soon take up some positive measures to tone up the sluggish economy have no doubt encouraged a few professional operators to 'bull' the market but they have failed to impart steadiness to the market in non-cleared securities, popularly known as the cash market. Kilachand's Synthetic and Chemicals which once enjoyed a premium of about Rs 250 is now quoted below par. Permanent Magnet has suffered a sizable decline since Shri Morarji Desai handed over the Finance Ministry to T T K. The list can be easily multiplied.

The volume of speculative activity being still small, the technical position of the market seems fairly sound. There has come about an appreciable decline in the floating stocks of several scrips due to sustained buying by the Life Insurance Corporation. And the feeling is gaining ground that TTK would soon take effective steps to revitalise the economy. A beginning is likely to be made with the liberalisation of credit facilities. Professional operators could have easily exploited such a situation if they could be reasonably sure of attracting outside public to participate in the game. But the public seems completely indifferent to the up and down movements in equities and is unwilling to risk money in face of the continuing political uncertainty. The uncertainty has increased with the mounting tension on the Assam-East Pakistan border following ceaseless firing by the East Pakistani forces. If the border situation deteriorates further it is bound to tell on the stock market. Political uncertainty is the biggest obstacle to a revival of confidence in the investment market.

Cotton

Prices Drift Lower

COTTON futures continue to drift lower. After an early rise from Rs 692.75 to Rs 697.50 the March contract moved down to Rs 689.25, a new low in the current downward phase, and later recovered to Rs 694.50 before winding up the week virtually unchanged at Rs 693. The rallies were essentially technical, caused mainly by corrective profit realising, though short covering earlier in the week was due partly to some anxiety about the weather. Last week's decline took the March contract fairly close to its 31st July low of Rs 686.50—the lowest level recorded so far. The market might take support around its July bottom but there is little doubt that prices will move down substantially if the weather does not turn unkind in coming weeks. Who can predict the weather?

Except for some scattered parts of the Punjab, Marathwada and its adjacent areas of C P and Berar, weather conditions elsewhere have been almost ideal. Buri American, L 147, Jarilla and 197/3 have, no doubt, suffered because of excessive moisture but the damage is not such as to cause any significant change in general outlook for the 1963-64 crop, which, on current indications, is estimated around 58/59 lakh bales. Of course, the crop is not yet free from the vagaries of the weather. Last week of September and the first week of October are generally regarded as the most critical period for the cotton crop. While it is still premature to talk about the crop very confidently, one can be reasonably certain about a substantial fall in cotton prices even if the new crop turns out to be as good as the last one.

In the context of a possible plentiful supply, it is meaningless to talk about an upward revision of ceiling prices as representatives of cotton growers in the Parliament have been doing. The prices of Indian cotton are fairly high compared to prices of comparable cottons in the rest of the world. That high prices of cotton do not benefit growers as prices are usually depressed at the time growers take their 'kapas' to the market is no argument for a revision of ceiling prices. What is needed in such a situation is to strengthen the holding power of the farmer, reduce the cost of marketing, streamline the cost structure for farmers and last, but not the least important, to help the farmer improve the yield per acre.

The trade has every reason to feel happy over the assurance given by Shri Manubhai Shah that compulsory survey system and the supervisory scheme will be reviewed and modified at the appropriate time. It bears repetition that there is no sense in having compulsory survey and supervisory scheme when cotton prices keep substantially below the statutory ceiling. To retain compulsory survey and supervisory scheme even when prices keep much below the ceiling rates would expose the Government to the charge that it is interested in prepetuating certain vested interest to the detriment of the general trade.

Imports, Exports

Listless conditions prevailed in the spot cotton market throughout last week. Business was at an extremely low ebb and the general tendency was subdued though prices were mostly unchanged around the previous week's levels. Apart from the fact that most mills are carrying fairly large stocks with them, there is a general tendency on the part of the mills to keep off the market because of expectations of a bumper crop. Hardly any export business is reported to have been put through in

Bengal Deshi since the announcement of the export quota as prices offered by the overseas buyers are lower than the prevailing Indian prices.

Imports of cotton during 1962-63 (year ending 31st August) are placed at 8,19,966 bales as against 8,70,595 bales in the previous season. The break-up figures are American 3,99,029 bales (2,99,338), Sudan 1,60,245 (1,96,078), Egyptian 1,28,085 (94,707), East African 68,110 (1,60,855), Pakistan 47,799 (90,304) and others 16,642 bales (29,313 bales). Exports during the season totalled 3,30,633 bales against 3,28,789 bales in the previous season. As usual Japan accounted for a major share of this trade lifting 2,72,587 bales (2,48,788) to be followed by the Continent with 27,234 bales (30,520), U.S.A. 14,176 (19,296), Hong Kong 10,493 (24,679), U.K. 4,676 (4,601) and others 1,467 bales (905 bales). Export quotas issued during the season amounted to 3 lakh bales comprising 2.75 lakh bales of Deshi and 25,000 bales of cotton stapling 3/4" and below. Exports of zoda and yellow pickings continued to be allowed freely during the season.

Oilseeds

Seasonal Decline Underway

THERE was nothing very exciting about the up and down movements in oilseeds futures. Fluctuations were narrow, with groundnut January moving between Rs 218.50 and Rs 214.87, castor March between Rs 166.25 and Rs 164.25 and linseed March between Rs 37.06 and Rs 36.44. Cottonseed futures were virtually neglected and were quoted nominally around Rs 96. The market's general tendency was subdued due to lack of fresh support and moderate bear pressure which was particularly marked in groundnut. Wednesday's closing prices were only slightly above the week's lowest.

The trading pattern of groundnut futures indicated the beginning of the normal seasonal decline. It is difficult to say how far the decline might go and how long this trend will last because quite a good deal depends on the size of the new crop and the Government's export policy for groundnut oil. But considering that the new crop is progressing very satisfactorily and it might well exceed last season's outturn, groundnut prices could be expected to register a sizeable decline from the current levels. Hitherto, new crop groundnut futures had managed to hold firm because of the remarkable strength in the spot material. But the mood seems to have changed and the market's attention has now shifted from current scarcity to abundant prospective supplies. In the ready section also, the buying fervour has subsided and prices have developed a somewhat soft tendency though the decline is still limited due to poor offerings. Crushers and vanaspati manufacturers are now restricting their purchases to their barest requirements.

Export houses reported fairly good business in groundnut extractions last week. Poland purchased nearly 4,500 tons at around Rs 393/395 per tonne. The U K also figured as an important buyer and paid £ 35-15 to £ 36 per ton for October shipment, £ 35-15 to £ 35-7½ for November, £ 35-7½ to £ 34-10 for December. January-February-March position was quoted between £ 33-17½ and £ 33-10. Unconfirmed reports also indicated some business with East Germany. Even though export of groundnut extractions has been going on very nicely, setting new records every year, the Government of India has enhanced the incentive enabling extraction manufacturers to import certain machinery and chemicals up to 3 per cent instead of the present 1 per cent of the f o b value of their exports. This has raised expectations that the Government might step up the export incentive for crude groundnut oil. Apart from extractions, some business was also reported in groundnut H P S Bold at around £ 84 U K. Hardly any fresh export business was reported in groundnut oil though shippers made mention of inquiriies from Canary Island. The U K was said to have purchased some 400 to 500 tons each of castor oil and cottonseed cake. The price fetched by castor oil Commercial was mentioned around £ 107 while decorticated cottonseed cake realised about £ 31 per ton. Stray deals were also reported in linseed cake around £ 36-10 to £ 37 but linseed oil continued to be neglected. Reliable reports indicate that the Government has still to make up its mind on the question of liberalising the export incentive scheme for linseed oil and castor oil. Meanwhile, the Union Minister for International Trade has made it known that quality control will soon be made compulsory in respect of vegetable oil exports. This is as it should be. Quality control is essential in order to assure the overseas buyers about the quality of the stuff they buy.



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Business Notes

Standard Motor

DURING the year ended December 31, 1962, Standard Motor Products' production costs have increased due to increased overheads and greater use of indigenous components which are costlier than imported components. The end price of a car is fixed by Government without any allowance for higher costs of components or for the Emergency Risks Insurance. The Company has represented to the Government seeking an upward revision of prices.

During 1962 the Company effected sales of the value of Rs 3.66 crores compared with Rs 3.50 crores in the previous year. The net profit before taxation, but after providing depreciation, amounted to Rs 17.42 lakhs as against Rs 17.99 lakhs in 1961. Taxation absorbed Rs 5.25 lakhs (Rs 8.25 lakhs); development rebate reserve got Rs 5.60 lakhs (Rs 2.00 lakhs); preference dividend will take away Rs 4.06 lakhs (Rs 4.46 lakhs). The Directors have recommended ordinary dividend at 6 per cent taxable (as against 7 per cent in 1961 and 9 per cent in 1960) which will absorb Rs 2.82 lakhs (Rs 3.29 lakhs). The Managing Agents have waived their remuneration for the year.

The Company wants to step up production to reduce production costs, but due to shortage of foreign exchange additional import licences are not available and the Company has necesarily to depend upon internal supplies. The Company has attained an indigenous content of 60 per cent which is likely to reach 65 per cent by the end of 1963. With the manufacture of car bodies, major import-substitution will take place, economies will result and profitability will improve. Orders have been placed for presses and arrangements are in hand for the manufacture of press tools.

The Directors have applied for permission to manufacture one-ton trucks which are expected to be very profitable and Government's sanction is awaited. The Government has stipulated that the Company should achieve 90 per cent indigenous content by March 1964. But till the Company is able to build bodies in India, this target cannot be reached. The Company hopes to manufacture bodies by the end of 1964. The scheme of expansion already in hand and under contemplation will involve an additional capital expenditure of about Rs 85 lakhs. In order to meet a part of the requirement, the Directors propose, subject to the sanction of the Controller of Capital Issues, to raise a further capital of Rs 25 lakhs by making a rights issue of 2,50,000 ordinary shares of Rs 10 each, in cash at par, payable in full on application, on the basis of one new ordinary share for every Rs 20 of paid up capital in the form of ordinary and deferred shares held on the date of offer. Standard Triumph International of U K has agreed to subscribe for its right shares of the value of Rs 9.22 lakhs in machinery and tooling.

Kesoram Industries

THE working of the different units of Kesoram Industries and Cotton Mills during the year ended March 31, 1963, is considered quite satisfactory by the Directors. The results would have been better but for the Emergency which created many difficulties.

In the textile unit, low off-take of cloth in the latter half of the year, uptrend in cotton prices, higher costs of stores and chemicals, Emergency Risks Insurance, inter-State sales-tax, additional excise and customs levies, and rising wage bills, all affected production costs and lowered profitability in the absence of a compensating increase in cloth prices. The compulsory cloth export scheme in the face of severe international competition proved unremunerative, but nevertheless the Company's exports have substantially increased. While power cuts and breakdowns effected production both in quality and quantity, shortage of coal supplies due to transport difficulties raised costs. The modernisation programme is now being rephased to be in line with present conditions in the textile inddustry.

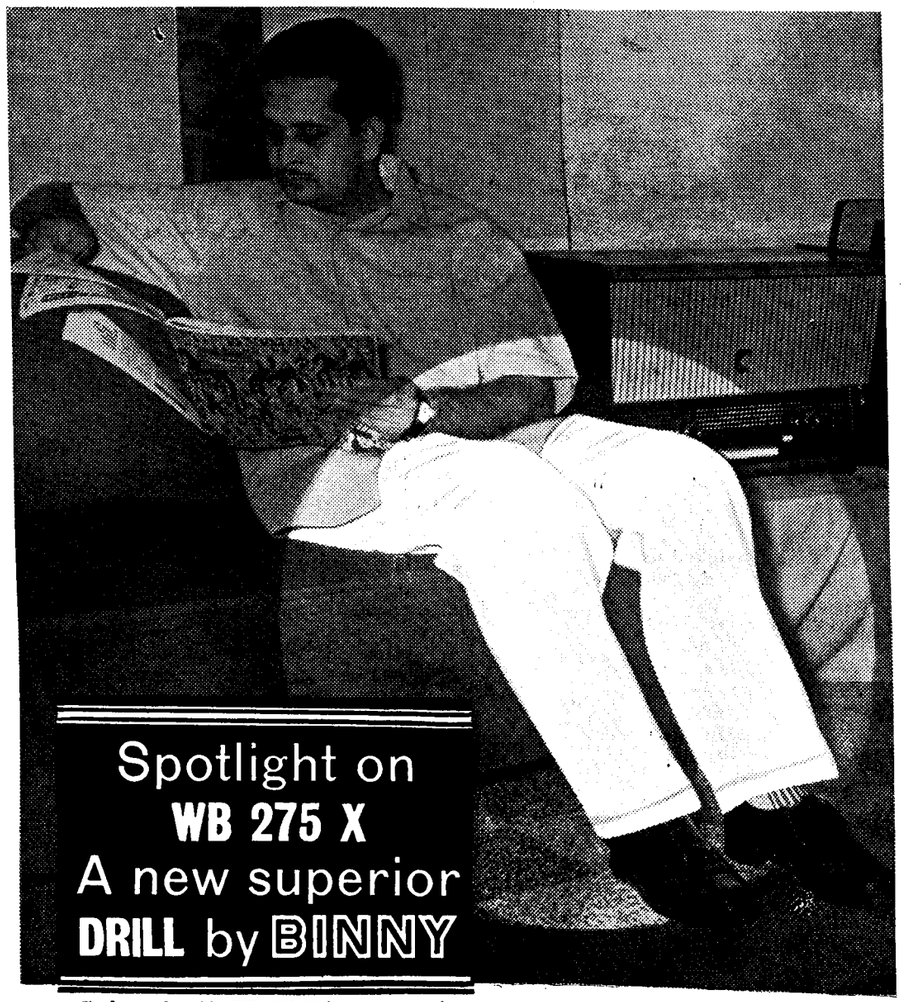
The second rayon section reached its full productive capacity in July 1962 and is functioning satisfactorily. In the rayon industry also, while production costs have been spiralling upwards, rayon yarn prices have remained static for the last five years. The industry is looking forward to the award of the Tariff Commission to which Government has referred the question of price fixation.

The transparent paper unit works at a disadvantage having to face competition with similar products manufactured by other processes which enjoy a lower excise duty. The lower off-take precludes working of the plant at full capacity. However with improvements and additions to equipment, the Directors hope to overcome these difficulties and increase sales.

The Company's steel-tube project has not made headway owing to its inability to get the necessary import licence, the industry not being on the priority list. The Directors are pursuing the matter.

Import licence for Rs 35 lakhs for the spun-pipe project has been obtained. Loans have been sanctioned by ICICI and IBRD. Deliveries of necessary equipment from West Germany are expected to begin from early next year and production is expected to start by the end of 1964. The Company proposes to issue debentures for Rs 175 lakhs to meet the financial requirements.

The year's operations show that sales increased by 24 per cent from Rs 11.01 crorss to Rs 14.41 crores.



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Gross profit has gone up by 10.5 per cent from Rs 181.03 lakhs to Rs 200.22 lakhs. Net profit after making necessary provisions is higher by 16.7 per cent at Rs 59.91 lakhs. The disposable amount is raised to Rs 62.27 lakhs by adding back Directors' commission provided in the past but disallowed by the Government, and the previous year's balance. An amount of Rs 22 lakhs is transferred to General Reserve (Rs 30.90 lakhs) and Rs 40 lakhs to Dividend Reserve (nil). The dividends for the year are proposed to be paid from the Dividend Reserve. Preference dividend will absorb Rs 9.84 lakhs and Ordinary dividend at 13 per cent gross Rs 25.99 lakhs (Rs 23.98 lakhs at 12 per cent). The Directors take a reasonably optimistic view of the Company's future in view of the efficient working of the units and the new projects undertaken.

Synthetics and Chemicals

SYNTHETICS and Chemicals has changed its accounting year from April-March to January-December and hence its third Annual Accounts cover a period of only nine months ending December 31, 1962. The Company has, during this period, incurred a loss of Rs 8.22 lakhs after providing depreciation and taxation. Including the brought forward balance, a total loss of Rs 9.39 lakhs is carried forward.

The Directors state that the base plant started working in the current year, but the production programme suffered a setback due to some trouble in a section of the plant. The Company intends to order for additional machinery. The plant and machinery already received and now under installation will expand the productive capacity to 30,000 tons and the Directors hope that the full rated capacity will be reached by the end of the year. The preliminary test reports indicate that the quality of the rubber manufactured by the Company compares favourably with international standards. During the year the Company has availed of an AID loan of Rs 1.16 crores.

Indian Copper

AT the Extraordinary General Meeting to be held on September 25, Indian Copper Corporation is seeking the approval of its stockholders to increase the capital of the Company from £ 2.0 million to £ 2.1 million by the creation of 1 million new shares of 2 s each. The capital is being raised to enable the issue of bonus shares by capitalising a part of the reserves to the extent of £ 685,650 in the proportion of one new share of 2 s for every two units of stock of 2 s each held as on November 5, 1963.

The present paid up capital of £ 1,371,300 consisting of 13,713,000 units of stock of 2 s each will thereby stand increased to £ 2,056,950. The increase of capital is prompted by the view that the present paid up capital does not bear a fair proportion to the actual capital employed in business.

To effect the capitalisation, the transfer books will be closed from November 6 to 13. No allotment letters will be issued but the Company will straightaway issue relative certificates for the new stock units shortly after the allotment.

Midland Rubber

THE tea crop harvested by Midland Rubber and Produce during the year ended March 31, 1963, exceeded the last season's output, but fell short of expectations due to adverse weather conditions and heavy pest infestation. While production cost was higher, average sale price realised was lower due to a general fall in the tea market. The rubber crop turned out to be satisfactory, but here also cost of production went up and price realisation was lower.

The Directors attribute the rise in production costs to the implementation of labour agreements involving payment of higher wages, gratuity, compensation, etc. increased excise duty, rise in manuring costs, expenditure on pest control, etc.

The net profit for the year has gone down to Rs 2.98 lakhs compared with Rs 9.06 lakhs in the previous year. The Directors have transferred Rs 3.05 lakhs from Dividend Equalisation Reserve in order to provide Rs 90,000 for taxation, Rs 2,000 for development rebate and to pay Rs 1.10 lakhs for preference dividend and Rs 4.05 lakhs for Equity dividend at the rate of 10 per cent as against 12½ per cent in the previous year. From current indications, the Directors expect the working results for 1963-64 to be satisfactory.

Peria Karamalai Tea

PERIA Karamalai Tea and Produce raised higher crops of tea, coffee and cardamom during the year ended March 31, 1963. The income from these crops was also better at Rs 105.32 lakhs compared with Rs 97.84 lakhs. But since estate and other expenditure moved up from Rs 82.53 lakhs to Rs 92.16 lakhs, the profit realised receded to Rs 13.17 lakhs from Rs 15.31 lakhs. After adding other incomes and providing for all charges and taxation, the net profit amounted to Rs 6.87 lakhs as against Rs 7.79 lakhs in the preceding year. Refund of agricultural income-tax amounting to Rs 1.49 lakhs and some other items took the disposable surplus up to Rs 9.45 lakhs (Rs 18.44 lakhs) from which the Directors have transferred Rs 17,500 to Development Rebate Reserve, paid Golden Jubilee Interim dividend at 2½ per cent and proposed a final dividend of 12½ per cent, the total dividend absorbing Rs 8.87 lakhs (12½ per cent last year absorbing Rs 7.24 lakhs).

The Chairman states that the Company had an all-time record tea crop during the year but the average sale price realised showed a drop. He feels it would be premature to look for any new records this year. The increased excise duty on petrol and diesel oil, the 20 per cent surcharge on excise duty on tea, Emergency Risks Insurance, and SPT will all affect the Company's profits. The Chairman assures, however, that every effort is being made to keep down costs wherever possible.

Imperial Tobacco

IMPERIAL Tobacco has reduced its final dividend on ordinary shares from 4 per cent to 3 per cent thereby making the year's dividend 8 per cent as against 9 per cent in the previous year. The Directors have thought it prudent to cut the dividend in view of the impact of the 1963-64 Budget on the financial results of the year and on the Company's future profit expectations.

CURRENT STATISTICS

BANKING RETURNS

(*Rs crores*)

Reserve Bank	Sep 13	Sep 6	Aug 16	Sep 14, '62
1 Note circulation	2224.41	2218.88	2236.43	2041.70
2 Rupee coin	121.86	121.50	119.36	122.95
3 Deposits				
(a) Central Govt	74.54	94.54	57.36	84.42
(b) Other Govts	11.72	7.76	16.55	29.40
(c) Banks	92.20	86.28	88.63	84.47
(d) Others	158.98	159.05	203.12	160.25
4 Foreign securities	89.46	89.46	90.26	88.34
5 Balance abroad	7.74	6.67	4.28	5.76
6 Rupee securities	1907.21	1907.21	1921.32	1728.03
7 Investments	205.56	205.07	254.41	193.47
8 Loans and advances to Govts	47.25	53.32	40.17	24.88
9 Other loans and advances	144.28	150.96	141.46	158.92

Scheduled Banks	Sep 6	Aug 30	Aug 9	Sep 7, '62
1 Aggregate deposits (net)	2186.89	2197.78	2162.05	2023.73
Demand (net)	956.42	956.94	940.84	791.08
Time (net)	1230.47	1240.84	1221.21	1232.65
2 Cash in hand	52.74	50.80	51.50	49.13
3 Balance with Reserve Bank	87.84	88.01	87.43	89.10
4 (2)+(3) as % of (1)	6.43	6.32	6.43	6.83
5 Borrowings from Reserve Bank	3.05	0.84	3.11	42.65
(a) Against usance bills and/or promissory notes	1.20	—	1.95	21.60
(b) Others	1.85	0.84	1.16	21.05
6 Advances	1256.94	1249.22	1273.42	1211.45
(a) State Bank	241.58	237.23	248.43	262.81
(b) Others	1015.36	1011.99	1024.99	948.64
7 Bills discounted				
(a) Inland	162.97	159.95	163.48	150.13
(b) Foreign	53.55	51.80	50.66	50.05
(c) Total	216.52	211.75	214.14	200.18
(i) State Bank	15.78	15.75	15.81	14.22
(ii) Others	200.74	196.00	198.33	185.96
8 (6)+(7) as % of (1)	67.38	66.47	68.80	69.74
9 Investment in Govt Securities	738.64	761.04	716.13	681.51
10 (9) as % of (1)	33.78	34.63	33.12	33.68

Bombay Money Rates

(*Per cent per annum*)

	Sep 6	Aug 30	Aug 7	Sep 7, '62
Call money from Banks	—	1.00	2.84	4.66
Deposits				
Seven days	—	3.00	3.00	3.00
Three months	—	—	3.50	—
Six months	3.75	3.75	3.75	3.75

INDEX NUMBER OF WHOLESALE PRICES

(*Base* : 1952-53 = 100)

Group and Sub-Group	WEEK ENDING 17.8.63	10.8.63	20.7.63	18.8.62
Food Articles	**137.5**	**138.0**	**137.7**	**131.2**
Cereals	115.1	115.1	115.3	109.7
Pulses	107.3	107.9	110.1	112.7
Fruits & Vegetables	141.6	144.6	138.5	148.0
Milk & Ghee	127.9	131.1	129.4	129.0
Edible Oils	151.3	149.9	151.3	160.9
Fish, Eggs & Meat	153.1	151.7	147.5	149.3
Sugar and Gur	201.0	197.2	194.4	152.3
Others	183.5	187.5	190.0	171.0
Liquor & Tobacco	**119.6**	**119.6**	**119.0**	**99.6**
Tobacco	116.7	116.7	116.1	96.1
Fuel, Power, Light & Lubricants:	**137.0**	**137.0**	**137.1**	**122.5**
Industrial Raw Material	**138.3**	**137.1**	**138.2**	**139.9**
Fibres	132.2	130.9	129.4	128.2
Oilseeds	153.0	151.4	155.9	161.6
Minerals	93.4	93.4	93.4	93.4
Others	125.2	125.1	124.8	124.3
Manufactures	**138.6**	**138.7**	**140.4**	**142.8**
Intermediate Products	**130.9**	**130.5**	**130.6**	**128.8**
Finished Products	**129.7**	**129.2**	**129.0**	**126.5**
Textiles	128.1	127.4	126.4	125.1
Cotton	135.1	135.0	135.0	129.2
Jute	102.5	101.8	97.6	110.7
Woollen	156.6	156.6	156.6	141.3
Silk & Rayon	140.7	136.3	136.7	131.5
Metal Products	163.0	163.0	163.0	161.0
Chemicals	117.3	117.3	117.2	114.7
Oil Cakes	160.7	160.4	170.2	164.2
Machinery & Transport Equipment	123.8	123.8	123.8	117.6
Others	128.6	128.4	128.4	125.1
All Commodities	**135.3**	**135.3**	**135.3**	**130.9**

Foreign Exchange Reserves

(*Rs Lakhs*)

End of	Amount	Variations over the previous year/month
1963: July	262,25	— 26,75
June	288,99	— 17,42
May	306,41	+ 11,67
1962: July	243,36	+ 2,11
June	241,24	— 9,13
1962-63	295,10	— 2,21
1961-62	297,31	— 6,30
1960-61	303,61	— 59,26
1959-60	362,87	— 16,05
1958-59	378,92	— 42,30
1957-58	421,22	—259,88
1956-57	681,10	—143,51
1951-52	786,69	—164,72

Source : Reserve Bank of India.

Employment Exchanges

(*In '000**)

	June '63	May '63	June '62	1962 (Total)
No of employment exchanges†	350	350	342	342
No of registrations	395.2	358.7	353.2	3,844.9
No of vacancies notified	77.3	87.7	67.3	790.4
No of applicants placed in employment	42.7	46.1	39.2	458.1
No of applicants on live registers †	2,684.7	2,633.2	2,062.9	2,379.5

* Except number of employment exchanges.
† At the end of the period.
Source : Ministry of Labour and Employment, Government of India.

RAILWAY WAGONS LOADED

(In Terms of '000 4-Wheelers)

Aggregate from April 1 to July 31, 1963

	Broad Gauge 1962-63	1963-64	Increase (+) or decrease (—) percentage	Metre Gauge 1962-63	1963-64	Increase (+) or decrease (—) percentage
Revenue-Earning Traffic						
Coal and coke for public	499.8	585.0	+17.0	86.8	101.6	+17.0
Grains and pulses	141.1	171.0	+21.2	125.3	139.8	+11.6
Oilseeds	19.0	21.3	+12.2	21.0	23.1	+ 9.8
Raw cotton	8.2	8.1	— 0.63	7.3	6.6	— 9.01
Cotton manufactured	3.4	3.1	— 8.67	0.8	1.0	+24.1
Raw Jute	20.4	12.8	—37.0	20.6	12.3	—40.4
Jute manufactured	2.1	2.4	+14.7	2.6	2.4	— 9.36
Sugar	24.2	23.4	— 3.02	29.7	26.6	— 9.61
Sugarcane	11.7	0.2	—98.7	69.4	1.6	—76.6
Cement	62.2	72.6	+16.6	57.5	57.4	— 0.23
Iron and steel	13.0	17.0	+31.0	2.6	1.7	—32.0
Pig iron	107.5	131.7	+22.5	23.3	22.7	— 2.76
Others	2.9	2.6	— 8.50	4.8	3.8	—20.1
Tea	21.0	16.0	—23.8	5.4	3.6	—32.2
Metallic ore	186.7	223.1	+19.5	20.4	21.0	+ 2.04
Manganese ore	9.3	10.6	+14.3	9.1	7.2	—20.9
Iron ore	87.3	86.8	— 0.56	25.7	21.8	—15.3
Others	541.3	606.8	+12.1	423.4	460.3	+ 8.74
Limestone and dolomite	110.6	108.9	— 1.69	93.1	89.8	— 3.57
Miscellaneous full wagons	93.8	102.8	+ 9.67	92.4	93.1	+ 0.73
Miscellaneous smalls	165.6	176.4	+ 6.53	7.7	13.3	+73.7
Non-Revenue Traffic	64.2	82.9	+29.2	51.7	69.6	+34.6
Coal for home line	2195.0	2465.4	+12.3	1180.6	1180.6	+ 0.00
Coal for other Govt, railways and manufacturing units						
Other stores						
TOTAL						

Source : Ministry of Railways (Railway Board), Government of India.

SMALL SAVINGS

(*Rs Lakhs*)

	June '63		May '63		April '63		June 62		1962-63 Total		1961-62 Total	
	R	O	R	O	R	O	R	O	R	O	R	O
Total Small Savings	—	—	29,91	950,22	31,13	947,76	27,60	779,23	361,55	943,86	341,48	872,39
National Savings Certificates												
5 years	—	54	—	55	—	57	—	79	—	59	—	86
7 years	—	1,27	—	1,32	—	1,36	—	1,79	—	1,40	—	1,89
12 years	—	43,87	—	45,34	—	46,75	—	61,68	—	48,23	—	65,52
National Plan Certificates												
12 years	—	361,25	—	363,29	—	365,43	5,96	360,11	42,18	368,16	79,81	347,96
10 years	—	16,01	—	16,05	—	16,17	—	16,62	—	16,31	—	17,91
Annuity Certificates (15 years)	2	3,82	2	3,83	3	3,83	4	3,71	50	3,83	49	3,63
Cumulative Time Deposits												
5 years	44	8,82	49	8,41	42	7,95	26	4,63	3,79	7,55	2,33	3,96
10 years	19	4,06	18	3,88	16	3,71	11	2,26	1,67	3,56	1,01	1,91
Post Office Savings Bank Deposits	—	—	19,68	345,79	20,48	349,21	20,27	331,35	242,15	350,82	241,05	347,90
Cash Certificates, Defence Savings Certificates and Defence Savings Bank Deposits	—	–42,66	—	–42,64	—	–42,65	—	–42,53	—	–42,62	—	–42,43
Treasury												
10 years Deposit (3½%)	—	18,93	—	19,37	—	19,90	—	25,53	—	20,38	—	27,50
Savings Certificates (4%)	—	60,57	—	60,62	—	60,66	97	56,56	—	60,70	16,79	53,35

Note : Annual figures relate to the year beginning April. R = Receipts; O = Outstandings.
Source : Accountant General, Posts and Telegraphs Department, Government of India, and Reserve Bank of India.



Shalimar Superlac Synthetic Enamel and Plastic Emulsion Superlac Synthetic Enamel, available in 38 intermixable colours, may be applied on almost any surface—interior or exterior—at home or in industry. Superlac Plastic Emulsion brings you a fabulous range of colours—easy to apply, odourless, and thoroughly washable! Both Shalimar Synthetic Enamel and Plastic Emulsion dry fast, have high covering capacities and, like every Shalimar paint, offer the sum of four decisive elements—resources, research, know-how, quality-control—that guarantee superior quality and performance.

pathfinders in paintmaking

SHALIMAR PAINT

A MEMBER OF THE COURTAULDS GROUP

JWTSPW 721

Sales have increased from Rs 45.90 crores to Rs 50.03 crores. Profit after providing Rs 2.66 crores (Rs 1.77 crores) for taxation amounts to Rs 1.80 crores compared with Rs 1.46 crores in the previous year. Interim dividend at 5 per cent has absorbed Rs 75.80 lakhs (same). Final dividend will absorb Rs 45.48 lakhs (Rs 60.64 lakhs). The Directors have transferred a large sum of Rs 80.22 lakhs to Reserve which got only Rs 12.29 lakhs last year. The balance carried forward is lower at Rs 3.29 lakhs (Rs 24.56 lakhs). With a paid up ordinary capital of Rs 15.16 crores, the Company has reserves and surplus of Rs 10.71 crores. Short term loans and advances aggregate to Rs. 78 lakhs (nil last year). Gross fixed assets of Rs 12.70 crores are depreciated to Rs 8.60 crores (Rs 8.39 crores) while current assets, etc., are higher at Rs 23.53 crores (Rs 21.23 crores).

Orient Paper

THE financial results of Orient Paper Mills for the year ended March 31, 1963 have been well maintaind. This has been made possible by the increase in production of paper to 65,000 tons from 62,000 tons in the previous year. The upward trend in the cost of raw materials, chemicals, power and fuel and in the expenses persisted. Additional excise and import duties and sales tax and other levies pushed up costs further. Sales fetched Rs 9.01 crores compared with Rs. 8.15 crores last year. The profit, subject to taxation, amounted to Rs. 140.09 lakhs compared with Rs 141.20 lakhs in the previous year. As against a taxation provision of Rs 65 lakhs last year, the Directors have set aside this year Rs 70 lakhs as Deferred Taxation Reserve, and after allocating Rs 2.50 lakhs to Development Rebate Reserve, Rs 3 lakhs to Contingencies Reserve (nil) and Rs 15 lakhs to General Reserve (Rs 20 lakhs), they have taken Rs 50.91 lakhs to Dividend Reserve. It is proposed to pay out of the Dividend Reserve, Preference dividend as before absorbing Rs 12.73 lakhs and Ordinary dividend on 19,08,725 shares at Rs 2 per share absorbing Rs 38.17 lakhs. The Company paid in the previous year a dividend of Rs 2.25 per share on 14,68,250 shares absorbing Rs 33.04 lakhs.

The Amlai Paper Mill Project of the Company is progressing well and is expected to go into production before the end of 1964. The Directors state that the cost of the project has gone up considerably due mainly to the heavy impact of increase in import duties, higher freight charges and rise in the cost of indigenous equipment and materials.

The Company has filed a Writ petition with the High Court of Orissa contesting the validity of tax assessed and obtained a stay for the realisation of the tax till the final disposal of the petition.

JAGATJIT COTTON

THE Directors of Jagatjit Cotton Textile Mills, Calcutta, state that the working of the Mills for the year ended January 31, 1963 has been quite satisfactory. Production of yarn and cloth improved while the high standard of quality and efficiency was maintained. The turnover, however, suffered a slight setback from Rs 378.02 lakhs to Rs 370.20 lakhs, due to slack trade conditions and large carry-over stocks; but conditions have recently improved. The Directors plead for an increase in cloth prices which have become unremunerative on account of the rise in the cost of production.

The Mills' exports fell short of its export obligations of Rs 17 lakhs for the July-December 1962 period, and so it had to buy export quotas from other mills to avoid the penalty.

As a result of unremunerative prices realised both internally and externally, profits have shrunk. The pre-tax profit after debiting all charges and expenses including Managing Agents' commission and Directors' remuneration, has amounted to Rs 55.95 lakhs compared with Rs 61.43 lakhs in the previous account. Taxation provision absorbs Rs 33 lakhs (Rs 30 lakhs). Development rebate reserve gets Rs 3.30 lakhs (Rs 1.90 lakhs). Transfer to General Reserve is pruned to Rs 12 lakhs (Rs 22.50 lakhs). Preference dividend at 8.5 per cent takes away Rs 1.32 lakhs. Dividend on equity shares is proposed at 15 per cent absorbing Rs 6.24 lakhs.

The Balance Sheet shows that the Company's Reserves and Surplus amount to Rs 1.10 crores including a share premium of Rs 18.40 lakhs to support its paid-up capital of Rs 94.94 lakhs. Secured and unsecured loans are brought down to Rs 90.04 lakhs from Rs 128.28 crores. Current provision and liabilities are lower at Rs 111.63 lakhs (Rs 143.28 lakhs). Gross block is depreciated from Rs 309.87 lakhs to Rs 132.46 lakhs. Current assets stand reduced from Rs 247.42 lakhs to Rs 234.34 lakhs.

General Tyres

GENERAL TYRES, Calcutta, has been granted an industrial licence for the expansion of its installed capacity to manufacture tyres and tubes, from 1.80 lakh to 3 lakh pieces annually. This would require an additional finance of Rs 1.20 crores for which the Company might shortly come out with an issue of rights shares. This was disclosed by Shri K N Mukherjee, Managing Director of National Rubber Manufacturers, Managing Agents of the Company.

The Company which is now producing tyres for cars, trucks and buses is presently licenced for a capacity of 3 lakh sets of tyres and tubes and 6 lakh kg of camel back (retreading material) per annum. The Company is in technical collaboration with Technoexport Foreign Trade Corporation, Prague, Czechoslovakia, which has supplied the necessary plant and machinery of the most advanced type to this Company. The Czech collaborators who have installed tyre and rubber factories in 25 other countries have entered into an agreement with the Company to purchase substantial quantitites of tyres during the next few years for sale within their country or export outside. Besides the Company is free to export to any part of the world without restrictions.

A feature of the Company's production is that tyres are manufactured to suit the diverse Indian roads and climatic conditions after taking into account the result of extensive studies of varying conditions. Tyres are tested as regards their suitability in different areas where they are marketed.

CURRENT STATISTICS

BANKING RETURNS

(*Rs crores*)

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(*Per cent per annum*)

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Tobacco	116.7	116.7	116.1	96.1
Fuel, Power, Light & Lubricants:	**137.0**	**137.0**	**137.1**	**122.5**
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Cotton	135.1	135.0	135.0	129.2
Jute	102.5	101.8	97.6	110.7
Woollen	156.6	156.6	156.6	141.3
Silk & Rayon	140.7	136.3	136.7	131.5
Metal Products	163.0	163.0	163.0	161.0
Chemicals	117.3	117.3	117.2	114.7
Oil Cakes	160.7	160.4	170.2	164.2
Machinery & Transport Equipment	123.8	123.8	123.8	117.6
Others	128.6	128.4	128.4	125.1
All Commodities	**135.3**	**135.3**	**135.3**	**130.9**

Foreign Exchange Reserves

(*Rs Lakhs*)

End of	Amount	Variations over the previous year/month
1963: July	262,25	— 26,75
June	288,99	— 17,42
May	306,41	+ 11,67
1962: July	243,36	+ 2,11
June	241,24	— 9,13
1962-63	295,10	— 2,21
1961-62	297,31	— 6,30
1960-61	303,61	— 59,26
1959-60	362,87	— 16,05
1958-59	378,92	— 42,30
1957-58	421,22	—259,88
1956-57	681,10	—143,51
1951-52	786,69	—164,72

Source : Reserve Bank of India.

Employment Exchanges

(*In* '000*)

	June '63	May '63	June '62	1962 (Total)
No of employment exchanges†	350	350	342	342
No of registrations	395.2	358.7	353.2	3,844.9
No of vacancies notified	77.3	87.7	67.3	790.4
No of applicants placed in employment	42.7	46.1	39.2	458.1
No of applicants on live registers †	2,684.7	2,633.2	2,062.9	2,379.5

* Except number of employment exchanges.
† At the end of the period.
Source : Ministry of Labour and Employment, Government of India.

RAILWAY WAGONS LOADED

(In Terms of '000 4-Wheelers)

Aggregate from April 1 to July 31, 1963

	Broad Gauge			Metre Gauge		
	1962-63	1963-64	Increase (+) or decrease (—) percentage	1962-63	1963-64	Increase (+) or decrease (—) percentage
Revenue-Earning Traffic						
Coal and coke for public	499.8	585.0	+17.0	86.8	101.6	+17.0
Grains and pulses	141.1	171.0	+21.2	125.3	139.8	+11.6
Oilseeds	19.0	21.3	+12.2	21.0	23.1	+ 9.8
Raw cotton	8.2	8.1	— 0.63	7.3	6.6	— 9.01
Cotton manufactured	3.4	3.1	— 8.67	0.8	1.0	+24.1
Raw Jute	20.4	12.8	—37.0	20.6	12.3	—40.4
Jute manufactured	2.1	2.4	+14.7	2.6	2.4	— 9.36
Sugar	24.2	23.4	— 3.02	29.7	26.6	— 9.61
Sugarcane	11.7	0.2	—98.7	69.4	1.6	—76.6
Cement	62.2	72.6	+16.6	57.5	57.4	— 0.23
Iron and steel	13.0	17.0	+31.0	2.6	1.7	—32.0
Pig iron	107.5	131.7	+22.5	23.3	22.7	— 2.76
Others	2.9	2.6	— 8.50	4.8	3.8	—20.1
Tea	21.0	16.0	—23.8	5.4	3.6	—32.2
Metallic ore	186.7	223.1	+19.5	20.4	21.0	+ 2.04
Manganese ore	9.3	10.6	+14.3	9.1	7.2	—20.9
Iron ore	87.3	86.8	— 0.56	25.7	21.8	—15.3
Others	541.3	606.8	+12.1	423.4	460.3	+ 8.74
Limestone and dolomite	110.6	108.9	— 1.69	93.1	89.8	— 3.57
Miscellaneous full wagons	93.8	102.8	+ 9.67	92.4	93.1	+ 0.73
Miscellaneous smalls	165.6	176.4	+ 6.53	7.7	13.3	+73.7
Non-Revenue Traffic	64.2	82.9	+29.2	51.7	69.6	+34.6
Coal for home line	2195.0	2465.4	+12.3	1180.6	1180.6	+ 0.00
Coal for other Govt, railways and manufacturing units						
Other stores						
TOTAL						

Source : Ministry of Railways (Railway Board), Government of India.

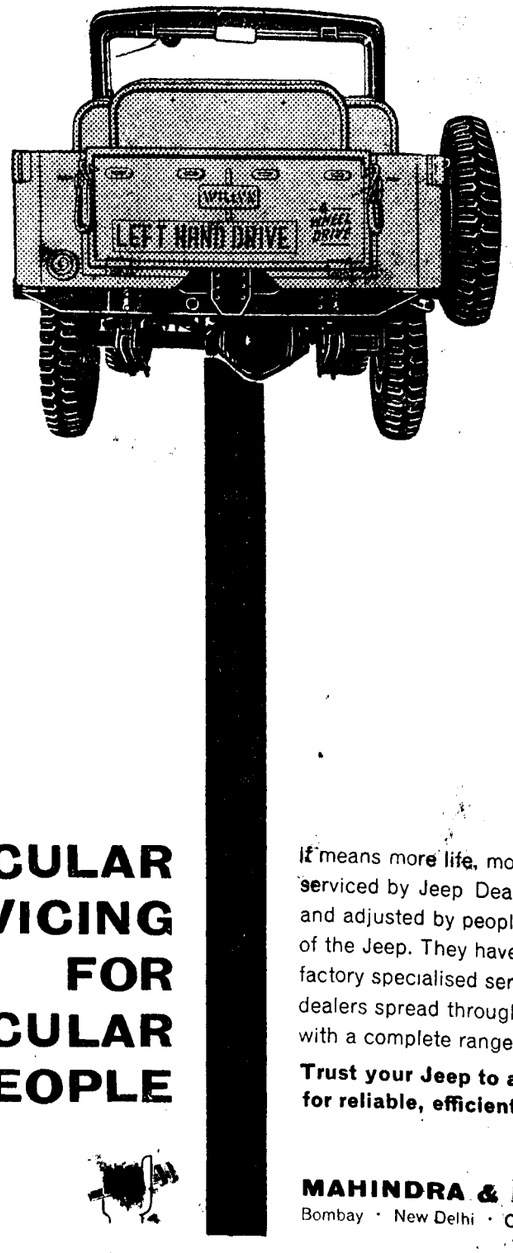
SMALL SAVINGS

(*Rs Lakhs*)

	June '63		May '63		April '63		June 62		1962-63 Total		1961-62 Total	
	R	O	R	O	R	O	R	O	R	O	R	O
Total Small Savings	—	—	29,91	950,22	31,13	947,76	27,60	779,23	361,55	943,86	341,48	872,39
National Savings Certificates	—	54	—	55	—	57	—	79	—	59	—	86
5 years	—	1,27	—	1,32	—	1,36	—	1,79	—	1,40	—	1,89
7 years	—	43,87	—	45,34	—	46,75	—	61,68	—	48,23	—	65,52
12 years												
National Plan Certificates	—	361,25	—	363,29	—	365,43	5,96	360,11	42,18	368,16	79,81	347,96
12 years	—	16,01	—	16,05	—	16,17	—	16,62	—	16,31	—	17,91
10 years												
Annuity Certificates (15 years)	2	3,82	2	3,83	3	3,83	4	3,71	50	3,83	49	3,63
Cumulative Time Deposits	44	8,82	49	8,41	42	7,95	26	4,63	3,79	7,55	2,33	3,96
5 years	19	4,06	18	3,88	16	3,71	11	2,26	1,67	3,56	1,01	1,91
10 years												
Post Office Savings Bank Deposits	—	—	19,68	345,79	20,48	349,21	20,27	331,35	242,15	350,82	241,05	347,90
Cash Certificates, Defence Savings Certificates and Defence Savings Bank Deposits	—	-42,66	—	-42,64	—	-42,65	—	-42,53	—	-42,62	—	-42,43
Treasury												
10 years Deposit (3½%)	—	18,93	—	19,37	—	19,90	—	25,53	—	20,38	—	27,50
Savings Certificates (4%)	—	60,57	—	60,62	—	60,66	97	56,56	—	60,70	16,79	53,35

Note : Annual figures relate to the year beginning April. R = Receipts; O = Outstandings.
Source : Accountant General, Posts and Telegraphs Department, Government of India, and Reserve Bank of India.

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T T K's Retreat

IS the Government still collectively responsible for its policy? The Voice of America agreement had pointedly raised the question whether the country was governed by the collective Cabinet decision or by so many Ministers, each acting according to his own light. And now the manner in which T T Krishnamachari has proceeded to "modify" his predecessor's policies appears to confirm that Government's policies are more those of individual Ministers than of the whole Cabinet.

The Compulsory Deposit Scheme was to cover five categories of people — income tax payers, non-income tax paying salary earners, land revenue payers, urban immovable property holders and sales tax payers — and had been brought into operation for the first two. It has now been decided not to extend the scheme to the remaining three categories and, further, to exempt non-tax paying salary earners also — in effect, it now continues merely as a relief to tax payers. Thus the basic objective of the scheme, which was to cover those sections of the population which would not save except under compulsion, has been abandoned.

There was a case for exempting the low income groups from the CDS on the ground that since the scheme was introduced the cost of living has gone up sharply so that in real terms it would now impose a far harsher burden than was intended. But T T K's justifications for scrapping the scheme are different and unconvincing. For, neither the administrative problems nor the State Governments' recalcitrance could have been unknown to the Government at the time when the scheme was formulated. It has become the usual thing for the Planning Commission and the Central Government to periodically chastise the States for not pulling their weight in raising revenues and to urge them to make the necessary effort; the States' reluctance to touch that holy cow, the agriculturist, is equally well known. It was hardly surprising, therefore, that "many State Governments were far from happy" about the CDS; what is astounding is that the Finance Minister has given in so tamely.

If CDS was a fiscal innovation, Gold Control was intended to usher in a social revolution, with an economic end. The immediate purpose was to check smuggling, but the long term objective was to wean people away from the gold habit. It was recognised that the latter was in the ultimate analysis essential to the achievement of the first objective. Now, not even the most enthusiastic supporter of the Gold Control claimed that, as formulated, it measured anywhere up to its revolutionary objective. The principal loophole was, of course, that it left gold ornaments outside its purview — unlike gold bullion, ornaments were not required to be declared. This made both the immediate and the long term objectives so much more difficult to achieve.

If, then, Gold Control needed to be modified it was by making it obligatory to declare gold ornaments. Instead now the gaps have been widened by allowing the conversion of old jewellery into ornaments of higher than 14 carat purity. This means that open manufacture of pure

enterprises to form the nucleus of an independent all-India service for the public sector. It is really the practice of deputing officers from the all-India services which creates an intractable problem. These officers have their own service rules, etc, and their own distinct sphere which is not the management of commercial enterprises. Besides, the presence of officers who are part of the regular Government machinery in the top posts in public sector enterprises cannot but adversely affect their autonomy, the fostering of which appears to be the principal purpose of Subramaniam's innovations. Further, most of these officers remain with the enterprises for periods rarely exceeding five years and usually shorter. The consequent rapid turnover of the senior staff of these units prevents the growth of any sense of involvement or commitment. For the officers from the all-India services, their tenure in these units is an interregnum before appointment to senior posts in their own sphere.

Since the Government took the unfortunate decision not to constitute an all-India Management Service, at the beginning of the Second Plan, the public sector in industry has grown enormously and the Government cannot avoid much longer reconsidering its earlier decision. The understandable opposition from the existing all-India services to their exclusion from the extensive, and attractive, employment opportunities in public sector commercial undertakings will have to be overcome as also the Home Ministry's known reluctance to provide any superior cadre outside these services.

Weekly Notes

Sukarno and Malaysia

OUR editorial caution two weeks ago was not justified. The new federation of Malaysia has in fact been created. Yet the early days have been troubled. The Indonesians have burned down the British Embassy in Jakarta, British installations and houses, seized some major British firms in Indonesia, further armed their border with Sarawak, and lobbed four mortar shells over that border. Most recently, Sukarno has questioned the UN Survey of Sarawak and Sabah opinion, and stated his firm intention of crushing the neo-colonial' federation. Even earlier, a Malayan mob attacked the Indonesian Embassy in Kuala Lumpur and Consular offices in Penang.

It seems clear that at some stage Sukarno lost control — as in 1957, during the anti-Dutch campaign for West Irian, the Indonesian Communist Party sought through its enormous influence in the trade union and youth organisations to push Sukarno to take irrevocable action. Then the trade unionists seized firms and presented Sukarno with *a fait accompli* which he could not but ratify, given the emotional furore of the time, by nationalisation, despite, the fact that it was the Indonesian rather than the Dutch economy which suffered. In the present case, Sukarno resisted and despite popular feeling ordered the return of sequestered British property to its owners. US pressure has been exercised to strengthen Sukarno's resistance — with the threat of the withdrawal of IMF and World Bank loans as reserve weapon.

On the other side, Malaya has not been inactive. Supported by British arms, and now Australian, the Tunku has refused to go further in conciliation of Sukarno. Battle units are to be despatched to Sarawak to join the forces now being mobilised there, and the Chief of Staff is hurriedly being called home. The diplomatic silence now reigning between Kuala Lumpur and Jakarta has not so far interrupted the entrepot trade through Malayan ports from which Indonesia derives a large chunk of her foreign earnings — while the cargoes continue to move, it is unclear whether the earnings will ultimately filter back to Jakarta.

Some activity by Sukarno was to be expected. How far he will press it will demonstrate to what extent he is out of control of Indonesia and being stampeded into action by his own left-wing. For the prizes are relatively small in any serious hostilities, and the possible hazards immense. True the UN Survey of Sarawak found at least a quarter of the population hostile to Malaysia — the country has a large Communist Party, and the terrain is ideal for a guerilla war of attrition. True also that Singapore's industrial sector is turbulent and strongly left — Lee's recent victory over the Barisan Socialis (37 PAPs to 13 Barisans in a 51-man Assembly) in fact entailed PAP losing 6 seats, and was partly contingent on prior mass arrests of left-wingers. Again, the small minorities in Sabah and Sarawak will not take kindly to any centralising trends in Malaysian Government, trends necessary for those territories to develop. Finally, Malay troops in any Malaysian territory where the Chinese are strong could close the gap between the Communist and non-Communist Chinese, leading to a united Chinese front to oppose the Malays.

All these things count as strategic considerations for Sukarno. His public case against Malaysia — that it is a British creation to retain British military power in South-East Asia, to safeguard British investments there and build a stable anti-Communist front — may be true, but the costs of intervention are too high. Indonesia cannot simultaneously sustain the havoc Malaya and Singapore could wreak on her foreign trade, and a war in Sarawak against the British, the Australians, and ultimately the Americans. Indonesia would have only China as a friend, and inevitably, the best that could be hoped for would be an uneasy stalemate as in Indo-China. Militarily, Sukarno would be wiser to wait for natural disintegrative forces in the federation to redound to his own advantage.

Unfortunately, politics is more than rational calculation. The race between Sukarno and the PKI for supremacy in Indonesia is a more important factor. The PKI must risk to win, and driving Sukarno too fast is one way of running him off his feet. His resistance on the nationalisation of British firms suggests he is still standing, upheld

by the expansion in the Armed Forces incumbent upon his new Sarawak adventures. If his role is still supreme, then the border squabbles are likely to be only minor grumblings designed to do no more than save faces. For this the Tunku, an astute politician, will be quietly grateful, since that very grumbling will help to cement Malaysian loyalties without cost.

Kamaraj Plan in Action

IT is not altogether surprising that within a month of its initiation, the Kamaraj Plan should be roundly criticised, nor that the critic should be someone directly affected by it — in fact the very person who seconded the resolution at the A I C C working committee meeting. S K Patil has been at pains to reiterate both in his Calcutta speech and later that he is one with the ideology of the Plan; his distress is entirely at the manner of its implementation. The Kamaraj Plan, he implied, had been used to get rid of inconvenient Ministers, though he did not say whether he had the changes at the Centre or in the States in mind.

Patil no doubt has his shrewd political reasons for the deliberate outburst against the Kamaraj Plan, but the ill-concealed manoeuvres which preceded the election of the new Congress leaders in the States were not exactly calculated to inspire confidence. It is no secret, of course, that none of the Chief Ministers whose resignations were accepted by the Prime Minister, except Kamaraj, was enthusiastic about stepping down from office. But having no alternative, they were naturally anxious that their trusted henchmen were elected to succeed them. In the faction fights which ensued the High Command's directive that election of new leaders should be unanimous was ignored. There was a contest even in Madras, though Bhaktavatsalam won comfortably. Biren Mitra's win in Orissa was also by a reassuring margin. But in Uttar Pradesh, Madhya Pradesh and Bihar, it is obvious that the newly-elected leaders will have to contend with powerful opposition within the party.

In U P the travails of the State Congress are unlikely to end with the election of Sucheta Kripalani. The large vote secured by Kamalapati Tripathi (142 to the former's 188) indicates the extent of support he enjoys and the formidable task Sucheta Kripalani faces. The general feeling that she is a puppet of 'strongman' C B Gupta and his energetic lieutenant Banarsidas is likely to condition the attitude of the Tripathi faction. The situation is not different in Madhya Pradesh, where D P Mishra has been elected leader. The feud between the pro-Katju-Mishra group and the pro-Mandloi-Takhtmal Jain-Deshlehra group is so deep-rooted that it is too much to hope that the election will end factional rivalry. And in Bihar, another dissident leader, K B Sahay, has won in a keenly-contested election. The sixth State, Jammu and Kashmir, is strictly not a Congress party problem, and a successor to Bakshi has not yet been elected.

What about the leaders who have 'renounced' office? How are they to be put to work to revitalise the Congress? The AICC's high-powered organisation committee has not been lacking in ideas. It has suggested the formation of three committees to 'improve the functioning of the party'. One of these will, *inter alia*, coordinate the work of the ministerial and organisational wings in State Congress parties; a second committee will train party workers and assign specific tasks to legislators and members of local bodies and review their performance; and a third will study the 1962 election manifesto of the Congress, examine how far it has been implemented, and work towards expediting its implementation.

Amending Patents Act

THE current debate on the changes that the Government is known to be contemplating in the patents law governing drugs and food products has been handicapped by the virtually complete absence of any official indication of the Government's thinking on the subject. The general expectation is that the Minister for Industry will pilot an amendment to the Indian Patents and Designs Act of 1911 in the next session of Parliament. How far-reaching the amendment will be, however, remains a subject for speculation. Understandably, therefore, extreme viewpoints have been advanced, ranging from abrogation of patents altogether for drugs and food products to maintaining the *status quo*.

This is not, of course, the first time that the question of changing the Patents Act has come up. The Government itself appointed a Patents Enquiry Committee as early as in 1948 and on the basis of its report introduced a Bill in Parliament in 1953. The Bill was, however, never taken up for consideration and was allowed to lapse. The issue then remained in cold storage till the appointment in 1957 of Mr Justice Rajagopala Ayyangar as a one-man commission to report on the revision of the Patents Act. Though Justice Ayyangar submitted his report within two years, no action has been taken on it till now. There may be something, therefore, in the conjecture that the proposed amendment will be largely based on Justice Ayyangar's report, though it needs to be asked why the Government took no action on the report for more than four years.

Justice Ayyangar's report favoured the continuation of the system of patents. It admitted, however, that "the Indian patent system has failed in its main purpose, namely, to stimulate invention among Indians and exploitation of new inventions for industrial purposes in the country so as to secure the benefits thereof to the largest section of the people". In the light of the views of Justice Ayyangar, the Government's Health Survey and Planning Committee which reported in 1961 made the following suggestions for modification of the Patents Act:

(i) A patent should be of a process and not of the product, the specifications of the process being so clearly described as to have no room for any ambiguity or for blocking the efforts of others in revising the process;

(ii) The period covered by the patent should be reduced to between 5 to 10 years, extensions not being normally granted;

(iii) Automatic revocation of the patent in the event of manufacture not being undertaken within 4 years of the grant

of the patent; and

(iv) Compulsory provision for the grant of manufacturing license under the patent within the period of one year from the date of such an application.

Government's Hands Tied

THE text-book argument that patents have failed to stimulate research and invention in the country has to be taken with reservation since the level of research activity cannot but be linked to the level of development of the economy. In an under-developed country the absence or presence of patent rights cannot be expected to make the crucial difference that it makes in an advanced country. It can, however, be stated that the adverse impact of an abrogation of patent laws will be felt in increasing, not decreasing, measure as the economy develops and the level of research activity rises.

The pragmatic argument against the working of the patents laws is that, of the patents registered, mostly by foreigners, very few are in fact worked in the country. According to official figures, out of some 2,700 patents registered only 600 are being exploited. Further, the monopoly granted by patents has been used by the patentees to sell the patented drugs and medicines at very high prices which bear no relation to their cost of production. The U S Senate Committee on Administered Prices in the Drug Industry, under the Chairmanship of Senator Estes Kefauver, conclusively established that drug prices were very much higher in countries which award drug patents than in countries which do not. This is what the Committee had to say on the situation in India :

"India, which does grant patents on drugs, provides an interesting case example. The prices in India for the broad spectrum antibiotics, aureomycin and achromycin, are among the highest in the world. As a matter of fact, in drugs generally, India ranks among the highest priced nations of the world — a case of an inverse relationship between per capita income and the level of drug prices".

The proposed modification of the Patents Act must, therefore, have as its objectives the development of manufacture in the country by compelling patentees to work their patents and the lowering of drug prices from their present exorbitant levels. These are ambitious aims and it is doubtful whether the Government will, or can, take the radical steps necessary for achieving them. The doubt springs from the fact that the development of drug manufacture in the country is at present largely dependent on the collaboration of big international drug producers who own large numbers of patents and who, therefore, are certain to take unkindly to any change in the patents laws.

The Government's present concern with the deleterious effects of patents is difficult to reconcile with its lukewarm attitude to the Soviet Union's offer, made in 1958, to set up in the public sector four large plants to manufacture a wide range of vital drugs. Though under the Patents Act we would be obliged to pay royalty on the patented drugs produced in these plants to the foreign private patentees, yet in spite of this it was certain that the drugs produced in these plants would be much cheaper than if they were imported or produced in India by the foreign patentees. However, the Government has dragged its feet in setting up these plants — one of them, it is reported, has been dropped altogether. Meanwhile, it has licensed a number of foreign private manufacturers to make many of the drugs included in the original Soviet offer. Having thus linked the development of the drug industry in India to foreign private manufacturers, the very basis of whose monopolistic position is the patents system, the limits of the Government's ability to modify the Patents Act are fairly obvious.

Coal Uncertainties

WHY is it that, when dealing with the coal industry, the ground always seems to shift away from under the Government's feet? Coal is a vital requirement for economic development, especially for steel-making and steel-based engineering industries, transport and power. But even today we do not have reasonably exact and dependable knowledge of our coal reserves of different grades and qualities. Nor do we seem to know, after over a decade of planning in so well-defined a sector as steel-making, the requirements of coal of our steel plants, broken down into coking coal and blendables.

Otherwise how does one explain the first set of the terms of reference of the new Standing Technical Committee which the Union Minister for Mines and Fuel, O V Alagesan, has constituted, namely to report, by October 10, its views on the annual coal requirements of the country's steel plants and their sources of supply? Actually the Committee would also, in due course, submit proposals for orienting the coal industry to the Fourth and subsequent plans. If relatively short-term projections soon turn out to be unreliable, what is the use of looking forward so far unless the Committee is given adequate data and time to work out the projections? Even for the immediate problem, viz, drawing up a programme of coal supplies to coal-consuming industries in a concerted manner for the remaining years of the Third Plan, numerous other matters would have to be examined like transport, gradation of coal, mechanised cokeries, etc.

The Minister struck a note of warning that the country would be greatly handicapped unless effective measures were devised to conserve coking and high grade non-coking coals. The rate of diminution of reserves demands, in the national interest, that, besides conserving them, measures must be evolved to develop weakly coking coals which can be blended for use in steel mills. Establishment of washeries and provision of incentives to producers of low-grade coals in the form of subsidies like those granted to producers of high-grade coals, as well as reduction of price differentials between the high and low grades are considered essential measures. The matter requires further attention by the Government since for the attainment of the Fourth and subsequent plan targets in coal the country will have to depend on lower grades to the extent of over 75 per cent.

Simultaneously with grappling with these issues, Government will also have to decide on a revised structure of coal prices. Even apart from the revision of prices which would be needed to implement the necessary modifications in the composition of coal output which the Technical Committee may recommend, collieries have been complaining of considerable hardship in meeting the many new items of cost which have arisen from the implementation of a number of clauses in the Coal Mines Regulations, 1957, among other things. The price of coal touches industrial costs at a number of points, of which the most important is rail transport. Previous increases have invariably been reflected in higher rail freights followed by chain reactions elsewhere.

Correction

The rate of growth of the Pakistan economy in the first year of the Second Plan was 5.8 per cent and not 3.8 per cent as was wrongly printed in the editorial, "Ayub Khan's Problems," last week, page 1576, column 1. — *Ed.*

Our Calcutta Letter

Management of Public Enterprises

Subramaniam Impeded by Finance Ministry

THE experiment in management reforms announced last week by C Subramaniam is certainly well-intentioned but what it will actually achieve is another matter altogether. Following the logic of the reorganisation of Hindustan Steel Limited in July 1962, his purpose is to reinforce the authority and autonomy of local managements vis-a-vis their headquarters in multi-plant organisations. Within local management, he has reiterated the authority he vested in General Managers to take their own decisions in personnel matters, purchases and sales. He has expressly given them the power to overrule any advice given by Financial Advisers whenever they consider it necessary to do so "in the interests of the plant".

Not Very Different

In substance, the pattern of management Subramaniam is proposing as an experiment at the Durgapur steel plant and the Sindri fertiliser factory is not very different from what already exists in different degrees at both plants, specially at Durgapur since July 1962. Both at Sindri and Durgapur, General Managers have even now the power to make appointments upto a certain level; create temporary posts; make purchases outside of regular procedures where they consider it necessary to do so; and to reject any advice from their respective finance men that they find unacceptable. Even now, control by the headquarters of Hindustan Steel or Fertiliser Corporation of India (FCI) is exercised through annual budgets. Each year, the General Managers prepare their capital and revenue budgets broken down over a number of heads. Within the framework of these budgets, as approved by the respective Boards or the Ministry depending on the nature of expenditure, the plants have been free to alter or modify individual items.

If the powers already existed—in theory at least—what is it that the reforms are seeking to achieve? One possible purpose may be to emphasise that General Managers are now really on their own, and that lack of powers will not be accepted as an explanation for failures. In other words, Subramaniam is serving notice that anyone who falls down on the job will have only himself to blame.

Reforms Robbed of Content

A more plausible explanation is that the changes the Minister really wanted to make had to be dropped from the scheme of reforms at the last moment, robbing them of much of their value. It is reported that Subramaniam made up his mind to strike a decisive blow against the traditional prestige of the Financial Adviser and Chief Accounts Officer (FA and CAO) by changing his designation to Chief Plant Accountant. As he himself said, this officer has often been regarded as having veto powers over the General Manager. This negates the concept of a single line of command which is of obvious importance for efficient administration in an industrial undertaking.

This problem is specially acute in HSL, where the FA and CAO are statutorily appointed directly by Government, and not by the Company's Board, giving this functionary independent authority. In FCI, the same situation exists at the headquarters but the plants appoint their own Accounts Officers, the choice, however, being customarily made by the FA and CAO at the headquarters. Even this is now changing and two plants are known to have stuck out for the principle that all appointments, including that of the Accounts Officer, must be made by the units themselves so that the problem of divided loyalty need never arise.

In the case of HSL, where the change of designation was more important, any alteration required modifying the statutory provisions. Notwithstanding a strong recommendation from the Board of HSL in favour of a change, the Minister was apparently balked because of resistance from the Finance Ministry.

But this was not Subramaniam's only disappointment. All public sector undertakings are now subjected to three audits: one undertaken internally and the other externally by commercial auditors as is the case with private enterprises. In addition, there is a third audit by the Auditor-General in fulfilment of his statutory responsibility for safeguarding public funds. Subramaniam was persuaded both by plant executives and his American management adviser that this third audit should be dispensed with since its aims could equally well be achieved by the Auditor-General asking the external commercial auditors (whose appointment he approves) to carry out certain additional functions. Apart from any-

thing else, statutory audit takes up a great deal of time of top management who have to answer the questions raised. Not much is gained by the exercise, except to emphasise once again the importance of minding the pennies rather than the pounds which thwarts the emergence of a wider management outlook.

Auditor-General's Role

In this matter too, Subramaniam failed to have his way because the Auditor-General reportedly felt that his constitutional responsibility did not allow the suspension of statutory audit even as an experiment. As is evident from his statement, the Minister is not going to let the matter rest there. He will presumably take it up again with his cabinet colleagues and if necessary with Parliament. His success will depend, however, upon what support he gets from the Finance Ministry whose views may be expected to carry great weight on an issue of this nature.

Hamstrung by the Finance Ministry, the reforms are a good deal less exciting than they may otherwise have been. Even so, these constitute an important advance towards fixing responsibility where it should properly belong. An incidental gain of some importance is the education afforded to the Lok Sabha in the essentials of good management. Members on both sides of the House will take time to recognise that effective management may make interim mistakes but it is the end result that counts, a basic principle that Subramaniam enunciated to explain the rationale of the proposed reforms. Once this is accepted, the suspicion that makes the Lok Sabha allergic to allowing enterprises greater freedom will disappear.

From the London End

A November Election?

POLITICAL pundits now do not rule out a November election. In fact they consider it a definite possibility. A number of factors have combined which might influence the Tories to think that November might be the most propitious moment for them to face the polls.

The Denning Report has turned out to be innocuous enough to be published in its entirety, and no further damage to the Government's reputation is expected on that front; the economic situation too is, at the moment, slightly more favourable with both exports and production up, and unemployment on the downgrade. There is, of course, no knowing how deep-seated this economic revival really is, and if another severe winter were to affect employment and production the spring would hardly be a suitable time to appeal to the electorate.

In November the enthusiasm engendered by the signing of the Test Ban Treaty and the boost it gave to Macmillan's reputation, will still be fresh in the minds of the people. Moreover, the Liberal Conference at Brighton made it quite clear that although the Liberals can provide quite a threat to the Tories, their position is certainly not as strong as many had supposed a year earlier. Many people in the Conservative Party believe that postponing the election to the spring can now only help the Labour Party.

It is certain that Mr Maudling will receive a much greater welcome at the Annual Conference of the International Monetary Fund since America's attitude to the problem of international liquidity has changed significantly, and although no dramatic result is expected from the meeting, at least the role that was played by the British Chancellor of the Exchequer last year, pleading for some new and constructive move on international liquidity will not be over-looked. The shock engendered by the failure of Britain to join the Common Market is now petering out. Indeed, the consequences of exclusion have been far from painful. As the *Statist* points out, the Common Market countries are going through inflationary difficulties and the disparity between their costs, and those of British Industry is making it possible for British manufacturers to find in the E E C their most rapidly expanding export market.

"No Tame or Minor Role"

The Bow Group, once enthusiastically in support of British membership, has now produced another booklet condemning, in no mean terms, the whole idea of British participation in the Common Market. The pamphlet endeavours to show how membership, on the terms proposed, would have been of no benefit to Britain and would indeed have caused a great deal of harm. British influence, the pamphlet says, derives largely from Britain's close links with the U S and the Commonwealth, and these would cease to have any meaning in a European Union. Hence it is far better to stay outside any European Community and play "No Tame or Minor Role" (the title of the pamphlet) as the continuing centre of a great Commonwealth, the special friend and ally of the U S A and an exponent of free trade and greater competition, not within Europe, but in the world at large.

The White Paper on Aid which has also just been issued, makes a great deal of Britain's desire to increase aid to the developing countries. This will be discussed at the forthcoming Commonwealth Consultative Committee meeting, which is to be held prior to the I M F meeting.

Turning to the comforting news on the economic front which has, naturally, been inflated by the Chancellor of the Exchequer, the main facts are as follows :

Production

The Treasury reports a rise of 2 points in the seasonally corrected index of industrial production in July. Ever since March, this index has gone up at the rate of a point a month and for the first time, in commenting upon these figures, the Treasury speaks of "expansion" in production and not just of "recovery". In July, the seasonally adjusted production stood at 120. For manufacturing industries alone, the July index was 121 compared with 119 in June.

The improvement is described as having been "fairly widespread" and not just confined to new industries (cars and chemicals) which are known to be booming fast. It should, however, be mentioned that some of the capital goods industries are still lagging but the Government hopes that it will not be too long before they benefit from rising demands elsewhere.

Exports Recover

The trade figures for August are even better than expected. Exports rose again while imports dropped from their high July level. The trade gap on a seasonally adjusted basis narrowed to only £ 34 m compared with an average of £ 50 m over the last 3 months. Seasonally corrected exports in August were valued at £ 351 m compared with £ 339 m in July. Over the first 8 months of 1963, exports have run at a rate 6 per cent higher than in 1962 as a whole. Against this background the Chancellor of the Exchequer made an extremely cheerful speech at the Rotary Club Luncheon on the 18th. He went so far as to describe the recent progress of the economy as "Excellent". He said: "I think we can reasonably say that we are in a period of substantial expansion combined with stable prices and a strong pound". Dealing with the rise in exports, the Chancellor suggested that they reflected the "growing efficiency, enterprise and competitiveness in British industry." However, even the Chancellor had to agree that there were some weak spots including the machine tools industry, which was going through a difficult time and there was still real cause for concern about the unemployment situation in the development areas.

Unemployment

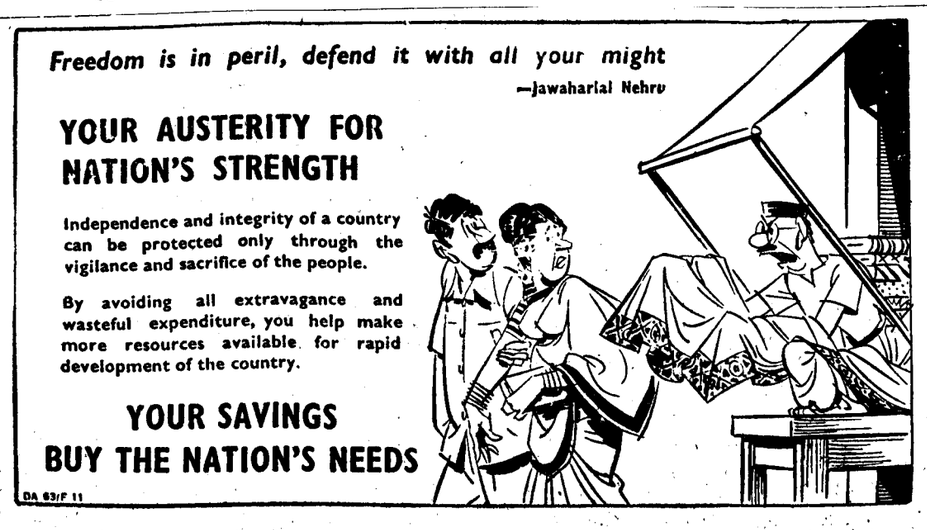
The complete failure of the Government to make any impact on the real black spots of Scotland, Northern Ireland, the North-West and the North-East is underlined by the latest unemployment figures which are given below (the figures for last year of each area are shown in brackets):

Scotland	91,544	(82,780)
North-West	89,554	(83,087)
North-East	58,246	(49,674)
Northern Ireland	34,681	(33,428)

The latest unemployment check reveals a total of 520,071 unemployed. Of these 485,390 are in Gt Britain and 34,681 in Northern Ireland. This compares with a figure of 537,445 a month ago. However, a closer look at the figures show that the overall fall was almost entire'y accounted for by the normal placing of 23.000 school leavers during the month. Excluding the school leavers, the net unemployment fall was only 578 in Britain and 439 in N Ireland.

The Government is making the most of the overall fall of 16,000 in unemployment and is suggesting that this is a further sign that the economy is all set for a period of steady expansion. Whitehall is drawing considerable encouragement from the fact that there now appears to be a distinct quickening in the demand for labour. The number of unfilled vacancies now stands at 213,930, or about 3 jobs for every 7 unemployed, the highest September figure since 1961. Over Gt Britain as a whole, 2.1 per cent of the working population is now out of work compared with 2.2 per cent in August. The proportion is in fact precisely the same as that 12 months ago, before the recent recession began to take place. The highest rate of unemployment is in the Northern districts where it reached 4.4 per cent, followed by Scotland, 4.2 per cent, Wales, 3 per cent, the North West district 3 per cent and Yorkshire and Lancashire, 1.7 per cent. The lowest rate is in London and the South East where it is 1.2 per cent.

Dealing with the future, the Chancellor struck an even more optimistic note. "When we look at the National Economic Council targets in the light of recent developments, the conclusion is a clear one. It is 'Britain can do it'. We can do it with stable prices and a strong pound". It remains to be seen, however whether the British economy can sustain the present rate of growth when resources become more ful'y used, when bottlenecks start to appear and the question of costs piles up.



Letter from South

Kerala Storm

THE spectacular demonstration in New Delhi must have taken by surprise those who were acting on the assumption that the communists had become a politically irrelevant factor in India since the Chinese aggression. It is significant that of the 10 million signatures collected by the Communists over 4 million came from the States of Andhra (which topped the list), Tamilnad and Kerala. And it is in the last-named State that we can expect to see the next break of the storm. The recent excitement over the no-confidence motion against the Sankar Ministry, which was duly rejected, is the warning signal that bigger protests are ahead as the campaign develops against the new Land Relations Bill.

The Communist attack against the Ministry was skilfully mounted, centering as it did on the charges of corruption against the Chief Minister and the Industries Minister which had been forwarded by the Kerala Congress President for personal examination by Nehru. Sankar, it was alleged, had received *mala fide* a truck and his wife had become co-owner of 1,000 acres of land in Trichur in consideration for reducing the agricultural income tax payable by the owner of the property from Rs 2,86,000 to Rs 1,44,000. The property was taken on 84 years' lease for an annual rental of rupee one while the owner was to pay the lessees rupees two per acre for clearing the land. Damodara Menon, the Industries Minister, was charged with irregularity in the matter of allotment of spindles.

Congress Isolated

Nor was P T Chacko, the Home Minister, spared. He was criticised for requesting the Centre not to include the suspended Land Reforms Bill in the Ninth Schedule of the Constitution and for using the police to compel non-Catholics to allow the burial of Christians in land belonging to them in Thaikal.

The P S P not only joined the assault on the Congress but voted for the no-confidence motion. The Muslim League agreed with the principle of the motion but decided to abstain in the voting as, according to it, the Communists were corrupt for party ends while the Congressmen were corrupt for personal enrichment! The R S P joined the Communists in voting for the motion.

What this meant was that for the first time afer mid-1959 the Communists broke through their political isolation and it was the Congress that was alone. Nor should it be overlooked that what we are witnessing is the isolation of a divided Congress, with the organisational wing not very far removed from the position of a radical democratic opposition.

Agrarian Relations Bill

At this moment the drama is considerably heightened by the introduction of the new Agrarian Relations Bill. It is evident that the mass agitation already launched jointly by the Communists and Catholic peasant organisations has had some effect and in appearance the Bill does not look too different from its predecessor. But there are crucial differences.

The first difference is with regard to the definition of the "standard acre" — no land-owner need surrender land less than 15 standard acres nor can he retain more than 36 standard acres. The basis is the net annual income from land which leaves a wide margin for manipulation with the help of conniving officials. Then again the "family" has not been strictly defined and there are no provisions against the transfer of ownership after a given date — "families" are likely, therefore, to proliferate.

The list of exemptions has been enlarged and the Government seeks to take power to exempt land required for *bona fide* plantation, industrial or commercial purposes, besides land required for dairy and cattle breeding farms. Once again a wide range of possiblities for evasion have been opened up.

Uniform rates of fair rent applicable throughout the State are prescribed for different classes of land. But this provision will not apply, however, to lands held by religious, charitable and educational institutions — a clear concession to Mannath Padmanabhan and his Nair communal cohorts. The exemptions apart, the fair rents now prescribed are higher than the old ones and tenants who had spent fairly heavily in litigation, stamp duties and the like to draw up fair rent agreements on the old basis will have to go through the whole process all over again.

The landlords have been given right of resumption of land from tenants, except for land tilled by tenants entitled to fixity of tenure before January 21, 1961 under the law then in force. This clause has clearly revealed the character of the new Act and its radical difference from the old. In the old Act the landowners were classified as big and small and only the latter were permitted to resume land to a limited extent for personal cultivation. The big landowners were not given the right of resumption and this reduced eviction to a minimum.

Congress M L As Protest

Even the small landowner could not evict the class of tenants who had acquired permanent rights of tenure. Many decades earlier the Malabar Tenancy Act and the Cochin Verumbatta-Kudiyan Act had given permanent rights of tenure to the tenants of the Malabar and Cochin areas of Kerala. The old Act saw to it that these gains were kept intact and it was only in the Travancore area that the small landholders were permitted to resume land for self-cultivation.

Protests from Congress M L As — 14 of them have actually written to the Planning Commission asking that the old Act be retained — from Malabar and Cochin have prevented a wholesale loss of 'enants' rights in these regions under the new Act. But in Travancore *all* landowners, who own up to 40 standard acres, can now evict a tenant having two or three acres and resume half of the land.

Even in Malabar and Cochin the small landholders (defined rather vaguely) have the right to resume land by "mutual agreement" with their tenants up to half of the land held by the latter. If no such agreement can be reached the landowner has the right to insist that the tenant, even if he is paying fair or contractual rent, should lease out the land to him by paying its total value in eight annual instalments. If the tenant does not do this, he is liable to eviction. Under the old Act the right to decide whether tenancy should be continued or the lease should be effected was vested with the *tenant*, now it is handed back to the *landowner* — a clear and revealing change.

The delay and uncertainty caused by the new Act will help landlords immensely. In conditions of unequal strength it is always the weaker sections who are adversely affected by delay and uncertainty. On the whole, therefore, there can be no doubt that the Act clearly favours the landlords and handicaps the tenants. The opposition is not likely to take this lying down.

Capital View

More Headaches for Nehru

Romesh Thapar

IT does not need much extra perception to realise that the reorganisation of Government at the Centre and the formulation of its policies is being held up by the unending Congress faction-fights in the States. But a follow-up in depth is called for to locate the actual motivation behind the factional wrangles. It is no longer possible to dismiss these developments as of little consequence. A definite pattern is emerging, and it has sinister implications for the Kamaraj Plan.

It is well-known that former Finance Minister Morarji Desai was opposed, and quite openly, to the thinking behind the Kamaraj Plan. He put in his resignation only because it was expected of him. Jagjivan Ram was lukewarm in his support, while S K Patil and Lal Bahadur Shastri seemed enthusiastic. Common knowledge, too, was the fact that Kamaraj was 'backing' Shastri and that an organised all-round attempt was being made to put a full stop to Morarji Desai's political career. If this information was not properly featured or analysed in our free press, the reasons were not far to seek. Our journalists are only too willing to project the political mumbo-jumbo which is served up to them by the Congress leadership.

Renouncers in Action

When Nehru announced the 'renunciation', there was consternation in those increasingly powerful sections of the ruling party which are now firmly opposed to the policies of the Government. Angry comments were made about the smearing of the renouncers by linking their exit with the dismissal of Gopala Reddy and Shrimali. It was maintained, perhaps with some justification, that the incompetent Ministers could have been purged later as part of a general reshuffle. Only Morarji Desai expressed his anger, and very soon — too soon, in fact — he moved to repair his badly shaken political position by engineering the removal of Gujarat's Chief Minister, Jivaraj Mehta.

The developments in Gujarat leading to the 'coup' by Morarji Desai's man, Balwantrai Mehta, the clash between Desai and Nehru, and the decision by Desai to stand for election as Congress President are so recent that they do not need to be recapitulated. S K Patil's activities to wreck the Kamaraj Plan are also fairly obvious and may well invite the wrath of Defence Minister Chavan who is aware of the danger to stability in Maharashtra if the Congress Party there becomes vulnerable to intrigues. Indeed, Patil's speeches are beginning to so embarrass the central ministerial leadership that it might be compelled to counter them. But what is still a mysterious question-mark for most observers is the role that the apparently innocent Lal Bahadur Shastri has assumed for himself.

Shastri, the Enigma

Shatri, for some ununderstandable reason, continues to be regarded in both Congress and opposition quarters as a loyal Nehruist. This is a tribute to his silent and skilful 'operating', for he has launched on a campaign to ensure that he will be the only beneficiary of the Kamaraj Plan — that is, of course, apart from TTK, the ministerialist! Shastri not only enjoys the support of Kamaraj himself, but is also working to build a political base larger than that of any other rival, a base which will embrace Uttar Pradesh, Madhya Pradesh and Bihar. And, apparently, he has no qualms about his alliances. This is suggested strongly by the faction battle in Uttar Pradesh which has thrust a rather surprised Sucheta Kripalani into the Chief Ministership of the State.

On the surface, Shastri and his men were 'neutral' in the tug-of-war between C B Gupta's nominee, Sucheta Kripalani, and the dissident's choice, Kamlapati Tripathi. The posture of neutrality was eminently correct, for there was little to choose between the two. But for the observant it was immediately clear that neutrality in the contest was tantamount to an anti-Nehru position. C B Gupta repeatedly told his henchmen and various faction leaders that Shastri supported Sucheta Kripalani. The conduct of the electioneering left no doubt that Tripathi's defeat would be interpreted as the defeat of Nehru in his home State. The results of the faction fight in Madhya Pradesh and Bihar suggest that Shastri is more influential than any other in the leadership, although the defeat of Takhtmal Jain by a narrow margin has temporarily upset calculations in Madhya Pradesh.

Tussle for Congress Presidentship

Meanwhile, Patil has revealed another Shastri trump card. Atulya Ghosh is to be nominated for the Congress presidentship against Morarji Desai. It is hoped that differences of opinion within the Nehru following on Desai's suitability as the party's president will clear the

way for a decisive Atulya Ghosh triumph. In this way, the 'reorganisers' plan to consolidate and to cut the 'ministerialists' down to size. However, a peculiar polarisation of the Congress Party between amorphous Nehruists in the ministerial wing and anti-Nehruist organisers is, in fact, taking place despite a contrary trend here and there.

Fundamentally, the trouble is that Nehru is no longer young enough and dynamic enough to deal with the splitters and wreckers of the party — and this at a time when the party's policies also need consolidation and streamlining. The Kamaraj Plan, which could have been a lever for shaking up a flabby and corrupt leadership resting lazily on the achievements of the freedom struggle, has so far only succeeded in creating a fresh stirring among the factions. The earlier optimism, even among hardened observers, that Kamaraj would pull the Congress Party through the difficult transition is also fast dissolving. Again that loaded question is forming : who after Nehru ? And the answer is even more vague than before.

Anti-Nehruists' Game

Yet, the gains of the Kamaraj Plan can still be preserved. Of course, the Prime Minister will have to take disciplinary action against a few prominent faction leaders who are making a practice of defying party policy. He will also have to prepare himself to suspend Congress rule in a State should it be continuously vitiated by paralysing splits within the Government. But, essentially, he must rise above the chaos caused by petty squabbles and project a domestic and foreign policy which can become the rallying point for a still healthy people who have been confused and demoralised by the ideological bankruptcy of the leadership following the Chinese attack. This is the kernel of the crisis which threatens to engulf India.

The present drift can only strengthen the anti-Nehru organisers. Expelled from the ministerial wing at the Centre they plan to establish control over the ministerialists in their States. Once this process is complete, they intend to extend their sway through the Congress central organisation on other States — a development which will break the Government of India's power to influence events. Then the anti-Nehruist organisers will wait for the moment when they will through ramified alliances dictate the succession.

Quite clearly, the Nehruists will have to address themselves to organisational problems. But take a look at the organisational set-up. At every level, and right at the top, the machine is controlled by cynical men who once saw politics as the dirtiest of games but who are now oblivious of the dirt. In such a situation, it is not possible to order an overnight purge; the clean-up can only take place in phases. The more honest Nehruists are learning this bitter lesson even as they put up a Tripathi against Sucheta Kripalani, a Misra against Takhtmal Jain, and so on .....They do not yet have the strength boldly to put power into the hands of younger, uncorrupted leaders. Until this is done we will continue to plod along.

And what a plod it is. TTK's reform of Morarji Desai's fiscal policies is taking a familiar zig-zag course. The policies are amended to muffle criticism (as with the CDS) or are punctured to permit easy violations (as in the case of Gold Control), and such an approach is 'widely acclaimed'. Perhaps decisiveness is to be reserved for the abandonment of those two prize schemes — the Super Profits Tax and the P Form! Then, it is fondly expected, wasteful prohibition policies will come under the scrutiny of the Finance Ministry.

Chavan No More Unsure

There is some encouraging news from the Defence Ministry where an inhibited Chavan is at last beginning to make his presence felt — or so it appears from his coherent and more statesmanlike performance at the conclusion of the debate in Parliament on the NEFA Report. Of course, he failed to answer several pertinent questions which were raised and he also continues, for some odd reason, to believe that the army had its own intelligence service before the collision with China, but there is little doubt among the informed that Chavan's uncertain days are over.

Much comment is also heard about Subramaniam's determination to build the Bokaro steel plant and to prove to the world that India is not as helpless as is implied by various aid-givers. Steel makers in several countries, including Japan, France, Austria and Belgium are reported to be interested in helping. If this project gets under way it may provide the psychological therapy that this country needs at this particular juncture.

Forgotten Emergency

As for the emergency, nobody seems aware of its existence although the 'dangerous months', or so they seem to us, are ahead. Foreign policy planners are still unclear about the repercussions which the developing Sino-Soviet split will have on our situation. Superficially, it appears that the Maoists in Peking might shift the edge of their aggressiveness towards the USSR. And, then, there is the eruption on Malaysia on which also we do not seem to have any worked-out attitude.

We continue, in other words, to be in a state of suspended animation. However, Parliament will reassemble in November — and this should give the Prime Minister more time for the problems thrown up by the Kamaraj Plan. Much will depend on the measures taken to consolidate Congress rule, and whether consolidation is possible without serious cleavages.

Overheard : If Vice-Chancellor B F Tyabji of Aligarh is justified in buying himself an air-conditioned car costing half a lakh of rupees from scarce university funds for trips to Delhi, then what's wrong with getting hold of discarded helicopters for Congress organisers busy visiting the villages of this subcontinent?

The Economic Weekly

Foreign Subscription Rate

Due to increase in foreign postal rates it has been found necessary to revise our foreign subscription rate. With effect from July 1963, the annual foreign subscription is Rs 34, 50s or $ 7.

A FERNANDES
Business Manager

Portrait of a Capital

Drift and Disgrace

COLLEAGUE Romesh Thapar did us proud, professionally, during and after the Chinese invasion, by expressing how, nationally, we had responded rather ingloriously to Peking's petulance. He told us, week after week, how a total lack of a sense of purpose permeated the capital throughout the emergency, how intrigue and uncertainty still dominated the Delhi scene. Thapar, or any other Delhi-based reporter, is, however, a part of the Delhi scene; observant yet participant. It requires an outsider, short-time visitor, to realise and represent the shock that is the only possible reaction to what has been happening in New Delhi when the nation is supposed to be in peril. The outsider exaggerates the capital's defects, perhaps; he also uncovers, in the process, hidden realities; he ignores, perhaps, the quiet hard work put by some; he also shows up, as it needs to be shown up, the worthlessness of the many.

Before and after the British

Another word of caution is necessary. Never, never trust a Bengali on the subjects of New Delhi; he has still not forgiven the British for transferring the capital from Calcutta. His views are worth recording only because, though as patriotic as anyone else, he is outside the main stream of undirected emotion that sweeps the nation today. He sees no virtue in a vague and blind anti-Chinese feeling. He cannot forget that Sino-Indian relations could not possibly be as before in face of the two significant facts of our time : the disappearance of British power from New Delhi; and the emergence of a strong and united China for the first time in centuries. There is evidence that Nehru was once conscious of these two obvious factors; the treaty on Tibet, for instance. It is less obvious that officials in New Delhi took the two historic events into account. The contribution of officials, in the External Affairs Ministry, the Historical Division in particular, to complicating this country's border dispute with China remains to be studied by historians. It seems, to this reporter at any rate, that it is altogether unfair to blame only the politicians for all that has happened to us.

No Perspective

New Delhi's sky is full of those American C-104s; you see, and hear, more of them in Srinagar, where this reporter at this writing is supposed to be holidaying. Most reassuring. Something is being done, after all, that must be done. No thought, it appears, is being given to India's long-term relations with China. This emergency, however long, cannot last forever. What then? The inscrutability and unpredictability of Chinese behaviour makes thinking in this direction more difficult, but not less necessary. This is where political pressures, from the right as well as the left, have completely stifled the Prime Minister's, and the country's, thinking. Jejune slogans have replaced costructive ideas, not only in the minds of politicians (which is only to be expected) but also in those of officials and intellectuals.

One has only to speak to the Americans and the British who are helping us to see how New Delhi's officialdom has fallen in their esteem. "Your administration", they will tell you after the third drink has dispelled diplomatic caution, "is simply not geared to this emergency". The politicians have been, mostly rightly, blamed for much. It seems to this reporter that the bureaucracy's immunity from criticism has been taken too far in this country. It is not widely enough realised that a relatively junior official's reading of a 1931 map may leave the Prime Minister with that much less room for manoeuvre.

Added to the administration's failure, physical, to carry out the specific jobs created by the emergency is the far more dangerous failure to think in depth about the implications of an interminable conflict with China. Anyone familiar with Mao Tse-tung's writings on a protracted war knows that he wanted a long war not because it was thrust upon him (as is the case with Nehru and India) but because a long war, for him, was an instrument of social revolution; the longer the war went on the more time and opportunity he would have to transform Chinese society beyond recognition. New Delhi makes one worried because the leaders and their stooges, the officials, give no evidence of knowing what they may be bringing upon themselves by intending to conduct a long war with China. Being for the most a part of the Establishment, the Press, which slavishly reproduces the Government's trite slogans, has never brought home to its readers what social changes, affecting even the privileged Press, must come if a long war against China is to be conducted with any hope of success.

Capital Unrealities

This is the crux of the matter. Shri Nehru half-wishes to use the Emergency for social change; this is why he once spoke of the Chinese attack as a blessing in disguise. The other half of his mind knows that he is no revolutionary, whatever the Indian Communists may tell him. He knows that he simply cannot afford the social changes demanded by an all out fight against an enemy like the Chinese. He is the supreme beneficiary of the social system obtaining in India today. (Beneficiaries on the periphery include this reporter, which explains his grave concern over an indefinite Emergency.) It is not not fair to expect Shri Nehru to commit suicide.

One knew of the shrewd observation that the nearer one gets to a country's capital the farther one gets away from the realities; this is especially true of man-made capitals such as Washington, Canberra and New Delhi. Yet one had to come to New Delhi to realise how unreal New Delhi is. Yet, again, New Delhi is oddly representative of the country as a whole. Here one finds, exaggerated and heightened

and hence inescapable, all the trends prevailing in the country today. In New Delhi Indian decay has a dynamism that is New Delhi's own. The process has gained speed with the Kamaraj plan; six Ministers with abundant energies have been released by the Prime Minister from the drudgery of signing files; they can now devote all their time to intrigue, regardless of the emergency. From all accounts, the Prime Minister is enjoying the new imbalance and the new uncertainty; all this, he thinks, makes his authority secure. He may be right, for significant change is a greater threat to him than to anyone else in India.

Here, then, is the basic unreality of the emergency. Deeply wounded by defeat though it is, India's leadership is as yet unprepared for what a long war demands. It speaks of the Emergency, thinks of what this faction might be doing against that. The officials, sycophants all who still set the pace in New Delhi, care only for their careers in the enhancement of which carrying favour is more important than carrying out duties. "Contact men" with unlimited expense accounts complete the picture of corruption on the ground. In the air the only realities are borrowed C-104s.

(To be concluded)

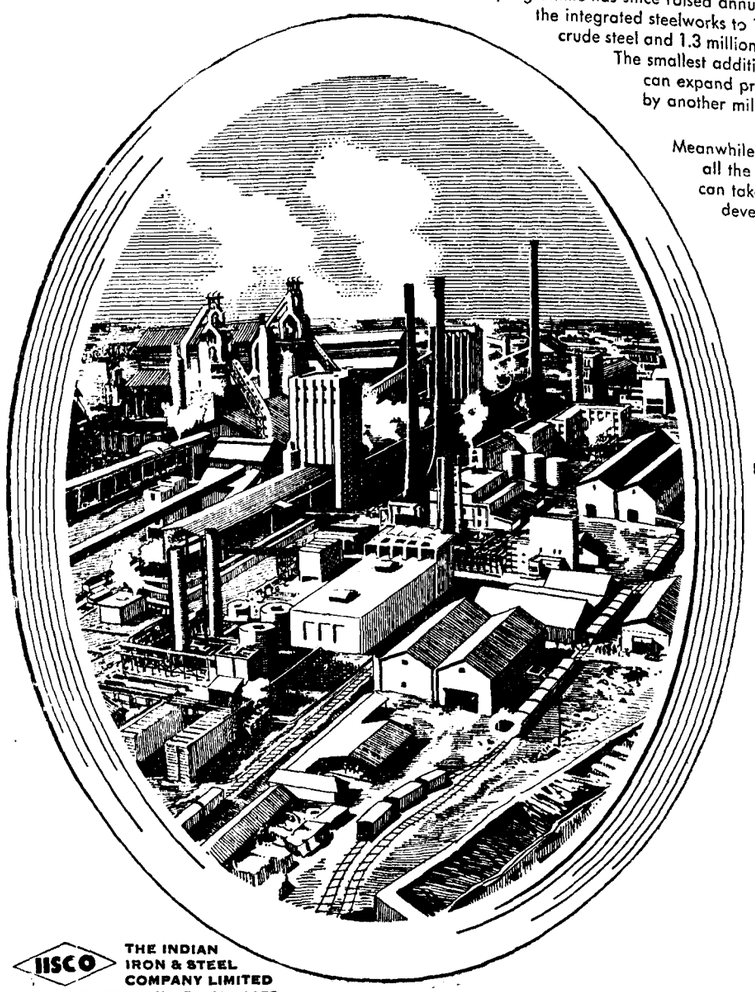
— *Flibbertigibbet*

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Book Review

Medieval Howrah

Nigel Harris

Social Aspects of Small Industries in India, Studies in Howrah and Bombay, UNESCO Research Centre on Social and Economic Development in Southern Asia, Delhi, 1962; 135 pp.

THIS short study is mainly concerned with a sample of 40 turning-shops in Howrah, with two attached studies of 40 blacksmithies in the same district and 40 art-silk factories in Bombay. The study of Howrah turning-shops is good, in particular the social-economic limits on development. The immediate connotation of the term 'small industry' suggests manufacturing, either in competition with large-scale industry, or as one of the stages in a production process which involves modern large industry. In the case of the turning-shops, like the blacksmithies, 'small industry' means really small service industry which is parasitic upon large industry, an adjunct to the success of large industry (and, in particular here, the railways) rather than an independent source of employment or something maintaining an autonomous existence. Necessarily, because so much attention is devoted to the first Howrah case, the second and third studies tend to be rather compressed and of less overall quality. The third case study examines a situation which much more closely approximates to what people usually mean by 'small industry', and it is sad that more attention could not have been directed here.

Freedom from Traditional Barriers

The 40 turning-shops in Howrah were dominated by Bengalis, and had attained much more freedom from caste and other traditional barriers to social interaction than the blacksmithies. The industrial units were a rough approximation to perfect competition since they employed a relatively small capital stock (a stock which, however, only relatively few would-be entrepreneurs could raise), and were exposed to free entry (an exit) from the industry. Having grown up mainly since the War, the shops as a whole showed great fluctuations in activity and a high labour turnover (but low absenteeism, the reverse of large industry experience). Wholly unorganised amongst themselves, the turners seemed incapable of stabilising supply — necessarily, they were a prey to the highly organised middlemen who sought contracts or orders from the buyers and distributed them amongst the shops.

By contrast, the blacksmithies were significantly dominated by particular caste (especially blacksmith castes) and village links, were largely immigrant to Howrah, and maintained rural communal traditions even in the urban setting. Again, the level of capital was very low (lower than in turning-shops), and the level of requisite skill even lower — there were no real barriers, apart from the minimum financial requirement, to entry. As might be expected, labour turnover was lower and absenteeism higher — but not as high as could be since return visits to the village quite often involved the master and his man together.

Personal Relationship

Social relationships within the smithies were much more personal than in the turning shops, much more closely conforming to the sentimentalised and almost wholly spurious Western conception of medieval work-relationships. In fact, social distinction between employer and worker had hardly begun — particularly where joint family enterprises provided the complete factory unit, or relatives or village neighbours were the main source of labour. Again, the main stimulus to expansion had been since the War, but blacksmithies in general were of greater age and stability than turning-shops — suggesting, among other things, that smithing was shared with farming by many blacksmiths, and that fluctuations in the one were absorbed in the other: the smithy could be closed down periodically, whereas turning-shops were mere sole business enterprises and either survived as active units or went completely out of business. The tendency to reformulate modern industrial conditions into traditional caste terms could also be seen, with the difference that in both Howrah samples, demand fluctuations and technical change constantly reactivated the dissolution of the inherited structure of relations.

The Modern Pattern

The Bombay art-silk factories were much larger, impersonal and even to some extent 'bureaucratised'. There was little caste discrimination in labour recruitment — the entrepreneurs were of decisively higher caste than their workers and in general spoke different languages. Some entrepreneurs knew little of the actual production processes involved and did not in general participate in production — unlike the two earlier cases. Thus a definite modern and hierarchic division of labour was already possible, with management playing a separate role.

Capital was the crucial problem in starting the industry, and thus was a substantial barrier to absolutely free entry — only particular economic strata could conceive of it. The art-silk manufacturers were fully aware of their market, the financial aspect of their activities, and competition from large industry. In some cases, there had been strikes, and employers were faced with continuing trade union pressure. As in the case of many businessmen, the entrepreneurs had a background in trade, and were of relatively high educational qualifications. Overall, the industry was much more completely integrated into the straight-forward cash market economy, subject to normal incentives and technological stimuli, than the earlier studies.

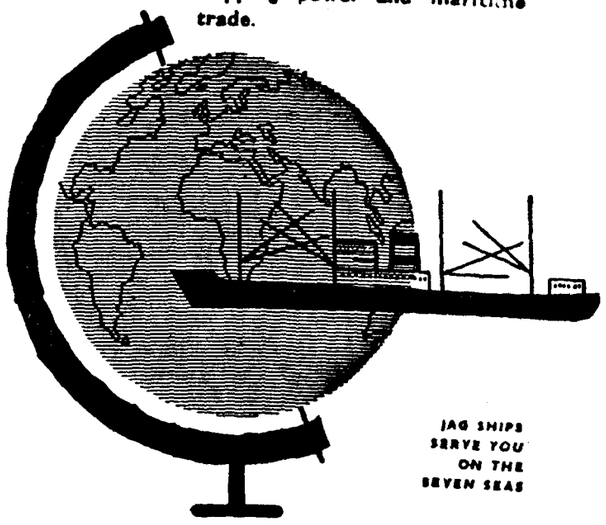
The Differences

The first two cases and the third are clearly different. In Howrah, both men and employer were culturally part of the same class, even though in the turning-shops they might belong to different strata (but not so in the blacksmithies). In the art-silk industry, the class division of a wider society ran directly and clearly through the factory. On the other hand, the Howrah turners attained probably a higher level of skill than either of the other two cases, and necessarily were required to be daily more inventive and ingenious. The independent echelons of skilled labour were apparent in Howrah, even though class-consciousness was probably less than in Bombay. Again, Howrah turners were fully urbanised, and hardly considered agriculture as a serious alternative — factory labour was their natural habitat.

This study then focuses on three plateaux of small-scale economic development. Certainly, it raises more questions than it answers, but it is an excellent preface to future work. An area where the study could have been much more helpful is in pinpointing what the precise impact of Government is or could be either to stimulate or restrict such industry. Some attempt is made to do this for Howrah turners, but the main upshot is that at present the Government impact is negligible or restrictive. Given the protestations and activity of the Government on this score, the study could have directed more attention at this question — whether more freedom or more Government credit could help the turners, and how such changes should be carried out in Howrah. The problems of the blacksmiths and art-silk manufacturers on this score receive almost no treatment.

Incomplete Study

The study thus, for all its excellence, is still very incomplete. If standardised procedures for all three cases had been used, and equal weight given to each, closer comparisons would have been possible. The second two studies exhibit some signs of carelessness and haste (does the art-silk industry really contribute to the State in taxes and levies annually a sum equal to half of its invested capital? p 114, footnote 5). The value of the work lies in the picture it gives of Howrah turning-shops, and the opportunity this provides for comparison with, for example, the Punjab machine shops. When other surveys in the same field, promised by the Centre, are produced, and the final interpretation is offered, the time for more definitive statements will have arrived.



Salazar's Losing Battles

Angola and Portugal

Frederick F Clairmonte

Salazar's hopes of smashing the freedom movement in Angola by military force and a form of village regroupment, based on the Algerian and Vietnam pattern, is ludicrous.

Portugal just does not have the resources to carry on the war with the Angolan nationalists who are better organised today than ever before.

Further, American pressure has now decisively tipped the scales against Salazar in Angola.

Just as Algeria sounded the death-knell of the Fourth Republic in France, Angola appears to be destined to be the grave-digger of Salazar's dictatorship in Portugal.

"VISIT Portugal's beautiful province of Goa" read the tourist poster in one of Luanda's bars. When I laughingly pointed at it, the barman shrugged his shoulders and said: "it was there before my time; only the foreigners notice it." It was symbolic. In Salazar's Africa the clock had ceased to tick, or so it seemed. But beneath the provincial quiet it is obvious that the pulse of history beats at an accelerated tempo. Luanda is not at all comparable to pre-Evian Algier where the tension was electrifying. Yet this small city washed by the waters of the South Atlantic is now shrouded in a pall of chronic apprehensiveness.

This is a white man's city as it was meant to be by the colonizers. It is unique in all of Africa. All the tertiary employment is accounted for by the poor whites: waiters, petty clerks and prostitutes (specially brought from Portugal on a contract basis). The African's presence here is tolerated: illiterate and unskilled his income stands in glaring contrast to that of the Portuguese worker. Admittedly, there is no official colour bar, but an economic colour bar there is and it is an extremely effective one. One need not leave Luanda or Nova Lisboa to be convinced of this. The schools, save for a sprinkling of Afro-Asians, were all white. When I enquired why there were no Africans, the reply invariably was that they never applied for admission. I do not know if my interlocutors intended this as a humorous aside or not. Yet officialdom has its moments of truth. "Everything in Angola is integrated if one has money", said a school teacher. This is the core of the matter. True enough, and after 500 years of the blessings of a supposedly Christian civilization, more than 95 per cent of the population is illiterate, saddled by one of the highest mortality rates in the world, grovelling in appalling misery, and compelled to flee their land in search of employment to the Rhodesias, the ex-Belgian Congo and S W Africa. More than a million and a half Angolans (including refugees) have left Angola since 1945. The great magnet was Leopoldville, particularly during the decade of Congo's economic miracle between 1950 and 1959.

Dogmas of Salazar Regime

The Governor-General of Angola, Silvino Silverio Marques, is disingenous when he states:

> "Our policy is the best of all policies. It ensures the defence of western christian civilization. To the Africans, Portuguese presence and laws have offered opportunities that they would never enjoy in an independent country. I am profoundly convinced that it is infinitely better for an African to be a citizen of Portugal than to be a citizen of Angola".

If this is part of the traditionally accepted claptrap of a diseased colonial power, it is an opinion which is widespread among many officials to whom the truth of a proposition is related to the frequency with which it is enunciated. Like *Algerie Francaise*, the dogmas of the Salzar regime are now undergoing extreme unction.

To argue that the liberation movement in *Angola is being led* by a handful of subversives and that pacification is just around the corner is a delusion that Portugal can ill afford. Luanda, Nova Lisboa, Benguela, Lobito, Uige, Huambo, are garrison towns, peopled with green bereted para-commandos and army men armed with conventional N A T O weapons and numbering fifty thousand. The Secret Police, the Policia Internacional e de Defesa do Estado are ubiquitous. Military expenditures incurred on the war now gouge almost fifty per cent of Portugal's exiguous budget.

When the revolt broke in the north-east on March 15, 1961, the Portuguese were caught in a state of total panic. Many of the eye witnesses were unaware that the percussion of the drums of Pan-Africanism could be heard in Angola. Events in the Congo in January 1960 and in July of the same year had been forgotten, although the handwriting on the wall was legible enough to all those who cared to read it. Embalmed in their delusions it was inconceivable that the quiet slave would ever question an order that reached back to 1482. The dramatic upsurge of Angolan forced labour and peasantry ended once and for all the era of the quiet Angolan. A Portuguese journalist, with no sympathies for the nationalist cause, who was an eye witness of the insurgents' advance in the north-east summarized the feeling of many when he said:

> "It will never be the same again. Never. The shattering swiftness with which these peasants struck was unimaginable. We were literally stunned. All the non-discrimination notwithstanding, we secretly believed that the African was incapable of any kind of organization, far less



"There's a word for service," said Tata

"Impeccable...smooth...prompt,"
suggested Fison.

"No, no," *said Tata.*

"Quiet...personal...careful," *offered Ralli.*

"Got it!" *said Tata, a gleam in his eye.*
"Integrated!"

Fison and Ralli agreed. Tata had a way with words.

Together they said, "We offer the farmer an integrated service. The finest range of fertilizers and pesticides in India. And what's more, we advise him on their use."

"A comprehensive service," *said Ralli.*

"A complete service," *said Fison.*

"An integrated service," *said Tata.*

Tata-Fison and Rallis have combined their separate marketing organisations into a single, unified service. For the future, all Tata-Fison products will be marketed by Rallis' Fertilizer and Pesticides Division. The merger will prove of immense benefit to the Indian farmer. For the first time, one integrated service will provide advice and products covering both crop growth and crop protection throughout the country... a notable contribution to the cause of agri cultural progress.



TATA-FISON RALLIS

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of a systematic armed uprising. Perhaps more so because we had conditioned ourselves to believe that such an event was impossible despite what happened in the Congo a year earlier".

For a variety of historical reasons, the dominant one being the retardation of the nationalist movement and the repressive measures of Lisbon, the liberation movement was forced into clandestinity from its inception. "It could not happen here", had now ceased to be true, as it had earlier been in the Belgian Congo.

Rebellion Becomes War

In their obtuseness, Lisbon's emissaries could not perceive the tornado of change that was sweeping all of Africa. Ensconced in their fleshpots they remained impervious to change, given the structure of a colonial autocracy and the naked fascist dictatorship that had battened on Portugal so relentlessly since 1928.

The Portuguese reaction after the bewildering impact of the blow was one of sheer ruthlessness that, perhaps, could only be paralleled in terms of ferocity by France's punitive measures in Madagascar and Algeria in 1945. Dozens of villages were napalmed and 50,000 Angolans butchered, imprisoned or deported to the concentration camps of Bahia dos Tigres and Demba, amongst others.

Rebellion had now been escalated into war. Originally armed with primitive shortguns, knives and cutlasses the Liberation Army under Holden Roberto's leadership has now been turned into a disciplined fighting guerilla force armed with automatic weapons, mortars, radio transmitters and all the paraphernalia necessary for the prosecution of a classic guerilla war. With deep roots amongst Angola's masses these seasoned guerillas now numbering approximately 20,000, have become invincible. This much is admitted by the more liberal elements within Angola and even among certain members of the armed forces; yet the diehards persist.

"We are here to prosecute a war", one officer said to me, "and we shall stop at nothing before victory is attained. It means that the communist rebels must be exterminated. If we fail we shall be guilty of disloyalty". Admirable in its candour it reflected the mood and pattern of conduct that I witnessed in Algeria among many of the French officer caste, though by no means all. The corollary that follows from such logic is implacable: the enemy is to be destroyed with no qualms of conscience. My Portuguese interlocutor informed me that few, if any, prisoners were taken. In every battalion are to be found experts on 'psychological warfare', many of them French legionaires who had not forgotten the techniques they learnt and applied so unmercilesly in Indochina and Algeria.

Algeria-trained Guerillas

Yet the torture methods perfected by General Massu's devotees have had the reverse consequences from those anticipated. It has steeled the resistance of the peasantry and strengthened the hands of the guerillas, as it did in Algeria and Vietnam. Given the colossal size of the country (800,000 square miles, or an area fourteen times the size of Portugal) it is impossible for the colonial army to effectively come to grips with an invisible guerilla force, highly trained and highly mobile. These guerillas have been trained by Algerian instructors in Thysville in Congo republic, 100 miles from the Angolan frontier. The strategy of the Algerian war has been studied and so has the experience of Cuba and Indo-china. The manuals of the Chinese guerilla theorists and Che Guevara and U S army handbooks have been grist to their mills and are now being applied with demoralising effect, as my talks with Portuguese militiamen confirmed.

The Angolan partisans have perfected underground communication networks that match the ingenuity of those that I had seen used by the Viets in Indo-china. And these same primitively armed tribesmen are no longer the same men that fought in March 1961; they have become transformed into efficient killers and masters of modern techniques operating in highly mobile groups of 15 to 20 men.

Undermined by Afro-Asian opinion and the verdict of all free men, Portugal's external position is growing increasingly untenable and internally continues to rest on fragile foundations. Unfortunately, the nationalist movement, until recently, was split into two conflicting groups: the Angolan People's Union led by Holden Roberto and the Popular Movement for the Liberation of Angola led by the Afro-Portuguese Mario de Andrade. The M P L A has now become a shadow organisation and de Andrade, from his refuge in Cairo, has relinquished his command of the party. The Committee of Reconciliation, fathered by the Addis Ababa conference of January 1963, composed of nine African powers of which Ghana and Algeria were members, emphasised the leading role in the actual fighting of Roberto's party. There is now for the first time a unified military high command.

Only Ideology : Freedom

De Andrade, a militant Marxist, saw the future solution of Angola's problem exclusively in socialist terms and the members of his group made no bones of their convictions. Roberto is a pragmatist who waves no ideological flag save that of Angola's immediate freedom. He has been accused by his adversaries and certain African spokesmen of being a tool of 'American and British imperialism'. I raised this issue with him in a two-hour interview in his shabby party headquarters in Leopoldville, reminiscent of the modest G P R A headquarters in Tunis. He replied that he first came face to face with this indictment when he visited Guinea. He repudiates it, contending that he is prepared to accept arms from any source as long as they do not entail ideological commitments. His links with the U S are close and amiable and he has visited that country several times, but never the socialist countries. His provisional government in exile has now been recognized by Algeria, Senegal and the Congo.

Further, he claims that the accusation that he is a prisoner of American interests is untrue since even the Portuguese have not ceased to label him a communist. As to the socialist strivings of the M P L A he dismissed these as insincere and its votaries as merely peddling slogans and ideas that were meaningless in the Angolan context. In flawless French, Roberto outlined with a diamond hard mind the obstacles

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my Boeing wafts you through the skies.
The cherry blossom smile of my sari-clad hostesses
makes you feel as tall as the Eiffel Tower...
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that faced them. The Committee of Reconciliation had demonstrated the absurdity of the charge that he was an agent of American interests. "Why did you tell a *Time* reporter that your guerillas would hack to pieces any Algerian volunteers if they touched Angolan soil?", I asked. "I never said any such thing" he replied indignantly. "This is a vile invention by an American journalist hunting for the sensational. I respect Ben Bella and our relations are excellent. The Algerian revolution is a great achievement in Africa and for many an inspiring one, but I do not see eye to eye with Ben Bella on all and every question. The Angolan and Algerian revolutions are different social phenomena. We appreciate Algerian aid and instructors, but the fighting must be done by Angolan men and women". What he meant was that actual fighting constituted a school for thousands of future administrators, as in Algeria.

Tribalism *vs* Nationalism

There was no posturing in his methods of talking, his manner was direct and straightforward, and his rigorous analytical skill in dissecting an argument and coming to the heart of a question remarkable as his mastery of detail was significant.

As to the more serious allegation that he had recruited his guerilla force from the northern Bakcongo tribesmen and that he was a tribalist Roberto claimed that this was not so. I am personally sceptical of his reply. He may be free from the tribal tinge, but I do not know if he would not beat the tribal drums if he thought it was in his interest to do so. The tragic tribal divisions in the Congo which have now resulted in the breakup of the six provinces inherited from the former colonial power have ripped the Congo wide open. In fact, the Congo has ceased to be a nation and has degenerated into a coterie of conflicting tribes and factional political groupings. We spoke of the tribal scourge at length and Roberto is cognisant that such a policy would rip Angola apart as decisively as it has done the Congo.

Indeed, Salazar has pinned his hopes on the disintegrative forces inherent within tribalism as a bulwark against nationalist encroachment. But while he could count partially on such a social force, it is a poor one, particularly if used by a white man. It remains to be seen once the euphoria of the revolutionary war is worn thin and independence assured if these tribal forces would not emerge and destroy what has been achieved at such an immense cost in human suffering. The Congo offers the classic precedent.

Roberto is a voracious reader who is acquainted with the thought of Marx, Lenin, Mao Tse Tung and Castro, but he is not a Marxist. To my question as to who were the thinkers that most influenced him he replied that the force of events in Africa was his great teacher and in particular the savage exploitation of his own country by an alien intruder, but that two dominant thinkers that clarified his views were West Indians: George Padmore and the psychiatrist Franz Fanon, the ideologist of the Algerian revolution and author of the now celebrated work, *Les damnes de la terre*. Widely travelled in all of Africa and the U S, Roberto acknowledges his debt to these revolutionaries, yet with understanding born of the grotesque tactical blunders of Lumumba, he is prepared to move cautiously.

Portugal Bleeding White

The colonial contention that the liberation struggle will be smashed by military operations in conjunction with a metamorphosis of the rural areas is nothing short of ludicrous. Much of this rural transformation takes the form of village regroupment and finds its counterpart in Algeria and Vietnam. In Algeria more than a million and a half persons were dumped into these camps that were redolent of concentration camps. The truth is that Portugal does not have the resources to put into effect either a Constantine Plan such as France conceived, or even to prosecute the war much longer. In fact, all of the arms, including fighter and reconnaissance aircraft are provided by N A T O.

An effective arms embargo against Portugal has been opposed by Britain's Sir Patrick Dean (an alleged large shareholder in the Tanganyika Concessions Company) and France's Roger Seydoux in the recent General Assembly debate of the U N. Enormous quantities of West German military equipment is to be seen in Luanda, including jeeps and lorries.

The position of the United States Government is clear-cut. It supports nationalist aspirations both militarily and financially. In his recent talks with Mr Salazar and Foreign Minister Mr Franco Nogueira, Mr Mennon Williams said that although the U S recognizes that racial discrimination, as *official* policy does not exist, "the inferior economic status of the natives tends to create a stratified social order", and that the U S did not have the intention of supplanting the Portuguese in its African colonies.

U S Tips the Scales

There are American investments in Angola and the U S constitutes an import market for its exports. Many of my Portuguese interlecutors expressed their contempt of the sincerity of American thinking with regard to discriminatory practices. "I cannot see", declared one senior civil servant in Luanda, "why the U S is so obsessed with the so-called inferior economic status of our Portuguese citizens. We have solved our racial problem, whereas they have not solved theirs. What they want is to substitute American presence for ours here as they did in the ex-Belgian Congo and in Vietnam. And this is the reason why they support Roberto".

The undeniable fact is that American power has now tipped decisively the scales against Salazar. Given the freedom upsurge of the American negro it is unlikely that Portugal can convince the Kennedy administration that together with Pretoria it remains the sole friend of the West in Africa. Whether the mediatory intervention of Mr Ball and Mr Mennon Williams can bring Salazar to the green table remains to be seen.

In his public speech of August 12, Dr Salazar repeated the time-worn platitudes that "Angola is an integral and inseparable part of Portugal". A vicious public utterance, however, is not a private thought and his interview with Mr Pinto Bull, the leader of the Union of the Populations of Guines recently, in Lisbon are straws in the wind.

Opposition within Portugal

If Dr Salazar's decrepit empire is badgered and bedevilled by the internal onslaughts of the nationalist within Angola and Mozambique, he is equally faced with a growing opposition within his own wretchedly underdeveloped country where dictatorship and police terror mark the faces of the Portuguese, as so pungently described by the Brazilian ambassador in 1960 :

> "Their tormented expressions reflect demoralization, revolt, often despair and always intranquillity, insecurity, and fear. Fear of unemployment, fear of prison ... This same phenomenon is visible in the country, in areas where collective life is not on the show-window pattern of Lisbon and Oporto. The tourist ... is often heard to exclaim : 'magnificient roads', 'well cultivated fields' .. But a Brazilian who knows the reality perceives what is behind and beyond this facade. He knows that none of these things belong to the Portuguese people; he knows that these things belong on the contrary to a handful of rich bankers and feudal landlords, to a small group of men who control the reins of political power This group is formed by prosperous business men who hold monopolies and who are engaged in the pursuit of official prestige and the amassing of quick fortunes and who receive the sanction of the State in their dubious transactions . . ."

Algerian Parallel

With an annual per capita income of $ 120, an infant mortality rate of 90 per thousand (or double that of Japan) and 40 per cent of its inhabitants illiterate, Salazar is presumptuous even to speak of a civilizing mission. To be sure, his poverty-striken fascist regime stands on the rim of a revolutionary volcano.

The only organized political force in Portugal is the Communist party which functions within the catacombs of illegality with extensive ramifications among the peasantry and the urban working class. Moreover, its links with the students and faculty members of the universities of Coimbra and Lisbon are remarkably strong as was seen recently when the professorial and student body fought the police within these university precints. In this atmosphere of police-state methods *The Times* correspondent in Lisbon noted in August of this year : "Arrests of men and women on suspicion of subversion continue at an accelerated pace . . . Many professional men and women whose liberal thinking brings them under suspicion have been arrested. This is an uneasy country, where citizens cannot close their front doors and know they are safe". Yet the tide of opposition inexorably rises. Just as Algeria was the gravedigger of the moribund Fourth Republic, so are Salazar's colonies destined to play the serpent to a corporate state that has been in existence since 1928.

National Dialogue Urged

The rumblings of opposition are now audible. Marshall Craveiro Lopes, President from 1951 to 1958, has openly called for an end to censorship and police state methods and urges a national dialogue on vital questions affecting the nation's destiny. The external pressure on Portugal deepens these cleavages General Camara Pina of the army, and General Pinto Rez, chief of the air force have declared that without external military equipment it would be impossible to ensure Portuguese paramountcy in her African colonies. Further, an important faction of industrial leaders, including Mr Jorge de Melo, director of the powerful Companhia Uniono Fabril, shares the views of Marshall Lopes. Nor is this surprising. Already the economy is trapped in the miasma of stagnation, with unemployment rearing its head and prices of staple foods, including salted codfish, rising sharply; and this in a country faced with a burgeoning population and an agriculture which still borders on the mediaeval.

The Lopes-de Melo thesis is that if Portugal is to survive it must reach a negotiated settlement with the African nationalists in order to direct its resources to the modernization of the economy. For it is only in this way that it can meet the competition of E F T A and E C M. And hence peace in Angola becomes imperative for survival. Another variant of this thesis is that if Goa had been granted independence at the propitious hour the humiliation inflicted on Portuguese arms would have been avoided.

No O A S

The feudal families within Portugal and the notorious 'thirty families' in Angola (many of whose *faciendas* exceed 80,000 hectares) and business interests in Angola are opposed to any compromise. Here again it must be borne in mind (and the Algerian and Indochinese precedents are illuminating) that nationalists' funds are partially, derived from the large *facenderos* and business interests in the form of 'protection' money. Many of the more retrograde elements within this social class speak of a 'Brazilian solution', i e, independence from Portugal and they fear that Salazar is preparing a compromise that would jeopardize their interests.

So far this strata has shown nothing of the organisational cohesiveness of the O A S, or for that matter, nothing of its ferocity. And it is unlikely to have any such coherence, because among the European community in Angola the social divisions are monstrously large, with the lower income groups openly declaiming that the country has come to such a pathetic impasse because of the refusal of the rich to pay taxes and their policy of forced labour. Military operations have merely accelerated this rift. The conscripts to whom I spoke in Angola saw no reason for the war, and many expressed the view that they were fighting for the rich and that they had nothing to gain by its continuance. To the right of Salazar is the monarchist party linked with all the forces of the traditional order.

Members of the legal liberal-democratic opposition are inadequately organized but many of their younger bloods are calling for a working arrangement with the Communists as one way out of the political deadend. Moreover, the exiled groups residing in Brazil led by General Humberto and the courageous Henrique Galvao have left their imprimatur. It is this conjunction of forces both within Portugal and outside that will determine the future contours of Angola and that of Portugal itself.

Human Factor in Agricultural Development

Study of a Tribal Community

Niranjan Saha

The tiny territory of Tripura is beset by many social and economic problems. The most formidable of these perhaps, is the rehabilitation of tribals who carry on a type of predatory agriculture.

The Tripura Administration has put into operation two schemes to rehabilitate these people. The study of the impact of these schemes attempted here, shows that in a tribal community equal social and economic stimuli may produce different results depending upon subjective factors like attitudes to work, to living standards, etc.

THE reactions of tribal communities to agricultural development and social welfare projects was studied in a village survey undertaken by the Agro-Economic Research Centre for North East India, Jorhat, in a Government sponsored Tribal Welfare Colony in Tripura[1]. This survey has shown that with same sorts of economic benefits, persons of similar social and economic background achieved different degrees of progress in their adaptation to new ways of life and living. The importance of non-economic factors is profound in a tribal community.

Socio-Economic Background

A brief account of the social and economic background of the people under study may not be out of place. The tiny territory of Tripura is beset with many social and economic problems. The most formidable of these is, perhaps, the rehabilitation of over one lakh 'Jhumia' population who move from one place to another with the Jhum cycle[2]. These people are accustomed to live a simple and easy-going life; their needs are few, aspirations limited and standard of living very low. But their rehabilitation is not only an economic problem as it involves social and psychological questions. The Tripura Administration has initiated several projects for improving the lot of the Jhumias. The Jhumia Colonisation Scheme is one such project[3]. Work on the Settlement Scheme of the Jhumias was started by the Tripura Administration in 1953 at Kathaliacherra. The principal objective of the colonisation Scheme was to induce shifting cultivators to adopt settled farming.

The results of the survey showed that the colonisation Scheme has been a partial success and settled farming has got a mixed reception. It was seen that 41 per cent of the families left for unknown destinations after receiving the benefits under the scheme. Of the remaining 49 per cent (36 families), the occupational pattern is as follows[4]:

Occupational Class	No of Families	Percentage of the Toal
(1) Solely settled farmers	6	16.7
(2) Mainly settled farmers	11	30.6
(3) Mainly jhumias	10	27.8
(4) Solely jhumias and others	9	25.00
Total	36	100.00

Thus 16.7 per cent of the families have been converted to settled farming, 58.4 per cent are in the transitional stage and 25 per cent are still following their traditional occupation. There is another way of looking at the picture. There are three types of farmers among the colonists — the first group is progressive and has the 'will to develop' its farms. In contrast, there is another group which is indifferent to better life and living and prefers to stick to its traditional way of life. There is a third section which has changed its technique of production, but is indifferent to better life.

Three Households

In connection with the survey of the Kathaliacherra Jhumia Settlement Colony, the author carried out case studies of a few selected households with a view to pin-point the factors which have caused different levels of development amongst similar people. Data from three households (A, B, and C) are presented in this paper. The household 'A' belongs to the group which showed marked progress, the household 'B' has shown decline and the household 'C' belongs to the group which could not show much progress, though it entirely changed its technique of production from Jhum to settled farming. Although these three households belong to three different groups, none of the household is 'representative' of the group it belongs to in the strict statistical sense. The three households are chosen deliberately, on the basis of certain common characteristics in social and economic background. These are : (i) they were solely dependent on jhum farming before settlement in the colony; (ii) they had similar family composition at the time of settlement, that is, they had equal numbers of working and consuming units; (iii) they got almost similar housing, financial and other benefits under the government schemes; and, (iv) they belong to Reangs[5].

Table 1 presents data on the family composition and characteristics of the three households under study. In respect of working units, household C is at a disadvantage compared to other two households having 3 working members each. The head of the household 'A' is literate, but his counterparts in other two families are not. All the three households send their children of school-going age to school except household 'B' which does not send a girl aged 8 to school.

Economic Performance

Though in respect of the above there is little difference, there has been a wide gap between the possession of economic assets and performance in agriculture. Table 2 gives data on the acreage under



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cultivation and income from agriculture.

It will be seen from Table 2 that household 'A' had a net sown area of 6.15 acres — 4.15 acres in settled farming and 2.00 acres in Jhum farming and raised crops worth approximately Rs 1,500.00. Against this the solely Jhumia household B worked on a patch of 2 acres of Jhum land and raised crops worth about Rs 400.00 and household C working on 3.4 acres of land raised crops worth about Rs 500.00. This will amply show that household A produced about three times or more than the other two. This was possible only because of the extraordinary zeal and energy of the head of the family and his practical bent of mind. Working hard on the land allotted by the Government, he attracted the attention of the extension officer and utilised the facilities offered to the jhumias to the maximum. This bore fruit and he could purchase some acres of low-land particularly suited for paddy cultivation. The practical sense of the man has prompted him not to give up jhum farming altogether. He has utilised the labour of his wife and daughter who are adept in jhum farming. This has earned him a gross income of Rs 400.00 which is equal to the total income of household B. The crucial factor is thus the attitude to work and to better living. In this respect, the case of Household C may be cited. This household has accepted settled farming as its mainstay, but this has not paid it as well as it might have expected. This may lure it to take up jhumframing in addition to settled farming.

The economic condition of the household may be reassessed with reference to the possession of assets. Some of the assets owned by the three households are shown in Table 3. Households A and C who are relatively progressive possess similar assets, which are far superior to the assets possessed by Household B. The household 'B' stuck to Jhum farming though 3.50 acres of land were allotted to it for settled cultivation. The amount of Rs 500.00 paid to it for the purchase of bullocks etc, it seems, was used for consumption. In respect of housing, while households A and C are living in the colony houses constructed at a cost of Rs 1,000.00 each, household B constructed a traditional 'Machang' house beside the colony house which was in a delapidated condition. The construction of a traditional house for use is symbolic of the attitude of this household to non-traditional ways.

Conclusion

The foregoing discussion brings out two significant facts :

(a) personal attitudes to ways of life play important role in agriculture in a tribal community, and,

(b) equal social and economic stimulus may produce different results, depending upon subjective factors like the attitude to work, to living standards etc.

Notes

1 Saikia, Saha and Sarma : "Kathaliacherra, Report on the Socio-Economic Survey of Government-Sponsored Jhumia Colony in Tripura, Agro-Economic Research Centre for N. E India, Jorhat (Unpublished).

2 'Jhumia' is from the word 'Jhum' which stands for a predatory type of agriculture practised by semi-nomadic hill tribes of north-east India.

A Jhum cycle is the period of fallowing between two successive jhum operations on a plot of land. The jhum cycle has been reduced to 4 to 5 years in Tripura compared to a normal period of 10 to 15 years.

3 For the eradication and control of jhum farming, the Administration has two schemes :

(i) The Jhumia Settlement Scheme initiated in 1953 under the First Plan provided each Jhumia family willing to take up settled farming with 4 acres of land—preferably 2 acres Tilla (upland) and 2 acres Lunga (low-land) and a grant of Rs 500 for purchase of bullocks, implements and seed, etc; and,

(ii) The Jhumia Colony Scheme, taken up in 1957, in the Second Plan to expedite and supplement the works started under the first Scheme with the provision of a house in a colony. A Colony is also provided with medical, veterinary and educational (upto junior basic standard) facilities.

4 The occupational classification is based on gross income from the two systems of agriculture.

5 The Reangs are an important tribal community of Tripura. They are traditionally jhumias. Though they have close affinity with the Tripuras, they remained very backward socially and economically due to their sticking to Jhum farming.

Table 1 : Family Composition and Characteristics

Households	Sex distribution			Economic Status			Educational Status		
	M	F	Total	Worker	Helper	Dependant	L	IL	Student
A	2	3	5	2	1	2	1	2	2
B	2	3	5	3	–	2	–	4	1
C	4*	2	6*	2	–	4*	–	4*	2

* One male baby is only 6 months old.

Table 2 : Acreage under and Income from Agriculture, 1960-61

Household	Acreage under			Annual Gross Income from		Total
	Settled Farming		Jhum Farming	Settled Farming	Jhum Farming	
	Net area sown	Cropped Area				
	Acres	*Acres*	*Acres*	*Rs*	*Rs*	*Rs*
A	4.15	7.15	2.00	1100.00	400.00	1500.00
B	—	—	2.00	—	400.00	400.00
C	3.40	3.50	—	500.00	—	500.00

Table 3 : Household Assets, 1961.

Households	Land Owned		Livestock		Housing		
	Tilla (*Acres*)	Lunga (*Acres*)	Work stock (*Number*)	Young stock (*Number*)	Poultry	Units	Floor Space (*Sq ft*)
A	1.90	3.00	2	1	32	3	552
B	1.50[1]	2.00[1]	–	–	8	2	344
C	1.00	3.80	2	1	6	2	405

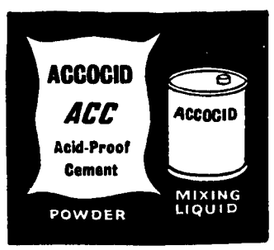
[1] Not cultivated.

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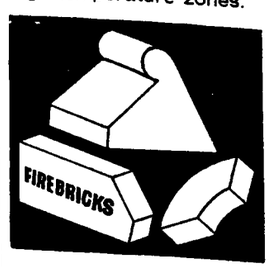
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Development of Fertiliser Industry

Some Vital Considerations

Ajoy Gupta

Speaking in the Lok Sabha recently the Minister for Steel and Heavy Industry indicated that the public sector would have a greater share in fertiliser production in future. Apart from other factors, technological and strategic considerations also favour fertiliser production in the public sector.

The three industries, fertilisers, explosives and petro-chemicals, are closely inter-connected. Their integrated development in the public sector will permit units to switch over to the production of explosives when necessary and then change back to fertilisers.

The other important consideration in connection with the development of the fertiliser industry is that coal-based fertiliser production is uneconomic. Ammonia is much cheaper to produce when the raw materials are derived from petroleum or natural gas than from coal.

In fact, the principal reason for the high cost of production of fertilisers in India is that our plants are mostly coal-based. Much greater reliance should be placed, therefore, on surplus naphtha from the refineries and natural gas from the oil fields as the source of raw material for fertiliser production in future.

THE Third Plan targets of production of fertilisers are 10 lakh tons of nitrogen (as nitrogenous fertilisers), 4 lakh tons of phosphorus (as phosphatic fertilisers) and 2 lakh tons of potash (as potash fertilisers). Production and import of nitrogenous fertilisers in 1960-61 and 1961-62 were as follows :

	Nitrogenous Fertilisers ('000 tons of N)	
Year	Production	Import
1960–61	109	173
1961–62	151	142

Production of phosphatic fertilisers (in terms of P_2O_5) was 53,000 tons in 1960-61 and 65,000 tons in 1961-62. Import of potash fertilisers which is not yet produced in the country, was 25,000 tons (in terms of K_2O) in 1960-61 and 30,000 tons in 1961-62.

So far 18 units (shown in the table) have been licensed to produce fertilisers.

Fertiliser is an industry in which both public and private sectors operate, as in iron and steel. Whereas the iron and steel industry started in the private sector industry and the Government came in later on, fertiliser started as a public sector industry from the beginning. Of the production target of 10 lakh tons of nitrogen fertilisers, 5.7 lakh tons are scheduled to be manufactured by the private sector.

C Subramaniam, Minister for Steel and Heavy Industries, admitted in the Lok Sabha earlier this month that the Third Plan production target for the fertiliser was not likely to be achieved, mainly on account of the inability of the private sector licensees to implement their programmes. Some of the licences issued had been surrendered and the public sector Fertiliser Corporation was now trying to take on as many projects as possible, he said. In the public sector the Rourkela Fertiliser Factory has been transferred from Hindustan Steel to the Fertiliser Corporation. The three new projects at Trombay, Namrup and Gorakhpur are expected to go into production in the Third Plan period. The Trombay project will use refinery gases and petroleum naphtha from the petroleum refineries in Bombay. The ammonia, urea and

Units Licensed to Produce Fertilisers

Project	Details
Government-owned Plants	
Sindri (Bihar) §	Ammonium sulphate, ammonium sulphate-nitrate, urea, 70,000 tons N
Rourkela (Orissa) §	Calcium-ammonium nitrate, 80,000 tons N
Nangal (Punjab) §	Calcium-ammonium nitrate, 80,000 tons N
Alwaye (Kerala) §	Ammonium sulphate, ammonium phosphate, ammonium chloride, 30,000 tons N
Trombay (Bombay)	Urea and nitro phosphate, 90,000 tons N
Gorakhpur (Uttar Pradesh)	Urea, 80,000 tons N
Katni (Madhya Pradesh)	Urea, 100,000 tons N
Namrup (Assam)	Urea and ammonium sulphate, 45,000 tons N
Neyveli (Madras)	Urea, 70,000 tons N
Private Sector Plants	
Kothagudam (Andhra), Andhra Sugar Ltd	Urea, 66,000 tons N
Visakhapatnam (Andhra), Coromandar Fertilisers Co, Ltd	Ammonium phosphate, 365,000 tons; urea, 16,500 tons.
Baroda (Gujarat),* The Gujrat State Fertilisers Co, Ltd	Urea, 90,000 tons; ammonium phosphate, 125,000 tons; ammonium sulphate, 200,000 tons.
Ennore (Madras) §, EID Parry, Ltd	Ammonium phosphate, 16,500 tons N
Tuticorin (Kerala), Kothari & Sons	Ammonium phosphate, 64,000 tons N
Mangalore (Mysore), Shaw Wallace & Co, and Rallis India Ltd.	Urea, 99,000 tons; ammonium phosphate, 123,750 tons; ammonium sulphate, 99,000 tons.
Varanasi (Uttar Pradesh) Sahu Jain Group.	Ammonium chloride, 10,000 tons N
Durgapur (West Bengal)* Durgapur Fertilisers & Chemicals Ltd	Urea, 132,000 tons.
Hanumangarh (Rajasthan) House of Jalan.	Ammonium sulphate, 80,000 tons N

§ In operation.
* To be owned jointly by the Government and private industry.

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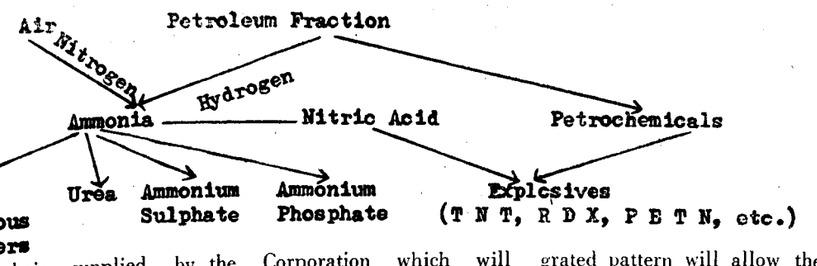
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nitric acid plants are being supplied by the Chemical Construction Corporation of U S A and the nitro-phosphorus plant by Chemical and Industrial Corporation, also of USA. Foreign exchange for the project is provided out of AID assistance and the rupee finance from PL 480 funds. The cost of the project is estimated to be about Rs 33 crores. The second stage of the Alwaye fertiliser unit's expansion programme has been completed with the beginning of operation of an oil gassification plant using naphtha, designed and supplied by Britain's Power Gas Corporation. This will replace the old process and the plant's capacity will increase from 10,000 tons to 30,000 tons of nitrogen fertilisers. The third stage of the expansion programme at Alwaye will further raise capacity to 70,000 tons of nitrogen fertiliser. This stage will also be completed by 1965.

The factory at Namrup is scheduled to go into production by the end of 1965. It is estimated to cost Rs 17 crores. The ammonia, urea and sulphuric acid plants are being supplied by Chemical Construction Corporation and the ammonium sulphate plant is being put up departmentally by the Fertiliser Corporation. Foreign exchange is provided out of British credits. The Gorakhpur factory which is to produce 80,000 tons of nitrogen in the form of urea per year will be constructed in collaboration with a Japanese firm. The cost of the project is estimated at Rs 30 crores, the foreign exchange component of which will be met from Japanese credit. The project is expected to be completed by the end of 1966. The Katni project which was originally licensed for the private sector has been taken over by the Fertiliser Corporation. The target of production is 1 lakh tons of nitrogen in the form of urea. The plant, estimated to cost about Rs 35 crores will be built entirely by the Corporation which will purchase the designs, know-how and special machineries from foreign firms.

In the private sector East India Distilleries have their factory at Ennore which started production in March 1962. The naphtha-based plant was built by Simon-Carves and is financed by the Commonwealth Development Finance Corporation. The Kothagudam and Visakhapatnam fertiliser projects in the private sector are still at the blue-print stage. The Government has approved foreign exchange loans from the Export-Import Bank for these projects. Gujarat State Fertilisers' project at Baroda has also made some progress.

Case for Public Ownership

In sharp contrast with the lackadaisical progress of the private sector projects, the Government-owned plants are exceeding their production targets. The Sindri Factory, for instance, exceeded the target for ammonium sulphate, urea and ammonium sulphate nitrate in 1962-63. Similarly, the factory at Nangal also has exceeded its target. The slow progress of projects in the private sector is being seriously considered by the Government and a committee of experts is likely to be appointed to make on the spot studies of the progress of all fertiliser projects. The Minister for Heavy Industries in his statement in the Lok Sabha referred to above hinted at the possibility of all fertiliser production in future being taken over by the public sector. If this came about, it would be a welcome development, particularly in the case of nitrogenous fertilisers.

The three basic industries, fertilisers, explosives and petro-chemicals, have an integrated pattern of growth. They are closely interconnected and should be planned in such a way that maximum benefit is derived from them. An integrated pattern will allow the units to switch over to the production of explosives when necessary and they switch back to fertiliser production. The diagram makes the interrelationship clear.

The principal and the cheapest source of nitrogen is air. To convert nitrogen into ammonia, hydrogen is needed. One of the cheapest sources of hydrogen is the cracking process of the paraffin fraction of petroleum. Hydrogen on reaction with nitrogen gives ammonia which can be converted into different forms of fertilisers. Ammonia on oxidation gives nitric acid which is the basis of the majority of heavy explosives, detonators and propellants used in war. T N T (trinitrotoluene) is manufactured by the reaction of toluene, derived either from coal or petroleum, with nitric acid. R D X (cyclonite), a very powerful high explosive, is prepared by the action of nitric acid on hexaine (hexamethylene tetramine) which in turn is obtained from ammonia and formaldehyde. Both of these are at present obtained for commercial use from petroleum sources. Nitric acid is in fact the chemical most needed by a country in a war.

To establish an integrated fertiliser-explosives industry will call for very large capital investment. Further, for security reasons also the plants have to be in the public sector. In peace time when the stockpiling of defence materials is not necessary, nitric acid production could be reduced and surplus ammonia utilised for the production of fertilisers.

Coal *vs* Petroleum or Natural Gas

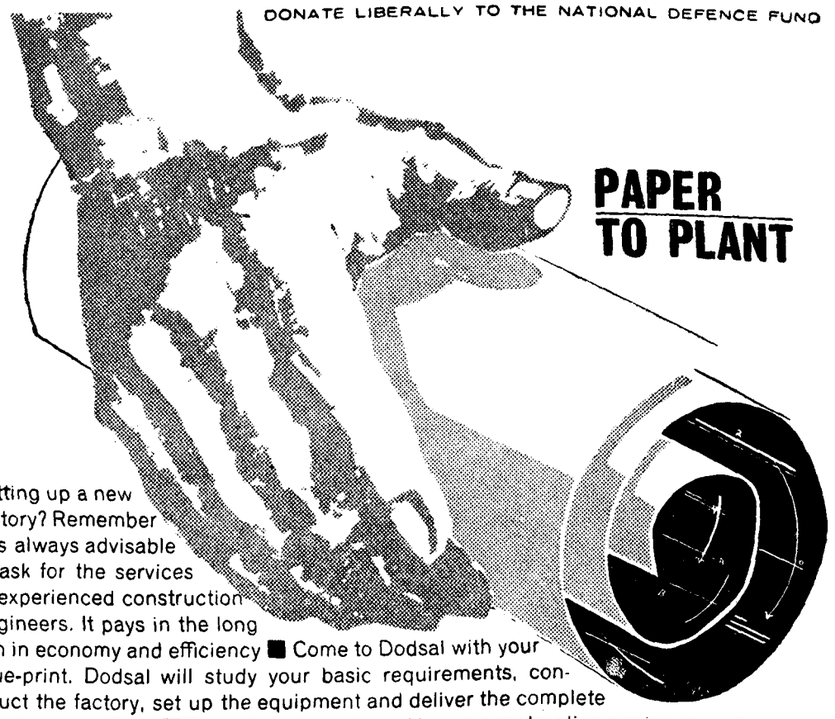
The other important point contained in statement of the Minister for Steel and Heavy Industries was that the principal reason for the private fertiliser projects making poor progress is the difficulty experienced in securing foreign collaboration. He did not, however,

comment on the reasons why foreign collaborators were so shy. One probable reason is perhaps the export clause in collaboration agreements insisted on by the Government. Foreign firms are reluctant to enter into export commitments, particularly considering the high costs of production of fertilisers in India.

A second reason could be that coal-based fertiliser production is distinctly unattractive. In fact, the main cause of the high production cost of fertilisers in India is that our plants are mostly coal-based. It is well known that ammonia is much cheaper to produce when the raw materials are derived from petroleum or natural gas sources than when they are derived from coal. Much greater reliance should have been placed, therefore, on the surplus petroleum naphtha from the refineries and the natural gas available in our oil fields in Gujarat and Assam as the source of raw material for fertilisers. It has been calculated that investment per ton of ammonia is about 30 per cent less in a naphtha-based unit than in one based on coal. A ton of naphtha costs about Rs 73 at our refineries; this can produce a ton of nitrogenous fertiliser. The c i f value of one ton of imported nitrogenous fertiliser is Rs 1,000. Further, large quantities of naphtha are available from refineries in the Middle East which could be imported to produce ammonia. This would be far cheaper than to import fertilisers.

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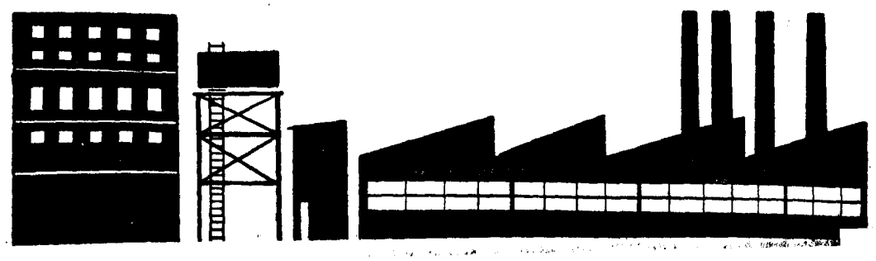
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Conferences Hamper Growth of Indian Shipping

Sudhir Mulji

The principal lesson of the controversy over the India-UK-Continent Conference's decision to raise freight rates is that the Government of India are still helpless against foreign-controlled shipping cartels.

The strength of the Conference system must be realised to appreciate the weakness of the measures suggested by the Government to counter it. No amount of global licensing, permission to charter or general statements that tramp shipping will be helped is likely to prove effective against the Conferences. What is required is to divert cargoes away from Conference vessels to independent carriers who are willing to offer regular service.

In order to do this, the Government will have to take three radical steps.

First, they must outlaw the deferred rebate system and force the Conferences to pay all accumulated rebates immediately.

Second, they must outlaw cartels and oligopolies in Indian shipping by compelling the Conferences to accept all carriers who are prepared to operate regular services.

Third, they must withdraw their very considerable patronage from the Conferences.

[The views expressed in this article are the author's own and not those of the shipping line with whom he is employed].

ALTHOUGH the Government has angrily criticised the freight increase by the India-UK-Continent Conference on the grounds that it will affect exports, on examining the facts, one cannot help feeling that the argument does not cut much ice. The incidence of the increase on none of the principal export commodities will exceed 2 per cent of the end-price. In any case, the difference of 5 per cent between what the Government is willing to offer and what the Conference has demanded is so narrow that the burden cannot possibly be of any great significance for our exports. The point at issue, therefore is not the extent of the freight increase—there is as little logic behind the Government's arguments for a 7 1/2 per cent increase as there is in the Conference's arguments for a 12 1/2 per cent rise: each has arrived at an *ad hoc* figure which it considers the maximum compromise that it can offer to the other.

Government Climbs Down

The point at issue as far as the Government is concerned is prestige. Both the Minister for Shipping and his Ministry have for long beaten the drums for the Conferences. The Government's Shipping Corporation is among the most enthusiastic protagonists of the Conference system, and has fortified itself by non-commercial methods in many Conferences. The Government has given massive and remunerative support to the Conferences by contracting all non-bulk Government imports (which in some trades are as high as 60 per cent of the total non-bulk movement to India) to the Conferences. It, therefore, came as a shock to the Ministry that the India-UK Conference should ignore its recommendation on the question of freight increase.

The Government did not perhaps go about the whole business in the right way; they delayed making public their recommendation in the hope that they could cajole the Conference in private: when they did announce it they gave no reasons for their conclusions; finally, they created a situation in which either they or the Conference had to lose face. It was the Government which had to climb down and the impression was inevitably created that the Government are still helpless against major foreign cartels.

The basic lesson of the contraversy is that the Government have no control over foreign-dominated cartols and the question that is raised is whether the Government should continue to rely on closely-knit Conferences, or whether they should and can encourage independent carriers, in case Conferences get out of control? This is not the first time that this issue has had to be faced; nor is India the first country to face it. In the U S, in a dramatic shipping battle, Isbrandtsen, an independent American operator, challenged some of the major American Conferences in trades to and from the USA. He fought, albeit unsuccessfully, against tying shippers to Conferences by long-term contracts, thereby eliminating open competition.

Vicious System

In India the Conferences' control on shippers is maintained by the even more vicious system of deferred rebates. The justification for the system is spelt out in a small pamphlet published by Karmahom Conference as follows: "but what can he (the liner-owner) do if a tramp vessel, perhaps prepared to operate at a temporary loss while waiting for better employment, makes an isolated raid on his trade and removes a lot of his cargo? He tries to protect himself by saying to his customers that if they confine their support to him and his Conference colleagues then he will give them special terms or deferred rebate on the rates....Most shippers recognise the value of the Conference service and give it their

consistent support — receiving from the Conference the reward for their loyalty".

The innocence of the language conceals the viciousness of the system. First, it is used not just against "stray tramps", but also against independent carriers operating on a regular basis; second, the rebates are deferred, i.e., they are paid only about six months after the goods are shipped. As a result, at any time a shipper has rebates for past shipments due which he would forfeit unless he continued to ship by the Conference. The Alexander Committee in the U S declared it as a system of "continual dependence.....by forcing his (the shipper's) exclusive patronage for one contract period under threats of forfeit of differentials accumulated during a previous contract period".

Combined with the deferred rebate system, Conferences ensure their monopolistic hold by preventing other shipping companies, who are prepared to offer a regular service, from joining their cartel. As Conferences are historically composed of long-established foreign lines, even the few national lines who may be members inevitably have to take a back-seat in Conference discussions. For instance, in the India-UK-Continent Conference, there are 8 British lines, 8 Continental lines and just 3 Indian lines. As all decisions are taken by a majority vote, the Indian lines can be ignored very easily. Giving evidence before the Select Committee of the Merchant Shipping Bill, Sir Ramaswami Mudaliar described the Indian shipowners' position in the Conference by saying that they had to approach "the Conference overlords with bated breath and trembling knees" on any issue of importance.

What Government Must Do

The strength of the Conference system must be realised to appreciate the weakness of the measures suggested by the Government to counteract it. No amount of global licensing, permission to charter, or general statements that tramp shipping will be helped is likely to prove effective against the Conference. What is required is to divert cargoes away from Conference vessels to independent carriers who are willing to offer regular service.

In order to do this the Government would have to take three radical steps. First, they must outlaw the deferred rebate system and force the Conference to pay all accumulated rebates immediately. Second, they must outlaw cartels and oligopolies in Indian trades by forcing Conferences to accept all carriers who are prepared to operate regular services. Third, they must withdraw their very considerable patronage from the Conferences.

It is unfortunate that the Government have entered into long-term contracts with the major Conferences for small rebates. To think that they have gained by this is a grave error. When any shipper ships at least 30 per cent of any trade, as the Government does, he is always in a position to dictate his terms. It is certain, therefore, that the Conferences would be forced to give the Government a minimum of 15 per cent rebate (which is what they are getting) even if the Government did not contract with the Conferences. Take the recent contract the Government have entered into with the USA Conference: for a long time most Government cargoes were being shipped at 30 per cent discount; now the Government has contracted with the Conference for all cargoes — for the same discount of 30 per cent!

Indian Shipping Strong Enough

As for the first two measures suggested above, outlawing the deferred rebate system and oligopolies, they require a major change in the Government's attitude to shipping. Even Antony was not so tied to Cleopatra as the Government is to the Conference system; to them, outlawing the deferred rebate system would be a great leap in the dark. Yet the time has come to assert our independence in international shipping. Indian shipowners can and will provide the necessary service to carry India's trade; we are no longer a minor maritime power which can be ignored; we have gathered strength and developed some skill in handling our own affairs. To continue to rely on the goodwill of foreign shipowners is dangerous and could be disastrous.

It is not, of course, justifiable to compare our strength with what the Americans have achieved; yet it is necessary to drop some British complexes and substitute for them some American attitudes to ensure one's independence on the seas. The Americans do not permit closed Conferences with restricted membership, the kind of oligopoly which can get a vice-grip on a country's trade. The Americans insist on regulating their trade by permitting carriage only at approved rates and not allowing pernicious systems like deferred rebates. Their trades have not suffered as a consequence and there is no reason to suppose that ours will. In any case, major international shipping interests like the British and the Continental are so fond of talking about freedom in trade that they can have no leg to stand on if we remove restrictions on Conference membership and encourage freer competition and freer trade.

Business Aspects Must be Tackled

Although Indian shipping has developed remarkably under the able but unorthodox leadership of the present Director-General, the Government has so far not had the courage to test its strength in international shipping. The dynamic flexibility that has been demonstrated in the expansion of Indian shipping is sadly lacking in tackling the equally important problems of the business aspects of the industry. With growth one should assert oneself in trade; indeed, this is the principal reason for our expansion. Unfortunately, the present policies remain totally devoid of innovations. Indeed, it has taken Indian shipowners a very long time to persuade the Government even on such obvious issues as that Indian ships should get priority for Government cargoes. The time has come to show calculated courage. If a proper assessment is made of our comparative strength, we shall find that Indian shipping should be able to give the Government a sufficient lever to control trades to and from India.

From the Chair

The Imperial Tobacco Company of India Limited

Speech by the Chairman, Mr F A Collett

THE following is the speech by the Chairman, Mr F A Collett, at the Fifty-second Annual General Meeting of the Company held on 26th September 1963 :

The year under review saw the beginning of the National Emergency with its manifold impact on all aspects of national life. The burden on industry generally of the consequential financial measures introduced in March has been great, but the tobacco industry is affected more heavily than most. In our case there was not only additional income taxation, which involved a further charge of Rs 20 lakhs after the year's trading had been completed, but also the substantial rise in the level of Excise. This rise affects our business in several ways. Not only do the inevitable increases in selling prices restrict consumption and make the maintenance of adequate profit margins more difficult but the Company's working capital requirements are also increased because of the large amounts of excise and duty included in the stocks of manufactured goods.

Cut in Dividend

I concluded my Speech to you last year with the words "I am confident that taking all foreseeable factors into account we shall be able to maintain our present rate of dividend during the current year after making adequate appropriations to reserves". Obviously we could not foresee the present National Emergency. The trading profits of your Company for the year fully justified my confidence, but the impact of the national financial measures on your Company, and in particular the increased working capital requirements, have obliged your Board with regret to recommend a reduction of the final dividend to 3%, making a total of 8% for the year as against 9% last year.

The need for additional working capital is emphasised by the Company's cash position. Until very recently your Company has been in the position of being able to finance its business without resort to borrowing, but you will see from the Accounts that at 31st March last the Company was dependent on bank finance, albeit for a comparatively small amount.

Excise on Stocks

Whilst the deterioration in the Company's liquidity is in part due to the purchase of our requirements of flue cured leaf tobacco at an earlier date than usual, the most important factor is the very much larger amount tied up in Excise on stocks on hand, due not so much to larger physical stocks as to the higher rate of excise applicable to those stocks as a result of the further increased rates announced in this year's Budget.

As this factor is so important, I think perhaps it would be appropriate if I deal with it in more detail.

Tobacco Excise Duty, with its attendant Special and Additional Excise Duties, is payable at the time that the leaf tobacco is taken into use in the factory, while the much heavier Cigarette Excise Duty (with its attendant Special and Additional Excise Duties) is payable when the finished cigarettes leave the factory.

These cigarettes are then despatched throughout the length and breadth of the country to the many distribution points which we maintain in order to give the ultimate consumer the sales services that he rightly expects. As cigarettes are, particularly during the monsoon, a perishable commodity, it is very much in our interests, and that of the consumer, that the period between the manufacture of the cigarettes and their consumption is reduced to a minimum.

Our Marketing and Traffic departments are constantly and persistently trying to reduce this transit period, and have indeed met with a deal of success. Nevertheless, despite our best endeavours, and with despatches from five factories in different parts of the country, we have not been able to reduce it below an average of three to four weeks, and we are not therefore reimbursed for our outlay on Excise during this time.

With successive increases in the rates of Excise this outlay has been steadily mounting: and the 1963 Budget increased it by as much as Rs 67 lakhs on approximately the same volume of cigarettes, with the result that we now have perforce some Rs 2 crores of unremunerative capital permanently tied up at any one time in Excise.

Representation to Government

I think that it is generally accepted that Excise is intended to be a tax on the consumer, and not on the manufacturer who is taxed by Corporation Tax and Super Profits Tax, not to mention the Excise element in the price paid for raw materials. It is not therefore reasonable to ask the shareholders for new capital to finance this outlay as there is no return on it at all. We have so far been fortunate in that our Bankers have been able to grant us overdraft facilities to enable us to carry this burden.

However, as it well known, in this stage of the country's development Bank funds are not unlimited, and are required for the finance of new development to broaden the base of the economy. We are therefore making representations to Government to allow the industry some credit on their excise payments as is done in many countries, in order that these funds may be put to a more useful purpose than at present, and can only hope for a successful outcome.

The cigarette trade is one of the largest producers of Excise revenue

in the country, and consequently our policies are to a very large extent dominated by this impost. The effect of successive increases in excise rates over the last two years has been, and still is, far reaching, particularly as although Government revenue has continued to rise fairly steadily, the volume of business has not.

For the five years until the 1962 Budget there had been a steady increase in volume of some 10 % per annum. As a result of that Budget the volume last year was virtually stagnant: and although it is more difficult than ever to forecast the effect of the 1963 Budget it seems highly likely that this year will see a regression in volume, though not in Government revenue, for the first time for several years. In fact, rising costs coupled with annual increases in Excise rates have forced our lowest prices up to a figure which many consumers can no longer afford to pay.

Price Increases Restricted

In these circumstances after this year's Budget, your Board was faced with two alternative courses: either to pass on the whole of the increased Excise rates to the consumer, thus accentuating the anticipated fall in volume of sales with the consequent laying off of labour in the factories, or, taking the long-term view that this is a temporary setback brought about as a by product of the National Emergency, to absorb a large part of the Excise increase, thereby restricting price increases to the minimum, particularly in the lower price categories.

We have chosen the latter course because we considered it to be in the best long-term interests of the Company. This must inevitably result in considerably decreased profits for the current year.

In the developing stage of the country periodical increases in Excise rates are probably inevitable: but in the cigarette trade an Excise change means a complete overhaul of the entire business, particularly for a Company such as ours which sells cigarettes over the entire price range from Rs 1/40 to 12nP for ten. Thus when the increases come regularly every year it is extremely difficult to maintain a consistent long-term policy, and considerable fluctuations in profits seem inevitable.

In our opinion Tobacco and Cigarette Excise rates have for the time being at least reached the maximum that the consumer can afford to pay, and the trade needs a period of stability: further increases in Excise must clearly be reflected by equivalent increases in prices to consumers, which in present economic circumstances can only result in further decline in volume of sale.

Training Programmes

I mentioned to you last year the progress that we were making towards increased productivity through training and this objective has assumed even greater importance under present-day conditions. If volume, and therefore profits, are to remain stagnant or diminish due to the tax burden, any further development must come from greater productivity and greater efficiency. For this reason an intensification of our training programmes is being undertaken and our administrative procedures are being closely re-examined.

The urgent need for effective training, both of our Managers and Labour, has been recognised now for several years and during the past year the momentum in both directions has been stepped up. Wherever possible the fullest advantage has been taken of training opportunities offered overseas for Managers at the senior as well as the intermediate levels, and in this connection two senior Managers have attended sessions at the Administrative Staff College, Henley-on-Thames, in the U. K., and seven of our intermediate Management completed courses at the Training Centre run by our Associates in the U. K. in the recent past. In addition a further seven men have completed other forms of technical training in the U. K. and Australia.

This has not only helped our key personnel to keep up to date with latest developments and techniques but has also assisted us in equipping a larger number of our Indian national staff to take over responsibilities previously held by foreigners in furtherance of the Indianization policy. At home six of our senior Managers were accommodated on courses at the Administrative Staff College at Hyderabad in the past year and two men attended full-time Management Courses run by the Calcutta Management Association and Indian Institute of Personnel Management. Our own residential Training Centre in Calcutta is being utilized to the full in training Managers at all levels in general management techniques, as well as in imparting a greater awareness of the commercial aspect of their jobs as Managers. Altogether approximately 100 members of the Company's Canagement have completed courses at this Training Centre during the past twelve months.

Accent on Efficiency

The Executive Development Programme is also directed towards the particular objective of more intensive training of labour in which a large number of our Managers are now actively engaged. Our Labour Training programmes are being vigorously carried out in all the Company's branches with two objectives—first to increase the efficiency of operatives and secondly to improve the supervisory and leadership skills of the higher echelons of labour. By these means greater productivity is our aim, and the enthusiasm with which our Labour Training programmes have been received by the labour themselves has also helped to improve our Management's relationships with the work force.

I would like to close with a word about the future and little as I like to end my Speech on a depressing note, the very steep increases in Excise duties imposed by the 1963 Finance Act represent a substantially increased burden for your Company, and our trade has undoubtedly suffered severely. I can only forecast, therefore, that in the current year we must expect profits to show a marked decrease.

N.B.— This does not purport to be a record of the proceedings of the Annual General M...

Alind's Seventeenth Annual General Meeting

'An interesting, and in some ways, a challenging year'.

Mr S Narayanaswamy Reviews Activities

Disturbing effect of SPT. Enhanced rolling and conductor capacity. Improved metal position. Tax impact on dividend. Productivity Team's Report on cable Industry.

ADDRESSING the Seventeenth Annual General Meeting held at the Registered Office, Kundara, on 23rd September 1963, Mr. S. Narayanaswamy said:

Before discussing domestic affairs, I would like to dwell briefly on the posture of public affairs. Since we met last, China has chosen to violate our northern frontiers in an effort to enforce her fantastic and historically unsustainable claim for a part of our Himalayan territory, about which she has carried on an acrimonious debate with India for some years now. The Government of India have since proclaimed a state of emergency in the country. This has not unnaturally resulted in distracting the attention of Government and the people and in the deployment of our energies from our more constructive preoccupation — with economic development. Government have expressed their resolve not to allow the state of Emergency to interfere with implementation of the Plan despite some slight re-ordering of priorities rendered inevitable by the exigencies of Defence. Industry and trade have shown practical appreciation of the necessities of a changed political situation, created by the unexpected bellicosity of China — by placing their resources and productive machinery at the disposal of Government.

In the effort to mobilize resources for Defence, the Central Government have introduced certain taxation and savings measures. These, however, have tended perceptibly to slow down the tempo of development activity and to dishearten wage earners at all levels. The Super Profits Tax, which concerns the Corporate Sector exclusively, has had the disturbing effect of slowing down capital formation to a degree that must cause grave concern to all those that believe in the development of free enterprise and indeed to the Planning Commissioners who have made copious allotments of industrial capacity to the Private Sector. The latter cannot hope to play its allotted role without mobilizing the resources of the people through healthy capital formation. The accentuated rigours of Corporate Taxation have had the unwholesome effect of deflecting savings to channels that offer immediate and less uncertain returns, while being far less productive of added industrial capacity to the country. If as is frequently claimed, the country has to pay homage at the twin altars of Defence and Development, the resourcefulness of our tax experts must be harnessed in declogging the choked conduits of capital formation by total substitution of the Super Profits Tax by an alternative impost. The concept of progressive taxation of the Corporate Sector seems strangely contra-indicated for an economy that is developing from infancy to adolescence. It is my hope that recent changes of personnel at the highest level will lead to rethinking on this subject and intrepid action.

Lower Sales, Higher Profits

1962-63 has been an interesting and in some ways a challenging year for ALIND. We have reported a contraction in sales by about Rs. 44 lakhs or about 7 per cent over the previous year; but our taxable profits have been higher at Rs. 55.40 lakhs against Rs. 41.37 lakhs in 1961-62. This is contrary to the general trend in company performances during the year, where larger sales have been followed by reduced profits — this being in major part explained by increased cost of raw material, higher wages, fuel costs, power and other operational factors. The higher profits of ALIND for the year create the impression of uniformly higher profitability of working in every line of production which I am reluctant to dispel.

In an age when wideawake shareholders insist on being told as to how a company happened to fare better no less than how it happened to fare worse, when those alternations of fortune do occur, it is perhaps just as well to take you into confidence and say that the Company's programme of effective diversification of its production lines over the last few years has been vindicated as is presently reflected in the overall gainfulness of the year's operations. I may add that this policy of diversification continues to be implemented with zest by the management as is evident from the programme outlined in the report.

Widened Sphere of Activities

The covered conductor capacity at Kundara is being stepped up and the enhanced capacity will be in full commission before the end of the calendar year. The Hyderabad covered conductor unit will also go into production in the last quarter of the year.

While the civil works connected with the erection of the plant for manufacture of "SOLIDAL" or low voltage plastic-insulated underground aluminium cables are under way, there has been some delay caused by delayed issue of import licences, in the placement of final orders with machinery manufacturers abroad. It is however expected that the Solidal plant will go into steam by August 1964.

The Company having received a licence for the expansion of its rolling capacity at Kundara, arrangements are being made to secure a second Properzi unit for continuous rolling of metal. This will bring the number of Properzi units operated by the Company to three including the one working at Hirakud. Arrangements have just been com-

pleted for obtaining the required foreign exchange through the Industrial Credit and Investment Corporation of India who have kindly offered us a loan in foreign currency for the purpose. With the completion of this programme, ALCAD would have graduated with honours into the rank of comprehensive cable manufacturers, without losing its primacy of place as a producer of bare high tension conductors. I would like you to join me in congratulating the Managing Agents and top executives of the Company for their prudent but intrepid planning which has helped the Company to widen the sphere of its activities with a minimum of additional capital.

SPT Impact on Distributable Profits

I now come to the somewhat less colourful aspects of the Report and Accounts. I presume several shareholders have smacked their tongues out of a sense of deprivation on seeing a sum of Rs 39.50 lakhs being carried to tax provision. This provision includes a sum of Rs. 9 lakhs provided to meet Super Profits Tax demands. This somewhat copious but inevitable provision has compelled your Board to reduce the dividend for the first time in the Company's history. That the Company had to salt away in tax provision over 263 per cent of what is being distributed to shareholders as dividend may dishearten shareholders somewhat, but that is a measure of the impact of S. P. T. on distributable profits of a Company, which in the past has sought to achieve a fair balance between distribution and ploughing back, a fact to which the Tariff Commission bore handsome testimony the other day.

Better Metal Position

The position as to aluminium metal has shown great improvement with the commissioning of Hindustan Aluminium Company's plant at Rihand. It is a matter of no small gratification to the management that dependence on external sources and allocation of metal through DLF and similar sources has to an extent been reduced. The Company has a modest share in the export trade in cables and is happy to report that such export has been economic. There is however no reason to expect a large off-take of Indian manufactures owing to competitive prices offered by manufacturers in world markets.

Purposeful Report of Productivity Team

I should avail of this opportunity to dwell briefly on the Report and Recommendations of the Cable Industry Team of the Indian Productivity Council published recently. It is a matter of satisfaction to us that the Team of which our General Manager, Mr. V. G. G. Nayar, was the leader, has produced a purposeful and practical Report. Among the recommendations made are: elimination of conflicting grades of wire in manufacture and sale and adhering to certain recognised grades only; insistence on conformity to rigid specifications in electric cables and where small producers are in the line, an arrangement for joint or pooled testing facilities to establish their conformity to ISI standards: creation of manufacturing capacity for fittings and accessories for aluminium cables, particularly because of the switchover from copper to aluminium metal in cable manufacture in India: the need for excise relief on P.V.C. and plastic material used in the Cable industry in order to maintain parity with the end price of imported raw materials used as alternatives. It is my hope this Report will receive the attention it deserves and be acted upon by both Government and Cable manufacturers, big and small.

Before I conclude I would request shareholders to bear with us in what I have reason to hope is a transitional phase in distributions. Having regard to the projects under implementation and those under examination, there is reason to look forward with confidence to the future. In this blue print of gainful expansions, the shareholder as resource provider will be restored his rightful place.

I want to tender the thanks of your Board of Directors and of you all to the Managing Agents, administrative and technical staff and all ranks of workers for the fine work they have put in during the year.

N.B.—This does not purport to be a record of the proceedings of the Annual General Meeting.

National Insulated Cable

NATIONAL Insulated Cable effected higher sales during the year ended March 31, 1963 at Rs 4.01 crores compared with Rs 3.90 crores in the previous year. The profit for the year after providing for depreciation but before taxation is lower by Rs 2.75 lakhs at Rs 62.90 lakhs. The profit margin has declined from 16.8 per cent to 15.6 per cent. Provision for taxation (including that for SPT at Rs 1.78 lakhs and for bonus issue at Rs 5.62 lakhs) absorbs Rs 39.47 lakhs (Rs 33.71 lakhs). There has been left over after taxation a profit of Rs 23.43 lakhs as against Rs 31.9 lakhs in the previous year. The net profit margin is reduced from 8.3 per cent to 5.7 per cent. The Directors have declared a dividend at the rate of Rs 1.80 per share on 13.5 lakhs of ordinary shares absorbing Rs 24.30 lakhs. The dividend paid last year was Rs 22.50 lakhs at the rate of Rs 2.50 per share on 9 lakhs ordinary shares. During the year 4.50 lacs ordinary shares were allotted as fully paid up bonus shares by capitalising Rs 35 lakhs from General Reserve and Rs 10 lakhs from Capital Redemption Reserve. The return to the shareholder is higher by 40 nP on every two original shares held. Along with a paid-up capital now of Rs 1.35 crores, the Company has reserves and surplus aggregating to Rs 1.25 crores. Earning per ordinary share works out to Rs 1.74 (or Rs 2.60 on the old capital) as against Rs 3.55 per share previously. The share gives a return of 7.8 per cent gross at the current rate of Rs 23.

The Directors state that on account of the restriction imposed by Government on the use of copper for bare conductors and some insulated cables, aluminium had to be used in place of copper which initially met with consumer resistance. Production was affected to some extent by power shortage in Calcutta industrial area.

Chairman's Statement

Indianoil's Fourth Annual General Meeting

"Bound to become an Oil Giant in the Country"

Mr P A Gopalkrishnan, ICS, Reviews Activities

ADDRESSING the fourth Annual General Meeting held at the Registered Office in Bombay on September 25, 1963, Mr. Gopalkrishnan said:

The Balance Sheet and Profit and Loss Statement are in front of you for your ratification. You will see that the Indian Oil Company has made a profit of Rs 59.61 lakhs after making provision for payment of tax in 1962-63 over an equity capital of Rs 322.25 lakhs. This gives a net return of 18.5 % and a net profit per kilolitre of Rs 9.3. With this amount of Rs 59.61 lakhs, it is proposed to wipe off accumulated losses of Rs 16.85 lakhs, make provision for development reserve of Rs 43.44 lakhs and carry forward a small balance. The net profit would have been over Rs 90 lakhs if we had received agreement to receive the following amounts from Government or other parties:

(i) Rs 10 lakhs and odd which was realised by Government as C & F duty which was really not due.

(ii) Rs 14 lakhs and odd from Government on account of abnormal bridging expenses, emergency risks insurance, demurrage etc.

(iii) Rs 3 lakhs and odd from Government on account of unrecovered freight in Nunmati Supply Area.

(iv) Rs 4 lakhs and odd from other oil companies on account of Central Sales Tax which the IOC has paid on behalf of other companies.

The Indian Oil Company is pursuing these cases. Besides, the Company has paid Rs 10.79 crores as Customs Duty, Rs 6.67 crores as Excise Duty and Rs 1.04 crores as Sales Tax, making a total of Rs 18.50 crores (Rs 4.24 crores received from other oil companies). The total amount by way of these three duties paid by the Indian Oil Company from its very inception is Rs 22.39 crores.

Sales Trebled

The quantity of product sold in 1961-62 was 322 kilo-litres per person employed at the end of March 1962. The quantity of product sold in 1962-63 was 482 kilolitres per person employed at the end of March 1963.

Sales have almost trebled in 1962-63 compared with the previous year. They amounted to 629,639 kilolitres, plus 16,764 kilogrammes of greases and 11,498 metric tons of Petroleum Coke as compared to 211,033 kilolitres (plus nil kilogrammes of greases and nil metric tons of Petroleum Coke) in 1961-62. Starting with two oil products, the Indian Oil Company now sells fourteen products viz., High Speed Diesel, Superior Kerosene, Inferior Kerosene, Aviation Turbine Fuel, Furnace Oil, Tea Drier Oil, Light Diesel Oil, Transformer Oil, Axle Oil, Lubricants of different sorts, Iomex, Motor Spirit, Greases and Petroleum Coke.

Technical advice is now available for giving advice to industrialists and others in the use of proper lube oils and fuel oils. A full-fledged lubrication department has been set up with officers in all branches for the purpose.

Blending Plants

Under a series of agreements with Mobil Petroleum, the IOC have become the sole distributors in India for Mobil Premium grade lubricants and two blending plants are being set up by the Indian Oil Blending Limited of which the Chairman of the IOC is the Chairman and the IOC and Mobil hold equal shares. The Blending Plants are expected to go into production in 1964 thus leading to saving in foreigh exchange. The IOC has already saved Rs 7.78 crores in foreign exchange in 1962-63 as against Rs 4.57 crores in 1961-62 by making rupee payments for the oil products from communist countries and avoiding payment in foreign currency.

Storages

The storage space of the IOC at port and main installation has increased nearly two and a half times during the year under review. The company has also established a large number of inland depots and retail outlets to promote its sales and service to the consumers.

The times are difficult. While the Government is ready to collect Customs Duty and Excise Duty as the products are withdrawn for despatch, they are not prompt in paying the bills. Various rules come into play such as Supply Orders, Inspection Notes and Consignees' Receipts. In result the amount outstanding at the end of August 1963 is over Rs 8 crores. Out of this over Rs 4 crores is outstanding on Account of DGS & D bills alone and about Rs 4 crores with the State Government and other State Undertakings. Since the Indian Oil Company caters to the needs of almost all Government Departments and State Undertakings, the burden on the Company is terrific. It has to carry big overdrafts and Rs 2 lakhs per month becomes the interest charged alone. On the one side there is a ceiling price fixed by Damle Committee on certain assumptions and on the other there are terrific outstanding bills owing to Government Rules and Regulations. The burden on the Company is very much and working capital requirements have gone up. So in the current year, the rate of profit on the equity capital is likely to go down, particularly because of the increase in duty on all kinds of products.

Operational Cost

The next important item is the operational cost per kilolitre of

product sold. Excluding sales to Hindustan Organizers, which are made from tankers direct, the operational cost in 1960-61 was Rs 35.16 per kilolitre. In 1961-62, it was Rs 31.68 per kilolitre. In 1962-63, it was Rs 30.16 per kilolitre. It would have been Rs 25.82 per kilolitre if certain abnormal expenses pertaining to previous years had not been met in 1962-63 and if the expenses had not increased as a result of the emergency and other causes.

Almost all the oil products sold by Indian Oil Company as well as by other companies are used both in the rural areas and urban areas. The tax paid to the Government comes from the pockets of the entire population. Many middle men get profits out of the business. So do the oil companies which employ quite a number of persons. Therefore the oil industry is very important to the people as well as the Government.

World Refining Capacity

The oil industry is about a hundred years old and many international giants have risen, particularly in the United States. In 1950, North America had about two thirds of the world's refining capacity. Now it is less than half. Refining capacity is increasing in consuming countries, the sources of supply supplying only crude oil and there is a frantic and systematic search for crude in almost all countries. The world's refining capacity is very nearly 1,200 million tons. Russia exports 40 million tons of oil and oil products per year. So you can imagine the size of the international oil industry. Compared to it, the Indian Oil Industry is very small and the business of the Indian Oil Company is much smaller. Barauni Refinery is expected to go on stream in March or April 1964 and Koyali and Cochin Refineries are expected to go into production by March 1965 and June 1966 respectively. The ultimate capacity of the four Public Sector Refineries is 9.75 million tons and when the Indian Oil Company begins to distribute the production of these refineries it is bound to become one of the oil giants in the country.

Finally, I wish to point out that this young Indian Oil Company has started off well and has made a profit for the first time in 1962-63, which is creditable. I thank you for your co-operation and advice and thank all those officers and staff in the Company, who have worked hard to make the year successful.

N.B.—This does not purport to be a record of the proceedings of the Annual General Meeting.

Machinery Manufacturers Corporation Limited

Speech of the Chairman, Mr K C Mahindra

THE following is the speech of Mr K C Mahindra, Chairman, Machinery Manufacturers Corporation, at the 17th Annual General Meeting of shareholders held in Bombay on September 25, 1963.

I welcome the shareholders of the Machinery Manufacturers Corporation on the occasion of the Annual General Meeting of the members of the Company. You are gathered here to receive the report which your Directors have submitted on the operations of the Company for the year ended 31st March 1963, and if it meets with your approval, to adopt the audited Balance Sheet and Profit & Loss Account for the period.

Two Landmarks

The year under review presents two landmarks in the history of the Company. One: there is now wide acceptance of the premier position of MMC as manufacturer of quality Carding Engines. The Company continues to command more than two-thirds of the market in India. The second landmark is that certain integrated plans formulated some years back have now come to fruition. These, in the opinion of your Board, have greatly strengthened the basic structure of the Company. Shareholders will remember my reference to the need for diversified activity. The textile industry in India as such is subject to violent fluctuations. This is not a characteristic of the Indian industry alone. I find that similar upheavels occur in the textile industries of Japan, of Britain and the United States. As supplier of an essential piece of equipment to the textile industry, the Company must, therefore, prepare itself to face the periodic rise and fall in the fortunes of the spinners. For reasons with which you are familiar, the Company was not able to embark on any plan for meeting this sort of a challenge until our original product had received full and ready acceptance by the industry, and secondly, what is more relevant, until such time as the finances of the Company would permit such a development.

A few years back, after a technical review of the facilities available, your Board decided upon Diesel Engines as a suitable diversified product for the Company. With the help and cooperation of the Managing Agents, they were able to enter into a reasonably long-term contract with the Indian National Diesel Engine Company, for the supply of a large number of components for the Diesel Engines which INDEC proposed to manufacture. INDEC, in its turn, set up a small manufacturing shop comprising only a few specialised machine tools and assembly and testing equipment. It hoped to farm out the major portion of the work to MMC. Over the years, this method of manufacture and assembly was found both uneconomic and unfruitful. To MMC also the particular contracts did not provide a sufficiently attractive base for development. These difficulties led to a conclusion by INDEC that its manufacturing must be centralised. It was finally arranged that MMC would take over the physical installation of INDEC connected with manufacturing as well as the machinery and equipment which INDEC had leased to them. INDEC was in a particularly happy position that its British shareholders were committed to send further machine tools worth over £ 60,000, and also engine components of a total value of £ 180,000 for which deferred terms of payment had been arranged. Despite the sale of its manufacturing facilities by INDEC this arrangement continues and MMC will receive the benefit of these deferred terms.

I have given a brief resume of this position in order to convey to you our conviction that your Company has now placed itself in a position to manufacture a complete diesel engine from castings to painting—engines at present ranging from 6¼ to 13½ h.p. If and when INDEC desires to produce engines of a higher horsepower, MMC will have the option to produce them on similar terms as govern the present range of production.

Managing Agent's Prominent Role

I should like to repeat that in this venture into diversification the Managing Agents of the Company have played a prominent part, in as much as the plan for a diesel engine company was prompted by consideration for MMC's future. They were able to persuade a prominent British firm to join them in establishing the diesel company and now that arrangements have been concluded for a physical take-over of the manufacturing assets of the company by MMC, the service rendered by the Managing Agents is complete. In the process, a substantial sum of money has been invested by them in the diesel business, and it is hoped that the new arrangements will work out to the mutual benefit of MMC and the diesel company.

It can bear repetition that during its history of 17 years, the Company has gone through several major financial crises. On occasions, the resources at the disposal of the Company were completely exhausted, and I recollect a time when despite substantial help from the Managing Agents the Company was on the brink of closure. On such and sundry other critical occasions the Managing Agents placed their own resources in support. They were also able to persuade the Government of India to come to its assistance in a large way on three major occasions. One was the crisis in 1953/54 when our funds were very low indeed and the Government was persuaded to invest Rs 25 lacs in the Preference capital of the Company. Another time in 1959 they gave Rs 5 lacs to the Company as a loan in order to enable it to complete its foundry project. On the third occasion the Government actively encouraged us to put through the Scheme of Compromise or arrangement which was finally enacted in 1960. I should like, on behalf of the Company, not only to acknowledge this generous assistance which Government has given, but also to convey to them our deep appreciation. Here is one shining example of Government assistance readily forthcoming to help in the development of a basic industry—an assistance which was constructively given, and I hope it is to Government's satisfaction that the assistance has been constructively utilised.

Financial Results

The financial results of the operations of the Company over the last four years indicate the turn which has taken place in its fortunes. Coincident with our capital reconstruction scheme there was a spurt in business conditions: your Company was fully ready to meet them with the result that the Company has been able to reduce its indebtedness to Government and to the Industrial Finance Corporation by over Rs 27 lacs in these 4 years. We have also been able to build a reserve of over Rs 35 lacs. This is no mean achievement.

I need not elaborate on the Accounts for the year under review except to say that a large portion of the Profits of the Company have been appropriated for taxation. The Company's works have operated during the year at a very satisfactory level. In addition to maintaining an increasing production of Carding Engines, we were able to offer to the Ministry of Defence our resources for the production of Ordnance stores. Certain educational orders have already been completed. It is possible that a portion of our capacity may be utilised for defence purposes. This, of course, must receive priority over production for civilian purposes.

Rehabilitation of Plant

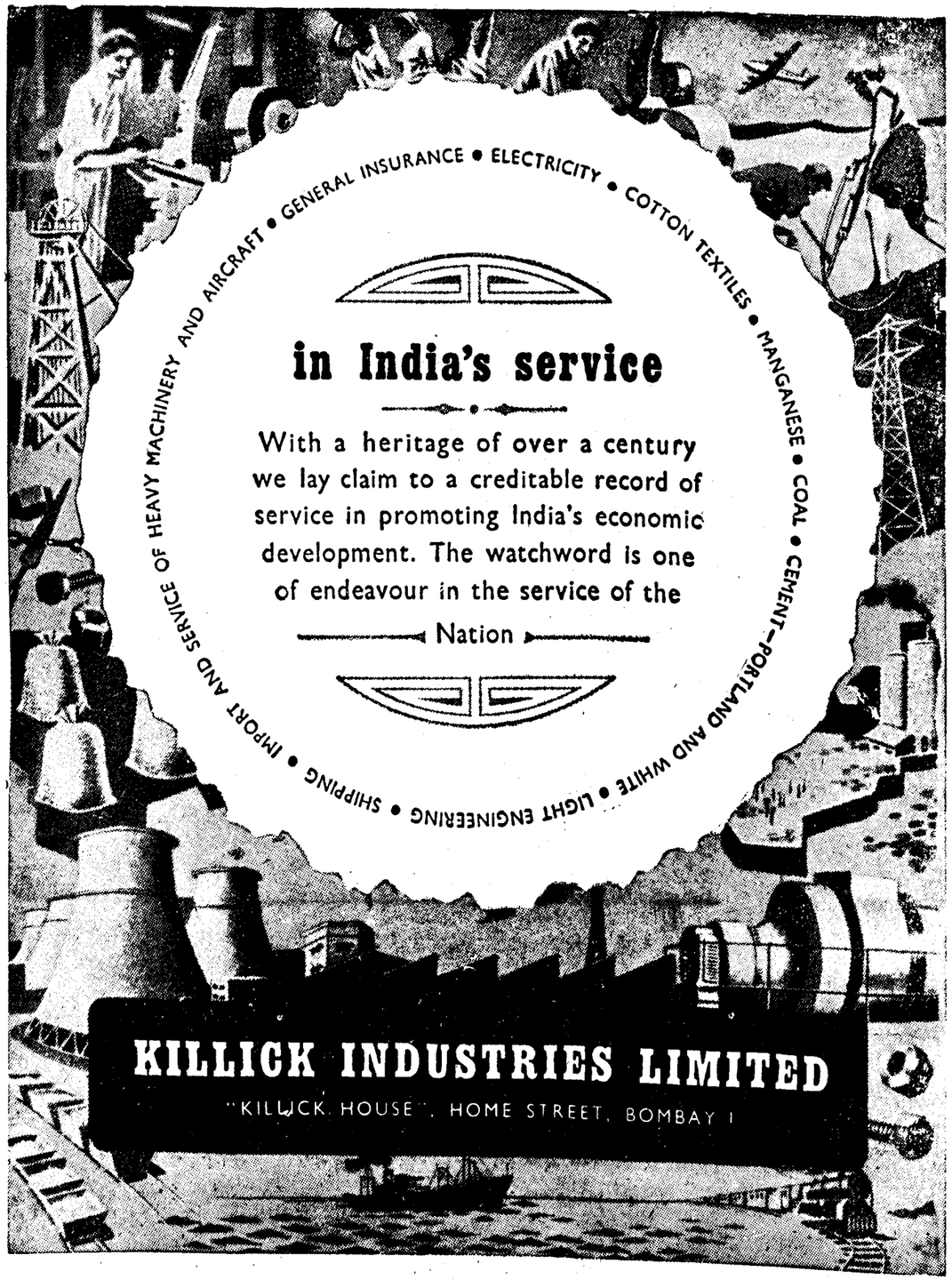
The process of rehabilitation of plant and equipment of the Factory has continued. We are still without certain essential machine tools which would assist us to place the manufacture of Speed Frames on a proper production basis. As the import licences have only recently been received, it is hoped that the special purpose machinery required for the job will be secured by us within the next few months. The prototype designed and engineered by the Company's technicians underwent its final trials last year and we have booked an initial order for 12 Speed Frames for delivery within the next six months.

Our development section has kept pace with the latest research in carding technology. An aerodynamic card of revolutionary design has been under experiment in France for a couple of years; in America and in Britain certain high production devices have been evolved. Our engineers have these developments under study; in fact the Company's Super Card which has been undergoing tests at the Textile Research Institute, is essentially a high production device. If our technical studies lead to the conclusion that any of the devices now being tried overseas are worthy of adoption in our textile industry, your Company will be in a ready position to adapt our Carding Engines to suit the new developments.

Shareholders will be pleased to learn that your Company produced over 70% of the total production of Carding Engines in the country. Supplies of equipment to the textile mills continue very satisfactorily, and our bookings for the six months of the current year have been good.

To the workers, the staff and the management a special tribute is necessary, and on your behalf I should like to convey to them our appreciation of their strenuous efforts throughout the year.

Note:—This does not purport to be a report of the proceedings of the Annual General Meeting.



Around Bombay Markets

Dalal Street in Cheerful Mood

Wednesday, Morning

DALAL STREET is pulsating with life once again. Equities last week recorded spectacular gains and the rise was not restricted to a few speculators' favourites only. Gains were widespread and for the first time in many months cash scrips, more particularly the relatively new issues, attracted some real attention. There was a remarkable broadening of interest and the turnover in cleared securities seemed to be restricted mainly by margin considerations. Activity, however, continued to be predominantly professional.

Over the past week or two, many cash scrips have registered gains ranging from 8 to 15 per cent. For example, Universal Cable has shot up from Rs 9 to Rs 11, United Wire Rope from Rs 88 to Rs 102 — at one time the share was bid up to Rs 125, Barium Chemical from Rs 52 to Rs 63, Sandvik Asia from Rs 80 to Rs 92, Borosil Glass from Rs 9.76 to Rs 11.50, Gammon India from Rs 15.88 to Rs 17, SLM Maneklal from Rs 50 to Rs 58, Gwalior Rayon from Rs 42 to Rs 46, Synthetic and Chemical from Rs 99 to Rs 120 and Colour Chem from Rs 330 to Rs 355. The list can be multiplied. The performance of speculative counters has been impressive and even the hitherto long-neglected shares have also participated in the recent spurt.

Returning Confidence

Sentiment on the stock exchange had been gradually veering round to the constructive side ever since the Government expressed its deep concern over the prolonged stalemate in the capital market. Steady absorption of floating stocks by the Life Insurance Corporation and general reluctance on the part of investors to part with their holding after having lived through the 'crisis' considerably strengthened the technical position of the market. The substantial modifications in the compulsory deposit scheme and in the gold control order which reduces the gold policy to a mere farce, have strengthened the stock market's belief that TTK will not delay measures for stimulating the economy and accelerating the industrial tempo. The stock market has every reason to feel happy over the Centre's decision setting up a committee of officials and non-officials for the specific purpose of recommending steps to remove hurdles in the way of speedy grant of licences for expansion of industries, import of capital goods and approval of foreign collaborations. Hopes are also running high in market circles that the Finance Minister will make suitable changes in the fiscal policy if it is considered necessary for revitalising the economy. Meanwhile, the deterioration in China's relations with Russia has encouraged the hope that Peking is unlikely to create fresh trouble on India's borders in the near future. The ceasefire on the Assam-East Pakistan border has also helped to enliven sentiment in the stock market.

While the going appears to be pretty good and the current bull phase is likely to be continued, it is quite possible that the market may like to take a pause for a while to digest the recent gains before making a further dash. The recent rise has brought the market as a whole back to its July peak — the highest for 1963. Of course one can never be too sure about a technical reaction.

With the market showing marked signs of revival, the stock exchange authorities have decided to ask the Government to relax the margin rules. These rules had been framed mainly to check the deterioration in the market sentiment when confidence was at an extremely low ebb. Conditions have since changed and it is felt that the relaxation of margin will help stimulate recovery in the capital market. Since the volume of business in the market is not sufficient to provide remunerative employment to the stock-broking community, the case for margin relaxation deserves sympathetic consideration.

Cotton

Freedom Restored

THE cotton trade had long been agitating for the abolition of compulsory survey and the supervisory system of marketing. This has now been done. The Textile Commission has announced the immediate suspension of both these measures. The trade can now hope to live in peace. The compulsory survey introduced two years ago in order to check malpractices and adulteration under conditions of scarcity when prices tended to pierce the ceiling had precisely the opposite effect in a situation of comfortable supply. For most part of the last season (1962-63) cotton prices kept below the ceiling and compulsory survey simply encouraged corruption and caused unnecessary hardships. And the supervisory system imposed an avoidable burden on the trade. On current indications, the new season (1963-64) promises to be a year of plentiful supply. The carryover of 20/21 lakh bales is about the largest for many years and the new crop is expected to exceed the 1962-63 record crop of 57.5 lakh bales. The decision abolishing the cumbersome, expensive and irritating controls is wise. The Textile Commission has also done well to assure that both growers and traders will be consulted in future about the composition of regional and survey committees if controls become again necessary.

Policy for Buffer Stock

The suspension of compulsory survey and supervisory scheme has been announced not a day too soon. The new crop is beginning to move into the market, though it is likely to gather momentum some time after about the middle of next month. Besides, controls over marketing go ill with the Government's anxiety to check the fall in prices by building up buffer stocks. Press reports indicate that New Delhi has more or less made up its mind to purchase cotton for the buffer stock when prices decline by more than

Rs 100 a candy from the ceiling' rates. While there is everything to be said in favour of building up adequate buffer stocks to ensure satisfactory supplies during lean years, which are not infrequent in an economy where agricultural production depends almost entirely on the weather, there seems little justification in effecting purchases at prices half way beween 'ceiling' and 'floor'. If the Government thinks that the present 'floor' does not give an economic return to the farmer, it had better raise the 'floor'. To support the market at some arbitrary prices much above the 'floor' is likely to introduce an element of instability in the market. Under conditions of comfortable supply such as are likely to prevail during the current season, there is a real danger that the Government might be burdened with huge stocks at high prices. The authorities will be well advised to enter the market after a careful assessment of the situation. The possible loss to the Government resulting from purchases made at prices substantially above the 'floor' is not the only problem. There is a real danger that if the Government is burdened with huge stocks it might later compel the industry to buy unwanted stuff at uneconomic prices.

Already Indian cotton prices are out of world parity which has to some extent undermined the Indian textile industry's competitive position in international markets. New Delhi's concern for the cotton grower is understandable, but it is equally necessary to bear in mind the need to correlate cotton prices with the textile industry's capacity to pay. Nearly 70 per cent of the population of the country which comes from the rural areas is the largest sector of cloth consumers. A rise in cotton prices with a corresponding increase in cloth prices in not likely to benefit the agriculturists in the long run. And as rightly pointed out by Shri A D Pandit in his presidential address at the recent meeting of the Indian Central Cotton Committee higher ceiling prices alone will not help increased production of cotton. Increased production can be achieved only through higher yield per acre which in turn depends on the supply of better seeds, more fertilisers, better methods of tilling, increased irrigation facilities and a closer contact between the research laboratory and the farmer's field. Much of what Shri Pandit stated in his address was harsh criticism of the working of the Indian Council of Agricultural research of which he himself is the Vice-President.

Reports that the Government would start purchasing cotton at Rs 100 below the ceiling for building up a buffer stock caused considerable excitement in the futures market last week. The March contract which had been gradually drifting lower on prospects of an extremely comfortable supply and had been marked down to Rs 687.75 on 21st September shot up to Rs 699 on 24th on nervous short covering and fresh bull support touched off by ideas of early official support as several varieties of cotton are already quoted about Rs 100 per candy below the ceiling. Turnover in ready cotton continued to be restricted as mills are inclined to keep off the market because of improved supply position. Exporters did not mention any business in Bengal Deshi, the prices offered by the overseas buyers being well below the prevailing market prices here.

Oilseeds

Subdued Tendency

IT was another unexciting week for the oilseeds market. Only groundnuts were a little active and imparted some lively appearance to the market. Other oilseeds drifted idly in an extremely narrow range. Castor March moved between Rs 165 and Rs 164 (per 250 kgs) and linseed March between Rs 36.81 and Rs 36.25 (per 50 kgs). Net changes over the week were nominal. Cottonseed January eased from Rs 96 to Rs 94.75 but without much business. After a further decline groundnut futures staged a brisk rally which seemed to have petered out by the close of Tuesday's session. The January contract which had been marked down to Rs 213.25—a new low in the current downward phase—recovered quickly to Rs 215.87 but was down again to Rs 214.25 the same day. Since the early decline had taken the January contract very close to its previous bottom of Rs 212.75 (recorded on 31st July), technical considerations induced a good deal of short covering which coupled with some bull support produced a quick rally. But the rise could not be sustained for want of follow-up support in view of the persistently encouraging reports about the new crop. The spot market also has lost nearly all its buoyancy as the buyers are now inclined to hold off the market on prospects of a good harvest. If the bear has not yet turned aggressive it is mainly because he fears that in its desperate anxiety to boost exports the Government might further liberalise the export incentive scheme for groundnut oil. Indications are that the normal seasonal decline in groundnuts is now underway. Only an unfavourable turn in the weather and/or some significant change in the Government's export policy for groundnut oil can bring about a quick reversal of the current trend. How far this decline might go is, however, difficult to say.

Seasonal decline is a normal phenomenon in agricultural produce markets. It is not due to any conspiracy on the part of speculators to cheat the farmer as is implied in the observations made by the Union Minister for International Trade, Shri Manubhai Shah, in his inaugural speech at the recent conference of the presidents and Government nominated directors of recognised associations. Speculators. said Manubhai, deliberately overestimated crops at the beginning and depressed prices at the harvest time through some kind of vicious propaganda. All this sounds very funny and it betrays gross ignorance of the working of futures markets. Equally amusing is Manubhai's plea to the authorities administering forward markets to ensure 'fair price' to the farmer. There is little that the market authorities can do in the matter, except that they can avoid speculative excesses which are by no means a frequent occurance.

Export Activity

To come back to the market story, while there was nothing exciting in the week's up and down movements in prices, the export performance also was rather poor. Only groundnut extractions appeared to be moving and that too at a somewhat slower pace. The Communist countries were stated to be off the market. The U K was mentioned as the only buyer and business was said to have been made possible mainly because of the availability of non-Conference freight at 95 to 100 shillings per ton compared to 114.5 shilling quoted by the Conference lines. Unconfirmed reports also indicated some business in groundnut oil with Spain which has led to hopes of a further postponement of enhancement of import duty by Spain from 5 to 18 per cent from 15th October. If Spain defers the anticipated increase in import duty, India can hope to sell further substantial quantities of groundnut oil in the new season. Spanish olive oil crop is reported to be very good but Spain will continue to import the cheap Indian groundnut oil and release its costlier olive oil for export. Hardly any fresh business was reported in castor oil last week though the U K quotations showed a slightly hardening tendency. Linseed cake was inactive but cottonseed cake continued to attract scattered attention from the U K buyer, the quotation for decorticated cake being around £31. In view of the anticipated bumper cotton crop and increased crushing of cottonseed, the Government will do well to take timely measures for stimulating internal consumption and export of cottonseed oil. It is fundamentally wrong to encourage the export of groundnut oil through liberal incentives when other less important edible oils can be exported through like incentives.

Business Notes

Indian Cable

INDIAN Cable's sales for the year ended March 31, 1963 rose to Rs 10.48 crores from Rs 10.04 crores in the previous year. The profit for the year after providing for depreciation amounted to Rs 156.85 lakhs showing an increase of 14 per cent over the previous year's figure of Rs 137.76 lakhs. The gross profit margin improved from 13 per cent to 15 per cent. The Directors, however, state that the benefit of the increase has been offset by the larger provision for taxation due to SPT. The taxation provision absorbed Rs 93 lakhs (including Rs 16 lakhs for SPT) as against Rs 69.50 lakhs in the previous year.

The net profit is lower by Rs 4.41 lakhs i e by 6.5 per cent at Rs 63.85 lakhs, and the net profit margin declined from 6.8 per cent to 6.1 per cent. To this have been added Rs 50.15 lakhs, being the balance of last account, and gratuity provision of Rs 19.56 lakhs and taxation provision of Rs 10.00 lakhs now reversed, raising the disposable amount to Rs 143.56 lakhs. The practice of carrying forward substantial balances from year to year in the Profit and Loss Account has now been changed by the Company, and a sum of Rs 60.50 lakhs has been transferred to General Reserve. A new Reserve of Rs 18.00 lakhs is created for Retiring Gratuities in place of provision previously created. The main allocations are; Debenture Redemption Sinking Fund Rs 3.45 lakhs (Rs 3.18 lakhs); Development Rebate Reserve Rs 45,000 (Rs 50,000); Reserve for Replacement of Fixed Assets Rs 5 lakhs (same); General Reserve Rs 60.50 lakhs (Rs 10.00 lakhs). Out of the balance of Rs 55.94 lakhs left over, the Directors have recommended the payment of a dividend at Rs 2.25 per share of Rs 10 subject to tax (same as last year) absorbing Rs 55.95 lakhs. The Company's paid-up capital continues unchanged at Rs 2.49 crores while its Reserves and Surplus now stand raised from Rs 2.98 crores to Rs 3.35 crores. Earning per ordinary share works out at Rs 2.56 comparing with Rs 2.74 in the previous year. At the current rate of about Rs 35.50, the share gives an yield of 6.3 per cent gross.

The Chairman in his statement circulated with the Report observes that the loss in business as a result of restrictions on sales of copper conductors has been made good by increased sales of other products. The Company has entered into an agreement with the Government for manufacturing under special priority urgent defence requirements of paper insulated underground power cables. The Company's order book is now full and sales are better in the current year. Exports have also improved during the year, the amount in the first half of the year having exceeded the figure for the whole of the past year. But the prices obtained in foreign market continue to be uneconomical due to high cost of raw materials and other overheads and international competition.

India Steamship

DURING the year ended March 31, 1963, the total freight earned by the India Steamship amounted to Rs 8.00 crores compared with Rs 8.97 crores in the previous year. By rationalising sailings and the number of ports touched, expenses were reduced by the Company by nearly Rs 53 lakhs. Berthing delays in ports, weather conditions and labour strikes, resulting in a loss of 541 man days, were some of the major factors which reduced the earning capacity of the fleet.

The Directors state that the depression in the world freight market continued during the year. Tramp markets were very low and offered distressing competition to liner companies. On the other hand, operational costs, particularly stevedoring rates showed considerable increase. The freight rate for east bound traffic from the U K and the Continent was increased by 10 per cent from October 1, 1961, but west bound rates have not been increased since 1957.

After setting aside Rs 1.21 crores (Rs 1.28 crores) for depreciation, the year's working has resulted in a loss of Rs 30.02 lakhs (Rs 55.95 lakhs in the previous year) which is set off by the transfer of Rs 31.42 lakhs from Taxation Reserve. The credit balance of Rs 1.40 lakhs. together with a sum of Rs 22,216 brought from Dividend Equalisation Reserve enabled the company to pay the preference dividend of Rs 1,62,500 at 5 per cent.

Greaves Cotton

THE manufacturing division of Greaves Cotton achieved a substantial expansion in its range and volume of production during the year ended March 31, 1963. This contributed handsomely to the sales and profits of the Mills' Stores department. The working of the Company's cone and tube plant is showing further progress during the current year.

Production of the diamond drilling bits unit was hampered by limited import licences. The small quota licences secured were supple-

mented by actual user licences of customers. During the current year, production of this unit is expanding steadily and is expected to make a higher contribution to the turnover and profits of the mechanical engineering department.

Trading conditions during the year were extremely difficult due to restricted import and to the adverse effect of the Chinese aggression. However, the Company achieved an improvement in its turnover by Rs 32 lakhs to Rs 784 lakhs. The trading profit of the Company also increased from Rs 37.93 lakhs to Rs 41.69 lakhs. Including incomes from subsidiaries and other sources, the net profit for the year went up to Rs 54.53 lakhs from Rs 52.86 lakhs in the previous year. Appropriations include : Development rebate reserve Rs 80,000 (Rs 25,000); taxation reserve Rs 23 lakhs (Rs 22.25 lakhs); doubtful debts reserve Rs 50,000 (Rs 20,000); general reserve Rs 11.50 lakhs (Rs 10.10 lakhs) and dividend reserve Rs 20 lakhs. The Directors have proposed to pay out of the dividend reserve preference dividend at 6.50 per cent and 7.80 per cent respectively on the two kinds of preference shares absorbing Rs 3.58 lakhs and an equity dividend at 12 per cent absorbing Rs 11.20 lakhs (the dividends being same as last year).

The Company's profits during the year have not been subject to SPT and this has enabled the Company to repeat the dividend. Dividend income from the Company's subsidiaries and associated Companies have shown a reduction from Rs 12.70 lakhs to Rs 11.20 lakhs due largely to the impact of higher taxation.

Trading during the current year continues to be influenced by general uncertainty in the economic situation but it is hoped the turnover will show a further expansion and will result in higher profit earnings.

Jost's Engineering

SALES turnover of Jost's Engineering Co for the year ended March 31, 1963 was slightly lower at Rs 25.73 lakhs compared to the previous year's figure of Rs 26.24 lakhs. Severe restrictions on imports affected the turnover of the Company. But the order book continues satisfactory with the inclusion of a larger proportion of orders for locally manufactured items.

The year's working has resulted in a loss of Rs 24,763 as against a profit of Rs 90,234 in the previous year. The adverse results are attributed to the removal of machinery from the old factory premises to the new premises at Thana, to the teething troubles in production and to the expenditure incurred in the course of manufacturing new products. However, the Directors have recommended the payment of a dividend at 6 per cent on ordinary shares, subject to tax, to be paid out of the Dividend Equalisation Reserve which will absorb Rs 46,823.

The Company has secured an import licence for capital equipment for the manufacture of "Jumbo" Trucks, but as the licence for import of essential components has not yet been obtained, the project has not made headway. In the meantime, the Company has developed a Hydraulic Pallet Truck called the 'Pygmy' which has been put on the market and has been well received.

The Company proposes to invest Rs 7.14 lakhs in the equity capital of Kerry Jost Tools, a new Company to be formed in collaboration with Kerry's (Great Britain) for manufacturing drilling machines. The proposed Company will be having its factory at Ambattur (Madras) and will shortly enter the capital market by issuing for public subscription 6,860 shares of Rs 100 each.

The Company has completed negotiations with Martonair for the manufacture of pneumatic cylinders and valves and with Glacier Metal for centrifugal oil filters. Two more collaborations are being finalised.

The Maharashtra State Financial Corporation has granted a loan of Rs 4 lakhs to the Company and has now been approached for a further loan of Rs 6 lakhs for the expansion.

Bajaj Auto

BAJAJ Auto has now been permitted to expand its manufacturing capacity from 6,000 to 12,000 scooters and auto-rikshas per year. Government has also granted to the Company a licence to import capital goods of the value of Rs 49.65 lakhs against foreign exchange loans from the I F C and the I C I C I. The Company has applied to the ICICI for a loan of Rs 70 lakhs inclusive of the foreign exchange component. Orders have now been placed for machinery worth about Rs 6.13 lakhs.

During the year ended March 31, 1963, sales and other incomes have increased by Rs 24 lakhs (20.3 per cent) to Rs 142.15 lakhs. Profit before taxation shows a rise of Rs 0.95 lakh (5.5 per cent) at Rs 18.31 lakhs. Taxation has absorbed less at Rs 3.86 lakhs compared with Rs 6.00 lakhs in the previous year. Profit after taxation is higher by Rs 3.09 lakhs (27.2 per cent) at Rs 14.45 lakhs. Among appropriations are : Development Rebate Reserve Rs 7.41 lakhs (Rs 2.49 lakhs); General Reserve Rs 2.89 lakhs (Rs 6.25 lakhs) and Dividend Reserve Rs 5.20 lakhs. From the Dividend Reserve the Directors propose to pay a taxable dividend of Rs 10 per share on fully paid shares of Rs 100 and Rs 7 per share on partly paid shares of Rs 75 each. The dividend will absorb Rs 5,19,700 as against Rs 3,19,600 in the preceding year.

Ashoka Cement

THE net profit of Ashoka Cement for the year ended March 31, 1963 has declined to Rs 4.98 lakhs from Rs 5.03 lakhs, despite an expansion of sales from Rs 1.62 crores to Rs 2.06 crores. Production of clinker rose from 1.34 lakh tons in 1961-62 to 1.62 lakh tons in 1962-63 and that of cement from 1.39 lakh tons to 1.75 lakh tons. The dividend has been maintained at 7 per cent taxable.

The Directors state that production was affected by frequent tripping of D V C power. The increase of Rs 2.75 in the price per tonne granted by Government effective from June 1, 1963 is regarded as inadequate to compensate the heavy rise in costs. Wage increases granted by the Company have further added to the costs. In revision of its previous policy, Government has restricted the use of second-hand serviceable bags to 1|3 of the total number of bags used for packing from August 20, 1963. The Directors state that the computed price of bags still continues to be insufficient to meet the costs.

The main grievance of the Company — and of the industry as a whole — is that Government has not given retrospective effect to the revised prices with the result that increases in costs between November 1961 and May 1963 had to be borne by the industry. The Directors feel apprehensive that if the industry is not adequately compensated for the increases in costs, there is bound to be a setback in the development of this strategic industry. The benefits of the incentive scheme introduced by Government will be limited since the basic level has been fixed at a high level of 1.75 lakh tons and the amount of incentive itself is only a meagre Rs 5.50 per tonne.

Mahindra & Mahindra

MAHINDRA & MAHINDRA Limited, Steel Division, have secured orders for the import of 51,600 tons of steel valued at U S $4.9 million from the Railway Board, Government of India, during the month of August, 1963. The tonnage booked represents about 59% of the total quantity covered by Railway Board tenders S-37 to S-39. The categories which are in short supply in India, such as Spring Steel Billets, Plates, Class III, IV and other special qualities of Rounds are to be imported against these contracts from USA, Japan, Sweden and Saar.

In recent months they have also secured orders to the extent of 39,300 tons valued at U S $7.12 million from other Government Departments, including one for Tl Constructional Steel from Sharavati Valley Project. Tl Steel has been patented by U S Steel Export Corporation and is ideally suited for manufacture of Penstocks for Hydro Electric Projects.

The Steel Division has gradually established a close business relationship with U S Steel Export Corporation, reinforced by the latest order.

Mukand Iron and Steel

THE Radiography Laboratory of Mukand Iron and Steel Works Ltd at Kurla, Bombay, was inaugurated on September 23 by the Union Minister for Steel and Heavy Industry Shri C Subramaniam.

Shri Subramaniam, speaking on the occasion, emphasised the importance of research in industry. On the problems facing the Steel Re-rolling industry, he said that scrap should be utilised as far as possible within the country. Export of raw materials and import of finished products would be "wrong economics" he observed.

Greaves Cotton & Crompton Parkinson

A 'TURNKEY' contract valued at Rs 1.5 crores has been received by Greaves Cotton & Crompton Parkinson Ltd from Hindustan Steel Ltd. This is in connection with the Electrical Power Distribution System of the 1.6 million ton expansion programme of the Durgapur steel plant.

This contract covers the supply, erection and commissioning of the complete power distribution system, including transformers, high and low voltage switchgear etc.

A large element of the supply is being made by the company's Indian factories, leaders in the manufacture of electrical power distribution equipment in India today.

Money Market

Thursday, Morning

THE Inter-bank call money rate remained unchanged at 2 per cent throughout the past week. Supply of funds was quite adequate to meet the demands, but the rate did not break further. In Calcutta, the rate was erratic as usual. After remaining easy at 3/4 to 1 per cent till the week-end, the rate hardened to 2¼ per cent on Monday and spurted to 3¼ per cent by Wednesday evening. Although the position in Calcutta does not ordinarily influence the Bombay market, the convulsive nature of demand for funds at that end, if it persists at higher rates, may lead to a deflection of surplus funds.

The position of Scheduled Banks as on September 13 presents a slightly different picture from that of the previous week. Deposits which fell by Rs 10.89 crores during the week ended September 6, improved by Rs 4.36 crores in the next week. Bank credit which expanded by Rs 12.49 crores in the same week shrank by Rs 14.04 crores in the subsequent week. These changes have rendered the resources position of banks more comfortable and enabled them to reduce their borrowings ftom the Reserve Bank by Rs 2.15 crores to a mere Rs 90 lakhs. Further, the banks acquired during the week Rs 12.41 crores of Government securities as against their sale of Rs 22.40 crores in the previous week. This steady increase in the investment of banks in giltedged securities reflects their continued interest in investing in the giltedged securities their surplus funds. To this extent their interest in Treasury Bills and call loans as a medium of investment is reduced, more so because of the lower returns available from the latter. It is doubtful that money rates will tend to ease further even with a larger return flow of funds into banks; for, the slack season has only a few weeks yet to run. There is, again, the likelihood of the liberalisation of credit by the authorities very shortly which might accelerate the demand for funds. State Electricity Boards would also be absorbing some funds.

According to the Reserve Bank's returns for the week ended September 20, Notes in Circulation contracted by Rs 19.98 crores as against an aggregate expansion of Rs 33.34 crores in the previous two weeks. Of this decline Rs 7.06 crores was held in the Banking Department, and so the net Note Issue was reduced by Rs 12.92 crores only. Since there was an inflow of Rs 1.99 crores in Rupee coins, there is a net fall of Rs 14.91 crores in the rupee securities of the Issue Department.

Central and State Governments' balances declined by Rs 8.93 crores and scheduled banks' balances also fell by Rs 3.83 crores. Loans to Governments swelled by Rs 8.61 crores while borrowings by scheduled banks increased by a meagre amount of Rs 43 lakhs. Against these, other loans and advances were lower by Rs 4.08 crores. In the final result of operations the Bank's holdings of Treasury Bills went down by Rs 9.46 crores and investments were less by Rs 7.44 crores. Balances held abroad showed a rise of Rs 1.30 crores.

The giltedged market continued to forge ahead. The 3 per cent Conversion Ioan became active and moved up to Rs 65.10. Gold Bonds kept in demand and changed hands at Rs 118.25. The market as a whole displayed a firm trend.

CURRENT STATISTICS

BANKING RETURNS

(*Rs crores*)

Reserve Bank	Sep 20	Sep 13	Aug 23	Sep 21 '62
1 Note circulation	2204.43	2224.41	2208.74	2019.79
2 Rupee coin	123.85	121.86	121.83	124.63
3 Deposits				
(a) Central Govt	70.20	74.54	65.04	73.78
(b) Other Govts	7.13	11.72	15.19	15.71
(c) Banks	88.41	92.20	101.61	86.58
(d) Others	160.95	158.98	160.25	160.13
4 Foreign securities	89.46	89.46	89.46	88.34
5 Balance abroad	9.04	7.74	8.35	7.58
6 Rupee securities	1892.30	1907.21	1907.12	1708.03
7 Investments	196.13	203.56	223.31	173.31
8 Loans and advances to Govts	55.87	47.25	45.03	27.88
9 Other loans and advances	144.18	144.28	138.22	147.17
Scheduled Banks	**Sep 13**	**Sep 6**	**Aug 16**	**Sep 14 '62**
1 Aggregate deposits (net)	2191.26	2186.89	2179.81	2034.43
Demand (net)	947.26	956.42	957.39	800.29
Time (net)	1243.99	1230.47	1222.42	1234.14
2 Cash in hand	52.45	52.75	59.08	49.68
3 Balance with Reserve Bank	86.86	87.84	84.57	79.01
4 (2)+(3) as % of (1)	6.36	6.43	6.59	6.33
5 Borrowings from Reserve Bank	0.90	3.05	0.32	18.69
(a) Against usance bills and/or promissory notes	0.55	1.20	—	12.50
(b) Others	0.35	1.85	0.32	6.19
6 Advances	1242.52	1256.94	1269.30	1203.89
(a) State Bank	238.14	241.58	245.60	263.70
(b) Others	1004.18	1015.36	1023.70	940.19
7 Bills discounted				
(a) Inland	163.37	162.97	163.97	148.04
(b) Foreign	53.52	53.55	47.96	48.30
(c) Total	1459.42	1473.45	1481.23	1400.22
(i) State Bank	15.63	15.78	16.27	13.64
(ii) Others	1443.79	1457.67	1464.96	1386.58
8 (6)+(7) as % of (1)	66.60	67.38	67.95	68.83
9 Investment in Govt Securities	751.04	738.64	730.48	662.19
10 (9) as % of (1)	34.27	33.78	33.51	32.55

Bombay Money Rates

(*Per cent per annum*)

	Sep 13	Sep 6	Aug 16	Sep 14 '62
Call money from Banks	3.12	2.72	2.66	4.66
Deposits				
Seven days	3.00	3.00	3.00	3.00
Three months	—	—	—	—
Six months	3.75	3.75	3.75	3.75

Working Class Cost of Living Index

(*Base adjusted to* 1949 = 100)

	June '63	May '63	June '62	1962-63
Gauhati	110	111	110	112
Ahmedabad	—	118	124	121
Madras	150	150	150	150
Bombay	145	143	146	145
Bangalore	—	—	153	154
Kanpur	—	—	106	106
Calcutta	—	128	119	121
Delhi	132	132	130	130
All-India	134	132	130	131

Source : Labour Bureau, Government of India.

INDEX NUMBER OF WHOLESALE PRICES

(*Base year ending March* 1953=100)

Group and Sub-group	July 1962	June 1963	July 1963	% Increase (+) or decrease (−) (June '63–July '63)	% Increase (+) or decrease (−) (July '62–July '63)
Food Articles	**128.6**	**134.8**	**137.9**	**+2.3**	**+.7.2**
Cereals	107.2	112.1	115.0	+2.6	+ 7.3
Pulses	105.5	108.5	109.7	+1.1	+ 4.0
Frhits & Vegetables	148.0	139.3	141.3	+1.4	— 4.5
Milk & Ghee	127.3	130.9	132.1	+0.9	+ 3.8
Edible Oils	155.3	150.9	151.6	+0.5	— 2.4
Fish, Eggs & Meat	144.7	147.1	148.5	+1.0	+ 2.6
Sugar & Gur	152.1	187.9	193.8	+3.1	+27.4
Others	170.8	178.9	188.2	+5.2	+10.2
Liquor and Tobacco	**98.5**	**119.2**	**118.8**	**—0.3**	**+20.6**
Tobacco	94.9	116.3	115.9	—0.3	+22.1
Fuel, Power, Light and Lubricants	**123.8**	**137.1**	**137.1**	**—**	**+10.7**
Industrial Raw Materials	**138.8**	**138.7**	**138.5**	**—0.1**	**— 0.2**
Fibres	130.2	133.6	130.2	—2.5	—
Oilseeds	156.3	152.6	155.7	+2.0	— 0.4
Minerals	93.4	93.4	93.4	—	—
Others	125.3	125.2	125.2	—	— 0.1
Manufactures	**129.3**	**130.5**	**130.6**	**+0.1**	**+.1.0**
Intermediate Products	**142.6**	**139.0**	**140.1**	**+0.8**	**—.1.8**
Finished Products	**127.2**	**129.1**	**129.1**	**—**	**+ 1.5**
Textiles	126.5	127.2	126.5	—0.6	—
Cotton	129.4	135.3	135.2	—0.1	+ 4.5
Jute	116.5	101.3	97.9	—3.4	—16.0
Woollen	141.3	142.7	156.6	+9.7	+10.8
Silk & Rayon	129.7	136.9	136.3	—0.4	+ 5.1
Metal Products	160.5	161.5	163.0	+0.9	+ 1.6
Chemicals	115.4	117.3	117.2	—0.1	+ 1.6
Oil cakes	157.1	166.5	169.8	+2.0	+ 8.1
Marhinery & Transport Equipment	117.6	123.2	123.8	+0.5	+ 5.3
Others	125.6	128.1	128.4	+0.2	+ 2.2
All Commodities	**129.6**	**133.9**	**135.4**	**+1.1**	**+ 4.5**

Cotton Textile Industry

(Mill Sector)

	Mar '63	Feb '63	Mar '62	1962 (Average)
Production				
Cloth (*Million yds*)	403	369	417	416
Yarn (*Million lbs*)	159.0	148.7	159.7	157.9
Stocks *				
Cloth (*Million yds*)	317.6	280.9	287.0	472.2
Yarn (*Million lbs*)	19.2	16.2	17.1	22.3
Consumption of raw cotton by textile mills (*Lakh bales*)				
Indian	4.05	3.86	3.90	3.87
Foreign	0.66	0.69	0.80	0.82
Total	4.71	4.55	4.70	4.69

Source : Textile Commissioner, Ministry of Commerce and Industry, Government of India.

CALCUTTA TEA AUCTIONS

Leaf

Districts	Sale no 12, Aug 19 & 20, 1963			Up to and including Sale no 12, Aug 19 & 20, 1963			Sale no 11, Aug 19 & 20, 1962			Up to and including Sale no 11, Aug 19 & 20, 1962		
	Packages ('000)	Qty (Lakh kilos)	Average price per kg (Rs)	Packages ('000)	Qty (Lakh kilos)	Average price per kg (Rs)	Packages ('000)	Qty (Lakh kilos)	Average price per kg (Rs)	Packages ('000)	Qty (Lakh kilos)	Average price per kg (Rs)
Assam	26.4	13.1	6.76	129.7	64.2	7.10	23.5	11.2	6.35	138.4	67.3	6.62
Cachar	4.4	2.1	4.68	21.5	10.4	4.62	4.6	2.3	3.89	19.1	9.4	3.85
Darjeeling	8.8	3.7	7.01	73.7	31.7	8.16	4.7	1.9	6.77	74.2	3.1	8.48
Dooars	16.1	7.6	4.88	112.5	54.9	5.01	13.2	6.4	4.27	127.7	63.1	4.58
Terai	4.3	2.1	4.99	20.5	10.0	5.03	3.3	1.6	4.26	23.3	11.4	4.45
Tripura	0.8	0.4	4.50	7.0	3.1	4.49	1.0	0.4	3.80	5.3	2.4	3.84
TOTAL	60.8	29.0	5.99	365.1	174.5	6.32	50.4	23.8	5.40	388.1	185.1	5.93

Dust

Districts	Sale no 12, Aug 21, 1963			Up to and including Sale no 12, Aug 21, 1963			Sale no 11, Aug 22, 1962			Up to and including Sale no 11, Aug 22, 1962		
	Packages ('000)	Qty (Lakh kilos)	Average price per kg (Rs)	Packages ('000)	Qty (Lakh kilos)	Average price per kg (Rs)	Packages ('000)	Qty (Lakh kilos)	Average price per kg (Rs)	Packages ('000)	Qty (Lakh kilos)	Average price per kg (Rs)
Assam	13.0	5.2	5.28	76.8	30.5	5.43	16.1	6.2	5.13	88.3	34.7	5.28
Cachar	1.7	0.6	4.54	6.7	2.6	4.60	4.0	1.5	3.55	7.9	3.0	3.45
Darjeeling	0.4	0.2	4.68	2.7	1.1	5.51	0.2	0.1	3.72	2.1	0.9	4.98
Dooars	10.0	3.8	4.67	60.7	23.8	4.83	7.2	2.8	4.01	62.7	24.2	3.91
Terai	0.6	0.2	4.30	2.8	1.0	4.54	0.2	0.1	3.77	2.8	1.1	3.47
Tripura	0.1	—	4.26	0.9	0.3	4.31	0.1	—	2.83	0.6	0.2	2.98
TOTAL	25.9	10.0	4.96	150.6	59.3	5.13	27.9	10.7	4.59	164.5	64.1	4.64

Source : Department of Commercial Intelligence and Statistics, Government of India.

Coal Production and Despatches

(Monthly Averages or Calendar Months)

('000 *Metric Tons*)

		Raisings	Despatches	Stock at pit head
1963 :	May	5,718	4,888	3,731
	April	5,696	4,949	4,267
	March	5,806	5,229	4,086
1962 :	May	5,127	4,441	3,869
1962		5,129	4,573	3,483
1961		4,675	4,190	3,290
1960		4,384	3,860	3,458
1959		3,984	3,522	2,729
1958		3,838	3,415	2,808
1957		3,683	3,190	3,331
1956		3,338	2,959	2,810
1951		2,915	2,473	2,824

Source : Coal Controller, Ministry of Mines and Fuel, Government of India.

Electricity Generation and Distribution

(*Million kW hours*)

	May '63	April '63	May '62	1962-63
Electricity generated	2,048.9	2,047.0	1,790.7	22,093.7
Electricity sold	1,689.8	1,688.3	1,488.4	18,276.3
Domestic consumption	148.8	148.1	144.2	1,792.2
Commercial light and small power	85.7	85.0	95.6	1,110.9
Industrial power	1,217.1	1,221.8	1,059.7	13,014.9
Public lighting	19.8	19.8	18.8	252.7
Irrigation	103.3	107.0	71.9	917.2
Miscellaneous	114.9	106.7	98.2	1,188.5

Source : Central Water and Power Commission.

Production of Petroleum and Petroleum Products

('000 *Metric Tons*)

	May '63	April '63	May '62	1962 (Average)
Crude petroleum	134.4	109.3	56.3	85.1
Petroleum products				
Light distillates	114.6	113.2	106 8	96.8
Kerosenes	126.9	112.9	92.5	97.3
Diesels	160.5	158.5	155.3	149.3
Lubricants	2.9	2.2	1.8	2.1
Bitumens	33.8	32.9	31.4	30.7
Heavy ends	193.1	184.7	154.6	162.9
Others	7.9	6.8	10.5	10.7
Total of petroleum products	639.7	611.3	553.0	549.8

Source : Ministry of Mines and Fuel, Government of India.

Joint Stock Companies

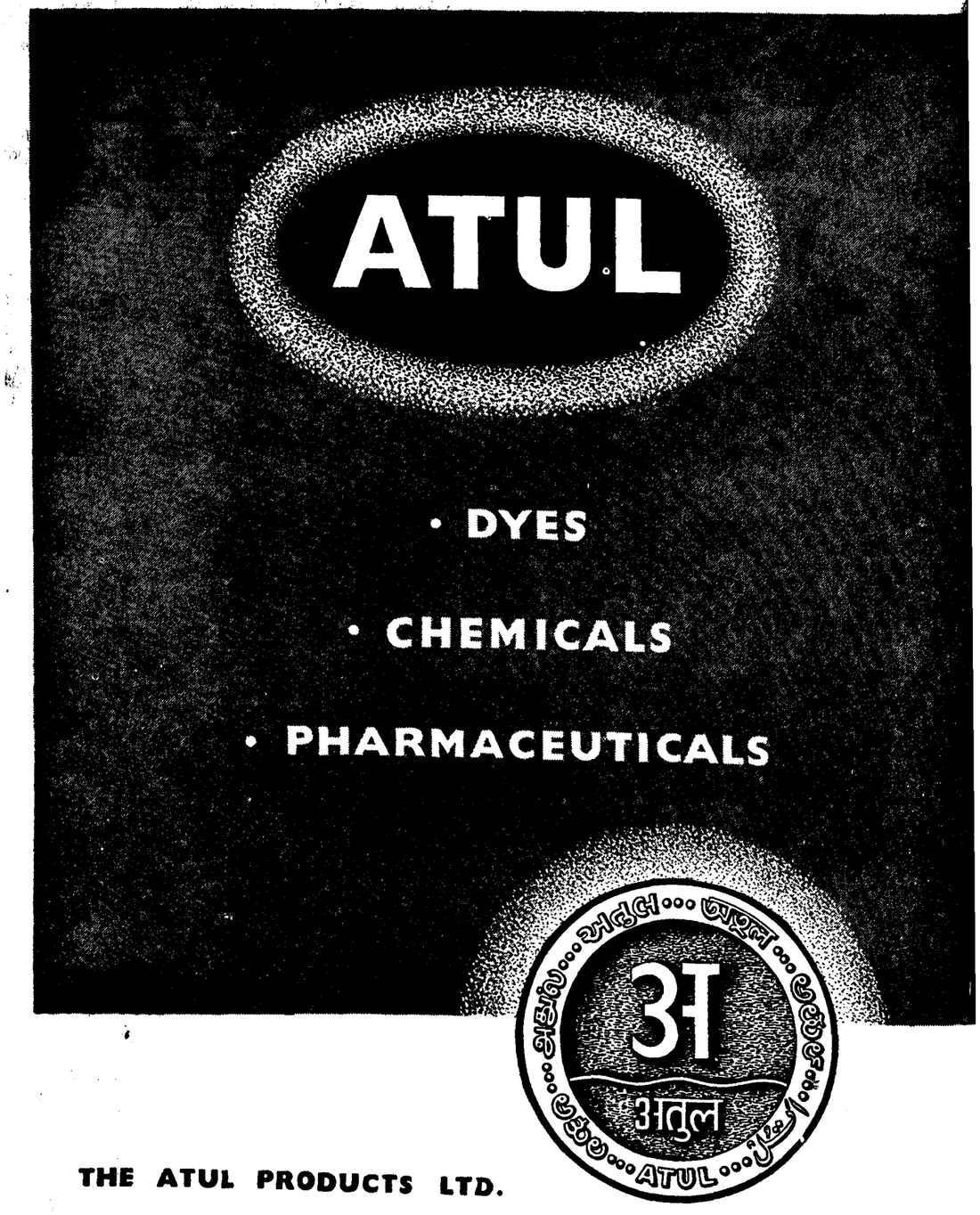
New Registrations and Liquidations

(*All Amounts in Rs Lakhs*)

	June '63	May '63	June '62	1962 (Average)
Incorporated and registered				
No of companies	70	110	148	128
Authorised capital	7,16	11,74	22,13	25,82
Ceased to work				
No of companies	74	68	67	94
Paid-up capital	26	79	30	55
Over-all variation in paid-up capital of all companies	+9,1	+15,22	+27,17	+15,05

Source : Department of Company Law Administration, Ministry of Commerce and Industry, Government of India.

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Fund-Bank Meeting

ADVOCATES of international monetary reform have to have the skin of a rhinoceros and the stamina of a camel, for they are up against people whose instinctive reaction to anything new is to scowl at it. But while successive proposals for reform have been unceremoniously consigned to gather dust in international archives, the world's financial system has not been immune to change. There have been, for example, the inter-central bank credits which helped to defend the sterling in 1961 and the more extensive and formalised swap arrangements established by the United States during the last two years with the leading industrial countries. Last year also saw the United States begin borrowing from abroad in foreign currency as a further instrument for the defence of the balance of payments.

The swap arrangements and the devaluation-proof U S bonds are response to a need which central bankers and treasury officials have till yesterday denied even existed — the need to expand international liquidity. This gap between precept and practice, however, could not continue for ever and now, with the agreement on an inter-Governmental study of world liquidity at the current Annual Meeting of the I M F and the World Bank in Washington, it has at last been admitted that nothing will be lost and much gained perhaps by substituting for *ad hoc*, piecemeal measures formal arrangements which will ensure the growth of world liquidity at a pace dictated by the requirements of world trade.

Having admitted that, it will be far more difficult now to circumvent the I M F in whatever arrangements are finally agreed upon than it has been hitherto given the view that there was no shortage of international liquidity and what was necessary were *ad hoc* arrangements to overcome temporary imbalances. The U S payments deficit, currently the most serious of these "imbalances", has shown a discomfitting durability. Even the equilibrating movement of wages and prices in Western Europe and the U S and changes in interest rates have failed to make an immediate impact on the U S deficit which was, if anything, slightly larger in 1962. Countries which had agreed to hold dollars which they would have normally converted into gold are getting restive and are beginning to ask how they are better off with these dollars than if they held, say, I M F bonds which the Maudling Plan would create. Not surprisingly, therefore, Continental countries have moved visibly nearer the British position since the Fund meeting last year when they scoffed at the British Chancellor's Plan.

Of course, this is not to say that there is any general agreement on *what* is to be done to increase international liquidity. Indeed the more conservative are still prepared to go no further than raise members' quotas and expand the existing General Arrangements to Borrow which are intended to provide the Fund with supplementary resources of strong currencies. It is reasonable to suspect, however, that these inhibitions are the product not of a different assessment of liquidity requirements but of an understandable prejudice against making the I M F into a genuine central bank with some automaticity in its functioning which would to that extent bind central banks and governments.

The proposal to raise quotas is more relevant in the context of the developing countries. While their payments deficits are of a different genre from those which the I M F is intended to tackle, these countries do face temporary payments problems. These may arise from a variety of reasons like an unexpected shortfall in agricultural production, fluctuations in export earnings, or a sudden adverse turn in the terms of trade. Besides, these countries need temporary accommodation to tide over procedural delays in the disbursement of long-term aid and also to impart a little flexibility to the operation of tied aid. It all boils down to providing liquidity reserves which normally act as a cushion, but which the developing countries do not have. These needs are temporary but if they are not met adequately and in time, the development process gets slowed down. In the context of these problems there is a strong case for raising quotas and relaxing the 25 per cent gold payment requirement.

The long-term balance of payments problem of the developing countries, of course, lies outside the scope of the I M F. Only increased access to world markets and the inflow of sufficient long-term capital on liberal terms can help here. The latter is the sphere of the World Bank and its associates. World Bank lending in 1962-63 was the lowest for a long time, being roughly one-half of what it was in 1961-62 and very much below even the average for the preceding five years. True, as the Bank's Annual Report points out, the steep fall in loans may have been partly an accident of the calendar. But it may well indicate something more serious : that some of the countries which have in the past depended heavily on the Bank are now finding that they have borrowed as much as they possibly can on the terms on which Bank loans are made. Last year, just after the Bank had completed a year of record lending, Eugene Black foresaw a phase in the Bank's operations when, though possessing ample resources, the tempo of its activities may fall off because of the inability of the developing countries to add to their "hard" indebtedness. Has this phase then arrived, somewhat earlier than the Bank's former President envisaged?

Yet, the developing countries' need for long-term assistance remains unassuaged. To ask the World Bank to liberalise its terms of lending is to ignore that the very factor responsible for the Bank's comfortable resources position — its ability to sell its loans to other investors and to borrow in the capital markets —definitely precludes this. What is really necessary is to increase the resources at the disposal of the I D A to which developing countries are bound to increasingly turn for assistance. This, considering the easy terms on which the I D A makes its loans, can be done only through direct contributions by the Governments of the industrialised ccuntries. Of the initial capital contribution, all except $ 193 million had been committed by the end of the last fiscal year. Now the industrialised member countries have tentatively agreed to make another $ 750 million available which will enable the I D A to lend on an average some $ 315 million over the next three years. It harly needs to be stated that the demands on the Association will far exceed this amount.

The fact has to be faced that if the I D A is to operate on a scale commensurate with the requirements of developing nations, the industrialised countries have to take a deliberate decision to shift the emphasis from bi-lateral to multi-lateral assistance. This is the crux of the problem. As Eugene Black warned in his address to the Annual Meeting last year, such a decision will determine if the I D A is to become "a principal instrument for the development of the poorer countries" instead of remaining "just a minor gesture of good will towards them".

Black's was a powerful plea for multi-lateral aid in which his principal criticism of bi-lateral aid programmes was their susceptibility to political influence and their consequent neglect of economic objectivity so that, to quote his striking example, spectacular sports stadia are built while parched but fertile lands are left without irrigation. It is a pity that this theme seems to have been lost sight of in the current deliberations at Washington. The disappointment of the representatives of developing countries assembled there must be the greatest with George Woods. Eugene Black's successor, who in his address scrupulously avoided this vital issue and concentrated instead on details which belong to an entirely different order of importance.

Ben Bella's Algeria

IN his short period of office, Ben Bella has zig-zagged continuously between socialism and France. That zig-zag shows the lack of coherent drive in his Government, and the lack of any clear conception as to where Algeria is going. Faced with the terrible destruction of seven years of war, the chaos wrought by the OAS, and the vacuum left by the departure of the 800,000 Frenchmen who ran Algeria, the alternatives open to Ben Bella were to accelerate the reconstruction of the country by genuine mass initiative (exhibited initially in the Management Committees) or to make as first priority his own personal survival by increasing his central power. Both alternatives had obvious dangers, but were mutually exclusive. It might be that the ability of ordinary Algerians was not great enough to run the farms and industrial enterprises expropriated. In any case, allowing popular feeling its head would have speeded up the process of socialisation and increasingly brought Algeria into conflict with France which still provides the main support of the new regime. On the other hand, to increase his own power would necessarily increase mass apathy and reduce the willing sacrifices necessary for development. In addition, it is unclear whether Ben Bella has any real social base from which to strengthen his position. In any case, autocracy must breed armed revolt in a country that, after seven years of war, possesses so many soldiers.

The general disorganisation in Algeria until now prevented much assessment of the different trends, but now the picture is becoming a little clearer. Independence, in the first instance, immensely stimulated popular enthusiasm—forms of workers' control could be seen developing in the newly expropriated farms and factories. In addition, talk of socialism filled the air. The trade union movement (UGTA) expanded rapidly, and openly stated its right to disagree with the Government. In addition, the old Algerian owners were too weak to seize control and try to develop Algeria on the basis of private capital. What was lacking, however, was some clear social group to take command of the situation — as a result, there was also lacking a political party to express the popular demand and feeling.

The FLN did not provide the embryo of such a party — it dispersed, and was riven with rivalries; the Communists were too weak, and the old socialist cadres of the MNA had been destroyed by the FLN terror of 1956. In this vacuum, the State of Ben Bella expanded, and in doing so, narrowed. One by one, the FLN leadership (including most of the 'immortal nine' who led the revolution) were eliminated. Khider (ex-General Secretary of the Political Bureau) went to Egypt in exile, Belkacem Krim (ex-foreign minister) went into exile in Switzerland, Bitat and Ben Khedda retired, Hocine Ait Ahmed went into hiding, Boudiaf into goal, Dahlab (ex-foreign minister) was despatched as ambassador at Rabat, and finally Ferhat Abbas resigned from the Assembly, was expelled from the Political Bureau, and fled to Switzerland.

The process was slow, and the precise disagreements not always clear. The left leaders attacked Ben Bella for drifting into socialism for flippant reasons — merely to keep up his popularity with the masses —instead of developing a clear plan for the socialisation and economic development of Algeria. It was not the bourgeoisie, they said, that seethed with discontent, but the two million people still unemployed.

All this might merely have been personal rivalries were it not for the fact that the shape of Ben Bella's policy in other fields has become clear. The Management Councils have now been formalised — the Directors and Secretaries of these bodies are to be appointed by the State, not elected as originally by the workers in the concern; in addition, nominees of the FLN (the State), the unions, the Army, and the district authority must all sit on the Council; anyone impeding the work of the Council (for example, by striking) is liable to five years' imprisonment and a heavy fine. Thus, it seems, far from being an embryonic form of popular control, the Councils have become the arm of the State bureaucracy. At the same time, the autonomy of the UGTA has been destroyed. Issue 3 of *L'Ouvrier Algerien* (the UGTA paper) was seized by the State for asserting the right of the unions to be independent of the State, and the first UGTA Convention was arranged arbitrarily by the State in January and packed with its own nominees. Despite this, the old trade unionists put up a fight. They refused to be bought off with the offer of well-paid jobs in the administration, and fought hard to prevent themselves being ejected from their own organisation. Inevitably, they failed, as did the Communist Party and the Union of Algerian Women (earlier banned by the State). Finally, despite protests (from Ferhat Abbas on the right), Ben Bella designed a Constitution without consulting the Assembly that made him supreme and permitted only one political party. That party hardly exists, but its constitutional rights naturally accrue to Ben Bella. In the referendum that followed, the overwhelming majority, tired of the economic chaos and the squabbles of the leaders, ratified the new Constitution and so Ben Bella's power.

However, one million of the six million electorate abstained, and that million was mainly concentrated in the Kabyle mountains of the north, mainly populated by the Berbers. The Berbers were one of the leading elements in the FLN, and it is from the Kabyle that many of the now ousted leaders were drawn. The Party of Socialist Revolution (or Socialist Forces' Front) has been the primary organisation that has focussed Kabyle discontent. The Party, until outlawed, agitated from the left for the increasing socialisation of Algeria. Boudiaf and three others were imprisoned in June for allegedly organising the Party, and another leader of this Party, Ait Ahmed, was the man who called so successfully for a boycott of the referendum. Belkacem Krim, another Kabyle, from Lausanne issued a declaration of all-out opposition to Ben Bella's regime. Last August, some 20 Algerians and, allegedly, ten foreigners, were arrested in Kabyle by the Government for, Ben Bella said, plotting a coup against the Government.

Now the issue has come to a head, and the Berbers in Kabyle have taken up arms against the State. Ben Bella has surrounded the area, but must tread with care for the loyalty of his own forces is not guaranteed — already, it is said, certain of his units have joined the rebels, and at one stage, he had to withdraw some of his forces to avoid direct contact with the rebels.

As mentioned earlier, the social basis which supports Ben Bella is unclear. The Minister of Defence and vice-premier, Colonel Boumedienne, is an Army man, as is his chief assistant, Major Bouteflika, who has just been promoted to be foreign minister and member of the key Political Bureau. It is possible that that part of the Army loyal to the State is the only effective power Ben Bella can call upon. Any military emergency such as has now been declared can only strengthen the militaristic trend. Thus, if the Kabyle's do not destroy Ben Bella, and the unemployed do not pull him down, he may find himself like Neguib, with a stronger Nasser behind him.

All this, however, is mere speculation. For the moment, Ben Bella faces his left opposition, and force of arms will decide the result. If Ben Bella is successful, a further tightening in his regime can be expected, as well as considerable efforts to create some broader social basis to his power. In this situation, the best that can be hoped for is that he will show himself capable of developing Algeria quickly as Nasser has sought to do in Egypt. His success in that enterprise will not exonerate him from what has happened so far, nor will it justify his failure to try and develop Algeria on the basis of a genuinely popular and democratic regime. Perhaps it could have been done — politically, Ben Bella was bound to try if he wished to be remembered in the annals of socialism.

Weekly Notes

Next British Government . . .

THERE have only been two effective non-Conservative Governments in Britain in this century — and of the 45 years since the first World War, only six have seen Britain governed by a radical administration with a working majority, the Labour Government of 1945-51. These dismal facts suggest that relatively exceptional circumstances — as a major slump or war — alone can impel the British electorate to shift its stable loyalty.

Thus whatever emanates from this week's Labour Party Conference, it is not clear that Labour will be the next Government. In 1958, it will be remembered, in the aftermath of the Suez fiasco, with unemployment figures rising late in that year to the highest level since 1940, commentators were again predicting Conservative failure at the polls. Yet 1959 and economic expansion saw the Conservatives increase their majority — the first time a governing party had increased its majority for the third consecutive election, since 1832. This year, the situation is not as bad for Conservatives as it was in 1958; unemployment went higher last winter, but one Profumo does not make a Suez. The year 1958 saw a youthful revulsion from orthodox politics that helped Labour — the New Left and the Campaign for Nuclear Disarmament in 1963 are politically hardly of any importance. In 1960 when the attack on Gaitskell's leadership merged with the anti-Bomb campaign, CND reached its peak. Now the leadership issue is settled and Harold Wilson does not differ in any marked respect of policy from his predecessor. Yet now the anti-bombers are silent — Frank Cousins, the champion of the CND in the Party is studiously non-committal on the Bomb. Clearly, the great struggle in 1960 derived its fierceness from mere anti-Gaitskellism, not from political disagreement on the H Bomb.

In a pre-election Conference, nothing very serious is likely to emanate from the Labour Party. Both rank-and-file and leadership are sick of the long sojourn in the wilderness, and likely to savage anyone raising any political issue that might exhibit to waiting Conservative snipers any domestic disagreement. Pious gestures and brave noises are likely to be the sum total of Labour's contribution to politics this week. In any case, it is a long time since the Conference acted in its pristine role, as inspiration, source and guide of the leadership. Now it is rather a jamboree at which the leadership merely exhibits itself. This changed role merely reflects the decline in popular participation in British politics —politics takes its shape and colour from the State bureaucracy which is the pivot of all activity. An 'alternative Government' must operate with its own 'alternative Civil Service', and a policy is not something generated by the experience of the masses, but rather technical gimmicks worked out by experts in secrecy and then handed down to the passive supporters like the sacred tablets. This is, of course, the negation of both socialist and democratic politics.

. . . Will Not Be Different

ALL this suggests certain conclusions. First, it is not at all clear that the Labour Party will provide the next Government. As in early 1959, economic expansion seems possible in the coming months, and can provide the push the Tories need to survive. Second, even if Labour is lucky and comes to power, it is unclear how much they will differ from their predecessors. General policy will certainly remain much the same, although in the short-term, the trade unions can be expected to be more sympathetic to an incomes policy — in the long term, as the experience of wage freeze up to 1951 showed, wage pressures cannot be resisted under full employment. The problem of economic growth is rather one relating to the state of world markets than domestic economic policy; the restrictions to growth in Britain itself are also rather sociological than economic. In both cases, a change of faces at the top is unlikely to dissolve what is a deep-seated condition in British society. Labour's actual policy for the economy is full of noble aspirations, but is fairly innocent of any original contribution to the problem. Education might be expanded a little more, since Labour is primarily loyal to the intelligentsia. Housing, a serious problem in Britain, needs a very radical approach — the control of interest rates, physical planning, the nationalisation of the building industry — all of which the Party leadership regards as wildly extremist. Their moderation is, on the present policy statement, unlikely to look different from the present Conservative drift.

In foreign policy, even less change can be expected. The halcyon days of labour's adherence to the Rapacki Plan, days when Social Democracy still felt it could pose a genuine alternative to Capitalism or Communism, are now merely history — Wilson, like Brandt in Germany, tries hard to prove he is only a home brewed Kennedy: Britain is full of old men talking about the need for Youth and New Frontiers. Perhaps aid to the under-developed countries will increase a little, but hardly much more than the Conservatives would increase it in the natural course of events. Arms exports to South Africa might be stopped (Wilson was vague on this score earlier this year), but not general trade which provides the life-blood for the South African economy.

Policy, as at present formulated, then offers such tiny comfort that foreigners might be forgiven for not noticing the difference between the two British parties. The Labour Party, as the press likes to proclaim, has become 'realistic', that is, Conservative. Perhaps one day it will remember its past, and will not be quite so overpowered by the scent of power.

Exhibition of Newsreels

THE implications of the Home Ministry's decision to withdraw from exhibition the Films Division newsreel which showed, *inter alia*, the procession to Parliament House organised by the Communist Party on September 13 deserve more attention than they have received. The Government's action followed a protest by some Congress MPs. These zealous Congressmen had two objections against the screening of the newsreel. First, to do so, they felt, was to relay the Communist Party's anti-Government propaganda. Second, they alleged that the commentary accompanying the screening exaggerated the size of the procession and other details.

The second objection is a matter of subjective opinion. All newspapers reported the Communist procession as mammoth though there were understandably different estimates of its strength. In any case, it is a matter of detail and it is surprising that the Home Ministry has with such alacrity accepted the views of a few Congressmen in disregard of those of the professional staff of the Information and Broadcasting Ministry.

Far more important is the other reason given for withdrawing the newsreel — that it relayed anti-Government propaganda. This is a serious matter, for it concerns the view one takes of the function of the Films Division and the newsreels it periodically releases for exhibition throughout the country. If the newsreels are intended to objectively cover important occurrences, the Communist demonstration certainly qualified for inclusion. If, however, the newsreels are intended to disseminate Government propaganda then, of course, the demonstration had to be kept out.

Now, the Films Division is a part of the Ministry of Information and Broadcasting and its activities are entirely financed out of Government funds. It *could* be used, therefore, for Government propaganda like, for instance, the Press Information Bureau, another agency under the same Ministry. There are, however, vital differences between the Press Information Bureau and the Films Division. The Films Division has monopoly of newsreels and every theatre in the country has to compulsorily screen its newsreels. In its monopoly, the Film Division's position is akin to that of the All-India Radio; and the obligation of all theatres to exhibit these newsreels creates a situation similar to that if every newspaper in the country were to be compelled to print hand-outs by the PIB.

Both the Films Division's monopoly and the compulsory exhibition of the newsreels enjoin upon the Government that the newsreels will not just peddle Government propaganda but will cover news of all types including that unfavourable to the Government. In this respect, the newsreels of the Films Division have to be compared to the newscasts of the All-India Radio. Of course, any one who has sat through hundreds and hundreds of feet of cinematographic film devoted to the immortalisation of the activities of Ministers knows that this commitment is honoured more in its breach. In fact, the newsreel in question was a notable exception, and a surprising one at that.

In withdrawing the newsreel the Government has given notice that it is not going to countenance departures of this kind. Plainly it sees the newsreels as official propaganda media which will contain only what is favourable to the Government. It is perhaps entitled to take this view, but only if it gives up its monopoly of this particular medium of publicity and withdrew forthwith the compulsion on theatres to screen its newsreels. Unless this is done, the use of newsreels for Government propaganda must be considered a flagrant violation of the right of freedom of information. That the Home Ministry has not considered it necessary to even issue an official explanation of its action in withdrawing the newsreel of the Communist procession shows with what scant respect it treats this freedom.

Changing I F C

WHEN last year the Chairman of the I F C said that the Corporation had "come of age", he was basing his claim on purely financial achievements —specifically, the fact that the subvention granted by the Central Government for payment of guaranteed dividends had been fully repaid. But other criteria can be applied to judge the growth of an institution like the I F C. The Estimates Committee, for one, found the Corporation's performance inadequate on several different counts. But it seemed then that no one was very clear about the precise role of the I F C. To start with, the Corporation was conceived of only as a marginal lender. In the words of the Act that brought it into being, its purpose was to make "medium and long-term credits more readily available to industrial concerns in India, particularly in circumstances where normal banking accommodation is inappropriate or recourse to capital issue methods is impracticable". The scope of permitted operations was not very wide — granting of loans, subscriptions to debentures, underwriting issues, and guaranteeing loans floated in the market. Later amendments invested it with powers to guarantee deferred payments (in respect of both imports and purchase of capital goods domestically) and loans raised from banks (both inside and outside the country); to act as the agent for the Central Government and the World Bank in their lending operations; and to subscribe directly to the stocks and shares of industrial concerns (which, incidentally, the State Financial Corporations are not permitted to do).

But this is only the framework. What the institution actually does and how it does it are different questions. Only last month the Finance Minister indicated that the I F C would enlarge its scope, becoming a proper development bank with a broader capital base and more active participation in industry.

In his speech at the latest annual general meeting I F C's Chairman claimed that the Corporation had indeed been gradually "assuming the role and functions of a development bank and not merely a lending institution". He felt that the institution "now stands poised to assume larger and more positive responsibilities envisaged by the Finance Minister". In support of this he pointed not just to the increasing scale and scope of the Corporation's activities but to their overall significance as well. According to his estimate, projects that have come to fruition "because of I F C assistance" account for about 30 per cent of the total net industrial investment in the private sector since Independence. A sizeable achievement, even though to claim credit for the fruition of every project to which it has made a loan may seem a trifle sweeping.

Alterations in Policy

IN the last year the tempo of the Corporation's activities quickened all round. Sanction and disbursement of loans almost doubled from the previous year's level, reaching a new

"high" and more foreign loans were obtained. More important are the promotional functions. Underwriting is an activity permitted to the Corporation since its inception, but a beginning was made only after some eight years of working. The underwriting sanctioned last year was considerably higher than in any of the previous years, not only in amount but also as a proportion of applications received. The Corporation's Annual Report makes special mention of the underwriting of the Oil India debentures — the largest debenture issue so far in the Indian market — and of the fact that in this the Corporation acted jointly with a consortium consisting of certain other special financial institutions, commercial banks and the L I C. Also in the last year the Corporation made its first direct subscription to stock; this again was to the Oil India debenture. There has as yet been no subscription to shares, as permitted by the 1960 amendment to the I F C Act.

What, however, is most interesting about the Corporation's performance last year is the alterations in policy and approach, in response to the Estimates Committee's criticism. This is all the more interesting, considering the limited time — hardly six months — that it had to mend its ways. The Estimates Committee felt that the I F C was not observing Plan priorities in its selection of industries; and that put an end to the Corporation's marked partiality to the sugar industry, which was relegated to the third place in the loans sanctioned during last year. Non-ferrous metals came first, followed by textiles. Nonetheless, the credit given to the sugar industry was considerably more than what was granted, for instance, to machinery, chemicals, or mining and quarrying.

The Estimates Committee also made much of the fact that the I F C was not only not promoting regional balance but was actually aggravating imbalance. So in the last year Madras displaced Maharashtra as the chief beneficiary of the Corporation's activities. But assisting "the industrial development of backward provinces and areas" is not something that a financial institution can achieve overnight. The total of loans granted during the year to units situated in Orissa, Assam, Bihar, Kerala and M P was less than half of what was given to Madras and Maharashtra.

Banking Statistics

CRITICISING Eisenhower's dear money policy, the Research Department of AFL–CIO argued that tight money policy "benefits mainly the banks and lending institutions of the nation" and no one else. The near-dear money policy in India, however, did not benefit the banks in 1962. With the steep increase in establishment expenses on account of the Desai Award and with 68 per cent of deposits earning interest at 3 per cent and above, profits of the scheduled banks showed a nominal decline of Rs 11 lakhs.

The Reserve Bank's "Statistical Tables Relating to Banks in India" for the year 1962 throws some interesting light on the influence of interest rates on the growth of deposits — a subject which is still being debated by the Indian bankers. Between June and December 1962, it would appear, banks with deposits between Rs 25 crores and Rs 100 crores lost business to smaller banks with deposits between Rs 5 crores and Rs 25 crores. While there is, of course, no conclusive evidence, it is worth consideration whether this was caused by the interest rate differential between the two groups of banks.

The distribution of deposits and bank credits by States discloses a disturbing picture. Apart from glaring regional disparities, four of the States (Gujarat, Madras, Maharashtra and West Bengal) contribute 63 per cent of total bank deposits and also account for 75 per cent of the credits granted by banks. Absence of statistics of the distribution of deposits according to size and categories of depositors (i.e. individuals, partnership companies, private limited companies, public limited companies, etc) makes the study of deposit growth incomplete. Similar statistics of bank credits according to size will go a long way in projecting a correct image of the banks' activities, as a Correspondent pointed out in these columns two weeks ago. The impression persists that banks mobilise rural resources to finance commercial and industrial tycoons.

One-Way Free Trade

THAT the developing countries need to expand their exports rapidly for viable development and that aid is no substitute for trade has become a much-laboured cliche. But this has not saved exports of these countries from being hindered by import quotas, tariffs, revenue duties and protectionist policies in the developed countries. In the initial stages, the developing countries need not only the removal of these restrictions but also preferential treatment of their exports. The United Nations conference on trade next year is called specifically to discuss these issues.

Meanwhile, the climate of opinion in the developed countries seems to be changing. M Brasseur, the Belgian Minister for Foreign Trade, has advanced proposals for granting preferential treatment to the exports of certain industrial goods from the developing countries. These proposals seem to have the approval of France and Netherlands and are to be formally presented to the E C M Council of Ministers next week. If they are accepted, it would be an important development in international trade inasmuch as the principle of preferential treatment for the developing countries would be formally recognised by the ECM countries. This would be a happy portent for the United Nations meeting on trade. If ECM accepts the principle, Britain and America may be expected to join in and a world-wide scheme may emerge. But time is running out and the need for action is urgent. The foreign debt of developing countries is mounting and soon it would be difficult for them to service this debt without slowing down the tempo of development.

World trade as a whole will gain if the developed countries pursue free trade policies and accord preferential treatment to the exports of the developing countries even though the latter have to adopt protectionist policies, which can be gradually dismantled after they have reached a certain stage of development. To recognise this and to give it practical shape in trade policies is the task of economic statesmanship in the industrialised countries. The Belgian Plan is a step in the right direction.

Congress and Kamaraj Plan

An Academic View

A Correspondent writes:

IT is now fairly clear that the Cabinet changes of last month have not abated factionalism within the Congress Party. It is also clear that it was unreasonable to expect those changes to curb rivalries. In UP, the election of Sucheta Kripalani was opposed, and the Tripathi faction shows no signs of wishing to sink its differences — and, indeed, why should it give up its perfectly legitimate rights merely for the sake of a phrase? In Gujarat, the two Mehtas remain unbrotherly. And now the contest for the Congress presidency is likely to be a battle between rival aspirants to the throne — Atulya Ghosh wants Shastri, Patil wants Ghosh, and Morarji wants himself. Far from Cabinet resignation being a great personal demonstration of faith, it seems it was for most Ministers a heartily disliked imposition.

Factionalism and fierce rivalry is common to parties in all countries at all times, although the degree of publicity accorded to such conflict varies. Even in the heart of, from the outside, the most monolithic and totalitarian administration, one can expect to find jostling between different groups. Factionalism is the lifeblood of democracy, and the right to set up alternative groups, representing different interests or principles, is vital for the flexibility of a social structure and its necessary change — if there are none who push the leadership from behind, inertia will inevitably set in : and inertia produces not merely fierce opposition but also open revolt.

In Developing Countries

On the other hand, factionalism which positively restricts economic development or ordinary administration is a factor which particularly afflicts under-developed countries. Pakistan, Burma, Turkey, Iran have this in common. At its extreme, factionalism becomes open warfare as in pre-1948 China and Vietnam. Its prominence in underdeveloped countries reflects the lack of any national cohesiveness; groups aspire to power without disciplining their activities according to some notion of the common interest; there are no holds barred. Two explanations suggest themselves. First, no common integrated national class exists which is agreed broadly about its own interest and the direction the country should take. Second, the beginning of a development process necessarily injures the interests of those paramount in the old traditional society — for example, the power and prestige of the Indian Princes could not be accommodated within new India, no matter how skilful the dialectics of propaganda; their power had to be destroyed for there to be progress.

Where the conflict of groups becomes factionalism proper is within one political party. And that factionalism is, of course, greater insofar as the party represents all major power groups within society. If a national party contains within itself industry, landowners, peasants and the intelligentsia, a National Assembly is not needed since all key issues will be thrashed out within the party — or rather not 'thrashed out', since groups whose traditional interests are affected will fight to the death, and carry the fight outside the party. The only way to escape this dilemma is to slow down the pace of development intolerably so that old paramount interest groups manage to merge with the new rising ones (as happened in Britain for example), or to keep the party quite separate from society, representing only one group and using all force possible to coerce the other groups (as for example, the Communists did in Russia and China). The second way allows the party to develop some ideology distinct from common opinion in the country as a whole, allows high discipline and tight control over new members. In addition, the forward programme of the party is directly correlated with the drive of the membership; from a clear social basis, the Party derives its strength. In Algeria, Ben Bella, like Fidel Castro in Cuba, seeks to tap the frustrations and anger of the peasantry as the weapon with which to develop his country.

Centrifugal Forces in Congress

But what has this to do with India where social stability has been greater than in probably any other developing country? Political stability is not, of course, the only good thing in the world; economic development is probably more important in the long-run; indeed, it could be said that the price of India's political stability is her declining growth rate. This does not relate to the technical aspects of planning, but to the ideological drive behind it. The drive gathered in the forward march to Independence has been slowly losing momentum and the party has become more subject to centrifugal forces, to rivalries and factions, at the same time as the pace of development has slowed down. The two are not unrelated.

The Congress party is a 'party' in a peculiar sense for it is a national organisation that has allowed itself to become representative of almost all the power groups in India. As such, inevitably it reflects all the fierce tensions and stresses of development. It is not an outside force that coerces or persuades recalcitrant groups to conform in the interests of expansion — it is the umbrella beneath which groups fight each other. Accordingly, it can develop no ideology which is distinct from Indian society, and no drive over and above the lowest common multiple of all divergent groups. In Kerala, fortunately, the landowners seem to be in control and the fight becomes clear and explicit — and Congress comes to stand for something distinctive. But nationally, it can be no better nor worse than India is — and India is a country which is developing, which means the forces of inertia are probably as great as those of advance.

Which brings us to the Kamaraj Plan. The words Kamaraj used were rather a mood than a 'plan': that Congress should come to represent the peasants, the poor, should

share their standard of life and outlook. The use Nehru made of this is a separate matter, although justified on the same principles. If Cabinets were composed of saints or Gandhis, then there might have been some relevance in the gesture. But, as Nehru knows, Cabinets are composed of ambitious men who are incapable of going back to the grass roots, men in a hurry and used to moving in the world at the crest of society. As a consequence, it is perfectly valid to speculate on Nehru's motives from a more cynical viewpoint — was Kamaraj a pretext ?

What Will Help Congress

But all this does not help the Congress, which is no further forward; indeed, the Prime Minister has given a gratuitous helping hand to factionalism by releasing the most distinguished members of his party to participate in the fights. What would help Congress? A little clarity. But this is impossible while the social basis of the party is unclear. Ideology derives from the beliefs of different social groups in their own peculiar mission to raise society. All social groups together have that sense of mission only in times of extreme national crisis, in war for instance. For a moment, the Emergency looked like creating that mood, but inevitably the party was incapable of utilising it.

No, the only solution is for Congress to become a political party, not the judicious centre in a national controversy, but one of the active protagonists of a clear point of view. And it can only do this if it purges large groups of its members so that it comes to represent one distinct interest. This is, if the predominant interest in Congress *is* for development. Perhaps the landed interests are a majority. If that is so, India will not develop very fast until it gets a different Government.

But then, probably, the rot is already too deep, and it is no longer possible to create a cohesive, separate political party out of Congress which expresses the drive and energy of a particular social group. Whatever the case, it is clear that neither Kamaraj nor Nehru has begun to nibble at the real problem. And while they delay, the political future of Congress, and the economic future of India are dark.

From the London End

Commonwealth Takes Stock

THE routine meeting of Commonwealth Finance Ministers held regularly before the Annual Meeting of the World Bank and the International Monetary Fund took place in London on September 24 and 25. It was attended by all the independent Commonwealth countries, most of them represented by Finance Ministers; representatives of certain British overseas territories were also present.

The only new initiative that emerged from this meeting was a British proposal, put forward by Maudling, that a combined Commonwealth study of individual Commonwealth countries' economic and trading prospects should be undertaken. Whether such a move is economically very meaningful, there is no doubt that politically it was a shrewd, move by the British Government. It provided Britain with a positive and plausible talking point to the assembled Commonwealth representatives, and could be taken as a sign that Britain had not lost faith in the Commonwealth as a trading partner. Although the present Government has made it quite clear that given the chance it would join the Common Market, the failure of its first bid has made the U K take a little more interest in the Commonwealth which it was quite prepared to sell down the river. A fresh look at the Commonwealth is now indicated as a larger outlet for British exports. During the Common Market negotiations, the Commonwealth was very much written off as a trading partner, and the stagnation of Commonwealth trade was used as an argument for Britain turning her back on the Commonwealth and directing her efforts to Europe. The Chancellor's new initiative also gives some substance to Selwyn Lloyd's earlier proposal that special efforts should be made to develop intra-Commonwealth trade.

Trade with Commonwealth

The "Report on Overseas Trade" published by the Board of Trade on September 23 gives some interesting figures on British trade with the Commonwealth. Since the dramatic setback between 1960 and 1961, imports from the Commonwealth have been increasing, while exports have remained at roughly the same level. The overall picture for July 1963 was that imports were 21 per cent and exports 4 per cent above their average 1962 levels. The recovery in imports from the Commonwealth has continued through 1963, spread over all the major industrial sectors. Increases in imports of beverages and tobacco have been particularly striking, and there has been also a 26 per cent increase in imports of food and live animals. However, imports of manufactured goods from the Commonwealth show the smallest rate of increase. The picture of British exports to the Commonwealth is less encouraging; the largest sector, machinery and transport equipment, has registered an increase in exports of only 5 per cent and the second largest, manufactured goods, increased by less than one per cent.

The meeting had before it a report prepared by officials from Commonwealth countries at their recent meeting in London on the balance of payments prospects of the Sterling Area. At a Press Conference at the end of the meeting, Maudling stressed the fact that while certain primary producing countries in the Commonwealth have been experiencing difficulties because of their exposure to adverse price movements, the economic position of the Commonwealth and the Sterling Area as a whole was strong.

A full-scale survey of Commonwealth development plans, or as the Chancellor described it "putting our forward projections together" was specifically made in the context of seeking new ways to raise the overall level of Commonwealth trade. What, in effect, does this new project involve ? One of the objects of this proposal is that the economic and trade prospects of individual Commonwealth countries, and their development plans, should be collated with a view to throwing light on the future pattern of demand for, and supply of, primary products and manufactured goods within the Commonwealth. The idea behind this proposal is that it might well reveal new opportunities for expanding Commonwealth trade within the existing trade system. By comparing development plans, it might well reveal new opportunities for intra-Commonwealth trade which might otherwise have been overlooked. Given this integrated picture of the way things are likely to go in the years ahead, Commonwealth exporters and bankers could go ahead with studying these demands through normal commercial channels and the free functioning of the market.

At the Press Conference dealing with this proposal, Maudling said a single development plan for the whole Commonwealth had been suggested, but there were too many difficulties. "But there might be considerable advantage in taking the plans and forecasts of Commonwealth countries and putting them together into a single picture". It was made clear that the British proposal did not anticipate, (a) any regulatory functions; (b) the setting of targets; (c) any attempt to try to make the Commonwealth into a trading bloc. It was accepted that sovereign Commonwealth Governments did not wish to be co-ordinated into a single commercial community, and the great differences in the degree of planning and economic development in the different Commonwealth countries was recognised. Thus, the scheme is not an attempt to co-ordinate economic policies of individual Commonwealth countries through some new central organisation, and there is certainly no idea of setting up a Commonwealth Common Market. Nor is there any suggestion that a Commonwealth "Neddy" should be established.

Aid and Trade

The Conference accepted the idea that such a plan would require detailed studies and a central clearing house. No Government has yet given any commitment nor were they expected to. Commonwealth Governments will now be given time to study the idea which is still in a preliminary stage. The idea itself, according to Maudling, "was received with a good deal of interest". The various Finance Ministers will now take home with them the outline of the plan to report to their Cabinet colleagues. This means there will necessarily be some interval while discussions go on in the various Commonwealth capitals, but there is hope that a decision may be taken on it at a further meeting next Spring.

As was only to be expected, the problems of developing countries were discussed in some detail, but nothing new was said on this subject. The main problems that face these countries are well known — the need for commodity agreements to overcome primary producers' vulnerability to adverse movements in the terms of trade, which sometimes means that although the volume of trade rises, there is a fall in the foreign exchange earnings of these countries. The whole question of development aid was also discussed with particular reference to the need for "soft" aid and a sympathetic attitude to debt servicing. It was noted that some progress has been made in the latter field, but a whole host of problems remain to be solved, such as the thorny question of tied aid, and the general inadequacy of international aid for development. Other factors touched upon were the availability of funds, the factors affecting the rate at which development aid can be drawn, the financing of local costs and the adequacy of compensatory finance.

International Liquidity

The Ministers emphasised the importance of the Kennedy Round of GATT negotiations for the trade of developing countries, and recognised that special efforts must be made to reduce barriers to the export of manufactured goods from developing countries, as well as of primary products. This is, of course, a crucial question for developing countries and so far, very little progress has been made in this field, although the necessity to do something has been repeatedly stressed at GATT con-



ferences and other United Nations meetings. Admittedly, a great deal more needs to be done as far as the United Kingdom market for manufactured goods from the developing countries is concerned, but it remains a sad fact that other industrialised nations are even less liberal.

The meeting also exchanged views about the forthcoming United Nations Conference on Trade and Development, and expressed the determination of their Governments to work for the success of the Conference. It was also agreed that the time was ripe for a thorough review of international liquidity problems. All the Finance Ministers were unanimous that early decisions on the strengthening of the International Monetary Fund were desirable. Specific plans, however, were not discussed. It was appreciated that no new plan would emerge from the present meeting of the IMF, but all the Ministers were agreed that a further study should be completed in time so that international agreement could be reached on some practical means of increasing liquidity at next year's IMF meeting in Tokyo. The developing countries are certainly anxious that some solution to the liquidity problem be found so that the industrialised countries will not be inhibited, because of balance of payments difficulties, from providing aid on the scale that is required if any real impact is to be made on under-development.

Portrait of a Capital—II

A Diagnosis of Decay

IN New Delhi they pour whisky out of decanters, not, alas, because the capital has made a new advance towards elegance but because whisky out of decanters is of provenance undisclosed, though not exactly unknown. One could write of Delhi today—the court of a monarch in decline, according to *The Times* man in the capital — in terms of houses, perks, air-conditioners and many things; but the main currency in most transactions is Scotch whisky — or women. First things first : whisky.

This reporter told his host early on that he had long resigned himself to Indian whisky of a chivalrous brand.

> Host: But I can't afford that. Good God, Rs 30 a bottle!
> Me: What on earth do you mean?
> Host: Well, Scotch costs me, if at all, Rs 10 a bottle. Diplomatic, you know.
> Me: I don't.
> Host: It means no obligation at all; and I am entirely non-aligned. I take as many bottles from Western embassies as from Eastern.

The journalist quoted, as honest as any, later in the evening spoke of a West Asian envoy who, at the end of a convivial dinner, asked him to have one for the road in his air-conditioned bed room. There sat five pretty, unattached but not inhospitable girls, all Indian and all Indian. You deceive yourself in thinking that these instances are totally untypical; this reporter's perversities do not include collection of muck and scandal.

Another Story

A certain well-known Delhi politician is fond of using strong scents; you can smell his arrival from yards; he uses, mainly, *attar*, favourite of the Moghuls of old. A not usually witty veteran Congressman said, "He is the Perfumo of the Congress Parliamentary Party, you know". There was no censure in his voice, dead-pan.

Another esteemed colleague sought assistance in improving, for no consideration, the draft of a hand-out passionately composed by a diplomatic but non-Anglo-Saxon information chap. It opened like this: "Our countrymen have graven on their hearts only one word; it is a four-letter word. Four capital letters engraved on every heart. The letters are CUBA; and the word is Cuba". I suggested redrafting the opening; or the dirty minds in the offices of the *New Yorker*, without being violently anti-Castro, might think of using it in the department of things that might be put better. "Emergency", the word one often hears in New Delhi, mainly as a threat or as a joke, unfortunately has as many as nine letters.

Privileges Galore

The Orwellian epigram on all being equal while some are more equal than others is perhaps nowhere in the world truer than in New Delhi. Everyone is morbidly privilege-conscious, M Ps and newspapermen included. A joint secretary is inconsolable until he has got the office space he is entitled to according to rules made in 1915 or thereabouts; ditto for his residence, which must have so many rooms and no fewer. Newspapermen have their share in the general "kill"; on a basis of priorities they can buy land for houses at a privileged rate, unavailable to ordinary citizens; it is easier for them to secure housing loans than for others. Ministers non-violently insist on their pound of flesh; and the caste structure in the Government beats anything devised by the Hindus of old. Blissfully ignorant of the fact that parliamentary democracy is not at the moment operating in a sellers' market in this part of the world, the M Ps are indefatigable in demanding more and more privileges and amenities. Emergency or no Emergency.

And how little will corrupt these men dressed in brief authority! A bottle of Dimple Haig will unseal a top secret file; a free trip abroad, sometimes for a nephew, will slant a dispatch. (The liaison between the Press and the diplomatic corps has one justification: the embassies are often better informed, even on Indian affairs, than Secretaries and Ministers; they are often more forthcoming, with, of course, always a purpose.) Introduction to a saree will gain a contract. Better electrical fittings in a Minister's house will earn some official a promotion. A favour done will mean for an official a foreign car at a cheaper price before the S T C auction. It has not been sufficiently noticed that the so-called competition between the private sector and the public has meant more perquisites not only for the managerial class in the public sector but also in the Government itself. Higher officials' perks

today would have been unimaginable fifteen years ago.

A New Class

The years since independence have seen the emergence of two new classes, ex-officials re-employed by business and ex-Ministers. In days gone by they just faded out on retirement; and they really retired with or without a pension (as in the case of non-official executive councillors) but certainly without any privileges. Not so today. Ex-officials are employed on fantastic salaries and continue to wield considerable influence on their erstwhile subordinates. Ex-Ministers never become ordinary M Ps (as in Britain, where M Ps are in all respects, such as railway reservations or air bookings, treated as ordinary citizens and would rather have it this way) but are given special quarters in New Delhi or Government Houses in the States. Ex-Ministers behave, and are treated by officials as, men who will soon come back into the Government. So many have done so that one can hardly blame the officials.

Only one official is on record with a rebuff; and it's a good story. Shri Morarji Desai had just resigned the Chief Ministership of Bombay but not yet joined the Centre. He was on a private visit to Calcutta; his personal assistant or somebody rang up Lall Bazar and asked for a pilot sergeant to escort Shri Desai to Dum Dum. An intrepid cop inquired, "And who may this Shri Desai be?" Other end of the wire: "What? He is the ex-Chief Minister of Bombay!" Cop: "Ah, most interesting. Let me see if I can find an ex-pilot sergeant to escort the ex-Chief Minister of Bombay tomorrow. Prospects unbright".

The Finale

No study of the New Delhi scene today can be complete without a reference to the role played by astrologers. Almost all Ministers and some very high officials have court astrologers of their own; and very important decisions of State are dictated by their reading of the movement of stars and planets and what they portend. Some astrologers' services are shared; it would, for instance, be profitable for a Minister of State to have the same astrologer as his Minister. The soothsayer could be a useful pipeline on the Minister's mind; he could also put in a word for the junior to the senior. The astrologers, for all their holiness, are not necessarily innocent of politics; they can be "managed" as surely as President Kennedy is supposed to "magage" news in the USA.

Pandit Nehru, it is said, is not as allergic to astrological advice as he once used to be. One soothsayer, it is said, was right about the Prime Minister's illness last year. Astrological approaches to him are usually indirect, through his daughter or some close associate. Perhaps to understand Indian politics you do need a course in palmistry. Bhrigu may well be more relevant than Kautilya; Vatsyayana more to the point than Aristotle or Machiavelli.

(*Concluded*)

—*Flibbertigibbet*

Book Reviews

Train to Huddersfield

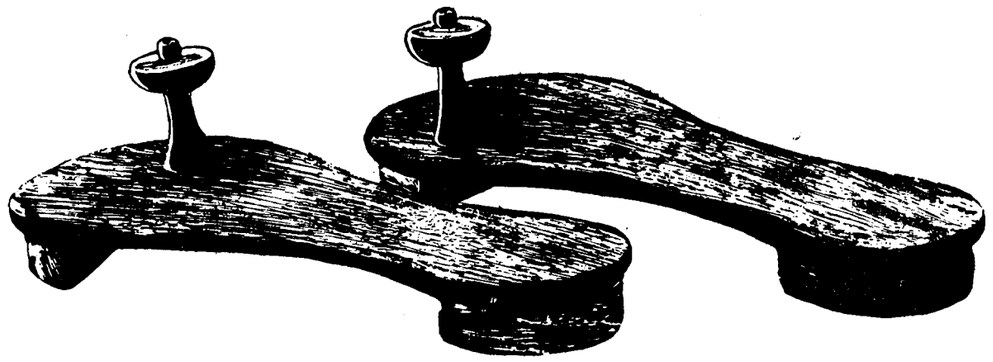
The World Bank : A Prospect by James Morris; Faber and Faber, 1963; Pages 192, Price 25 s.

AN institution such as the World Bank has, necessarily, a limited "public" which understands its objectives and follows its operations. But it cannot, for that reason, afford to treat publicity with academic scorn; in fact, it needs to promote very wide appreciation of its efforts. Realising this, the former President of the Bank, Eugene Black, commissioned a popular book on the institution. Mr James Morris confesses that he is "without the slightest knowledge of and only a tangential interest in, banking"; but he is a professional writer with several socio-political travel books to his credit. This was an excellent idea and the authorities wisely refrained from imposing their official seal on this, a light-literary effort in a new direction. The author was free to work in his own manner and also to find his own publisher; and while his manuscript was read by the Bank's officials, there was apparently no vetting.

Not that this was necessary. The book is no panegyric but its objective is to convey the novelty, the thrill and the deep humanity underlying international effort at fostering economic development. The author starts with the reasons for the existence of the institution and employs an imagery that blends with the central theme of the book. The multi-faceted process of economic change and modernisation is equated with "Huddersfield", an Yorkshire town that was one of the cradles of the Industrial Revolution in England. Today every nation that has not already arrived at Huddersfield is striving to reach it. The point is that "to buy a ticket to Huddersfield, you need a rich uncle somewhere". But economic aid has become a cold war weapon and the trouble with the multi-lateral efforts of the U N is that they are, all too often, quite inefficient. It is on this point that the World Bank is considered strongest since its approach to the potential Huddersfields is "not always imaginative, not always inspired, but at least always professional".

Engagingly Human

To retain a light touch while describing a complex and specialised organisation is by no means easy. James Morris realises this and works hard at avoiding being a bore. He even tries to be *cute* ("Washington, D C, is full of funny places — funny peculiar, that is, not often funny ha-ha — but few are much funnier than 1818 H Street, where the World Bank lives"). He pokes gentle fun at the esoterism employed and the "dreadful jargon" which "congests the conversations of the Bank". He narrates anecdotes and tosses off tasty titbits of incidental information. He gives an attractive pen-portrait of Eugene Black ("For many a year yet any book about this institution will be a book about him") recording his passion for Shakespeare as well as his 'sense of style'. But Morris is not facetious. In fact, the banter is used to leaven the factual information im-



Steps to solidarity

"I shall work for an India...
in which all communities
shall live in perfect harmony...
THIS IS THE INDIA OF MY DREAMS"
— *MAHATMA GANDHI*

To Gandhiji, differences in sect, caste or creed were meaningless. To him the concept of national unity and the attainment of this ideal were more than a mere dream. "I am indeed, a practical dreamer. My dreams are not airy nothings. I want to convert my dreams into realities, as far as possible." He lived and died for this ideal. On this day let us resolve to make his dream a reality. This will be the greatest tribute to his memory.

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parted in non-technical language and with hardly any use of statistics.

The geographic range of his subject's activities comes to the author's aid and enables him to turn to his forte — travelogue of a purposive variety. He presents 5 vignettes of the Bank's activities in different regions of the world. These are colourful descriptions of countries at different distances from Huddersfield, whose paths to the goal are impeded by different obstructions. Ethiopia, which requires the many skills of industrialisation; Thailand which has many advantages but lacks the will; the Italian South which has lost the confidence; and Colombia which needs greater geographic unity. In each case, the Bank has financed projects directly and through national institutions. More indirectly, it has also tried to bring about change through the force of example, by establishing standards upon which national institutions of progress can be based. The fifth and final case is slightly different; it concerns the Indus river-water dispute between India and Pakistan, the settlement of which is summed up as "certainly the most flamboyant of the features in the World Bank's normally sombre Homburg".

Information without Pain

James Morris has been at pains to make his a balanced picture, recording the deficiencies in the Bank's structure and attitudes and the common complaints of its clients. But the success of the Bank outweighs them. Two strong operational features are stressed — the institution's essentially professional attitude and its flexibility. Looking briefly into the future, the author finds the prospect pleasing. He feels that together with its more enterprising affiliate, the I D A, the Bank could well shift from the marginal, catalytic role that it plays now to a much more positive one, with its staff forming the nucleus of a true international service "dedicated not just to the dispersal of money but to the development of the world's welfare".

This is a personal, impressionistic account and the standards applicable to an analytical study are naturally not valid here. The manner of narration is what counts most. One may find the description a little too deliberately evocative, the style sometimes turgid. But this way of writing has its appeal. Above all, information is imparted in a painless manner, skilfully blended with entertainment. The author says somewhere parenthetically that one of the members of the Bank's staff defied him to write an interesting book about the institution. That person will now no doubt concede that James Morris has met his challenge successfully. This book may not top best-seller lists, but it will nonetheless have a wider, if not deeper, readership than any of the Bank's own reports or records of activites. And that is just the reason why it came to be written.

The Bokaro Story

Bokaro : A Story of Bungling by D K Rangnekar; The National Institute of Public Affairs, New Delhi, 1963, pp 29.

THE Broomfield amendment to President Kennedy's Foreign Aid Bill for 1963-64, which choked off U S aid to India's Bokaro steel plant, forbade the Administration from providing assistance "under the Foreign Aid Act for any country for the construction of any productive enterprise with respect of which the original value of such assistance to be furnished by the United States will exceed $ 100 million" until the Congress re-examined the project next year. This might give the impression that what set the Congress against Bokaro was the quantum of aid required.

This is, of course, not the truth. Bokaro did not get through Congress principally because it was to be a public sector project. The Kennedy Administration was torn between anxiety to build Bokaro as a show-piece, an "impact project", for America and apprehension that Congressional approval was unlikely to be forthcoming for aid to a public sector project of this magnitude. Persistent attempts were consequently made to persuade the Government of India to accept private participation in the project in various guises. It is to the Government's credit that it withstood these pressures.

Prejudices Die Hard

Where the Government does not come off quite so well is in taking so long to realise that a public sector Bokaro stood no chance of being cleared by the Congress. For this much of the responsibility must be shared between Professor J K Galbraith, then U S Ambassador in India, and (Rangnekar does not mention it) the Indian Embassy in Washington. In retrospect it is evident that Galbraith let his anxiety to project himself as a friend of India run away with his sense of reality and made many optimistic statements about Bokaro which had little basis in the mood of the U S Congress or even in the intentions of the Administration. The appointment of the conservative Clay Committee to report on the foreign aid programme made it clear that Kennedy was not spoiling for a fight with the Congress on aid nor was he going to provoke Congressional displeasure by excessive commitment to Bokaro. If these facts had been adequately appreciated, then it would have been unnecessary to play along with the U S Administration in delaying a decision through largely purposeless technical surveys.

These, in brief, are the conclusions of Rangnekar's brief postmortem. The principal lesson of the story is for Indian liberals who are in a hurry to believe that the U S Congress and Administration have forgotten their prejudices and predilections. Not yet.

The concluding section of the booklet is devoted to an examination of the practicability of building Bokaro with equipment imported from different sources instead of getting a foreign agency to build it for us on a turn-key basis. At the broad, general level at which the examination is conducted, the conclusions are wholly optimistic and it is suggested that such a course might even substantially reduce the foreign exchange cost of the project.

Company Meeting

Poysha Industrial Company Limited

Speech of the Chairman, Shri M R Ruia

THE following is the Speech delivered by the Chairman, Shri M R Ruia, at the 6th Annual General Meeting of the Company held in Bombay on Monday, the 30th September 1963:

Our Bombay factory is small and congested, and we are making do with the single automatic bodymaker and printing unit. These inbuilt difficulties have been a continuing handicap throughout the year, and our general performance at the end of the year must be regarded as satisfactory in the light of this handicap. When the new factory is built at Dighe near Thana and additional equipment is installed, production is bound to increase rapidly, and this should be reflected in the turnover and profits in the coming years.

Raw Material Problems

We have had to contend with a certain amount of difficulty regarding our main raw material. Inadequate import of tinplate for the manufacture of open top sanitary cans was a feature almost throughout the year, with the result that we had to manufacture cans not according to the requirements of canners, but according to the availability of the varieties of tinplate. Our sales of open top sanitary cans naturally suffered because of our failure to make continuous supplies of the right sizes of cans to the canners.

In the matter of indigenous tinplate, too, there were difficulties due to excessive variation in the thickness of the tinplate. This not only prevented us from using the tinplate on our automatic machine, but reduced the rate of production on the semi-automatic lines also. Irregularity in supplies was another feature throughout the last year.

We have brought our difficulties to the notice of the Hindustan Steel Limited (Rourkela) and hope that with their co-operation most of these difficulties will be greatly minimised, if they do not altogether disappear, in the coming year.

During the greater part of last year, the supply of aluminium tagger, from the only manufacturer, Messrs. Indian Foils Limited, was quite inadequate. They had their own difficulties regarding raw material.

A new development in the year under review has been the receipt of orders for supply of cylinders of various types, etc., from the Government. We have already made supplies against certain substantial initial orders, which have met with approval, and are expecting further orders in the near future. This promises to be quite a significant line of manufacture in the coming years, and special tooling and machinery are being contemplated for this purpose. Our suggestions for the modification of some of the specifications, which would have the effect of greatly cheapening the cost of the products without reducing their technical adequacy in any respect, are being received with sympathy by the authorities concerned. I shall have more to say on this new development in the next annual report.

Exports

We have also contributed our humble share to the vital export drive now in progress. About Rs 16 lakhs worth of goods were exported in our containers in 1962-63, of which a little over Rs 10 lakhs were in sanitary cans. Sixty per cent of these sanitary cans consisted of 5½ oz. juice cans, of which we are the sole manufacturers, the balance relating to general line cans, mostly containers of paints.

With a little assistance from the Government a really large export trade can be developed in these 5½ Oz. juice cans. There is a very ready market in the Middle East countries, which are at the moment being dominated by Cuba, Mexico and Egypt. Unless we are able to sell in this export market at prices not exceeding those at which these countries are selling their products, we cannot make any headway in this export. The canners of fruit juice have expressed certain difficulties regarding the high cost of production, due to circumstances beyond their control, and they are likely to make a representation in this respect to the Government. We have also made an independent approach to the Government, pointing out, among other things, the need for the restoration of the subsidy in tinplate which has recently been abolished.

Our total Sales last year amounted in value to about Rs 0.94 crore, as against the last year's figure of Rs 0.76 crore.

Other things being equal, the results for 1963-64 should show a substantial increase in turnover and value.

Note : This does not purport to be the proceedings of the Annual General Meeting.

Polychem

POLYCHEM'S sales increased during the year ended March 31, 1963 to Rs 1.97 crores from Rs 1.64 crores in the previous year. Pre-tax profits showed a fall of Rs 2.55 lakhs at Rs 29.69 lakhs. Taxation provision absorbed Rs 17 lakhs as against Rs 15.50 lakhs previously. Net profit has fallen to Rs 12.69 lakhs from Rs 16.74 lakhs. No amount has been transferred to Reserve Fund as against Rs 6 lakhs last year. Allocation to Dividend Equalisation Reserve is reduced to Rs 2 lakhs (Rs 3 lakhs). The Directors have transferred Rs 12 lakhs to the Dividend Reserve from which the Preference dividend at 7½ per cent absorbed Rs 3.33 lakhs and a taxable equity dividend at Rs 7.50 per share of Rs 50 will absorb Rs 8.40 lakhs.

The Directors state that during the year the Company's polystyrene plant operated satisfactorily. Facilities have been augmented to meet the growing demand for coloured materials. Sales would have improved still further but for large stocks of similar materials allowed to be imported. The Styrene Monomer and Alcohol plants are expected to be commissioned shortly.

Forecasting Variations in Money Supply

M Z Mogri

The study made by the Reserve Bank's Working Group offers a clear analysis of the concept of money supply and the factors affecting money supply in India.

Starting from the Reserve Bank study, an attempt is made here to evolve a workable equation for forecasting changes in money supply.

THIS article attempts to present a workable basis for forecasting changes in money supply with the public. Before we proceed further, a few observations on a similar recent attempt by V C Shah (*The Economic Weekly*, December 8, 1962) deserves mention. The formula Shah has evolved as well as the analogy to Keynesian economics that he has been able to draw leads to interesting conclusions. However, is it not possible to reach Shah's conclusions in the following simple way?

By definition* $\frac{Mb}{M} = \frac{C+Bc}{M}$

$$\therefore \frac{M}{Mb} = \frac{M}{C+Bc}$$

$$\therefore M = \frac{1}{\frac{C+Bc}{M}} \cdot Mb$$

or in other words:

$$M = \frac{1}{\frac{C}{M} + \frac{Bc}{M}} \cdot Mb$$

The above steps retain the advantages of Shah's formula and it will be seen that besides the autonomous 'Mb', we are also able to obtain the two 'leakages': $\frac{C}{M}$ and $\frac{Bc}{M}$. It will be obvious that $\frac{C}{M}$ is the ratio of currency with the public to total money supply or in the Keynesian terminology which Shah prefers, "the propensity to hold currency on the part of the public." Similarly $\frac{Bc}{M}$ is nothing but the ratio of cash resources of commercial banks to total money supply or "the propensity to hold cash resources on the part of the commercial banks".

* M = total money stock.
Mb = C (Currency) + Bc (Cash resources of banks).

Reserve Bank Study

The formula proposed by Shah does help us in taking a view on the relative merits of Government borrowings from the Central Bank and from the commercial banks. The usefulness of Shah's formula for predicting variations in money stock, however, appears to be uncertain. He has himself cautioned us against some of the pitfalls and handicaps inherent in the application of the formula. For the purposes of forecasting money supply with the public in India, it is felt, the study made by the Reserve Bank of India Working Group (comprising Simha, Bhatt, Chandavarkar and Khatkhate) provides a more suitable basis. This study, it may be recalled, was published in two parts in the *Reserve Bank of India Bulletin* of July and August 1961. There may, of course, be some scope for improvement in the illustrative forecasts made by the working Group (some of the comments offered by Shah are quite relevant in this connection); it goes without saying, however, that the RBI study offers us a neat treatise on the concepts of money supply and related factors as understood in India. It is, therefore, proposed in the paragraph that follows, to take some of the findings of the RBI study — suitably modified for our purpose — as the starting premises. It will then be shown that by appropriately carrying them forward, we can evolve a workable equation for forecasting money supply variations.

Let:

(i) Ms=C+Bm

Where Ms: money supply with the public

C: currency with the public

Bm: Bank money constituting that portion of deposit liabilities of banks which serve to the public as medium of exchange. (Here we have avoided the controversy regarding the inclusion or exclusion of time deposits, since, prior solution of this question does not seem to be necessary, for our purpose).

(ii) Gm=C+Br

where Gm: Government money.

Br: Bank reserves, including till money, statutory reserves and other deposits with the Central Bank.

(iii) Bm=m . Br

where m : multiple obtaining under a system of "multiple credit creation".

(iv) Br=f . Gm

where f : fraction obtaining under "fractional reserve system"

(It may be mentioned here that neither 'm' nor 'f' need be stable and both of them may vary from country to country and even within the same country at different points of time).

Now, By definition (i)

Ms=C+Bm

=C+m . Br [on the basis of (iii)]

=Gm+m. Br — Br [on the basis of (ii)]

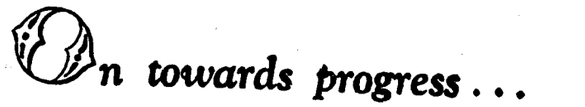
$$= Gm + Br\ (m-1)$$
$$= Gm + f\ .\ Gm(m-1)$$
[on the basis of (iv)]
$$= Gm[1 + f\ (m-1)] \ldots (v)$$

Thus we have obtained a definite relationship in the form of: $Ms = Gm\ [1+f\ (m-1)]$. This means that given the increase in Government money (Gm), corresponding increase in the money supply with the public (Ms) could be forecast provided we can work out reasonable estimates for 'f' and 'm'. As we know, 'm' depends mainly on statutory reserve requirements, composition of financial assets of banks, conventions regarding Central Bank credit to banks and extent of integration and development of the money market. On the other hand, 'f' primarily depends upon development of banking habit and upon 'm'. The variables on which 'm' and 'f' depend thus form a formidable list.

Not an Impossible Task

However, the task of their estimation is not at all insurmountable when we realise that we need not start from scratch. All we have to do is: arrive at the current ratios of 'm' and 'f', then judging from the past behaviour as also the emerging trends, project the same over a period of say 3 to 5 years (or even less) on the basis of certain assumptions regarding the principal variables involved. Since most of the variables involved are within the purview of the Central Bank's regulations, the monetary authority in a country should be in a position to (i) build up systematic time series on the factors involved, (ii) discern significant relationships and (iii) predict near-future trends, keeping in view the fiscal and monetary policy the country in question is likely to pursue. Once a beginning is made in this direction, the tools of analysis could always be improved upon in due course by a method of trial and error. It should surely be possible for the Central Bank of a country, and for the Reserve Bank of India, not only to predict 'm' and 'f' fairly confidently* but also once having predicted them, to regulate the monetary and credit policy in such a way as to avoid wide divergences between the predicted growth and the actual growth of factors involved.

* Estimation of: (i) extent of integration and development of the money market and (ii) development of banking habit may pose problems not entirely capable of tangible solution. However, as far as these two variables are concerned, broad indices should be sufficient for forecaste relating to a period of 3 to 5 years during which no large fluctuations in these factors are likely to occur. Further, 'f' depends considerably on 'm' and once 'm' is estimated, 'f' can easily be derived.



On towards progress . . .

India Steamship Co., Ltd., has a steady record of progress . . . Since Independence, its tonnage has increased from about 85,000 D.W. tons to over 200,000 D.W. tons—more tonnage being still on order.

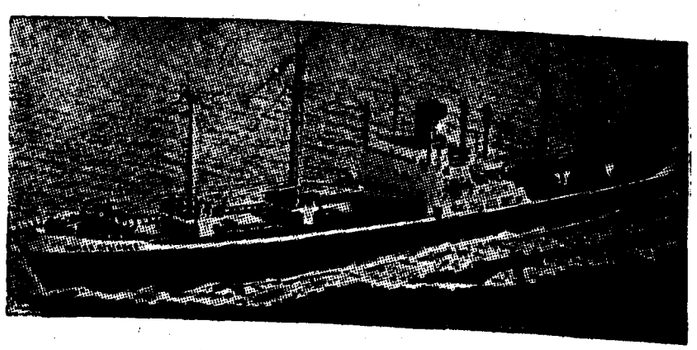
Its services are also extending to various trade routes. After initial consolidation in the India-U.K.-Continent trade—the Company entered the Indo-Soviet service to the Russian Black Sea ports in 1956 and later to Rumanian ports. In 1959 the Company forged still another link in the overseas with South America, and in 1960 it extended its service to Poland.

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Labour and Trade Unions in Kenya

K N Vaid

Though the trade union movement in Kenya has from the beginning received encouragement from the British rulers, the problems of the trade unions today bear close similarity to those facing Indian trade unions. The membership is largely illiterate, migratory and frequently unemployed. The leadership has come mainly from non-worker stock and is shared with political parties. And there is no second line of leadership worth the name.

With its well-organised political parties, mature and western-educated leadership and the social change already initiated by the British, independent Kenya is bound to take the road to industrialisation and rational, liberal political and economic institutions. This will call for the transformation of illiterate, migratory, leisure-liking African workers into a stable and productive work-force. In this the trade unions will have to play their part not only in achieving social cohesion but also in giving their members the solidarity necessary to make collective action effective.

ACCORDING to 1948 census, 96 per cent of the population of Kenya is African; 43.2 per cent being in the age group 16-45. Table 1 shows the growth of African work-force employed in principal occupations in the colony. It will be clear from the Table that there has been a steady growth in the work-force engaged in industries. The year 1958 registered 41 per cent increase over 1945. Table 2 presents an industry-wise analysis of the work-force.

The African Worker

It is generally believed that the African worker is unstable, less productive, prone to change employers too often and to absent himself from work and lacking in a sense of punctuality. Most of these views come from European sources and so, though they may be valid, allowance has to be made for prejudice. A majority of African workers are migrant and seek remunerative jobs for strictly limited purposes. There is little incentive for them to stabilize in new occupations and make progress. Promises of more money for harder work have little interest for Africans because the money so earned cannot buy the things they really want: prestige, security, a home of their own, or at least the right to rent and live in a house in an urban area irrespective of the type of work they do, the right to do the kind of work of which they are capable, a proper education for their children, family life, etc. Thus they content themselves with minor ambitions such as a suit of clothes or a bicycle. These wants are relatively easily satisfied; they are no hindrance to mobility. With saturation comes refusal to make extra effort.

The normal working week varies from 45 to 50 hours in Kenya. Factories and shops work 8 hours a day. The daily spreadover is limited to 9 hours. Commercial employees have a 42½-hour week, public employees a 40-hour week. Regulations on weekly rest apply only to retail shops and workshops which must be closed on Sundays. Holidays with pay are few. Only shop employees are entitled to 12 holidays with pay for every completed year of employment with the same employer. Children, young persons and women are not allowed night work and are prohibited from being employed in certain types of work.

Table 1 : Growth of African Work-Force Employed in Principal Industries

Year	Men	Women	Children	Total
1945	294,999	38,365	55,931	379,286
1948	310,074	30,589	44,904	385,567
1951	327,401	41,402	43,613	412,416
1954	390,949	57,208	44,394	492,551
1957	440,995	73,318	40,485	554,798
1958	431,886	72,524	30,323	534,733

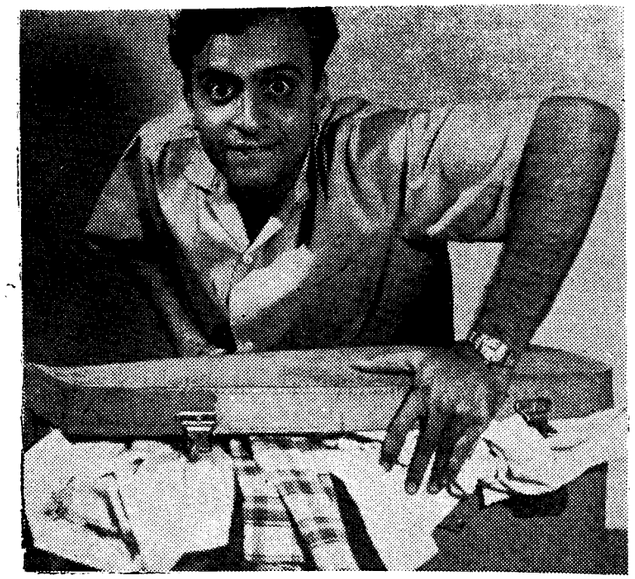
Source : "Statistical Abstract 1959", Government Printer, Nairobi.

Table 2 : Employment of African Work-Force by Industry

Industry	1956 * Total Work-Force Employed	1958 † Total Work-Force Employed	Men	Women	Children
Agriculture, Forestry and Fishery	235,200	247,218	158,457	60,770	27,991
Mining and Quarries	9,000	6,105	6,031	48	26
Manufacturing	57,700	45,920	43,031	1,971	918
Building and Construction	29,500	17,710	17,568	90	52
Commerce	37,900	22,242	21,188	944	110
Transport and Communication	47,800	11,261	11,028	210	23
Domestic Services	45,700	24,178	21,206	2,078	894
Miscellaneous	—	22,226	19,952	2,066	208
Government Service		83,253	80,646	2,516	91
Railways and Harbours		24,732	24,700	32	—
Post, Telegraph and Telephone	134,100	3,289	3,288	—	1
Other High Commission Departments		2,036	1,721	311	4
Civilian Defence		1,479	1,466	9	4
Local Government and Other Public Services		23,084	21,604	1,479	1
Total	596,700	534,733	431,886	72,524	30,323

* Source : "African Labour Survey", I L O, Geneva, 1958, p 667.
† Source : "Annual Report", Labour Department, Government of Kenya, 1958.

But why carry a pile of bush shirts...

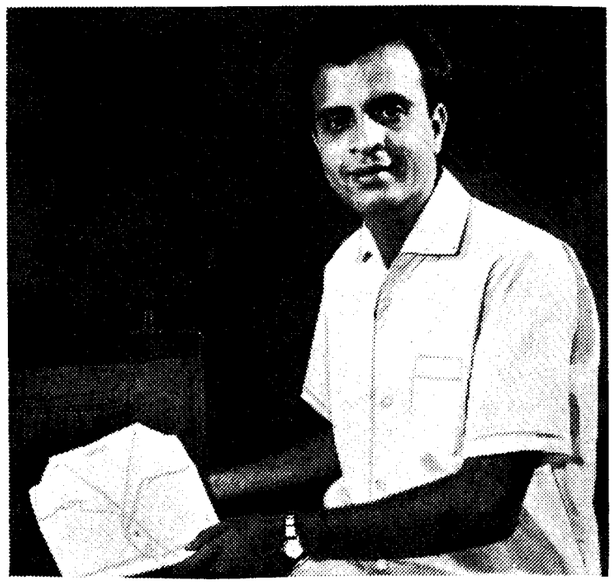


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Among welfare measures, mention should be made of housing facilities. Most of the employers have found it necessary to provide accommodation for their workers and wage fixing committees have made it obligatory for them to pay house rent allowance if accommodation is not provided. Many employers voluntarily provide medical care and rations to their workers during sickness.

Labour Administration

The African worker gets low wages and there is a great disparity in his earnings in comparison to those of Europeans and Asians. The question of fixing a minimum wage for workers was taken up by the Government in 1961 when wage councils were set up for various urban centres. Minimum wages have been fixed in non-agricultural employments in nine principal urban centers. In the absence of an appropriate law, the Wage Councils have not only fixed minimum wages but working hours and various other allowances and overtime rates. The Wage Councils are tripartite bodies, each party nominating seven members to every council.

A separate labour department was set up in 1940. Since then it has expanded considerably and today the Labour Commissioner is assisted by two deputies and a number of labour officers, labour inspectors, factory inspectors and other specialists who include medical officers, statisticians and other specialists. The department publishes annual reports, compiles various other statistical bulletins and is responsible for the administration of ordinances relating to labour affairs.

An account of the growth of trade unions in Kenya should start with a brief examination of the factors that have influenced it. Unlike in India, the British Government encouraged the formation of trade unions in Kenya provided they kept away from political parties. As early as 1930, Lord Passfield (Sidney Webb) the then colonial secretary, wrote to all colonial governors that the growth of trade unions was a desirable and legitimate feature of industrial and social development. He impressed upon them the need to be sympathetic to any existing unions and in those territories where there were no unions, provisions were to be made for their establishment. They were to be given legal protection to enable them to grow and develop into strong organisations. Consequently, the history of the growth of trade unions in Kenya is not marked with any major struggle for recognition of genuine trade union rights. However, the government has always been suspicious of political tendencies among the unions. During the Mau Mau movement, it arrested 56 trade union leaders on suspicion of sympathy or association with the movement. Later on in March 1956, it made an attempt to proscribe the Kenya Federation of Labour because it had expressed opinion on political issues.

Encouragement from BTUC

The British Trade Union Congress has always encouraged the formation of trade unions in British territories. At its 78th annual session at Brighton in 1946, it passed a resolution which stated: " . . . believing that the British Colonial and Mandated territories require a free trade union movement with the same rights and privileges as British Trade Unions, so as to ensure that the working conditions are safeguarded and higher standard of living secured, requests the General Council to give all possible assistance to trade unions in these territories". Subsequently, the B T U Congress wrote to the World Federation of Trade Unions on the matter and urged the latter to help trade unions in colonial territories. In June 1946, the W F T U decided to set up a department to help trade unions in colonial territories. The work was taken up by I C F T U who gave extensive financial assistanse to the unions in Kenya and persuaded other foreign unions like AFL-CIO to do likewise. In November 1958, the I C F T U started an African Labour College at Kampala to train labour leaders in English-speaking Afriian territories. ("The First Ten Years", I C F T U, Brussels, 1959).

The national movements in Asia and the subsequent independence of many of them had a far-reaching effect on the Africans. Low wages and the poor standard of living were equated with domination and exploitation by the ruling race. All over the colony, the Africans were becoming aware of the need to combine and fight for their rights. The awakening of the African labour was summarised by Mr P de V Allen, Labour Commissioner, who said "I have no hesitation in saying if it had not been for a strong Labour Department, Kenya labour troubles in 1942 would have been much more serious and critical. The African labourer is awakening to the fact that he is holding a very strong hand". ("Annual Report", Department of Labour, 1958). The political movement in the country attracted the workers strongly as they realised through experience that adequate earnings, a decent standard of living and freedom of choice were possible only with political freedom — a belief that proved to be valid in the case of many Asian countries. These feelings led the African workers to join in and build massive trade unions.

Early Pioneers

The small size of industrial establishments and the fact that they are scattered all over the country have further strengthened the formation of general unions as it gave them a greater bargaining and striking power. In Kenya even employers have favoured the formation of general industrial unions.

The earlier period of development of trade unions in Kenya is but an account of the efforts of two persons, Markhan Singh, an Indian, and Chege Kibachia, an African. The first attempt to organise the workers in Kenya was made by Markhan Singh who formed the Labour Trade Union of East Africa in 1937. He organised the employees of Public Work Department in Mombasa and in early 1939 gave a call for general strike. The P W D workers struck work and were joined by dock workers. The immediate cause for strike was inadequate housing facilities for African workers. The strike lasted for 15 days and the Government appointed a commission of Inquiry whose report was never pubished. The War broke out soon afterwards and all trade union activity was stifled by the government. The unions organised by Markhan Singh went out of existence for want of activities.

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"Demonstrations," *said Tata.*

"You mean brass bands, flags, pretty girls?" *Fison asked hopefully.*

"Useful demonstrations," *said Ralli, bringing him down to earth,* "to show farmers how our fertilizers and pesticides grow better, healthier crops and protect them, too!"

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Table 3 : Registered Trade Unions and Their Membership

Year	No of Unions	Total Membership
1951	5	9800
1952	5	26147
1953	7	31327
1954	9	5791
1955	8	22520
1956	10	18731
1957	11	29635
1958	18	41595
1960	42*	NA

* Provisional.

Source : "Annual Report", Department of Labour, 1958.

When War ended, Chege Kibachia formed the African Workers' Federation in 1947. The federation established its branches all over the country. But Chege Kibachia did not have get much time to nurse his unions. On September 4, 1947 about 200 workers belonging to the Upland Bacon Factory Workers' Union, an affiliate of Kibachia, went on a strike in protest against the dismissal of one of their colleagues. In the ensuing days, the police opened fire on a crowd resulting in the death of 3 persons. Chege Kibachia was arrested, tried and deported from Kenya.

Markhan Singh again appeared on the scene. He took over the unions of Kibachia and renamed them the East African Trade Union Congress. In March 1950, he along with Fred Kubai organised a civil boycott and a seven-day general strike to protest against the visit of the Duke and Duchess of Glucester. The government arrested both the leaders. Fred Kubai was fined and Markhan Singh was deported. With this, the first phase of the history of trade unionism in Kenya ended.

Kenya Federation of Labour

With the exit of Markhan Singh and Chege Kibachia, the trade unions settled down to passive and non-militant activities. They kept steady pace with political developments in the country and their fortunes fluctuated along with those of the political movement. The Kenya Federation of Trade Unions was organised in 1951. It had 5 affiliated unions to begin with. The Federation was affiliated to ICFTU in 1954. Next year it changed its name to Kenya Federation of Labour. The movement suffered a great setback during the Emergency declared in 1954 following the Mau Mau rising. Its membership decreased from 31,327 in 1953 to 5,791 in 1954. However, it recovered and today it has 11 national unions affiliated to it KFL is the only national federation in the country and has Tom Mboya as its secretary. Table 3 shows the number and membership of registered trade unions since 1951.

It may be mentioned that out of 42 registered trade unions that existed in 1960, 25 unions were of the Africans, 7 of Asians, 8 of Europeans and 2 were open to all communities.

As stated earlier, the small size of establishments and their dispersed location have been favourable to industry-based union organisation. In 1958, the Federation of Kenya Employers and the Kenya Federation of Labour signed an agreement agreeing to accept the international classification of all economic activity as a basis for dividing industries in Kenya. Following the agreement, the union organisation was done on an industrial basis. In March 1960, Kenya had 19 national industrial unions. They included national unions of dock workers, transport workers, domestic services and hotel workers, chemical workers, petroleum workers, coffee, tea and sisal plantation workers, tailors and textile workers, typographical workers, civil servants, commercial workers, etc. A local union is organised at the establishment. This gets affiliated to the area branch of the union for that industry which in turn is an affiliate of the national union for that industry. Thus, there are 19 vertical columns of national unions covering all branches of economic activity. Eleven out of these 19 are affiliated to KLF, an affiliate of ICFTU.

Similarity to Indian Unions

KFL had many set-backs due to internal conflicts. Of late, the East African Building and Construction Workers' Union disaffiliated itself from KFL. The leader of this union who was deputy secretary general of KFL has since then established the Kenya Trade Union Congress. The Congress supports the pan-African movement and is pressing upon KFL to disaffiliate itself from ICFTU and join the proposed All-African Trade Union Federation.

The trade unions in Kenya bear a close similarity to Indian unions in their problems. The potential membership is largely illiterate, migratory and frequently unemployed. The union fees are very low and even those are not paid regularly. The leadership has come mainly from non-worker stock and

Table 4 : Membership of Some National Unions during 1955-1959

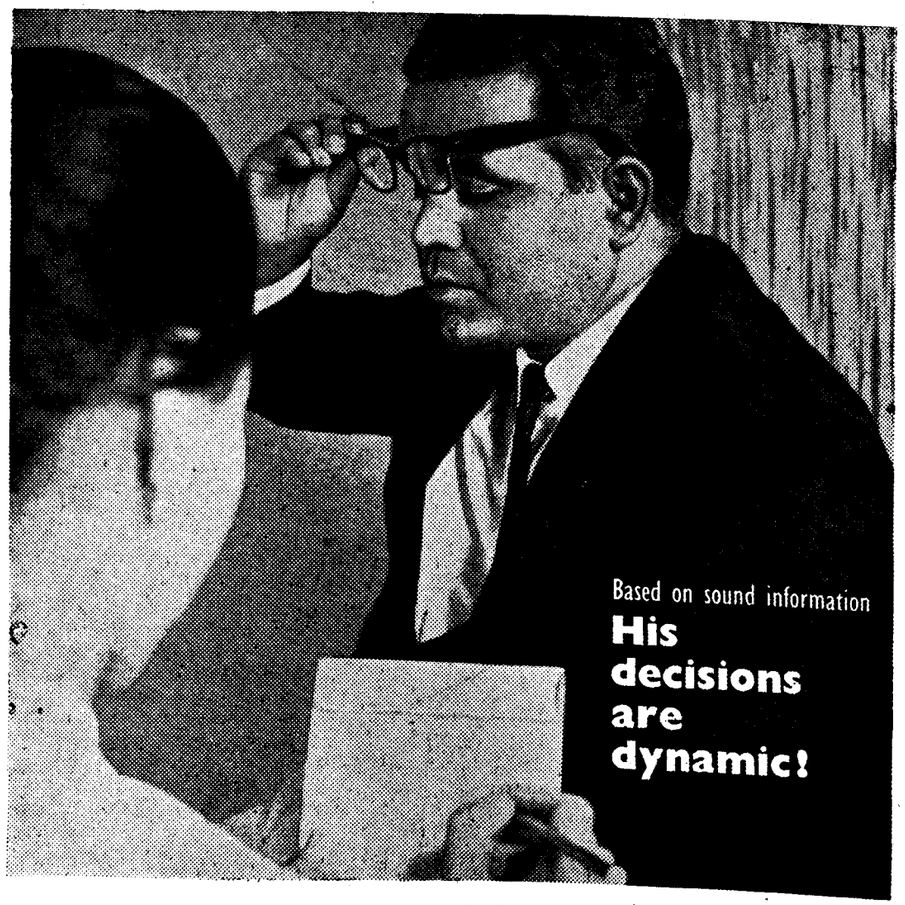
Union	1955	1957	1959
Transport and Allied Workers' Union	7,000	7,186	3,185
Domestic and Hotel Workers' Union	800	679	2,480
Tailors and Textile Workers' Union	1,000	3,313	6,716
Federation of Building and Construction Workers' Union	5,500	1,606	6,585
Kenya Distributive and Comm Workers' Union	1,500	1,402	5,806
Kenya Local Govt Workers' Union	1,600	2,898	2,441
Railway African Workers' Union	6,700	8,565	5,984
Dock Workers' Union	3,420	1,791	1,595

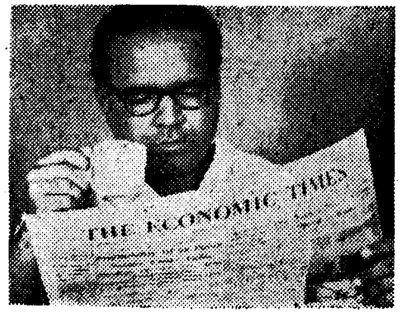
Source : "Annual Reports", Department of Labour, 1955, 1957 and 1959.

Table 5 : Registered and Paid-up Membership of Some National Unions

Union	Regd Membership	Paid-up Membership
Transport and Allied Workers' Union	3,185	336
Domestic and Hotel Workers' Union	2,480	1,703
Federation of Building and Construction Workers' Union	6,585	1,960
Railway African Union	5,984	3,990
Kenya Local Govt Workers' Union	2,441	600
Kenya Petroleum Oil Workers' Union	962	250

Source : "Annual Report", Labour Department, 1958.





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is shared with political parties. There is acute dearth of a second line of leadership. Table 4 shows the membership of a few national unions during 1955-59. Table 5 shows the difference between registered membership and paid-up membership in 1958.

The term 'industrial dispute' has been used in preference to 'industrial relations' because of the absence of institutionalised labour relations on any continuous basis. Labour unrest in the colony can be traced back to 1922 when Harry Thuku started a mass protest movement against forced labour and carrying of 'kipande'. Under the Native Registration Ordinance 1919, the African worker was required to register with the government by giving all his finger prints. The document is called 'kipande' and bears endorsements of various jobs, wages, conduct, period of employment with each employer and reasons for leaving the jobs. The kipande has to be carried on his person by every African worker. Harry Thuku toured the country and was successful in building up a strong agitation in the major cities. He was arrested in March 1922 and was imprisoned. An angry mob of workers raided the jail and in the ensuing riots three African were killed. Harry Thuku was deported to Kismayu.

Political Awakening

The famous strikes of P W D workers of Mombasa in 1939 and of the Uplands Bacon Factory Workers in 1937 have been mentioned earlier. The general strike lasting seven days following the visit of Duke and Duchess of Gloucester in 1950 was an expression of political awakening of the African worker. In 1955, the colony experienced a well organised strike arising out of an industrial dispute between the dock workers and harbour employers. The strike started with 6,000 dock workers but later spread to other industries involving 14,000 workers. The dispute was referred to a tribunal whose award increased the shift wage rate, ordered payment of dirty money and increased the minimum wages of workers on monthly contracts. In 1957, Bus Service Workers in Nairobi went on a strike to protest against the enforcement of a tribunal award. The strike was declared illegal under the Essential Services Ordinance 1950 and 279 workers were arrested and sentenced to various terms of imprisonment.

The most recent strikes in Kenya have been marked by the peaceful and disciplined conduct of the workers. Most of these strikes, though alleged to be politically oriented, have been successful and workers have been able to secure many benefits. The strikes organised by the tobacco' Breweries and Bottle Workers' Union lasting 18 days, the Railway Workers' Union lasting 21 days and the Athi River Factory Workers' Union could be mentioned in support of this statement. Table 6 shows the number of disputes, workers involved and man days lost dpring the years, 1951-1958.

Table 6 : Work Stoppages Caused by Industrial Disputes

Year	No of Stoppages	No of Workers Involved	Man Days Lost
1951	57	6,610	10,708
1952	84	5,957	5,718
1953	39	3,221	2,674
1954	33	1,518	2,026
1955	35	17,852	81,870
1956	38	5,173	28,230
1957	67	21,809	23,675
1958	96	21,395	59,096

Source : "Annual Report", Labour Department, 1958.

It will be observed that, with the exception of 1954, work stoppages have registered a steady increase. There are many reasons for this. The principal cause is the freedom movement sweeping through the continent of Africa. The fact that almost all employers are foreigners associated with the ruling power contributes further to the African unrest. The employers favour a trade union movement free from political domination but Kenya's two principal parties have increased their hold on the unions and have provided leadership to many of the unions. Poor wages, bad working conditions, low standard of living and lack of freedom of choice combined with the workers' recently-acquired determination to improve their lot have also contributed to the unrest. Further, poor handling of labour relations and racial discrimination have exacerbated the situation. Personnel administration as management function has not been accepted by the employers and few trained personnel managers are employed in Kenya's industries. Part of the balance should also rest on the trade union leaders who have generally maintained an uncompromising attitude in bargaining with the employers.

Sovereign rights will soon be transferred to the African in Kenya and the destiny of the country will rest on the decisions of the Africans and their government. With its well developed political parties, mature and western educated leadership and the social change already initiated by British rule, Kenya is bound to take the road to industrialization and rational, liberal institutions. This will call for tremendous adjustments on the part of the workers. From illiterate, ignorant, migratory, leisure-liking and unstable workers, African labour has to emerge as a stable and productive work-force. The trade unions will have to play their part not only in achieving social cohesion but also in giving their members a solidarity directed to invest them with power for collective action and bearing new responsibility.

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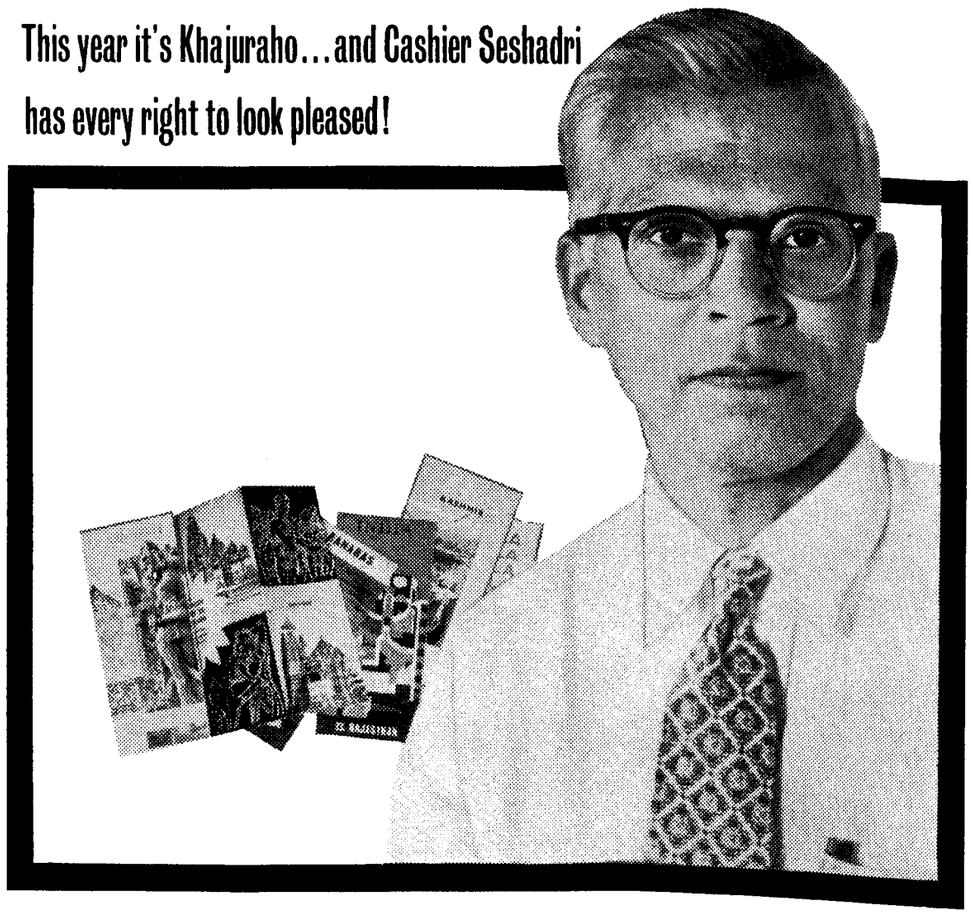
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World Bank and I D A

Review of Operations, 1962-63

For the World Bank 1962-63 was a poor year, judging by the volume of fresh development assistance committed. The total of new loans made during the year was only slightly higher than one-half of the total for the previous year and far below the average for the previous five years.

Shortage of resources was certainly not responsible for the fall off in lending activity. In fact, with a ready market for its bonds and its continued success in selling parts of its loans to other investors, the World Bank's liquidity position remains exceptionally good.

It appears reasonable to suppose, therefore, that last year there was a decline in the demand for assistance from the Bank. This is not entirely unexpected, for many countries who have been active customers of the Bank in the past now find that they have reached the limits of their ability to borrow on the 'hard' terms on which World Bank loans are made.

These countries are naturally turning to the I D A which in 1962-63 increased its loans substantially. But before it can be in a position to meet adequately the developing countries' requirements of 'soft' loans, the resources of the I D A will have to be substantially augmented.

The I D A is totally dependent on contributions for its developed member countries for resources. These countries have tentatively agreed to provide $ 750 million to the I D A for lending during the next three years. However, even this will not go far enough. The search for additional resources for the I D A will be a continuing one and its success will depend ultimately on a shift in emphasis by the aid-giving countries from bilateral to multilateral assistance.

IN terms of new loans, 1962-63 was an exceptionally poor year for the World Bank. The Bank made 28 new loans during the year totalling $ 448.65 million compared to $ 882.3 million in 29 loans in 1961-62 (See Table 1). Over the five years from 1957-58 to 1961-62, assistance by the Bank had averaged $ 700 million per year. But unlike the I D A, it was not lack of resources which restricted the Bank's operations. As will be seen below, the Bank's resources position continued to be comfortable. The low level of lending reflected a fall in the demand for assistance for projects which satisfied the Bank's stringent standards of credit-worthiness.

This may have been no more than an accident of the calendar; as the Bank's report points out: "Large fluctuations between years can be caused by accidents of the calendar, whereby large loans just before or after the end of June materially affect the total for a fiscal year". This may be part of the explanation, particularly since 1961-62 was a year of exceptionally high lending; but it is also likely that many countries who have been active customers of the Bank in the past are now finding that they have reached the limits of their ability to add to their indebtedness on the 'hard' terms on which Bank loans are made.

In his farewell address to the Bank's Board of Governors last year in Washington, the then President Eugene Black had warned of this possibility. He had said: "The total amount lent by the Bank this year was much higher than in any previous year. But we cannot expect the rate of lending of the Bank to continue to expand in future years. Indeed it may prove difficult to maintain the Bank's operations at their present level. Many of the Bank's present member countries cannot prudently assume further hard debt

Table 1: World Bank Loans in 1962-63

Country	Purpose	Amount ($ Million)
Colombia I	Power	8.8
II	Transport (Railways)	30.0
III	Steel	30.0
Cyprus	Power	21.0
El Salvador	Power	6.0
Finland	Power	25.0
India	Industry (ICICI, for re-lending)	30.0
Israel	Transport (Roads)	22.0
Mexico	Irrigation	12.5
Morocco	Industry (Development Bank, for re-lending)	15.0
Nicaragua	Irrigation	2.6
Nigeria	Transport (Ports)	13.5
Pakistan I	Transport (Railways)	18.25
II	Transport (Railways)	4.75
III	Industry (Development Bank, for re-lending)	20.0
Panama	Power	4.0
Peru	Transport (Railways)	13.25
Philippines I	Industry (Development Bank, for re-lending)	15.0
II	Power	3.7
Singapore	Power	15.0
Swaziland	Power	4.2
Thailand I	Irrigation	5.6
II	Irrigation	3.4
III	Power	6.6
IV	Transport (Roads)	35.0
Uruguay	Transport (Roads)	18.5
Yugoslavia I	Power	30.0
II	Transport (Roads)	35.0
Total		**448.65**

without jeopardising their future, and of about 20 new members expected to join the Bank within the next year or two, few will be in a position to service loans from the Bank".

Assistance Reduced

In these circumstances, it is to the Bank's associate, the International Development Association, that developing countries may be expected to turn increasingly in future. But the I D A could not make up for the fall in World Bank lending in 1962-63, largely because it had more or less exhausted all the resources with which it started operations two and a half years ago, and efforts to endow it with fresh funds had borne no fruit. As a consequence, development assistance extended by the World Bank group as a whole —the developing countries' principal source of multilateral assistance —was reduced by about $ 300 million in 1962-63.

The new loans made in 1962-63 brought the cumulative total of Bank loans in the eighteen years of its existence to $ 6,983 of which $ 5,425 had been disbursed by June 30, 1963. Unlike fresh loan commitments, disbursement of bank loans in 1962-63 was the highest yet recorded, being $ 620 million. This was a big jump over the previous year's figure of $ 485 million. In view of the very high level of Bank lending between 1957 and 1962, the sharp rise in the disbusements was to be expected.

Swing Back to U S

The utilisation pattern of World Bank loans had shown a trend of sharply increasing purchases from Western Europe in the last few years. In 1962-63 this trend was reversed and out of a total $ 399 million, for which details of purchases were available, $ 132 million or about a third, was spent on imports from the United States. This reflects the inflationary trend in the countries of Western Europe which led to the disappearance of their persistent trade surpluses of the earlier years.

The regional distribution of Bank loans in 1962-63 was much more even than in the previous year when Latin America had accounted for almost half of all assistance. In 1962-63 Asia and the Middle East got the largest share of assistance with a total of $ 179 million (40 per cent). Latin American countries got $ 126 million (28 per cent), Europe $ 111 million (27 per cent) and Africa $ 33 million (8 per cent). Table 2 classifies all World Bank loans up to June 30, 1962 by purpose and area.

Purpose-wise, transportation loans were the most important in 1962-63, accounting for $ 190 million (42 per cent). Loans for power development totalled $ 124 million (28 per cent). Loans for transport and power thus accounted for 70 per per cent of all World Bank assistance in 1962-63 which is in keeping with the past pattern. But in recent years loans to industry, mainly made through selected development banks in the recipient countries, have gradually increased and in 1962-63, they amounted to $ 110 million, or a fourth of all assistance.

India is a typical example of a country which last year reduced its dependence on the Bank for aid and turned increasingly to the I D A. India received just one loan of $ 30 million for the I C I C I compared to five loans totalling $ 145 million in 1961-62 which was roughly 17 per cent of total Bank assistance in that year. Details of all World Bank loans to India are given in Table 3.

Sources of Funds

The World Bank's sources of funds for its operations are capital subscriptions by members, loans

Table 2 : World Bank Loans Classified by Purpose and Area
(*Million $*)

Purpose	Total	Areas: Africa	Asia and Middle East	Australia	Europe	Western Hemisphere
(A) Development Loans	**6,486.5**	**917.6**	**2,354.6**	**417.7**	**1,057.7**	**1,738.8**
(1) Electric Power	**2,336.0**	**251.6**	**516.3**	**129.3**	**464.0**	**974.9**
(2) Transport	**2,260.9**	**442.5**	**1,022.6**	**132.3**	**103.4**	**560.1**
(i) Railways	1,089.8	274.1	600.5	37.3	2.3	175.6
(ii) Roads	741.5	87.7	209.0	50.9	35.0	358.9
(iii) Shipping	12.0	—	—	—	12.0	—
(iv) Ports and Waterways	296.7	30.7	193.5	—	46.9	25.6
(v) Airlines and Airports	56.9	—	5.6	44.1	7.2	—
(vi) Pipelines	64.0	50.0	14.0	—	—	—
(3) Communications	**26.9**	**4.4**	—	—	**0.3**	**22.2**
(4) Agriculture and Forestry	**528.8**	**59.1**	**178.5**	**103.4**	**87.8**	**100.0**
(i) Farm mechanisation	121.1	—	—	89.4	2.0	29.7
(ii) Irrigation and Flood Control	330.6	35.0	163.9	6.0	73.3	52.4
(iii) Land Clearance, etc	49.3	22.1	13.6	6.0	2.1	5.5
(iv) Crop Processing and Storage	7.0	1.0	—	—	4.2	1.8
(v) Livestock Improvement	12.6	1.0	1.0	—	—	10.6
(vi) Forestry	8.2	—	—	2.0	6.2	—
(5) Industry	**1,128.9**	**120.0**	**562.3**	**52.7**	**312.2**	**81.6**
(i) Iron and Steel	380.3	—	314.2	13.4	22.7	30.0
(ii) Paper and Pulp	138.7	—	4.2	1.1	113.4	20.0
(iii) Fertiliser and Other Chemicals	82.0	—	25.0	0.3	56.7	—
(iv) Other Industries	97.0	—	5.2	23.7	58.8	9.3
(v) Mining	203.5	101.0	54.5	14.2	11.9	21.8
(vi) Water Supply	2.0	—	—	—	2.0	—
(vii) Development Banks	225.4	19.0	159.2	—	46.7	0.5
(6) General	**205.0**	**40.0**	**75.0**	—	**90.0**	—
(B) Reconstruction Loans	**496.7**	—	—	—	**496.7**	—
(C) Grand Total (A+B)	**6,983.2**	**917.6**	**2,354.6**	**417.7**	**1,554.5**	**1,738.8**

raised in the world's capital markets and net earnings. In addition, sales to investors of loans made by the Bank and repayment of loans, while they represent only the recovery of funds originally derived from one of the above sources, have the same effect since they reduce the volume of additional funds the Bank has to obtain to sustain a given volume of fresh lending.

A significant feature of the World Bank's operations in recent years has been the broadening of the sources from which the Bank draws funds for operations. In the immediate post-war years the Bank had to depend on the United States for almost all its resources. Thus the U S capital subscription of $ 635 million was the first to be made freely available to the Bank for lending. Similarly, the Bank's first borrowing was the sale in 1947 of $ 250 million worth of bonds in the United States. But the economic recovery of other countries, particularly the countries of Western Europe, has led to the widening of international support for the Bank's operations. These countries have increasingly made their capital subscriptions available for lending, mostly on a convertible basis. At the same time, the market for bonds issued by the Bank has also widened. Thus new loans raised in 1962-63 were all outside the United States. But since the Bank was in a liquid position, fresh borrowing was limited and was just enough to offset maturing issues and redemptions. In fact, the Bank's total funded debt declined marginally by $ 2 million to $ 2,519 million during the year.

An important factor contributing to the Bank's liquid position is the continued high level of sales of parts of the Bank's loans to other investors. Such sales, which amounted to $ 213 million in 1962-63, have replenished the Bank's funds by over $ 1,000 million in the last four years. Of the cumulative total of World Bank loans of $ 6,983 million, over $ 1,600 million has been sold to other investors. Repayments amount to about $ 600 million so that the total of loans held by the Bank stood at $ 4,712 million on June 30, 1963.

The Bank has also been able to build up substantial reserves out of its earnings over the years. In 1962-63 net earnings (exclusive of receipts from the 1 per cent annual

Table 3 : World Bank Loans to India
(*Up to June 30, 1963*)

Purpose	Date of Agreement	Maturities	Interest (Per Cent Per Annum)	Original Principal Amount (Million $)	Cancellations, Terminations and Refundings (Million $)	Principal Repayments (Million $)	Loans Sold or Agreed to be Sold by Bank: Total Sales (Million $)	Loans Sold or Agreed to be Sold by Bank: Portion Matured (Million $)	Effective Loans held by Bank (Million $)	Principal Amount Disbursed (Million $)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Public Sector										
Railways I	18. 8.49	1950-64	4	34.0	1.2	9.17	17.74	16.56	5.89	32.8
Agriculture	29. 9.49	1950-64	3½	10.0	2.8	7.8	4.94	4.94	—	7.2
Power (DVC I)	18. 4.50	1955-70	4	18.5	1.78	1.48	5.87	5.39	9.37	16.72
Power (DVC II)	23. 1.53	1956-77	4⅞	19.5	9.0	1.43	0.85	0.51	8.23	10.5
Air-India International	5. 3.57	1963-65	5½	5.6	—	—	—	—	5.6	5.6
Railways II	12. 7.57	1961-72	5⅝	24.0	—	1.53	—	—	22.47	24.0
Railways III	12. 7.57	1961-72	5⅝	19.11	—	1.22	—	—	17.89	19.11
Railways IV	12. 7.57	1961-72	5⅝	11.2	—	0.72	—	—	10.48	11.2
Railways V	12. 7.57	1961-72	5⅝	35.7	—	2.28	0.49	—	32.93	35.7
Madras Port	25. 6.58	1963-78	5½	14.0	—	—	0.59	—	13.41	5.4
Calcutta Port I	25. 6.58	1963-78	5½	29.0	—	—	1.11	—	27.89	15.16
Power (DVC III)	23. 7.58	1961-78	5⅜	25.0	3.0	0.55	0.31	0.26	21.14	19.36
Railways VI	16. 9.58	1963-79	5¾	85.0	—	—	3.62	—	81.38	85.0
Power (Koyna)	8. 4.59	1965-84	5¾	25.0	6.3	—	—	—	18.70	12.11
Railways VII	15. 7.59	1963-79	6	50.0	—	—	3.76	—	46.24	50.0
Railways VIII	29. 7.60	1964-80	5¾	70.0	—	—	2.05	—	67.95	70.0
Calcutta Port II	17. 8.61	1966-86	5¾	21.0	—	—	1.09	—	19.91	0.1
Railways IX	13.10.61	1965-81	5¾	50.0	—	—	1.18	—	48.83	9.16
Private Sector										
Industry (IISCO I)	18.12.52	1959-67	4¾	31.5	2.3	8.72	0.7	0.7	19.78	29.2
Power (Tata Group I)	19.11.54	1958-74	4¾	6.2	2.3	1.27	1.36	1.36	11.27	13.35
Industry (ICICI I)	14. 3.55	1961-69	4⅝	10.0	—	1.49	—	—	8.54	9.41
Industry (TISCO I)	26. 6.56	1959-71	4¾	75.0	—	12.64	3.06	2.36	59.31	75.0
Industry (IISCO II)	19.12.56	1960-67	5	20.0	—	4.39	1.03	1.03	14.58	19.61
Power (Tata Group II)	29. 5.57	1960-75	5⅝	9.8	—	1.07	—	—	8.73	9.26
Industry (TISCO II)	20.11.57	1960-71	6	32.5	—	—	15.0	12.0	17.5	32.5
Industry (ICICI II)	15. 7.59	1962-69	—*	10.0	—	—	—	—	10.0	4.81
Industry (ICICI III)	28.10.60	1963-70	—*	20.0	—	—	—	—	20.0	3.7
Coal	9. 8.61	1966-76	5¾	35.0	—	—	0.88	—	34.13	—
Coal (IISCO III)	22.12.61	1967-74	5¾	19.5	—	—	—	—	—	—
Industry (ICICI IV)	28. 2.62	1977	—*	20.0	—	—	—	—	20.0	—
Industry (ICICI V)	5. 6.63	Not fixed	—*	30.0	—	—	—	—	—	—
Total				**876.11**	**28.67**	**50.19**	**65.62**	**45.11**	**682.13**	**625.97**

* The interest rate on these loans was not fixed at the time the loans were signed; interest rate will be fixed for each part of the loan at the Bank's current rate when it is committed for a specific project.

commission payable on all loans, the proceeds of which can be used only to meet liabilities of the Bank in case of default) were $ 83 million, an increase of $ 13 million over the previous year and the highest achieved so far. The total of reserves which can be drawn upon to finance new loans now amounts to $ 558 million.

In view of its ability to sell large chunks of its loans to other investors and to raise fresh funds from the capital markets, it does not appear likely that the World Bank will in the foreseeable future be handicapped by shortage of resources. However, the means on which it depends to raise resources dictate that the Bank's loans will continue to be "hard" — of relatively short maturities and carrying commercial rates of interest. It is the limited ability of the developing countries to borrow on these terms which will really restrict the scope of the Bank's activities in future.

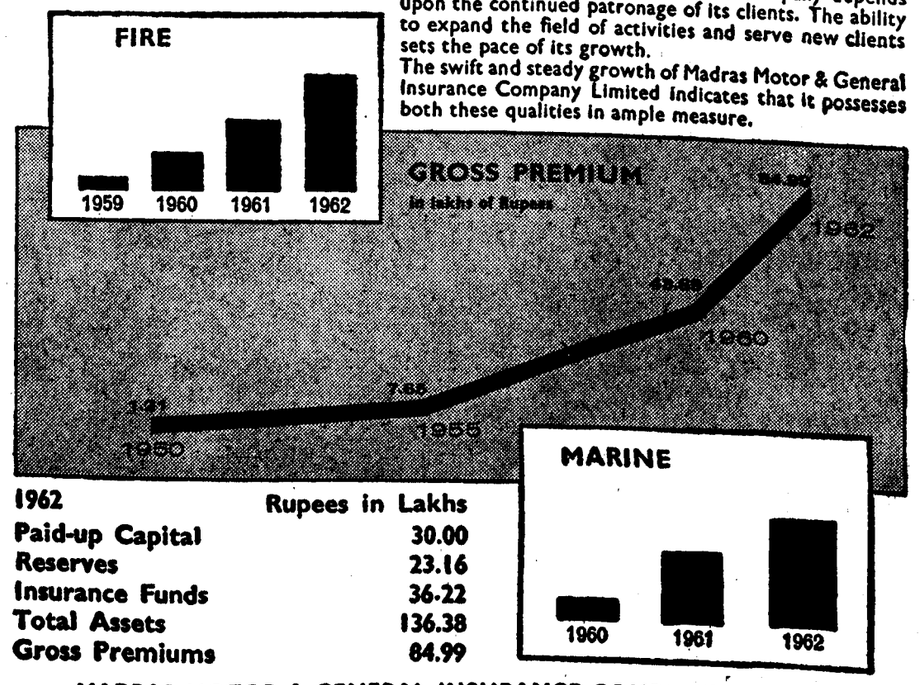
International Development Association

In 1962-63, the second full year of its operations, the I D A nearly doubled its assistance compared to the previous year. New loans amounted to $ 260 million as against $ 134 million in 1961-62.

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The swift and steady growth of Madras Motor & General Insurance Company Limited indicates that it possesses both these qualities in ample measure.



1962	Rupees in Lakhs
Paid-up Capital	30.00
Reserves	23.16
Insurance Funds	36.22
Total Assets	136.38
Gross Premiums	84.99

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India was once again the principal beneficiary of I D A assistance, receiving $ 178 million or 68 per cent of the total. Table 4 summarises I D A loans so far, while details of assistance to India are given in Table 5. It will be seen that India has received over 60 per cent of all I D A loans so far.

All I D A loans have been made on identical terms. They are repayable in foreign exchange over 50 years, free of interest. In each case there is a ten year period of grace, following which 1 per cent per annum is repayable over the next 10 years and 3 per cent in each of the final ten years. To meet the IDA's administrative costs, a service charge of 0.75 per cent is payable on amounts withdrawn and outstanding.

Though IDA's assistance in 1962-63 showed a sizeable increase over the previous year, the Association was throughout haunted by the spectre of fast-depleting resources. The initial subscriptions to IDA included about $ 765 million in freely convertible currencies, to be paid over a five-year period and to be available for commitment by the IDA in its first five years of operations. This amount has since been raised to $ 775 million by a supplementary contribution by Sweden. Of this $ 495 million had been committed in development loans by the end of 1962-63, leaving a balance of about $ 280 million. The amount available for fresh commitments is, however, considerably less than this balance since loans amounting to $ 102.5 million which were to be extended to Pakistan in 1962-63 yet remain to be negotiated. On the other hand, IDA assistance to India in 1962-63 included $ 15 million which should be attributed to the year 1963-64. The net effect of these two adjustments is to reduce the IDA's uncommitted resources at the beginning of the current fiscal year to $ 193 million.

Search for Funds

Obviously then the IDA will need additional resources if it is to maintain the level of its operations in 1963-64, let alone expand it. In view of the 'soft' terms on which its loans are made, neither of the methods adopted by the World Bank to augment its resources — issue of bonds and sale of loans to other investors —will be available to the IDA. Under the circumstances, its resources can be augmented only through supplementary contributions by the developed member countries. These countries have now agreed to make available to the IDA an additional $ 750 million in freely convertible currencies which would be available for commitment up to at least the end of 1965-66. Payment would be made in three annual instalments of $ 250 million each, the first instalment being due in November 1965. The additional contributions which each country has committed, subject to legislative authorisation, are given below :

Country	$ *Million*
Australia	19.8
Austria	5.0
Belgium	16.5
Canada	41.7
Denmark	7.5
Finland	2.3
France	61.9
Germany	72.6
Italy	30.0
Japan	41.3
Luxembourg	0.8
Netherlands	16.5
Norway	6.6
South Africa	4.0
Sweden	15.0
U K	96.6
U S A	312.0
Total	750.0

The additional contribution of $ 750 million together with the balance of $ 190 million with which the IDA ended 1962-63, will enable the Association to commit on an average about $ 315 million per year during the next three years. It hardly needs emphasis that this is likely to be far short of the developing countries' demands on the IDA. The search for additional resources for the IDA will, therefore, be a continuing one and its success will depend ultimately on a shift in emphasis by the aid-giving countries from bilateral to multi-lateral aid.

Table 4: Summary of Loans by IDA
(Up to June 30, 1963)

Country	Total Assistance ($ *Million*)	Disbursements
Chile	19.0	2.5
Taiwan	15.3	4.5
Colombia	19.5	4.1
Costa Rica	5.5	0.1
El Salvador	8.0	1.0
Ethiopia	13.5	—
Haiti	0.4	0.3
Honduras	9.0	2.4
India	300.0	48.5
Jordan	2.0	0.3
S Korea	14.0	0.2
Nicaragua	3.0	—
Pakistan	32.5	0.6
Paraguay	6.0	0.1
Sudan	13.0	2.8
Tunisia	5.0	—
Turkey	26.7	0.3
Swaziland	2.8	2.1
Total	495.2	68.4

Table 5 : I D A Loans to India
(Up to June 30, 1963)

Purpose	Date of Agreement	Maturities	Service Charge (Per cent per annum)	Principal Amount ($ Million)	Principal Amount Disbursed ($ Million)
Transport (Highway Construction)	21. 6.61	1971–2011	0.75	60.0	3.89
Tube Well Irrigation	6.10.61	1971–2011	0.75	6.0	—
Shetrunji Irrigation Project	22.11.61	1972–2011	0.75	4.5	0.45
Salandi Irrigation Project	22.11.61	1972–2011	0.75	8.0	0.48
Flood Protection and Drainage in Punjab	22.11.61	1972–2011	0.75	10.0	1.84
Durgapur Power Extension	14. 2.62	1972–2012	0.75	18.5	—
Sone Irrigation Project	29. 6.62	1973–2012	0.75	15.0	—
Purna Irrigation Project	18. 7.62	1973–2012	0.75	13.0	2.7
Koyna Power Project	8. 8.62	1973–2012	0.75	17.5	—
Bombay Port Project	14.10.62	1973–2012	0.75	18.0	2.1
Telecommunications	14.10.62	1973–2012	0.75	42.0	2.1
Railways	22. 3.63	1973–2012	0.75	67.5	14.8
Kothagudam Power Project	24. 5.63	1973–2013	0.75	20.0*	—
Total				**300.0**	**48.5**

* Agreements providing these credits have been signed but the credits do not become effective and disbursements cannot start until certain formalities, desired by the I D A, are completed.

From the Chair

Industrial Finance Corporation of India

Speech of the Chairman, Shri K P Mathrani, ICS

THE following is the Speech delivered by Shri K P Mathrani, I C S, Chairman, Industrial Finance Corporation of India, at the Fifteenth Annual General Meeting of the Corporation held on September 30, 1963:

Gentlemen,

I have great pleasure in welcoming you to this Annual General Meeting of the shareholders of the Corporation and placing before you the Fifteenth Annual Report of the Board of Directors and the Accounts of the Corporation for the year ended the 30th June 1963. Printed copies of the Report have been circulated to the shareholders and I shall, with your permission, take the Report as read.

With the close of the year, the Corporation completed the fifteenth year of its service to Indian industry. As the shareholders are aware, the Corporation was established on the 1st July 1948, i e during the very first year of our Independence. The activities of the Corporation, therefore, reflect to some extent, the results of the efforts since Independence to establish a sound industrial base for developing the economy of the country, particularly in the private sector. Starting from a modest beginning, the activities of the Corporation have progressively increased both in scope and in magnitude. Apart from rupee loans, which still constitute the major part of its operations, the Corporation now sanctions loans in foreign currencies, gives guarantees in respect of deferred payments and foreign loans and has, in addition, during the last few years, ventured forth into promotional activities, such as underwriting of public issues in the form of equity and preference shares and debentures and also direct subscription to such issues. The Corporation has thus gradually been assuming the role and functions of a development bank and not merely a lending institution.

In order to project these widening activities of the Corporation, the form of presentation of the Annual Report has been suitably altered to give a complete picture of the total financial assistance approved and disbursed by the Corporation instead of confining the statistics only to the loans sanctioned, as has been the practice in the past. The appendices, therefore, contain combined statistics of all forms of assistance. Another notable feature of this year's Report is that statistics in the appendices to the Report have been prepared on the basis of net sanctions, i e exclusive of the figures relating to the facilities approved by the Corporation which were subsequently not availed of by the applicant concerns or were cancelled or withdrawn by the Corporation for various reasons.

Total Assistance

During the 15 years of its existence, the Corporation has sanctioned gross financial assistance of the order of Rs 202.7 crores. The net amount of the financial facilities approved during this period, after accounting for cancellations and withdrawals aggregating Rs 38.37 crores, totalled Rs 164.33 crores, made up of rupee loans of Rs 118.39 crores, foreign currency loans of Rs 9.29 crores, underwritings and direct subscriptions of Rs 9.48 crores and guarantees to the extent of Rs 27.17 crores. As against the facilities sanctioned, assistance of the order of Rs 102.57 crores had been disbursed or made available till the 30th June 1963 and the assistance outstanding on that date, after accounting for repayments, aggregated Rs 78.92 crores.

While the figures of total assistance rendered by the Corporation are impressive enough, they do not tell the whole tale. Even more noteworthy is the total cost of the projects which have come to fruition because of I F C assistance; this is estimated at Rs 433 crores i e roughly 30% of the total net investment in the organised industries in the private sector since Independence. Viewed in this light, I.F.C. may be said to have played not an insignificant part in developing the industrial economy of the country in the private sector. With the contribution it has already made, the experience it has gained and the reserves it has built up, the Corporation now stands poised to assume larger and more positive responsibilities envisaged by the Finance Minister in his statement in the parliament on the 6th September 1963.

Satisfactory Year

Turning to the year under review, it has been a particularly satisfactory one in every respect — from the point of view of the variety and magnitude of the assistance sanctioned and disbursed, the working results, the areas and regions assisted and the clientele served and the nature of industries financed. During the year the Corporation sanctioned financial facilities of the order of Rs 40.14 crores made up of loans aggregating Rs 22.61 crores, underwritings and direct subscriptions amounting to Rs 5.19 crores and guarantees of deferred payments and foreign loans totalling Rs 12.34 crores. The assistance disbursed or made available during the year was of the order of Rs 22.43 crores, out of which the cash out-goings amounted to Rs 18.1 crores. The figures of both the sanctions and disbursements are the highest in any one year since the inception of the Corporation, being almost twice the corresponding figures of the previous year.

Our gross income for the year was Rs 394.72 lacs which shows an increase of Rs 90.54 lacs i e almost 30% over the previous year's figure. The gross profit of Rs 167.26 lakhs for the year, subject to provision for taxation, is higher than that of the previous year by about Rs 37 lacs. After providing a sum of Rs 84.95 lakhs towards taxation, including Rs 5.76 lakhs towards supertax for the years ended the 30th June 1962 and the 30th June 1963, the net profit for the year comes to Rs 82.67 lacs. These results could be regarded as satisfactory and satisfying.

Financial Results

Out of the current year's profits a sum of Rs 30 lakhs has been transferred to the General Reserve Fund which now stands at Rs 166.08 lakhs. In addition Rs 17.60 lakhs have been appropriated to the Special Reserve Fund under Section 36(1)(viii) of the Income-tax Act, 1961. We have further transferred a sum of Rs 15.82 lakhs to the Special Reserve Fund under Super Profits Tax Act, 1963. With these appropriations, the reserves now total Rs 3 crores as against the paid-up capital of Rs 7 crores.

The Corporation did not have to make any further provisions towards the reserve for bad and doubtful debts, the balance in which now stands at Rs 14.47 lakhs. The existing provision relates largely to three very old accounts, action in regard to which is in progress. It is hoped that the bulk of these will be cleared or regularised during the course of the current year. Apart from these, our borrowers have, with rare exceptions, been prompt and punctual in the payment of our dues. Some of the old arrears of principal have been cleared and the percentage of defaults in the repayment of the instalments of principal has come down further from 1.24% to 0.87%. It is a matter of some satisfaction that one of the concerns which was in arrears for some time past has now been leased out to enable liquidation of the account in an orderly manner.

I am glad to inform you that as envisaged in my last year's Speech, the balance of Rs 18 lakhs in respect of the subvention availed of by the Corporation from Government for paying the minimum guaranteed dividend was repaid during the year and thus the statutory liability in this regard stands completely discharged. A provision of Rs 19.25 lakhs has been made in this year's accounts towards the payment of guaranteed dividend at 2¼% per annum in respect of the original issue of share capital of Rs 5 crores and 4% per annum in respect of the additional issue of Rs 2 crores made in March 1962. I am conscious of the fact that the present position in regard to the dividend in respect of the first issue is somewhat anomalous and I hope that a satisfactory solution of this problem will be found when amendments are made to the I.F.C. Act.

Promotional Activities

As I have mentioned earlier, the promotional nature of I.F.C.'s activities has been progressively increasing in the last few years. During the year under review, we approved 18 proposals for underwriting of an aggregate amount of Rs 3.37 crores — Rs 1.52 crores in respect of equity shares, Rs 17 lakhs for preference shares and Rs 1.68 crores in regard to debentures. In a number of cases, the Corporation has sanctioned underwriting facilities in conjunction with loans as also other facilities for substantial amounts. A notable underwriting undertaken by us during the year was in respect of the 6½% debenture stock 1968-77 of the Oil India Ltd., where we acted jointly with a consortium consisting of the Life Insurance Corporation of India, the State Bank of India and its subsidiaries, the Industrial credit and Investment Corporation of India Ltd., and certain leading commercial banks, insurance companies and share brokers. The Corporation underwrote the stock to the extent of Rs 1.68 crores and in addition subscribed directly to the extent of Rs 1.82 crores.

As you are, no doubt, aware, the Corporation did not enter underwriting business till December 1956 after it had acquired adequate experience of other activities and had also built up some reserves. Since then, we have progressively increased our operations in this field and have uptodate given net sanctions in 42 cases to the extent of Rs 7.66 crores. During this period 28 issues involving a commitment on our part of Rs 6.25 crores were actually placed on the market and shares and debentures worth Rs 4.51 crores developed on the Corporation as a result of these operations. The proportion of the shares and debentures which have devolved on the Corporation as a result of its underwriting commitments is no doubt, quite large, but, as you will appreciate, this is due mainly, to the condition of the capital market. The projects assisted by us are however basically sound and viable and we have every reason to hope that after they have gone into production they will give us adequate return.

The depressed state of the market, particularly during the last few months, is obviously, a matter of concern to us and as you will have seen from the press reports, this question has been a subject of consultation between the Central Government, the Reserve Bank of India and the institutions concerned. It is our feeling that this is a temporary phase which need not hold up the industrial development of the country. We propose to continue to play our part in the fulfilment of the Plan targets in respect of industrial development in collaboration with other sister institutions. We shall, naturally, review our policy in this regard from time to time in the light of the conditions that may develop.

Foreign Currency Resources

Whereas the bulk of our lending operations continue to be in rupees, the number of sub-loans in foreign currencies has been on the increase. Upto the 30th June 1963, the Corporation had approved sub-loans in foreign currencies for a net amount equivalent to Rs 9.29 crores. Out of the two loans of 30 million dollars sanctioned to the Corporation by the Agency for International Development (AID) of the United States of America, the Corporation had committed itself to a sum of $ 14.85 million (Rs 7.07 crores). We have a number of pending applications as also enquiries with us and we therefore propose approaching the AID through Government for a further allocation. We are also committed to a sum of D M 12.25 million (Rs 1.5 crores) out of the two D M lines of credit aggregating D M 40 million. The demands made on us for sub-loans from the West German credits are particularly numerous and we hope that these credits will be further supplemented in the near future.

During the year under review the Corporation was also sanctioned a line of credit from the Banque Francaise du Commerce Exteriur, Paris (commonly known as BFCE) to the extent of 50 million Francs for financing the import of capital goods mainly from France and the relative protocol was signed in October 1962. A sum of 6.67 million Francs out of this credit has already been committed. A beginning in the sanction of sub-loans in Japanese Yen equivalent to U.S. $ 0.25

million out of the amount allocated to us by the Central Government last year has also been made during the year.

With the above additions in foreign currency resources, the Corporation hopes to meet the foreign exchange requirements of its borrowers on a larger scale. However, in view of the fact that except for the West German credit, other credits are tied to purchases in the respective countries, the gap in our resources of a substantial line of credit in convertible currencies remains to be bridged. I hope that with the good offices of the Central Government this vital need of the Corporation will be met in the larger interests of the Indian industry.

Distribution of Assistance

Apart from the quantum of assistance rendered by the Corporation during the year, its distribution is of some importance. For some years past, sugar industry has been the largest single recipient of our assistance. During the last year, however, the position has changed and non-ferrous metals industry — principally aluminium—was sanctioned the largest quantum of assistance, namely 16.8% followed by textiles (15.2%), sugar (15.1%) and basic chemicals (10.9%). While considering requests for assistance we have shown particular sympathy to projects enjoying high priority which will help to fill the vital gaps in the industrial economy of the country. Accordingly, we agreed to assist a small project for the manufacture of glass-lined equipment for use in chemical industry, a scheme for the manufacture of tyre bead wires, a project for the manufacture of malleable iron pipes and fittings, a unit for the manufacture of gelatine, a scheme for the manufacture of injection moulding machines and moulds and an alloy steel project of the capacity of 25,000 tons per year. In most of these cases, the parties have been able to secure dependable foreign collaboration and know-how.

The distribution of our assistance according to States has also shown a departure from the pattern obtaining in the previous years. While in the past Maharashtra led the list of our beneficiaries, during the current year that distinction goes to Madras State which was sanctioned 29.4% of the total assistance followed by Maharashtra, Assam and Mysore. Uttar Pradesh, Orissa and Punjab have also claimed a sizeable proportion of our sanctions during the year. Thus, in consonance with the Government directive, a larger proportion of our assistance is being availed of by the less developed parts of the country.

Industrial Cooperatives

As in the past, the Corporation has paid particular attention to industrial co-operatives. The net financial assistance approved by the Corporation upto the 30th June 1963 to this sector of industrial economy amounted to Rs 36.86 crores representing about 22% of the total sanctions by the Corporation. This assistance has been sanctioned to fifty sugar factories, three spinning mills and one unit engaged in the extraction of vegetable oil. These co-operatives, I am glad to say, have been meeting their obligations to the Corporation in time.

An interesting feature of the operations of the Corporation during the recent years has been the progressively smaller number of requests which have been finally turned down. During the year under review apart from one request for underwriting, no application was finally rejected by the Corporation. Credit for this goes partly to the entrepreneurs who have been bestowing greater care to the preparation of their projects and have been furnishing the information and data required by the Corporation for processing the requests. But this also reflects the constructive approach of the Corporation in considering these requests. Very few of the applications received by us are complete in all details and much work on them is necessary before they are considered acceptable. During the course of our examination it has been our aim to help the prospective entrepreneurs suitably to modify their schemes, where necessary, so as to make them financially and technically viable. This has been facilitated by the setting up of a technical organisation within the Corporation and by our utilising the services of the Technological Consultancy Bureau of the National Industrial Development Corporation Ltd. The parties are thus assured of sound financial and technical advice and are in a position to revamp their schemes to the mutual advantage of themselves and the Corporation. This may sometimes give rise to complaints of delays. We have, however, found that the time spent in careful examination at that stage leads to more expeditious completion of the projects and their successful operation in the long run.

At the last Annual General Meeting I informed the shareholders that the Corporation had entered the market for the issue of bonds for Rs 6 crores at 4½% p.a. at an issue price of Rs 99.50. The issue was fully subscribed. I take this opportunity of thanking the shareholders and other investors for their support in making the issue a success. The Corporation has also, since the 1st January 1963, taken over the management of the bonds which hitherto was entrusted to the Reserve Bank of India.

Disbursements

It might be of interest to you to know that the total amount of disbursements so far in cash in respect of loans sanctioned and shares and debentures subscribed to or taken up by the Corporation as a part of its underwriting commitments aggregated Rs 87.79 crores. These have been financed to the extent of Rs 22.62 crores out of the repayments of loans to the Corporation, Rs 24.75 crores from borrowings from the Central Government, Rs 28.24 crores from borrowings from the market by issue of bonds, Rs 2.18 crores from the foreign credits and the balance of Rs 10 crores from the paid-up capital and reserves. It will thus be seen that disbursements have been financed from the internal resources (including share capital) of the Corporation to the extent of about 37% and from borrowings from the market to the extent of 32%; the balance of about 31% coming from Government and foreign loans.

Until last year the Corporation used to levy a small premium for premature repayment of loans by the borrower concerns whether from the accumulated profits or from additional share capital or from other sources. This policy has been reconsidered and with a view to encouraging the borrowers to repay

our loans from their internal resources, the levy of premium in such cases has been completely withdrawn. Further the payment of premium in respect of premature repayments made from other sources has also been suspended for a period of two years with effect from the 1st July 1963. The system of levy of commitment charges has also been rationalised. Until recently commitment charges were recovered for late execution of mortgage documents and for non-drawal of loan amount according to schedule. A deposit for ensuring the utilisation of the facility sanctioned was also required. These have been replaced by a single commitment charge levied at 1% on the amount of loan not availed of, calculated from the date of acceptance of terms and conditions by the borrower concerns. The revised basis for the levy of commitment charge is in line with the practice followed by other long-term lending institutions.

Collaboration with Other Institutions

We have continued to act in close collaboration with other sister institutions such as the Life Insurance Corporation of India, the Industrial Credit and Investment Corporation of India Ltd. and the State Bank of India and have financed some of the bigger projects in partnership with them. In respect of one project, we have worked jointly with the International Finance Corporation, Washington and the Industrial Credit and Investment Corporation of India Ltd. to assist in the setting up of an alloy steel plant. Our association with commercial banks has also become closer. Such joint collaboration with other institutions and banks helps not only in bringing to fruition large projects which are essential for the economy of the country, but also in the exchange of ideas and the sharing of risks. I am grateful to these institutions and banks for the co-operation and consideration they are showing to us at every stage.

Our relations with various Chambers of Commerce and our borrower concerns continue to be cordial. We deeply appreciate the constructive suggestions that they have made from time to time for improving our service to our beneficiaries.

Our practice of appointing non-officials on the Boards of our borrower concerns has proved fruitful and we have benefitted much from their advice and assistance. I take this opportunity to thank them on behalf of the Board of Directors for the keen interest they have taken in their work. I should also like to convey our thanks to the members of our Advisory Committees for the able and objective assistance they have given to the Corporation.

Acknowledgments

Our appreciation and thanks are due to the United States of America Agency for International Development with whom our relations have been very cordial. We are also grateful to Kreditanstalt Fur Wiederaufbau and to the Banque Francaise du Commerce Exterieur for the consideration they have shown us.

Before concluding I should like to express my sincere thanks to my colleagues on the Board for their valuable co-operation and wise counsels. In particular, I should like to make a reference to Shri S. P. Virmani and Shri K. S. Sundara Rajan, who ceased to be Directors of the Board and to Shri M. C. Muthiah, Shri V. P. Varde and Shri C. C. Desai who are retiring this year. Their sound advice and active participation in the affairs of the Corporation has been of great value. Lastly, I record with pleasure the appreciation and thanks of the Board of Directors as well my own to the General Manager and the entire staff of the Corporation for the loyal and devoted work on their part during the year.

Rohtas Industries Limited

Regd. Office : Dalmianagar (Bihar)

NOTICE

THE Thirtieth Annual General Meeting of the Shareholders of Rohtas Industries Ltd. will be held at the Registered Office of the Company at Dalmianagar on Thursday, the 31st October, 1963 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, 1963.
2. To declare dividends.
3. To elect a Director in place of Shri B. N. Chaturvedi, who retires by rotation and is eligible for re-election.
4. To appoint Auditors for the current year and fix their remuneration. The retiring Auditors Messrs. K. N. Gutgutia & Co., are eligible for re-appointment.
5. As a Special Business:
To consider and if thought fit to pass the following resolution, which shall be proposed as an Ordinary Resolution, with or without modification:—
"RESOLVED that the appointment of Messrs. Ganga Corporation (Private) Ltd., as sole selling agents for the sale of Asbestos Cement products for Punjab, Himachal Pradesh, Rajasthan, Uttar Pradesh, Madhya Pradesh, Bihar and Delhi for a period of three years from 1st March, 1963 on the terms and conditions enumerated in the Agreement, submitted to this meeting and approved by the Board of Directors of the Company, be and is hereby approved and confirmed."

The Share Transfer Books and Member's Register of the Company will remain closed from 19th October, 1963 till 31st October, 1963, both days inclusive.

By Order of the Board
For SAHU JAIN LIMITED,
A. K. Jain
Managing Director,
Managing Agents.

Calcutta,
28th September, 1963.

N.B. 1. 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.

2. The dividends, if declared, will be payable to the Shareholders registered in the Books of the Company on 31st October, 1963.
Explanatory note as required under Sec. 173 of the Companies Act is being forwarded to the members of the Company with the notice.

India Steamship Company Limited

Speech of the Chairman, Sir A Ramaswami Mudaliar

THE following is the Speech of the Chairman, Sir A Ramaswami Mudaliar, KCSI, DCL (Oxon), delivered to the Shareholders at the Annual General Meeting of the Company held on the 30th September 1963:

Gentlemen,

The Audited Accounts and Directors' Report for the period ending March, 1963, has been in your possession for some time and with your permission, I shall take them as read.

Before dealing with the Directors' Report and the Audited Accounts, I think it would be appropriate that I place before you frankly the course of events during the last two years regarding the financial position of the Lines operating on the India-U.K.-Continent routes and associate routes. It is no satisfaction to me to present a Balance Sheet showing for the fourth year in succession, a substantial loss, and shareholders have a right to know why these losses have been incurred during this period.

Freight Rise

In 1961, the Conference Lines engaged in this Trade came to the conclusion that an increase in freight rates both in the Eastward and Westward direction was necessary if they should earn a reasonable margin of profit on their operations. Elaborate calculations were made of the Balance Sheets of various Lines by Auditors specially appointed for the purpose and based on their findings, a Delegation of the Conference Lines visited Pakistan and India, to get the approval of both Governments to a formula that they had devised, for making what they considered to be, legitimate profits for the operating Lines. The Delegation found, when they met the Pakistan Authorities, that they were considering the proposals of a proposed foreign shipping company, which would cater to the entire Pakistan cargo, both ways, from and to Pakistan ports, East and West, on this route, at a lower freight than the Conference was prepared to offer. The Conference Delegation, after consulting the two Indian Lines, and with their approval, decided to visit Pakistan and come to the best arrangements so that the Conference Lines may continue to operate for the Pakistan Trade. The agreement they came to, instead of raising the freight rates, reduced the rates substantially on some of the commodities, notably Jute and Gunnies, moving from Pakistan. They further agreed that till the end of 1962, they would not increase any freight rates from East to West. The Delegation then met the Indian Government and came to an agreement with the Government, whereby, as a corollary to the agreement with the Pakistan Government, they agreed not to raise any freights till the end of 1962. They further agreed with both Governments that there would be six months' notice given by the Conference on the 1st January, 1963, indicating the freight increase they would desire to make, the period of six months being utilised, for negotiations with Shippers and consultation with Government. As you would see, the final result of all these negotiations and agreements, was that the Conference which wanted a freight increase to be made in 1961, agreed in effect to no freight increase in the East to West Trade till the 1st July 1963. The Conference had already increased the West to East freight by 10% on the 1st October, 1961.

Conference-Government Relations

I stated, that to meet the so called threat of competition from a new shipping company which was going to use tramp shipping, the Conference reduced the freight rate on Jute from Pakistan, from sh. 173/-. (the rate which prevailed from 1958 to 1961) to sh. 160/-. The rate in 1957, when the last increase was made was sh. 187/-. It was quite obvious to the Conference that the freight rates on Gunny exported from India should be in parity with the Pakistan Jute rates. There was, therefore, a similar reduction in the exports from India, which meant a rate of sh. 173/6 per 1.000 kilos of gunnies, against sh. 187/- in 1961. I do not want to go into the comparative figures of other commodities, common to the export trade of India and Pakistan, which had to be kept at parity in the trade of each country. In effect therefore, the Delegation which felt that the Lines were incurring a loss on the existing freight rates in 1961, had to content themselves for nearly two years with the same rates in most cases and at even reduced freight rates in others, before coming up for a revision in freight rates to either of the Governments. The threat of the proposed shipping company, as it happened, and some of us felt that it was bound to happen, was no real threat, for the simple reason, that ships on charter or tramp ships, cannot serve the trade as effectively and carry cargo from and to as many destinations as the Conference, which has about fifteen to twenty Member Lines operating in this trade, each Member with several ships.

It has been generally agreed by shippers and Government ultimately, that an increase in the freight East to West was justified. Both the Shippers and the Maritime Freight Commission have acknowledged that a freight increase East to West was indicated, if the Lines engaged in this Trade were to function and continue to offer to Shippers an adequate service. It is unfortunate that there has not been an agreement on the rate of increase that would be justified. It may be pointed out that during 1960, 1961 and 1962, every Conference of Lines engaged in other overseas trade, increased the freight rate and some of the Conferences have increased it twice during these three years. The Indian Lines had suggested an increase of 10% in the East to West trade, but the Conference fixed an increase of 12½% on the ground that the increase proposed will result only in an effective 10% increase or even somewhat less, because of the non increase or slightly lower increase in commodities, which have been termed sensitive commodities, whose exports may be affected by freight increases. The question of sensitive commodities and how they should be dealt with is a matter still to be discussed with the Authorities, by the Conference, and I hope as a result of the discussions, a more cordial atmosphere will prevail between the Conference and the Governments concerned.

Increase in Rates Moderate

I have stated, that the last increase in freight rates was in 1957. Comparing the rates then prevailing with the rates now announced, it would be found that in many cases, the rates are only silghtly higher than they were at that time. While I am equally anxious that the export trade should be promoted and that our foreign exchange earnings should meet some portion of the present gap in foreign exchange, I would venture to suggest that the price factor and the profit factor of some at least of the export items, should be carefully evaluated before either an increase in freight, or a decrease in the rate proposed, is finally advocated and adopted.

It is with this background that I would like to deal with the results of your Company during the year under review. The Directors' Report discloses that there has been a loss of about Rs 30 lakhs in the working of your fleet. I would only like to point out that even if a 10% increase had been allowed in the East to West Trade, during that year, the loss would have been avoided.

Operating Results

I have heard it suggested that while other shipping companies are showing a profit, your company is showing a loss. The fleet of your Company is operating on the India-U.K.-Continent route and the Baltic Sea and Black Sea routes, with a small number of calls to South American ports. It is in this route that the freight rates from East to West was not increased from 1957 to 1961 by the Conference, and has further not been allowed to increase for nearly two years by arrangements with Governments. It is the result of the voyage earnings of Lines in these routes alone, that should be compared to get an exact perspective of the functioning of the companies concerned. Many companies have other routes, in which the large number of ships they have, ply. Some of them have large investments of reserves, the income from which is also appropriated towards profits. As I have already stated, every other route of the ocean going vessels of Lines, had had the freight rate increased at least once and in some cases more than once, since 1961. I hope these factors will be appreciated in the unenviable task of indulging in comparisons.

The Directors' Report shows that the freight earned during the year was Rs. 8,00,21,725 as against Rs. 8,97,26,920 in the previous year. The decrease in freight is to a large extent compensated by a corresponding decrease of 53 lakhs in port expenses and other charges generally included under this heading.

During the year, the total number of Liner voyages completed, was 48 as against 54 in the previous year.

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Rise in Costs

While there was no increase in the freight rates from India in the routes followed by your vessels, the increase in port charges, dock dues and stevedoring rates, have been substantial, both in India and abroad. There has also been unusual delays in the time taken to berth vessels at these ports, notably at the port of Bombay. Weather conditions and labour strikes, have increased the delay in some ports more than in the previous year. These factors account for a loss of 541 days by the various ships of your fleet. Another unforeseen and unaccountable delay was sustained in one of the ports of the Baltic Sea, when at the time of the Small Pox scare in Western Europe, a seaman on one of our vessels was suspected to be affected by this disease. It turned out that the suspicion was baseless, but the Port Authorities quarantined the ship for 36 days, involving substantial loss in earnings.

In spite of decrease in freight earnings as compared to last year, owing to a rationalisation, there has been a corresponding decrease in expenditure. The number of ports at which your vessels called was 736 in the Liner voyages, as against 947 in the previous year. The average duration of a round voyage was 126 days as compared to 129 days in 1962. There has been a serious attempt at reducing the expenditure on deck and engineering stores but victualling expenses have gone up slightly in sympathy with the rising costs.

The average age of the fleet of your company was nine years in March 1963, and the fleet is in good condition thanks to the attention which has been paid to maintenance.

Exports Must Not Be Hindered

I referred earlier, to the fact that even with the increases proposed by the Conference, there is only a very slight increase in actual freights over those prevailing in 1957, for several of the commodities. Even so, I am in complete agreement with the policy of the Government of India, that Export Promotion should not be hindered by unreasonable freight rates. It is the same policy which has been adopted by countries anxious to promote their exports and thereby minimise their dependence on foreign exchange. Though National Lines of some of these countries have been compensated in various other ways for their loss in earnings. I would, however, point out that the Indian Lines taken together, are themselves earners of very considerable foreign exchange, particularly if their share in the India-U.K.-Continent trade is taken into consideration. The Government of India is naturally anxious to expand Indian tonnage, particularly tramp tonnage, thereby avoiding over dependence on foreign carriers. It is, therefore, really a matter of balancing two apparently antagonistic factors, but I believe that the balance can be struck if the varying factors are taken into consideration in their proper perspective.

I would have greatly wished that the Maritime Freight Commission had consulted the Indian Lines in particular, at some stage before they gave their final decision as to what they considered was a fair increase in freight rates from East to West, to the Continent of Europe. As I have already stated, the consideration of what are called sensitive commodities from the export angle, will be taken up by the Government in consultation with the Conference. I believe that representatives of Indian Shipping Lines in this Trade, will be in a position, from their local knowledge of facts, to assist the Government in coming to fair conclusions.

When referring to this subject of export, I stated last year "It is to be emphasized that as against the small voice of Indian shipping companies, the loud and uncontrolled menacing voice of some shippers of comparatively small exports sometimes prevails." I expressed the hope that the shareholders of shipping companies will join with the management in impressing on the public the need for fair play as between Indian shipping companies and Indian exporters and importers.

The Future

Shipping is an unpredictable industry — its factors, some of them are outside the control of the Management of Shipping companies. Even so, I express the hope that we have come to the end of deficit Balance Sheets.

The share of the Indian companies in the import and export trade of the United Kingdom is every year increasing by one per cent. The determined efforts made by the Government to increase exports are beginning to have effect in the volume of trade that is moving both to West Europe and to East Europe.

Recently there has been an improvement in the berthing facilities in some of the Indian ports, and what is more important, the drafts of the River Hooghly, which have the biggest influence in the carriage of cargo to and from the port of Calcutta, have been improved.

The determined effort of the Government to carry through the industrial development that has been planned, affords opportunity for larger import of goods from abroad.

These are factors which may to a certain extent dispel the gloom that shareholders of shipping companies may feel.

Thanks

We are grateful to the Minister of Shipping for his continued interest in Indian Shipping and for his helpful advice from time to time. The Officers of the Ministry of Shipping, the Director General and his Deputies and Assistants in particular, have helped Indian companies and their advice has benefited the management of these companies. We look to their sympathetic guidance in days of difficulty. I am certain that being in charge of the welfare of Indian Shipping, they will, while having regard to the foreign exchange position, also have equal concern about earnings and requirements of Indian Shipping.

Tribute

It is no conventional language that I shall be using when I offer my hearty thanks on behalf of the Board and myself to the Officers and Staff both afloat and ashore, for the devoted services they have rendered during the year.

I should also like to express my thanks to the Shippers, Brokers and Forwarding Agents, for their firm support to us and for the confidence they have reposed in us and in the quality of our shipping service.

The National Newsprint and Paper Mills Limited

Speech of the Chairman, Sir A Ramaswami Mudaliar

FOLLOWING is the text of the speech by the Chairman, Sir A Ramaswami Mudaliar, at the Annual General Meeting of the Company held at Nepanagar on September 30, 1963. As Sir Ramaswami Mudaliar could not be present at the Meeting, the speech prepared by him was read out by Shri S N Mehta, a Director of the Company, who was elected as Chairman of the Meeting.

Gentlemen,

I have great pleasure in extending to you a cordial welcome to the 16th Annual General Meeting of the Shareholders of the National Newsprint & Paper Mills Limited. The Directors' Report, Balance Sheet and the Audited Accounts for the year ended 31st March 1963, have been in your hands for some time, and with your permission I shall take them as read.

I must apologise for my inability to be present in person, largely due to the difficulties of communication to this somewhat remote place, Nepanagar.

During the year under review, 26,515 tons of newsprint was produced, an increase of 1,236 tons over that of the previous year. The target for the current year is 30,000 tons which is the capacity indicated for the Plant by the consulting firm which designed and established the Plant.

Review of Progress

I have been connected as Director and Chairman of the National Newsprint & Paper Mills Ltd., for over twelve years, and you will excuse me if I give a short review of the progress that has been made during this period. Being the first venture of this kind in the country, there were obviously several difficulties to overcome before the Mill could come into operation on a satisfactory basis. To these difficulties were added the conditions under which this venture was established. Its location — the raw materials it would use — the supply of water which was essential for the purpose of the Mill and for the township which had inevitably to grow around this area, were so casually dealt with at the inception of the idea, that it produced serious problems which at one time looked almost impossible of solution. Efforts made to overcome these difficulties have not been fully realised by the public who constantly criticise the quality of the paper and particularly its shade. I do not want to go into the manner in which the Board of Directors dealt with these problems and ultimately succeeded in finding a proper solution for them. Difficulties of recruitment of staff had also arisen owing to the rigorous regulations regarding pay and perquisites which the Central Government prescribed.

I must however state, that the great step that was taken by both the Central Government and the

Government of Madhya Pradesh in regard to the financing of the scheme, has been the turning point of the fortunes of this public sector venture. In my previous statements I have referred to the fact that the loans given by the two governments were to a certain extent converted into capital and equity shares by the respective governments and that the balance of the loan was repayable with interest thereon to the respective governments. A further concession that was of great value to the Mills was that the M.P. Government agreed that the accumulated interest charges amounting to over 110 lakhs should be frozen and should carry no further interest. The agreement further provided that this accumulated interest should be paid in ten instalments, the first instalment being paid within a year of the reorganisation of the capital structure, i.e. before 1959. Owing to these operations, the position today is that apart from the capital of the two governments and of the private shareholders, all the loans which carried interest have been paid to the governments, the loans themselves amounting to over 1 crore 37 lakhs. Further, the frozen interest debt to the Madhya Pradesh Government has been reduced from 1 crore 11 lakhs to 66 lakhs, which is the amount now due to that Government.

Caustic Soda Chlorine Plant

To meet the very justifiable criticism of the consumers of newsprint regarding the brown shade of your products, the Board decided that a Caustic Soda Chlorine Plant should be constructed and in collaboration with a Swiss Firm, the Plant and Machinery has been obtained and is being installed. It is expected that the production from this Plant will be available for utilisation by the Mill in the first half of 1964.

I referred to the location of this Factory, which as I described, was made in the most casual manner by the entrepreneurs who formed the idea of such a factory. The result has been, that a whole township with a population of over 5000 had to be gradually established at Nepanagar. The housing had to be done entirely by the Company, schools had to be established, hospital with fairly modern equipment had to be provided for, medical assistance necessary for running the hospital and looking after the patients, men, women and children of the colony, had to be recruited. All these costs have been borne by the Factory. This required an enthusiastic set of officers and workers to join together in running the Factory in fairly economic conditions and it is gratifying to the officers and workers, as well as to the Board, to receive a Certificate of Honour presented by the President of India, to the National Newsprint & Paper Mills Ltd., Nepanagar, for satisfactory performance during the year 1962.

Expansion Programme

The Management did not content itself with merely attempting to reach the target of 30,000 tons production, fixed initially by the designers of the Plant. For the last three years they have had under consideration, the expansion of the capacity of the Factory, and as the Directors' Report says, have continuously examined with the help of the experts of the forest department of the Madhya Pradesh Government and the Technical Advisers of the Government of India, the availability of raw materials for doubling the capacity of the Plant. The Board has now decided to apply to the Government of India for licence for carrying out substantial expansion which may reach 75,000 tons instead of the present production of 30,000 tons.

With a view to improving the quality of the paper, experiments are being made for a new method of treating the wood pulp. These experiments have, on the laboratory scale proved successful, and it is hoped that by the utilisation of the caustic soda produced at our own plant, and new methods adopted for treating the hard wood, there will be no serious complaint about the quality of the paper both in the colour and in tensile strength.

In connection with the actual running of the Factory, while I have paid a tribute previously to the Managing Director, Mr. S. L. Visvanadhan, and to the Assistant Works Manager and other technicians in charge of the Mill. I must pay a special tribute to the new Managing Director, Mr. P. S. Kothari, who has given a great impetus to the production in the Factory. I should also like to mention Mr. Singhania who has borne much administrative responsibility and has helped the Board very considerably.

Financial Results

One last word about the net profit which is indicated in the Balance Sheet and how it is proposed to be utilised. The profit after deducting depreciation and development rebate and a small reserve to doubtful debts, amounts to 50,19,549.28. There was still a debit balance at the beginning of the year under review of 24,82,980.95. After adjusting the debit balance, the amount at credit will be 25,36,568.33. This profit would have allowed the distribution of a 5 per cent dividend subject to tax on the entire shareholding, and I would have recommended to my colleagues in the Board to accept the proposal, but for the fact that at the last moment, we were presented with a contingent liability from income-tax assessment, which would have absorbed, if correct, the entire profit and a considerable sum over it. The assessment is the subject of an appeal and I am fairly confident that the Company will ultimately be found not liable to this taxation.

I have been working in the hope and expectation that during my Chairmanship, I shall be in a position on behalf of the Board, to declare a substantial dividend to the shareholders. Knowing the position of the Company and its working, I feel confident that during the current year 1963-64, the Company will be in a position to declare a dividend, perhaps even an interim dividend during the course of the year. I would like therefore, first to pay tribute to the private shareholders for the patience they have shown and the confidence they have reposed in the successful working of this public project.

My final duty, and it is a pleasant one, is to record my appreciation of the staff and workers for their wholehearted co-operation in making this project a success. To every one of them, from the unskilled worker through all the grades to officers and management, I should like to express my high appreciation for their devoted work.

Around Bombay Markets

Dalal Street at New Peak

Thursday, Morning

DALAL STREET last week scaled an altogether new peak for the year. This has convinced technical analysts that the bear market has run out its course and that the recovery which has been in progress for a little over two months marks the resumption of a major upward trend. As usual, it is the professional speculator, ever willing to risk a fortune on the uncertain future, who has given the lead to the market. Though there has been a substantial improvement in turnover and a broadening of interest, activity continues to be predominently professional. While the outside public is still inclined to mark time to know how exactly TTK is going to revive the capital market and accelerate the economic and industrial tempo, the professional speculators seem content with TTK's assurance that he is considering appropriate measures to bring life to the capital market and revitalise the economy. The substantial modifications of the compulsory deposit scheme and the gold control order have created the impression that TTK is likely to do away with Shri Morarji Desai's super profits tax in February if not earlier.

If the economy gets a new push and there comes about a substantial increase in the rate of industrial growth, the authorities will not perhaps need to make any special effort to revive the capital market. Investors will return to the market if they see the economic prospect clearly and with confidence. Political uncertainty will, of course, continue to influence investors' decisions. But investors might not feel unduly obsessed by political uncertainties if they are convinced that the Government is taking all the possible measures to revitalise the economy.

The stock market is now in very good temper. With occasional technical corrections, the market can be expected to push its way up beyond the previous year's peak in course of time. How a particular trend will progress week after is always difficult to predict. Since the market has been moving up and up week after week for over two months, it could pause for digesting the gains at any time. About the underlying trend there seems little doubt now.

Cotton

Speculation on Buffer Stock

UNTIL a little over a week ago, the cotton trade had been speculating mainly on the weather; but now it is speculating on New Delhi's reported move for a buffer stock scheme. Rumours have continued to gain currency that the Government is busy finalising a plan for supporting the market when prices tend to move down under the pressure of new crop movement. It appears that Shri Manubhai Shah's view that speculators somehow manoeuvre to depress prices at the harvest time is shared by his other colleagues as well. Press reports suggest that the main purpose of the proposed buffer stock scheme is to check the decline in prices at the harvest time by making selective purchases. These stocks, it is said, will be released for sale whenever prices are artificially rigged up. It would indeed be very unwise if the Government were to intervene in the market even when prices keep well within the prescribed floor and ceiling prices. As already pointed out in these columns, official intervention in the market when prices are quoted just half way between the floor and ceiling is bound to do more harm than good as it will introduce an element of uncertainty in the market.

The idea of a buffer stock had first been mooted when prices tended to pierce the ceiling. With domestic production persistently lagging behind internal consumption, buffer stock was sought to be created out of US PL 480 cotton, as the foreign exchange position did not permit large imports from other sources. Few will question the desirability of having a buffer stock but if a buffer stock is to be built only from indigenous cotton, it should be done only when supply far exceeds demand and it tends to push down prices below the floor. Such a situation seems unlikely to develop in the foreseeable future. New Delhi's reported assurance to the cotton mill industry that the ceiling and floor prices of cotton will be kept unchanged during the Third Plan period will make little sense if the Government is to intervene in the market even when prices keep within these limits. If the Government really wishes well of the farmer what it need to do is to help the farmer increase his productivity through every possible assistance in various forms.

Prices Harden

What the Government will ultimately decide is anybody's guess. But the prospect of Government buying for the buffer stock has brought about a marked change in the general market psychology. Bears are no more inclined to risk big money on the idea of a large carryover and a good harvest for the second successive season. Short covering and renewed bull support based on expectations of official support for the spot material around the current levels has led to a further improvement in cotton futures. The March contract which had recovered from Rs 687.75 to Rs 699 in the previous week has advanced further to around Rs 705 (per 3 quintals). While the futures market has been presenting quite a lively appearance for some time, the spot market remains dull. Confusion and uncertainty following persistent talks of Government buying for buffer stock have made it difficult for the trade and the industry to take a clear view of the market on the basis of the demand and supply position of cotton. The turnover in ready is unlikely to pick up until the authorities have fully revealed their mind on the ticklish question of buffer stock. The general tone of the market at present appears to be fully steady; prices of certain varieties have developed a hardening tendency. Bengal Deshi has continued to hold steady-to-firm even though overseas demand is still poor. The Deshi crop is not expected to be better than in the previous year. And with domestic consumption showing a steady increase, the slackness in export demand is unlikely to have a significant impact on the price level. Though the overseas buyers are still inclined to hold off the Indian market, shippers here seem confident about exhausting the present quota for two lakh bales within a couple of months.

Deshi Under Barter?

Meanwhile, the export trade has been greatly perturbed by reports that New Delhi is considering a proposal for the barter of Bengal Deshi cotton for extra long staple old cotton held in US stockpile. Needless to say that if such a proposal were to come through it would not merely disturb the existing trade channels but it would harm the country's interest. Bengal Deshi cotton is a traditional item, readily saleable and it has always been earning valuable foreign exchange. It would be extremely unwise to allow it to be exported under barter because it might result in the loss of traditional markets and a market once lost is never easy to regain. At a time when the country is making a desperate effort to boost exports and to explore new markets at considerable expense, the least that the Government can do is not to take any step which would result in the loss of well-established markets.

Oilseeds

Prices Recover

OILSEEDS prices recorded an all-round recovery last week. And surprisingly enough, groundnut futures which had been showing pronounced weakness over the past few weeks were the strongest. The January contract which had touched a low of Rs 213.25 in the preceding week (20th September) was up again at Rs 219.50 on 1st October — the highest rate since 29th August. Castor March was marked up from Rs 164.50 to Rs 167 — the highest rate since 24th July — and the week-end quotation was only a little lower at Rs 165.75. Linseed March which had been sold down to Rs 36.25 (per 50 kgs) in the preceding week recovered to Rs 36.94 and wound up the week at Rs 36.75. Cottonseed January continued to be neglected around Rs 96.

The sudden recovery in groundnut futures was brought about by large export business in groundnut oil. Singapore, Hong Kong, Australia and Spain were reported to have purchased about 8,000 tons of groundnut oil within about a week's time and prospects of further business are generally rated high. Exporters are inclined to the view that the deterioration in the political relations between Malaysia and Indonesia will hit Indonesian exports of copra and palm oil to certain destinations which in turn will push up the demand for Indian groundnut oil. If export business picks up appreciably in the immediate future it will naturally impart strength to the groundnut market and new crop arrivals are likely to be readily absorbed. The seasonal pressure of the crop might not have much impact on prices if the country is able to negotiate substantial export business in groundnut oil. The outlook in this regard is beginning to look fairly promising. The trend in groundnut futures, however, will depend to a considerable extent on the Forward Markets Commission's attitude in respect of the ceiling. If the ceiling of Rs 236 is not adjusted in order to allow for the normal carry forward charges for switching over from one contract to another the scope for any big rise in the January contract will naturally be limited. It might be added here that it is basically wrong to have the same ceiling for all futures contracts of the season unless there is a corresponding ceiling in respect of the spot material as in the case of cotton.

Apart from groundnut oil, export houses reported moderate business in groundnut extractions and groundnut HPS. The UK was mentioned as the main buyer. The latest prices for groundnut extractions were reported around £35-10 per ton for October shipment, £35-5 for November, £34-10 for December and £33-15 for January-February-March. Groundnut H P S Bold was traded at £84-10. The Communist countries did not evince any fresh interest in extractions. Business is expected to revive after the necessary trade agreements have been ratified, which should not take long. Poland was reported to have purchased about 500 tons of castor oil BSS quality, October-November shipment. Business in castor oil is said to be restricted mainly by the difficulty of securing supplies in quantity. While linseed cake continued to be neglected fair business was reported in cottonseed cake. The UK was the main buyer and it paid about £31-5 per ton for decorticated variety.

Raymon Engineering Works

THE turnover of Raymon Engineering Works, Calcutta, during the year ended March 31, 1963 show an increase from Rs 31.49 lakhs to Rs 75.99 lakhs. The Company has, however, shown a loss of Rs 38,361 compared to last year's loss of Rs 12.82 lakhs. The total loss shown in the Balance Sheet is now Rs 25.86 lakhs. The Directors state that shortage of raw materials and power cuts have generally affected all engineering concerns.

The installation of machinery and equipment and the commissioning of the forge, pressed steel and smithy shops have been completed during the year. Substantial progress has been made in the construction of a new structural shop for taking on orders for large tonnages and of an additional assembly bay for increased production of wagons. Negotiations are under way for foreign financial participation and technical-cum-management collaboration for the installation of a plant to manufacture spirally welded pipes for oil, gas, water, etc. The Company has already delivered 1,000 wagons and has in hand large orders. It has also large orders in its structural forge and pressed steel divisions. The tempo of production has however slowed down owing to shortage of power, electrodes for welding, steel castings and metals.

Gujarat Steel Tubes

GUJARAT STEEL TUBES Ltd. Ahmedabad, will soon commence manufacture of steel tubes at their new factory at Sabarmati. Their automatic plant has a rated annual capacity of manufacture of 24,000 tons of steel tubes. Total outlay on the project, which will be started in technical collaboration with Messrs Wirsbo Bruks AB, Virsbo, Sweden, is about Rs 3 crores.

Business Notes

Imperial Tobacco

THE drastic fiscal measures introduced in the current year's Budget have had their impact on industry generally, but their effect on the tobacco industry has been more severe than on many others. This was pointed out by Mr F A Collett, Chairman of Imperial Tobacco, at the Annual General Meeting held on September 26. His Company has had to pay additional direct taxes amounting to Rs 20 lakhs; besides there has also been a substantial rise in the excise levy. The additional excise led to an increase in the selling price which restricted consumption in spite of a lower profit margin; it also increased the working capital requirements of the company forcing it to borrow. Last year was the first time when Imperial Tobacco had to depend on bank finance. Mr Collett explained that although the trading profit was not affected, the need for additional working capital compelled the Board to reduce the final dividend by 1 per cent.

Additional working capital was necessary partly to purchase raw materials earlier but largely to pay excise on stocks in hand at the higher rates. Excise duty on tobacco is payable when leaf tobacco is taken for use in the factory and the duty on cigarettes, which is comparatively heavier, is payable when finished cigarettes leave the factory. Mr Collett pointed out that with successive increases in the rates of excise, the funds locked up in advance excise payments has been steadily mounting; the 1963 Budget increased it by as much as Rs 67 lakhs on approximately the same volume of cigarettes. The company finds this a great handicap inasmuch as about Rs 2 crores are permanently tied up in excise. Since bank advances are getting restricted as a result of greater demands on banks' funds, the company has made representations to the Government to allow the industry some credit on excise payments.

The cigarette trade is one of the biggest contributors to the excise revenue of Government. But successive increases in the levy have had their impact on the volume of the company's business which has not expanded. The turnover which used to rise by about 10 per cent every year until 1962 became stagnant after that year's budget and in the current year might even show a fall. Rising costs and increases in excise rates have brought prices to a level where consumer resistance is beginning to be encountered. If the whole of the excise were passed on to consumers, sales would fall and labour would have to be laid off. So the company has absorbed a large part of the excise levy, restricting price increase to a minimum. The very steep increases in excise duties in the 1963-64 budget would, therefore, impose a substantial burden on the company and its profits would show a marked decrease in the current year.

Alind

ALIND's sales declined by Rs 44 lakhs or 7 per cent in 1962-63 over the previous year; yet the taxable profits were higher by 34 per cent at Rs 55.40 lakhs. This is admittedly contrary to the general trend of company results during the year which has shown larger sales and reduced profits. The Chairman, Shri S Narayanaswamy, in his address to the shareholders at the Annual General Meeting on September 23, has attributed the overall profitability of the Company's operations to the effective diversification of production in the last few years. The Company had, however, been forced to cut the dividend for the first time as it had "to salt away" in tax provisions over 263 per cent of the dividend to shareholders. A sum of Rs 39.50 lakhs had been provided for taxation which includes Rs 9 lakhs to meet the SPT levy. The SPT according to Shri Narayanaswamy had slowed down the capital formation and he, therefore, pleaded for a total substitution of SPT by an alternative impost.

Referring to the Company's programme of diversification, the Chairman stated that the Hyderabad covered conductor unit will go into production during the last quarter of the year and the expanded unit at Kundara will also be commissioned before the end of the year. The 'Solidal' plant of the Company to manufacture low voltage plastic insulated underground aluminium cables, the progress of which has been slightly slowed down by the late receipt of import licence is expected to go into operation by August 1964. The Company is now arranging to secure an additional properzi unit for continuous rolling of metal which will expand the rolling capacity at Kundara. The foreign exchange loan necessary has been negotiated with ICICI. With the completion of this programme ALIND would be one of the most complete cable manufacturers in the country. Shri Narayanaswamy expressed the hope that having regard to the projects under implementation and examination, there is reason to look forward to the future with confidence.

The Company had a modest share in the export of cables which was found economic. The Chairman however cautioned that offtake of Indian cables would be limited owing to international competition in the world markets. He described the Report of the Cable Industry Team of the Indian Productivity Council, as a purposeful and practical one and commended the recommendations to the attention of Government and cable manufacturers.

Machinery Manufacturers' Corporation

ADDRESSING the shareholders of the Machinery Manufacturers' Corporation at the Annual General Meeting on September 25, the Chairman, Shri K C Mahindra stated that the Company produced over 70 per cent of the total output of carding engines in the country. This is an important landmark in the history of the Corporation. Another landmark reached by the Corporation is that it is now in a position to manufacture complete diesel engines ranging from 6½ to 13½ h p, from casting to painting as a result of arrangements concluded between the Company and the Indian National Diesel Engine Co.

The Chairman extolled the part played by the Managing Agents in bringing certain integrated expansion plans formulated some years ago to fruition. The Managing Agents deserve further credit for

persuading Government to render assistance to the Company on no less than three occasions.

The Company's fortunes have now taken a turn for the better. Over the last four years there was an improvement in business conditions. The Company was able to reduce its indebtedness to Government and to the IFC by about Rs 27 lakhs in these years and to build up a Reserve of over Rs 35 lakhs.

Dealing with the progress of the Company during the year, Shri Mahindra stated that the Company's works have operated at a satisfactory level. In addition to maintaining the high rate of production of carding engines, the Company has offered its resources to the Ministry of Defence for the production of Ordnance Stores. Certain educational orders have already been completed.

The process of rehabilitation of plant and equipment has continued. The Corporation has now obtained a licence for import of special machinery required for the manufacture of Speed Frames and the equipment will be secured within the next few months. The Corporation's development section is keeping pace with latest research in carding technology in other countries and it will be in a ready position to adapt its carding engines to suit new developments.

The Chairman expressed his optimism in broad terms, by saying that supplies of equipment to the textile mills continue to be very satisfactory and bookings for the six months of the current year are good.

Indian Oil Company

INDIAN Oil made a profit for the first time 1962-63. The profit amounting to Rs 59.61 lakhs gives a return of 18.5 per cent on the equity capital of Rs 322.25 lakhs. Out of the profits, the Company has provided Rs 43.44 lakhs for development reserve and wiped off accumulated losses of Rs 16.85 lakhs. The Chairman, Shri P A Gopalakrishnan, who addressed the Fourth Annual General Meeting of the Company, observed that the profit would have been more had there not been excess payment of duties and Central sales tax, etc, which the Company is now re-claiming from Government and certain abnormal expenses.

Sales have almost trebled in 1962-63 compared with the previous year. Starting with two oil products, IOC now sells fourteen products. Two blending plants proposed to be set up jointly by the IOC and Mobil Petroleum are expected to go into production in 1964 and will lead to considerable saving of foreign exchange. By making rupee payments for oil products imported from communist countries, IOC saved Rs 7.78 crores of foreign exchange in 1962-63 as against Rs 4.57 crores in 1961-62.

The Chairman has complained against delays in settling bills. The Government's outstandings at the end of August 1963 are over Rs 8 crores, of which Rs 4 crores are due from DGS & D and Rs 4 crores from State Governments and State undertakings. The delay in payments is throwing a burden on the Company forcing it to carry a heavy overdraft and pay Rs 2 lakhs per month as interest. The working capital requirements of IOC have gone up and the Chairman has sounded a note of warning that in the current year the profits are likely to go down.

Money Market

Thursday, Morning

FOR a second week in succession, the inter-bank call money rate remained unchanged at 2 per cent. Supply and demand varied from time to time, but the rate kept steady indicating a situation where neither were the borrowers inclined to pay more nor the lenders willing to take less. Supply more or less matched the demand and the continued return flow of funds did not exert sufficient pressure on the market to make money go abegging. While the 2 per cent rate was well maintained in Bombay, the rate in Calcutta which hardened during the middle of last week to 3 to 3½ per cent tended to move down, moving erratically between 3 and 2 per cent and occasionally even coming down below 2 per cent to touch 1½ per cent.

An easier resources position was indicated in the Scheduled Banks returns for September 20. Aggregate deposits further rose by Rs 16.95 crores while bank credit contracted by Rs 8.77 crores. A spurt in the banks' investments in Government securities by Rs 21.61 crores suggests that a major portion of the funds that flowed in found their way into Government securities, indicating by the way how banks are inclined to deal with surplus funds accruing to them for the time being. Call and short notice funds recorded an addition of Rs 3.43 crores only. The banks' cash and balances with the Reserve Bank have shrunk by Rs 4.20 crores while their borrowings from the Reserve Bank have increased by a mere Rs 69 lakhs. Even with increasing resources, it appears that the amount of floating funds seeking investment is not so large as to depress the call market. It is also clear that banks are keen to swell their investment portfolio and to divert their surplus funds into giltedged securities, current yields on which are still high compared with Treasury Bills, call loans, etc, to attract funds.

There was a further contraction of Rs 12.62 crores in active notes during the week ended September 27, and this entire amount, together with a further note issue of Rs 1.52 crores, are held in the Banking Department. The additional note issue has been secured by a rise of Rs 1.51 crores in rupee coins and of Rs 1 lakh in rupee securities in the Issue Department.

Deposits of the Reserve Bank in the aggregate have fallen by Rs 8.95 crores of which Rs 6.95 crores represent depletion of Governments' deposits and Rs 50 lakhs withdrawals by scheduled banks. Balances held abroad are down by Rs 1.42 crores. Government borrowings, on the other hand, have gone up by Rs 4.72 crores while those of scheduled banks have increased by a small amount of Rs 43 lakhs. Other advances are also up by Rs 1.39 crores. Against the withdrawal of deposits and additional loans advanced, there is a fall of Rs 19.32 crores in the Treasury Bill holdings of the Bank. The Bank's investments show only a minor reduction of Rs 42 lakhs.

The giltedged market continued to be active. Sustained demand from banks and institutional investors took up several issues. Short and medium term loans as well as State loans evoked more enquiries but sellers were not keen. Conversion loan went ahead to Rs 65.55.

CURRENT STATISTICS

INDEX NUMBERS OF INDUSTRIAL PRODUCTION

(*Base* : 1956 = 100)

	May '63	April '63	Mar '63	May '62
Mining and quarrying	179.8	178.9	183.0	160.4
Coal	171.2	170.6	173.9	153.5
Manufacturing	153.2	146.8	154.0	143.7
Sugar	3.5	59.6	154.2	96.3
Tea	107.6	62.6	23.7	107.1
Salt	330.3	227.8	164.7	263.5
Cigarettes	152.6	145.7	157.0	151.2
Textiles	120.1	118.0	115.3	115.6
Cotton (Spinning, Weaving and finishing)	113.9	110.4	107.0	111.0
Jute (Spinning, Weaving and finishing)	119.9	120.2	119.0	109.9
Woollen (Spinning, Weaving and finishing)	178.6	162.3	161.4	129.1
Footwear	222.1	222.3	241.4	166.3
Paper & paper products	208.3	208.3	229.8	190.4
Wood and cork	194.7	194.7	197.4	150.2
Leather and fur products	129.4	129.4	161.8	137.1
Rubber products	176.0	181.3	189.1	162.7
Chemicals and chemical products	226.6	189.4	187.0	171.2
Basic industrial chemicals	409.6	279.0	300.3	251.8
Heavy organic chemicals	258.3	307.1	319.3	215.5
Heavy inorganic chemicals	534.1	310.1	343.9	294.0
Synthetic resins and plastics	545.4	314.8	335.0	321.9
Dye-stuff	115.2	135.4	121.6	135.0
Fertilisers	215.8	191.6	195.9	163.1
Paints	154.8	155.7	153.7	162.1
Soap	147.3	155.9	127.5	130.3
Matches	100.3	96.7	93.9	90.6
Petroleum products	197.3	188.6	208.3	166.2
Non-metallic mineral products (except petroleum and coal)	206.0	198.6	211.6	195.9
Structural clay products	217.1	208.7	218.0	208.2
Glass and glass products	164.3	164.5	171.7	162.6
Cement	193.6	194.0	199.4	175.3
Basic metal industries	260.5	255.5	280.3	217.8
Iron and steel	270.5	265.5	295.3	233.0
Pig iron and ferro-alloys	375.1	371.3	378.6	311.2
Finished steel	295.8	295.9	349.2	270.3
Copper smelting	145.1	136.1	136.2	152.3
Aluminium	381.7	375.3	395.0	201.9
Brass	206.2	193.3	181.3	184.3
Metal products (except machinery and transport equipment)	185.2	183.8	183.4	186.6
Manufacture of bolts, nuts, screws, nails, springs, chains etc	155.2	149.3	143.1	167.9
Hand tools and small tools	264.0	303.1	326.5	259.5
Metal products not elsewhere classified	179.3	174.4	172.1	180.8
Machinery (except electrical machines)	359.5	349.1	345.6	281.4
Sewing machines	287.0	251.8	217.2	285.5
Internal combustion engines	383.7	363.9	380.3	275.9
Industrial machinery	356.2	352.1	347.8	269.8
Electrical machines	245.5	223.6	241.1	219.2
Electric cables	233.0	187.6	232.5	209.6
Electric motors	338.5	339.5	342.8	280.9
Power transformers	314.5	246.6	328.7	269.2
Electric lamps	298.0	272.6	267.1	223.0
Electric fans	405.3	395.4	389.7	399.3
Radio receivers	261.2	275.1	268.7	221.0
Transport equipment	153.0	141.4	157.1	145.0
Automobiles	158.1	135.1	172.2	177.7
Bicycles	189.0	173.1	170.6	173.1
Electricity generated	255.8	255.6	246.7	223.6
GENERAL INDEX Crude	158.9	153.2	159.6	147.9
Seasonally adjusted	160.7	155.2	157.9	149.6

Source : Department of Commercial Intelligence and Statistics, Ministry of Commerce and Industry.

BANKING RETURNS

(*Rs crores*)

Reserve Bank	**Sep 27**	**Sep 20**	**Aug 30**	**Sep 28, '62**
1 Note circulation	2192.31	2204.43	2191.07	2011.48
2 Rupee coin	125.36	123.85	123.69	125.63
3 Deposits				
(a) Central Govt	64.30	70.20	73.90	61.79
(b) Other Govts	6.08	7.13	10.22	13.76
(c) Banks	87.94	88.41	89.15	85.72
(d) Others	159.43	160.95	159.82	163.09
4 Foreign securities	89.46	89.46	89.46	88.34
5 Balance abroad	7.62	9.04	5.06	5.60
6 Rupee securities	1892.31	1892.30	1892.21	1708.05
7 Investments	195.71	196.13	222.28	172.76
8 Loans and advances to Govts	60.58	55.87	45.40	31.38
9 Other loans and advances	139.45	144.18	140.50	146.56
Scheduled Banks	**Sep 20**	**Sep 13**	**Aug 23**	**Sep 21, '62**
1 Aggregate deposits (net)	2208.21	2191.26	2196.07	2038.84
Demand (net)	966.48	947.26	960.10	799.77
Time (net)	1241.73	1243.99	1235.96	1239.07
2 Cash in hand	51.19	52.45	53.95	47.92
3 Balance with Reserve Bank	83.92	86.86	95.03	81.58
4 (2)+(3) as % of (1)	6.12	6.36	6.78	6.35
5 Borrowings from Reserve Bank	1.59	0.90	0.38	6.29
(a) Against usance bills and/or promissory notes	—	0.55	—	5.04
(b) Others	1.59	0.35	0.38	1.25
6 Advances	1233.96	1242.52	1256.23	1186.16
(a) State Bank	236.41	238.14	240.48	—
(b) Others	997.55	1004.38	1015.75	—
7 Bills discounted				
(a) Inland	164.45	163.37	161.67	147.26
(b) Foreign	52.25	53.52	49.53	49.37
(c) Total	216.70	216.89	211.60	196.63
(i) State Bank	15.48	15.63	15.92	—
(ii) Others	201.22	201.26	195.68	—
8 (6)+(7) as % of (1)	65.69	66.60	66.84	67.82
9 Investment in Govt Securities	772.65	751.04	745.84	683.64
10 (9) as % of (1)	34.99	34.27	33.96	33.53

Bombay Money Rates

(*Per cent per annum*)

	Sep 20	**Sep 13**	**Aug 23**	**Sep 21, '62**
Call money from Banks	2.09	3.04	2.03	3.94
Deposits				
Seven days	3.00	3.00	3.00	3.00
Three months	—	—	—	—
Six months	3.75	3.75	3.75	3.75

INDEX NUMBER OF WHOLESALE PRICES

(*Base* : 1952-53 = 100)

Group and Sub-Group	WEEK ENDING 31.8.63	24.8.63	3.8.63	1.9.62
Food Articles	139.2	139.2	139.1	130.6
Cereals	116.1	115.2	115.0	109.9
Pulses	108.4	107.1	109.2	111.8
Fruits & Vegetables	141.5	143.6	145.1	133.0
Milk & Ghee	128.4	128.6	135.0	125.9
Edible Oils	154.7	154.9	149.2	160.4
Fish, Eggs & Meat	153.7	153.1	153.3	155.5
Sugar & Gur	212.9	214.7	199.6	155.0
Others	180.1	182.3	188.9	173.0
Liquor & Tobacco	118.2	118.3	119.6	99.5
Tobacco	115.2	115.4	116.7	96.0
Fuel, Power, Light & Lubricants	137.0	137.0	137.0	124.3
Industrial Raw Materials	139.9	139.2	137.6	140.2
Fibres	133.7	132.3	129.9	130.2
Oilseeds	155.7	155.2	153.7	160.0
Minerals	91.5	91.5	93.4	93.4
Others	125.2	125.1	125.1	124.9
Manufactures	131.0	130.9	130.8	129.3
Intermediate Products	139.8	138.7	139.0	142.3
Finished Products	129.6	129.6	129.5	127.2
Textiles	127.6	127.7	127.5	126.1
Cotton	135.5	135.2	135.5	129.3
Jute	99.8	100.9	100.7	114.3
Woollen	156.6	156.6	156.6	141.3
Silk & Rayon	140.1	140.1	136.7	131.9
Metal Products	163.0	163.0	163.0	161.0
Chemicals	117.6	117.6	117.5	115.3
Oil Cakes	164.8	164.4	166.3	163.1
Machinery & Transport Equipment	123.8	123.8	123.8	117.6
Others	128.6	128.6	128.4	125.3
All Commodities	136.4	136.3	136.0	130.9

STATE FINANCE CORPORATIONS
Liabilities and Assets

(*Rs Lakhs*)

	Figures for the last Friday of July '63	June '63	May '63	July '62
No of SFCs	15	15	15	15
Liabilities				
Capital and reserves				
(i) Paid-up capital	15,32	15,32	15,32	16,11
(ii) Reserve fund	17	16	14	13
(iii) Provision for bad and doubtful debts and other reserves	35	33	32	18
Bonds and debentures	18,48	18,48	18,48	14,94
Other liabilities	17,67	16,94	16,53	11,04
Total liabilities or assets	51,99	51,23	50,79	42,40
Assets				
Cash in hand and balances with banks	4,33	4,30	4,13	7,96
Investments in Government securities	4,29	4,47	4,52	4,48
Loans and advances	33,82	33,05	33,04	24,61
Debentures	22	22	22	14
Other assets	9,33	9,19	8,88	5,22

Source : Reserve Bank of India.

Cloth Production

(*Million Metres*)

	Mar'63	Feb'63	Mar'62	1962 (Average)
Coarse	62.1	60.9	55.8	63.4
Lower medium	116.1	107.8	119.7	117.0
Higher medium	147.8	129.6	170.9	162.2
Fine	19.3	16.8	14.3	16.4
Superfine	23.4	22.0	20.6	21.1
Total	368.6	337.1	381.3	380.0

Source : Textile Commissioner, Government of India Bombay.

Summary of the Latest All-India Crop Estimates 1962-63

Area (*thousand acres*)

	Current estimate	Previous year's corresponding estimate	Percentage increase or decrease
Rice	80,496	79,624	+1.1
Jowar	42,281	41,211	+2.6
Bajra	25,569	27,211	—6.6
Maize	10,738	10,735	—
Ragi	5,079	5,064	0.3
Small millets	10,324	10,441	—1.1
Wheat	33,018	32,995	+0.1
Barley	7,590	8,020	—5.4
Gram	22,835	23,250	—1.8
Tur	5,648	5,611	+0.7
Other kharif pulses	13,046	13,247	—1.5
Sugarcane	5,489	5,954	—7.8
Tobacco	940	941	—0.1
Potato	854	768	+11.2
Groundnut	16,407	15,869	+3.4
Sesamum	5,603	5,324	+5.2
Rapeseed and mustard	3,090	2,721	+13.6
Linseed	3,076	3,001	+2.5
Cotton	19,041	18,648	+2.1
Jute	2,095	2,280	—8.1
Mesta	861	960	—10.3
Sannhemp	634	650	—2.5

Source : Economic and Statistical Adviser to the Government of India, Ministry of Food and Agriculture.

INDUSTRIAL FINANCE CORPORATION
Liabilities and Assets

(*Rs Lakhs*)

	Figures for the last Friday of July '63	June '63	May '63	July '62
Liabilities				
Reserve funds	2.85	2.22	2.22	2.16
Reserve for doubtful debts	14	14	14	14
Provision for taxation	1,44	59	59	59
Bonds and debentures	28,24	28,24	28,24	22,24
Borrowings	26,93	26,91	26,38	20,06
(i) From R B I	—	—	1,12	—
(ii) From Govt	24,75	24,75	23,75	19,75
(iii) In foreign currency	2,18	2,16	1,51	0,31
Other liabilities	22,90	23,49	21,15	18,94
Total liabilities or assets	82,52	81,61	78,74	64,71
Assets				
Cash in hand and balances with banks	1,94	1,64	1,82	2,37
Loans and advances	59,58	59,86	57,60	49,30
Other assets	21,00	21,11	19,32	13,03

Source : Reserve Bank of India.

Foreign Trade of India

Merchandise Value

(*Rs Crores*)

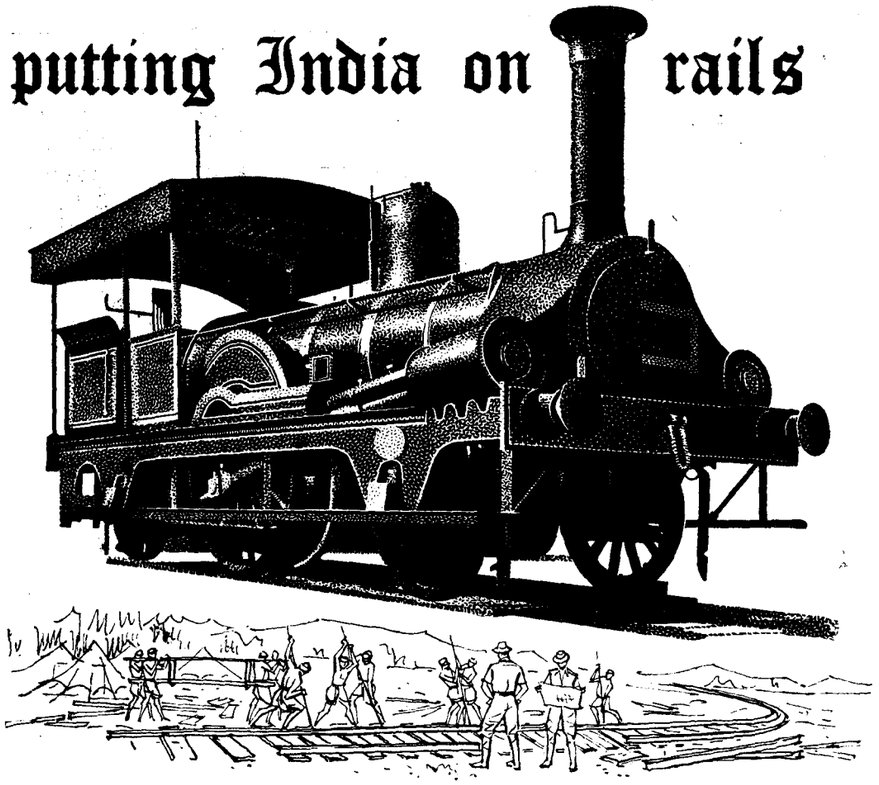
	July '63	June '63	July '62	Apr '63-July '63	Apr '62 July '62
Exports	62,89	56,95	56,47	239,05	204.96
Re-exports	30	26	29	1,32	3,47
Imports	89,54	85,35	94,17	365,68	368,04
Balance of trade	—26,35	—28,14	—37,41	—125,31	—159,61

Source : Department of Commercial Intelligence and Statistics, Ministry of Commerce and Industry

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putting India on rails



Featured above is the "EXPRESS", Eastern Railway's first passenger locomotive.

UNTIL the advent of John Gray upon the scene in 1829, the main lines of business of the old-established firm of Burn & Company were house-building and cabinet-making. Gray put the affairs of the young company on a firm foundation and expanded its activities into the new fields of civil and mechanical engineering, iron founding and contracting.

Recognised as India's first railway contractor, Gray laid between the years 1851 and 1859 one hundred miles of permanent way for the East Indian Railway Company stretching over two provinces. Gray's pioneering railway work "reflected great credit on the Firm" and earned the Company good profits which went into the purchase of some land at Howrah on which a foundry and workshops—the nuclei of the present Howrah Ironworks of Burn & Co. Ltd.—were erected.

As a constituent of the Martin Burn Organisation, Burn & Co. Ltd., Howrah, have, among other things, specialised in railway engineering and the large-scale building of rolling stock for the Indian Railways. Since 1904, the Company has produced more than 58,000 four-wheeler units of more than 100 types and over 1,12,000 sets of crossings and switches for India's fast expanding transport system. In addition, from their Structural Shops have come many thousands of tons of fabricated steelwork for the building of railway bridges spanning the great rivers of this sub-continent.

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The Congress President

THE unanimity with which the Congress Working Committee has proposed K Kamaraj to be the party's next President, the apparent aptness of the choice and the unreserved accolade with which it has been received throughout the country — all these tend to obscure the significance of certain recent developments related to the office of the Congress President. Most important, for the first time in years some of the foremost Congress leaders have evinced a keen interest in the fate of the office. Lal Bahadur Shastri, Morarji Desai, Atulya Ghosh, each one of these had his pushers, though none as brash as S K Patil whose propaganda for Ghosh was open and challenging. In fact, the sudden decision to sponsor Kamaraj at the Working Committee meeting was very likely intended to forestall further moves and counter-moves on behalf of rival candidates which could hardly remain discreet much longer and which, once they came into the open, would have been all that was yet needed to complete the mockery of the Kamaraj Plan's ideal of renunciation.

This rehabilitation of the office of Congress President is a recent development. Till last year it was a sinecure to which no Congressman attached any much importance. The present incumbent, D Sanjivayya, is typical of the kind of men who have occupied the Congress 'Gadi' in recent years and, normally, the question of who was to succeed him would have been a matter of indifference to most Congressmen. The importance which has suddenly come to be attached to the Congress Presidency is a measure of the growing assertiveness of the party's organisational wing. In the States, of course, the organisation has long since emerged from its eclipse in the immediate post-Independence years and come into its own. As a result, a kind of two-party system has been in existence within the Congress in the States, with the organisation playing the role of an opposition and offering itself as an alternative Government, ready to step into office. Conflict between the organisational and ministerial wings has been the set pattern of the power struggle in the States.

This pattern had not caught on at the Centre where the Government dominated. The principal reason for this was, of course, the towering personality of the Prime Minister and the fact that no Congressman could hope to gain anything by placing himself in a position of opposition to him. So outstanding Congress leaders chose to remain in the States till they were called to join the Government at the Centre. As a result, in New Delhi the Government was all-powerful and the party organisation more or less a cipher.

It is premature to say that the position is reversed, but the process of change has begun. The role of a section of the Congress organisation in securing the resignation of Krishna Menon and K D Malaviya is well known. The Prime Minister has recognised this trend; he submitted his resignation under the Kamaraj Plan not to the Congress Parliamentary Party which elects the Prime Minister but to the Congress Working Committee and it was the Working Committee which decided that he shall continue in office. True, the tendering of the

resignation as well as its rejection were both formal acts, but formally at least the Prime Minister now continues in office at the behest of the Working Committee and the AICC. When the time comes to choose a new Prime Minister this formal authority will have been transformed into real power. For, the causes which led to the ascendancy of the party organisation in the States have begun to operate at the Centre. The new-found importance of the Congress Presidency reflects this fact. A strong and determined Congress President could be in a position to influence decisively the battle of succession.

The Kamaraj Plan has contributed to the strengthening of the party's organisational wing by causing the resignation of powerful Congressmen from the Government and their return to the organisation. In retrospect, this may well be the Plan's vital consequence. The elevation of the prime proponent of renunciation to what may well turn out to be the most powerful post in the country is symbolic.

Khrushchev's Left

FOURTEEN years ago the People's Republic of China was born. The inner working of the new titan has been obscure, but the outward effects have been explosive.

Chinese Communist domestic policy has oscillated throughout its life between ultra-leftism and more cautious planning, both within the broad category of Stalinism and both having similarities to Stalin's policy extremes between 1925 and 1940. Five years' relative caution based upon a broad coalition brought the Party to power, and established its first efforts to develop. In the last five years of the fifties, by contrast, the ultra-left tendency swept away the careful defences erected in the earlier period — the convulsion of the Leap Forward and the even more radical Great Leap Forward. As if to show the Soviet Union and its own intellectuals how little it needed their help, the Chinese leadership placed complete trust in mass action — structured of course at every point by the strongly rooted rural cadres of the Party. The effort, economically dangerous, became disastrous after three consecutive bad harvests. China's vulnerability on the agricultural front was revealed — and, as a consequence, policy emphasis shifted from the classical Soviet stress on priority for heavy industry development, to developing agriculture, aided by such industry as would help such development (viz engineering, chemicals etc). In addition, the weight on the peasantry whose desperate standard of living provided the surplus to develop industry, was relaxed a little — a measure perhaps of widespread rural discontent. Similarly, the regime wooed its alienated intellectuals, offered them greater freedom for *technical* discussion, and agreed to pay interest on expropriated capital. All told, China was briefly freer than at any time since the inglorious hundred flowers bloomed. Late this year, however, Party cadres were turned back to 'class struggle', to scotch the allegedly rising signs of bourgeois deviationism.

The leadership which has operated this zigzag is relatively mysterious. Observers suggest that the different phases reflect the emphasis of different factions and the conflict between the bureaucracies of State and Party. On the one hand, the Government bureaucracy, led by Chou En Lai, is relatively cautious, favours planning, a greater measure of technical advice, consolidation and stability; on the other, the Party cadres whose power is in mass action, not technical expertise, stress the need for a continuous national crusade, for a developmental *blitzkreig*, and are led by Mao Tse Tung and his heir apparent, Liu Shao-ch'i. Marshall Peng, the former Defence Minister, was sacked in 1959 for publicly enunciating the objections of the first group to the Great Leap Forward. Marshall Lin, the current Defence Minister, is said to back Mao, although younger Army officers might be thought to favour stability, modernisation and professionalisation in the Army. If the thesis is correct, Mao would seem to have directed the Sino-Soviet dispute — if Chou could overcome him, greater co-operation with Russia might be possible.

All this is speculation, but what is not speculative is the course of the great debate between the two Communist giants. Khrushchev has put behind him the problems of under-development, and its ideological companion, Stalinism. He has no use for 'mass action', but deals with Governments, and has the resources to bribe them or threaten them with his military power. Currently, the Soviet Union pays out $ 1,000 million to non-Communist backward countries, a sum probably greater than ever went to China. Thus, Nasser can imprison Communists, Kassem outlaw them, without affecting their receipt of Soviet aid. By contrast, China has few resources and must rely primarily on her ideological appeal. The cosy world of 1963 Soviet Union is as far economically from China, as the US is. Russia has everything to lose by encouraging discontent abroad, and as a consequence, Russian Communism is no longer a revolutionary creed — the foreign Communist Parties have become no more than adjuncts of Soviet foreign policy which is itself conservative. Russia now offers defeat of capitalism only through economic competition — a contest in which China has no part to play. On the contrary, China must maintain a continuous revolution to pull herself upwards economically, to extract even more from her people—national paranoia is a necessary weapon to spur her people to greater efforts. For Russia, all are friends who do not love Washington (and even Washington beside Peking is becoming a friend) — for China, all are enemies, for the absence of a foreign threat is a positive danger to the stability of her *status quo*. Accordingly, just as the old Stalinist theory of 'capitalist encirclement' is needed, so is the terror of Stalin and the cult of his godhead, needed in China. In trying to unwind that cult, Khrushchev deprived Mao of a necessary weapon in China.

To the natural tension between allied developed and backward countries, economic relations were added. The Soviet Union compelled China to pay very fully for any aid she offered (in contrast to Soviet aid to non-Communist countries), and even used that aid to keep China in step. Most of her European allies could be disciplined from Moscow, and foreign Communist Parties were always too weak to resist Russia. Yugoslavia, geographically distant, and based not on Russian bayonets but popular support, was naturally a rebel if Russia sought to exploit her; and now China, similarly distant and based upon a purely domestic revolution, but bigger in manpower than Russia, naturally diverges from Moscow. There was no power capable of making China a satellite. True, China was defended by the Soviet Bomb, and this has perhaps prevented a final rupture. That break cannot long be postponed however if the two continue to clash so violently.

The effects of the rift so far have been immense. Already China's trade has been shifted away from the Communist bloc — only Rumania, with the oil that China needs, and with grievances at COMECON's demand that she curtail her heavy industry, has remained in trade terms loyal to Peking. Russia has sought to consolidate her friends by strengthening COMECON — even Mongolia has joined the formely European body. In addition, the Nuclear Test Ban Treaty, shrewdly expedited by Kennedy, has lessened the Western threat to Russia. Khrushchev, reacting from Mao's leftism, has fallen into the arms of his own right, Togliatti, and, more distantly, Tito — at this point, Communism almost melts into Social Democracy, and revolution means little more than agitation for reforms. Peking has thus expelled Russia from the fraternity of the poor and consigned her to the club of the rich: even the whiteness of the Russians becomes an accusation.

The line up within the Communist world at the moment seems to favour Russia. North Korean, Indonesian, Malayan, Red Flag Burmese and Japanese Communists seem to be her friends. North Vietnam, like Cuba, heavily dependent on Russian aid, but tempted, remains neutral. The Communist Parties of Australia, Belgium, Italy, Brazil, and India are split — the more revolutionary elements going to China. In the future, China will remain a potent threat to all conservative Communist leaders, just as China's defiance gives the East European countries room to disagree with Moscow for the first time.

China, autarchic and immense, a society of Puritan or Stakhanovite Saints, remains virtually alone, much as the Soviet Union once was. As such, she will prove the focal point for revolutionaries in under-developed countries — she invites social change, and rejects the conservative ratification of the world *status quo* embodied in 'peaceful co-exisence'. When she finally attains the Atom Bomb, the alignments of the world are likely to be fundamentally shifted. In the interim, the world can enjoy the new freedom incumbent upon the erosion of the old Cold War monoliths.

Weekly Notes

Power Survey

THE results of the first annual electric power survey published by the Central Electricity Authority lays bare the failure of power planning in the Second and Third Plans. Taking the country as a whole, during the Second Plan in no year, except 1955-56, was power supply adequate to meet the demand. The shortage continues in the Third Plan and will persist till 1965-66. This is at the aggregate all-India level. Power shortages have been particularly acute in certain States since there are no coordinated regional grids to even out shortages and surpluses.

The Electric Power Survey Committee, under whose auspices the survey has been conducted, is a body of top Indian and foreign experts. It was appointed in December last year to review and make recommendations about the future pattern of power development and distribution. The results of the survey are described as firm for the "immediate future", meaning presumably the Third Plan period, while the estimates of long-term requirements are necessarily rough and will vary depending on the rate of growth of the economy and the pace of industrialisation.

The survey judges the adequacy of power supply by comparing peak loads on the various power systems with their capabilities. Peak load is the maximum simultaneous demand on a system at any time during the year and capability is defined as its maximum output potential at the time of the peak load. The excess of capability over peak load is termed the gross margin and is expressed as a per cent of peak load. The existence of a gross margin does not necessarily indicate a comfortable power position since allowance has to be made for scheduled maintenance, emergency outage and operating requirements. Any power system's capability must, therefore, exceed the peak load on it by a certain margin. According to the survey, this safety margin would vary from as high as 30 to 40 per cent for isolated systems to as low as 15 to 20 per cent for large, fully integrated and coordinated regional grids. In the absence of such grids, the margin requirement in India is likely to be nearer 30 per cent than 20 per cent. As will be seen from

Greetings

We wish all our readers and well-wishers a happy Divali and extend to them the greetings of the season.

There will be no issue of *The Economic Weekly* on October 19, on account of Divali holidays. The next issue will be on October 26.

BUSINESS MANAGER

the table below, the gross margin is below this *safe limit* in every year between 1955-56 and 1965-66 indicating shortage of power. The deficits vary from region to region, and in the industrial regions of South Bihar and Lower Bengal, for instance, the gross margin was 2, 6 and 7 per cent in the first three years of the Third Plan, respectively. In other words, power supply was short of demand by roughly 20 per cent at the least.

	Capability Mn kW	Peak Load Mn kW	Gross Margin* (Per Cent)
1955-56	2.2	1.7	32
1956-57	2.4	1.9	26
1957-58	2.7	2.2	25
1958-59	2.9	2.4	19
1959-60	3.2	2.8	14
1960-61	3.9	3.3	17
1961-62	4.4	3.8	16
1962-63	5.1	4.2	19
1963-64	6.1	5.3	15
1964-65	7.9	6.5	22
1965-66	11.0	8.3	33
1966-67	12.3	9.7	27
1967-68	13.2	11.3	17
1968-69	13.7	13.1	5
1969-70	14.8	15.1	—1
1970-71	16.0	17.7	—9

* Excess of capacity over peak load expressed as per cent of peak load.

The Lessons

THE principal lesson to be drawn from the survey is the need for advance planning in power. The gross margin on the basis of existing power schemes and those sanctioned or under construction is expected to fall off sharply from about 33 per cent in 1965-66 to less than 5 per cent in 1968-69, and thereafter capability dips below peak load, giving a negative gross margin. Now, if power supply is to be augmented in the early years of the Fourth Plan, work on some projects will have to start during the current Plan. It can be argued, therefore, that the five-year period for power planning should extend from the middle of one five-year Plan to the middle of the next.

The consequences of the present practice of sanctioning power projects during a Plan on the basis of the estimate of power demand at the end of the same Plan are illustrated by the year to year increase in generating capacity expected during the current Plan. Of the total increase of 6.9 million kW planned for the five-year period, the increase expected in the first three years is only 2.4 million kW, or just about a third. It is not difficult to understand why this should be so since a thermal power project normally takes about three years to complete after it has been sanctioned and all necessary financial allocations have been made; hydro projects, of course, take even longer. Schemes intended to go into operation, say, in the first year of the Fourth Plan, therefore, have to be taken up right now. The principal reason for the acute shortage of power in the first two years of the current Plan was that detailed examination of schemes was not undertaken till after the beginning of the Plan period. It would appear that this lesson has not been entirely lost on the Government, for it has been reported that five power projects which are to go into operation in the early part of the Fourth Plan have already been sanctioned.

The other lesson of the survey is that it would be almost impossible to match power supply and demand throughout the country unless coordinated and integrated regional grids are developed. Only then can surpluses and deficits be evened out. Besides, as noted above, without such grids power systems have to maintain unnecessarily high gross margins. In other words, with grids the same capability would be enough to meet 15 to 20 per cent larger peak loads than in the case of isolated power systems. At the technical level, therefore, there has been for long complete agreement on the need for planning power projects on a regional basis and for establishing regional grids leading gradually to an all-India grid. For this purpose, it has also been decided to split up the country into seven regions. But this may not go very far as the opposition to the development of grids has been principally political from State Governments, particularly of States with surplus power at present, who do not look kindly at the prospect of losing control over the use of power produced within their States.

Bankers' Business Interests

THERE is nothing in the law to prevent a wide ramification of the business interests of bank directors. The only restriction, apart from the overall limit placed by the Companies Act of 20 directorships per individual, is that, under the Banking Companies Act, a bank director is not permitted to function in a similar capacity with another bank or with a company which holds more than 20 per cent of the voting rights of the bank concerned. This is to prevent concentration of financial power and unhealthy business domination over a bank's affairs. All the same, financial, commercial and industrial interests are closely linked.

Some indication of the extent of the merger of financial and business interests is given in a study of the interlocking of directorships between banks and other companies in the annual number of "Company News and Notes", an official publication of the Department of Company Law Administration.

The study, pertaining to 1961, is concerned with 188 directors in 20 leading private banks (that is, excluding the State Bank and its subsidiaries) which is claimed as a 75 per cent coverage of the Indian banking sector. These 188 individuals held, in addition to their positions in the respective banks, a total of 1,452 directorships in 1,289 other companies, which gives an average of 9 directorships per head. Only 24 of the directors did not feature on other boards, being content with the directorship of the banks. Others were more ambitious; there were 37 who were directors in 11 to 20 companies and 23 who were weighed down with more than 20 directorships each. This seeming violation of the Companies Act is explained by the fact that the study includes also corporate bodies engaged in non-profit-making operations and co-operative institutions. However, this "phenomenon of multiple directorships" is found to be more pronounced among bank directors than among their opposite numbers in other corporate groups such as "large companies" and "marketing companies".

An interesting feature of the study is the details of individual banks in the sample — the type of information seldom given in the Reserve Bank's studies and analyses. In 9 banks (including the 'top 5'), *all* directors held directorships in other companies. Foremost was the Bank of Baroda, whose 12 directors held a total of 198 directorships (11 of these in "associations not for profit"). The Bank of India's position was unique; each of its 11 directors held similar positions in 10 and more companies yielding a total of 174 directorships (not one of which was in a non-profit association).

But what is more important is the direction, so to say, of the business interests of bank directors. And here the study is something of a disappointment. It does give an industrial grouping of the directorships but this is much too broad to yield information of any interest or significance. For instance, "manufacturing and other companies" is a single head, with no further breakdown although it accounts for over 80 per cent of the total directorships covered by the sample.

Another pertinent question is, how did these links come to be forged? While some directors may reach banking *via* industry, sometimes banks seek and acquire business interests. The study states that "very often" banks secure a right to nominate directors on their client companies on the basis of agreements to "protect their interests". This feature certainly seems worth further probe.

It is difficult, on the basis of data available, to see the implications of this sort of interlocking. It could be dismissed as an inevitable outcome of a shortage of entrepreneurial talent in the country. On the other hand, the representation of industrial group interests in banks does mean an impediment to the free flow of credit. There is also some danger of unsound banking practices, which the Banking Companies Act seeks to prevent. It specifies a limit to the shareholdings of a bank in any one company. It also forbids the grant of unsecured loans to any of its directors or to firms and private companies in which any of them is interested. Unsecured loans to other corporate bodies on whose boards the bank's directors are represented have to be reported each month. Thus existing regulation extends to unsecured loans only. But 'security' is a concept of extraordinary flexibility.

Plus ca Change?

ON Tuesday next, the forty-six year old South Korean General, Park Chung-hee, will seek to slide his regime into civilian disguise. Park has headed the military regime since the coup of May 1961, and now, like his confreres, Ayub Khan in Pakistan and Gursel in Turkey, he must legitimise his government by popular appeal. Originally, the wraps were removed from Korean politics early this year, but the alleged discovery of a coup plot prompted Park to reimpose military rule and threaten that it would continue for a further four years. Now he is all set for a further attempt — and if the Presidential elections next Tuesday are a success from the Army's viewpoint, Parliamentary elections will follow on November 26 as a prelude to the inauguration of the Third Republic of Korea in December.

Park, despite his desire to form a party which represents all factions in the Army (particularly, the powerful 'Hamgyung Generals'), is being nominated for the presidency by the Democratic Republican Party, the creation and mouthpiece of the junior (and radical) officers. His main opposition comes from 'Tiger' Song Yo Chan, ex-General and ex-Prime Minister, and now candidate for the old pre-military politicians, coalesced in the Liberal-Democratic Party. The revival of politics so soon after the relaxation of military rule shows (as in both Pakistan and Turkey) that the Army has not succeeded where the politicians failed: in unifying the country. After the long years of Rhee dictatorship, the solitary year of political instability under Chang, two years of Army rule have merely postponed the solution of the real problems. Now, the fourth largest Army in the world is faced with a cutback in American aid, its lifeblood, and, as a consequence, can no longer remain a power separate from Korean society — the Army's power must now derive from Korea, not from Washington. The scale of U S aid in the past has been immense — $ 5,000 million since the end of the Korean War, an average of roughly $ 300 million economic and $ 280 million military aid per annum (compare this to India's total current annual US aid, $465.1 million; and South Korea has a population of only 22 million). In the years of unlimited American aid, Washington institutionalised Korean dependence on itself. In the last two years, as a partial by-product of attempts to strengthen the dollar, that aid is being reduced — more emphasis is placed now upon loans rather than grants. The 'Buy American' campaign currently threatens to cut Korean receipts from US military spending by half.

Accordingly, the Army must seek popularly sanctioned political stability as a lever to aid its programme of domestic development, the proceeds of which can replace the dole from the Pentagon. The first Five Year Development Plan, however, was far too ambitious — the expansion of the economy stimulated imports so far as to cut reserves in half in the first eighteen months of the plan while exports stagnated. In July, crisis action prompted strict import control, which, in its turn, accelerated inflation through the resultant scarcities and dampened domestic activity. In addition, consumption has been rising very fast, and higher prices have hit the urban workers and reduced domestic savings, to the loss of investment and future growth. The wholesale price index has climbed by 60 per cent since early 1962, and rice prices are said to have risen 120 per cent since the beginning of this year. Payment of high support prices for agricultural output to stimulate rural development has not only stimulated the inflation and borne heavily upon the urban population, but also prompted a growth in rural consumption greater than agricultural output. Agricultural production is rising by about one per cent per annum, while the population advances by three per cent, and per capita consumption even faster.

All this is hardly a success story, but, like Gursel (and his predecessor, Menderes) in Turkey, Park has at least kept the peasants happy — and despite grievances in the towns, among the fishermen (who demand an extension of Korean territorial waters to forty miles to counter Japanese competition), the politicians and the press, it is highly likely that Park will be able to become a civilian President. In doing so, few of the real problems will have been touch-

ed: but at least the Army has tried. Perhaps, the recent talks between North and South Korea on a joint team for the Tokyo Olympic Games suggest the shape of the future: the loosening of the Cold War blocs, as well as the weakening of the dollar, both pose irresistible temptations for the satellites.

Shipping Corporation : Guarded by Angels

Our Shipping Correspondent writes :

WHAT with Air-India making a record profit of Rs 3.5 crores and the Shipping Corporation turning in a not insubstantial Rs 1.3 crores, there is cause for jubilation in the Ministry of Transport. Both companies have produced excellent results in highly competitive international industries which have been, besides, going through a prolonged slump. If Air-India's performance has evoked superlatives, the Shipping Corporation deserves not much less. The annual reports of both have a glow about them and all their graphs have a pleasing upward trend.

The Shipping Corporation's gross earnings increased by about 31 per cent from Rs 7.9 crores to Rs 10.45 crores and its net profit, after providing normal depreciation, has gone up by about 24 per cent from Rs 1.07 crores to Rs 1.32 crores; the number of ships owned by the Corporation increased from 20 to 27 and, correspondingly, the quantum of cargo carried rose from 8,69,784 to 11,89,274 revenue tons. At the same time, costs have not increased in step; operating expenditure (which represents direct costs) has gone up only fractionally to 66.85 per cent from 65.11 per cent of revenue; management expenses (representing indirect costs), not surprisingly, have remained more or less static; this is as it should be with rapid expansion.

Comparison between two consecutive years, however, does not give the full picture. The Corporation's achievement in 1962-63 can be better appreciated by a comparison with 1959-60. Between the two years earnings grew from Rs 4 crores to Rs 10.5 crores; a small loss was transformed into a profit of Rs 1.32 crores; and the Corporation's fleet grew from 14 ships to 29 ships. By the end of this year the Corporation will have 35 ships and with 10 vessels under construction and 16 more planned for 1966-67, it is more than likely that it will become India's largest shipping company within a few years. Jayanti may have had a faster rate of growth, but the Corporation's growth has been more balanced and sustained. Much of the credit for this goes to the Managing Director, C P Srivastava, who has been singled out for special mention by the Corporation's Chairman.

Yet — there is always the 'yet' — with all praise it needs to be said that much more than its own efforts have contributed to the Corporation's achievement. Angels from Delhi have zealously stood guard over the Corporation. It has relied heavily on Government assistance in securing cargoes and used the power of the Government to get a cosy niche in the sunniest trades. The Corporation is unique not for its services or operating ability but for the privileged position it enjoys among the nation's shipping companies.

As a result, though the Shipping Corporation has had a dynamic growth, it has still failed to establish a style. Other major companies who have had to fight for their place are recognisable by some distinct characteristic; Scindias are the saviours and natural leaders of Indian shipping; they are respected as much for their balanced approach to problems as for their past sacrifices; India Steamship is known for its grand manner — like Marvell on Charles I at the time of his execution, one can say of it "he nothing common did or mean"; Jayanti is spectacular and dynamic; Great Eastern is recognised for a certain operational shrewdness and care. Against these companies, the Shipping Corporation has still built no distinct reputation; it has entered trades without fighting, and has fought others who wished to enter. It is listened to not as a shipping company but as an arm of the Ministry of Transport; it has been admitted into Conferences as a sop to the Government.

These criticisms, however, cannot dim the Corporation's achievement in the last two or three years. The Corporation's Ship has come off the shoals and shallows and entered a sea calmed by Government oil. This achievement deserves all praise. But before the Corporation takes its rightful place as the leader of Indian shipping, it will have to face heavier weather as its competitors are doing; leadership can come only through sacrifice. Excessive concern, prompted no doubt by previous criticism, with maintaining profits on the part of the Corporation may well ultimately harm Indian shipping by forcing other Indian shipowners to withdraw and reduce their trade in order to make way for the Corporation. The strength of the Corporation and its special privileges should be used not to oust other companies but to help Indian shipping as a whole get a better hold on Indian trades.

Lack of Rupee Finance

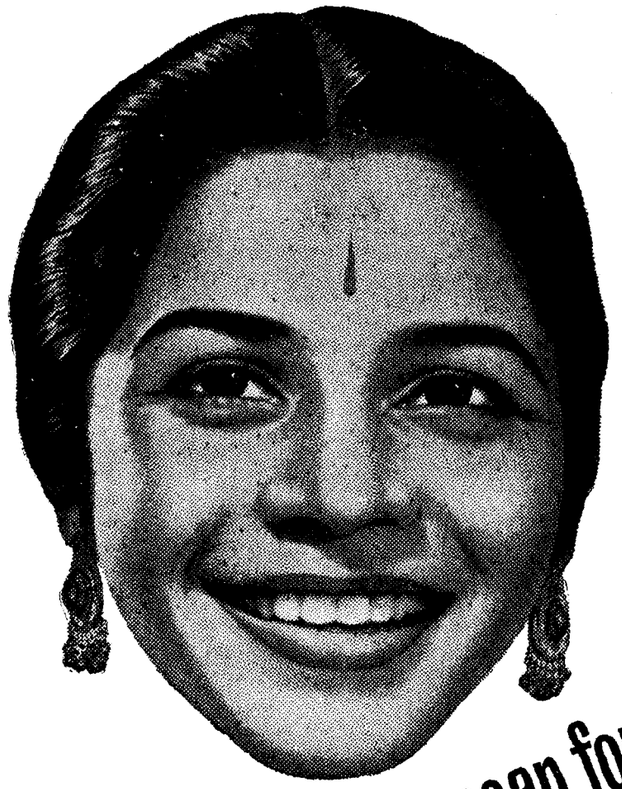
WHEN the Government set up the Committee on Utilisation of Foreign Aid under the Chairmanship of Dr V K R V Rao, we had remarked in these columns on June 29, 1963 that the problems which were referred to this Committee were primarily of an operational nature and could be dealt with best not by economists but by people conversant with the detailed procedures relating to the getting and utilising of foreign aid—procedures which seem to stand formidably in the way of more expeditious as well as rational use of foreign credits tied to specific industrial projects. From such reports as appear from time to time of the representations made to this Committee it seems that simplification of procedures has been the major theme. But in a complex matter like this, various other considerations are bound to have varying influence in particular instances. Among the more important factors affecting the pace of utilisation of aid is the ease with which industrialists can mobilise rupee resources.

The failure to mobilise rupee resources has been stated to be an important factor in a number of contexts. Especially since the Emergency, capital has become shy and floatations in the open market have dwindled very considerably. Representatives of industry have repeatedly drawn the Government's attention to this. Assessment of the Government's tax measures so far in the Third Plan indicate that the additional revenue will be considerably more than what was anticipated. This means, in other words, that substantially large amounts are being transferred to Government, leaving that much less for private industry.

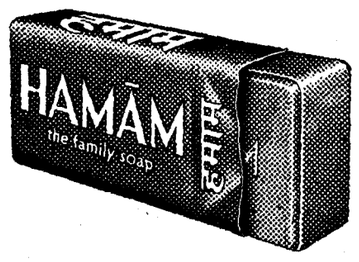
The major term financing institutions like I F C, I C I C I, and the State Financial Corporations are also facing shortage of rupee resources to finance industrial projects. A specific case of the lack of rupee resources holding up utilisation of foreign aid is the World Bank loan to private coal industry. Even after special efforts by Government to provide rupee resources by arranging for special refinancing measures for banks, the World Bank loan remains partially unutilised.

The problem of rupee finance for private industry is known to be engaging the attention of the Government at the highest level and some palliatives are expected to be announced soon. But when such major issues as taxation are involved, only minor concessions and adjustments are all that the Government will be able to offer.

THY-53



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Capital View

A Matter of Policy

Romesh Thapar

NOTHING is happening — or so it seems at the moment to the Capital-oriented. Yes, Kairon's future seems very uncertain. Sucheta Kripalani is running into a fierce conflict with the High Command, an expendable pawn in the game of Congress power politics. S K Patil has titillated the critics of the ruling party, although his flirtation with Atulya Ghosh is bound to sour the reaction and to lose him some of his affluent allies. Bakshi Ghulam Mohammad is obviously having a difficult time easing himself out of power in favour of G M Sadiq. And Kamaraj, together with other Congress leaders in the South, is beginning to wonder where this 'spoils system' will lead to if his own political preferences are not sharpened. But Delhi feels that it would be dangerous to move boldly unless the mess in the States is cleared.

However, it is no longer possible to drift. The annual jamboree of the ruling party is scheduled to be held in Jaipur in the first week of November. Unlike as in the past, it will not be a rubber-stamping session. Reports coming into the headquarters of the party in Delhi suggest that Patil's 'plain speaking' has encouraged large, and hitherto voiceless, sections to demand disciplinary action against those who have reduced the nation's largest political force to a much splintered organisation misused by a corrupt and power-hungry leadership. The demand is at last rising that the party be rid of those who do not subscribe to its policies and programmes. But what are those policies and programmes? Nobody seems to be capable of formulating them, except in very general terms.

Waiting for the Axe to Fall

Visitors to the Capital these days are shocked by the incapacity of Union Ministries to act on any major matter. Secretaries, Joint Secretaries, Deputy Secretaries, Under Secretaries and the assembled hosts of all-knowing clerks are all waiting for the promised reorganisation of the Government. Even most of the Ministers and their deputies — apart from Subramaniam's team — have little appetite for work. They do not know what is to become of them. On the other side, T T K appears to be 'digging in', making the most of this paralysed situation. Indeed, exploiting Asoka Mehta's reluctance to involve himself in Congress politics, he is now getting into position to digest the powers of the Planning Commission and reduce it to a brains' trust! The situation baffles even the incurable optimist.

If this is true of the Centre, then the organised chaos in the States can well be imagined. A senior official from Uttar Pradesh was telling me that the government there came to a full stop very soon after the charge of 'moral turpitude' (*sic* !) was launched against Alagurai Shastri — and no early resumption seems possible despite the make-belief of Sucheta Kripalani. Kashmir is fully involved in the battle to preserve the 'institutionalised corruption' of the National Conference by preventing Sadiq's rise to power. Soon, the Punjab will be in the throes of the explosive post-Kairon period. Is this the proverbial writing on the wall?

Pressures on Nehru

On the surface it certainly looks very much as if the Prime Minister has become a victim of the theory, actively propounded by the friends of those who have been purged, that any further action under the Kamaraj Plan will only split the party irrevocably, make powerful enemies out of friends, *a la* Patil, polarise sharply a rather convenient amorphous situation and make the Prime Minister himself a captive of a bunch of political adventurers who are under communist control.

The theorising is intelligent, for these fears have also in the past inhibited the thinking of Jawaharlal Nehru. Yet, for the first time after decades he knows that to stop short of the full implementation of the Kamaraj Plan, even though its original propagators have either withdrawn their support or tremble at its implications, is to decree the slow death of the Congress Party or to reduce it to a machine for the aggrandisement of parochial faction-leaders and their like.

Debate on Policy Essential

Every day, it becomes clearer that only a carefully worked out programme can steer the ruling party and the country back to a position which is both dynamic and relevant. The first phase of the Kamaraj Plan should have been devoted to this aspect, but we seem to have become oblivious of it in our frenzied worship of individual heroes. Even now it is not too late to re-assert the principal policy directives of the ruling party and to give them form and substance in the course of the deliberations at the Jaipur Session.

In his own manner, S K Patil has made this necessary. If he continues his polemic at Jaipur, he may well succeed in forcing an all-round debate on policy. This would be most valuable, particularly if the Prime Minister arranges the much overdue reorganisation of the party on the basis of the debate and in terms of need for political coherence in the leading echelons at the Centre and in the States.

This return to matters of policy is noticeable to some extent in the comments which are heard about the goings-on in the Finance Ministry. It is common knowledge that the haphazard destruction of the fiscal measures projected during the regime of Morarji Desai is causing grave embarrassment within the Ministry. It is true that there was much to be remedied, but few economists are prepared to take the position that everything was wrong. Morarji Desai's bold effort to raise resources would have been more effective had he been sensitive to criticism, and it should be the task of the new Finance Minister rationally to analyse the mistakes made. The present mercurial, pragmatic approach towards fiscal policies is highly objectionable. It lacks seriousness, is pushed without proper study even at Cabinet level and creates more confusion than it resolves. A stock-market 'boom' is not the only criterion for judging such a policy, if it can be called a policy.

The absurdity of the present position is that when the Planning Commission is projecting a rate of growth of seven per cent, which will call for a massive national effort to preserve our economic progress, the Finance Ministry is talking loosely about reducing tax burdens and increasing profit incentives. These contrary positions, and the casual attitude to the sharp rise in prices all over the country, suggest that the departments of Government are pulling in all directions. Small wonder that we remain where we are. The assumption of massive powers by the Finance Ministry will not cure the paralysis, for even TTK's ideas on the direction of change undergo sudden transformations.

Drift in Foreign Affairs

Similarly, on the foreign affairs front, we are groping our way through a rapidly changing situation. A delegation from Kenya visits Peking and reports that the Chinese leaders are anxious for some sort of Sino-Indian settlement. We are surprised. President Nasser talks about the initiatives of the Colombo Powers. We have no warning and cannot even express an opinion because it takes days to get a text of the speech. President Nkrumah suggests another meeting of the Colombo powers. We still have no developed attitude. And when you realise that this sloppiness on an urgent issue also affects our policy in other regions of the world where crucial developments are taking place, the gloom is thick and difficult to dissolve.

Obviously, the Union Cabinet has to start functioning as a collective if we are to possess a policy with a perspective. The Prime Minister's delay over the full reorganisation of the Cabinet is, therefore, exasperating for those who know that the present drift can take us on to the not-so-distant rocks. The only way to cheer up is to think of the state of affairs prevailing in some neighbouring countries. But, then, this is small comfort.

Congress Serenade : Atulya Ghosh, West Bengal Congress Chief, denied the existence of any left-wing in the Congress. He said that at least ninety per cent of Congressmen believed in the organisation's ideal of socialism and those who did not support this ideal had no right to be there!

From the London End

Wilson's Grand Strategy

THE Labour Party Conference at Scarborough was a great personal triumph for the leadership of Harold Wilson; it was also historic for presenting the new image of the Labour Party as a united, constructive, forward-looking, scientific 20th century party which is going to pull Britain out of the doldrums.

In the past, the Labour Party has been torn by internal dissensions and fundamental differences between the Right and Left wings, while the Conservatives have always maintained the picture of a strong united party. This year there has been a reversal in the traditional role of the Labour and Conservative parties. In the eight short months he has been in power, Wilson has not only shown an uncanny ability in leading the Party, but has succeeded, beyond the most optimistic hopes, in reconciling what has hitherto been believed to be irreconcilable elements. At the same time, the Conservative Party is now torn with internal dissension over the leadership of the party. Labour emerged from the Scarborough Conference with a new sense of unity and purpose, reflected in the moving and unsolicited testimonial given by George Brown, the defeated candidate for the leadership, for the direction and leadership given by Harold Wilson. "Though I had my doubts, perhaps, about the way we reached our leadership decision six months ago, I am very glad to-day sincerely and honestly to pay tribute to the way we are being led", said Brown. Obviously, nothing succeeds like the hope of success, and with political power so very nearly within the party's grasp, the mood of the Conference was one of supreme confidence.

Left-of-Centre Stand Pays

One of the reasons why the Party has become more united under its new leader is, besides the supreme skill with which he has handled the Right Wing supporters of Gaitskell who begrudgingly accepted his leadership (some have even unkindly suggested that he deliberately played Brown against Callaghan), Wilson's Left-of-Centre stand which has made him more acceptable to the Left Wing dissidents in the Party.

Another factor which has served to cement the unity of the Labour Party is the attitude of Frank Cousins, who was deeply suspicious of Gaitskell as a parlour socialist whose background prevented him from being a real socialist, and who would not, therefore, use the Labour Party as an instrument of thoroughgoing social change. This lay behind much of the dissension in the Labour Party. The link between the Trade Unions and the Party, which had been so effective in the past as a result of the co-operation between Attlee and Bevin, was broken under Gaitskell, and this led to much of the bitterness in the celebrated public squabbles over defence and Clause 4.

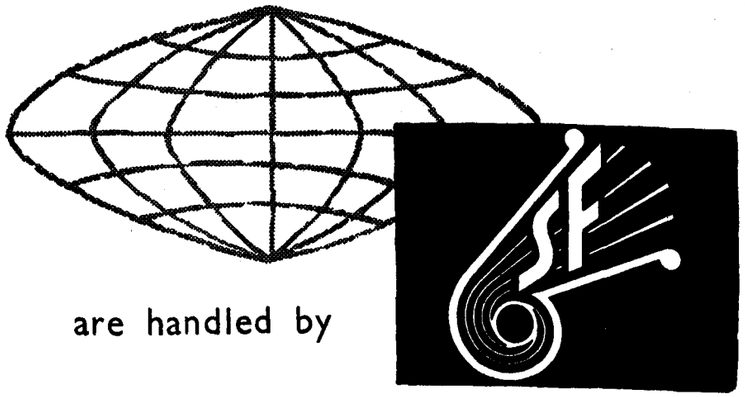
On the eve of a General Election it was only natural that Party loyalties would serve to smooth out the differences which, in the past, have been so regularly exhibited at Labour Party Conferences. The agenda was skilfully arranged so that defence, foreign policy and nationalisation — issues that have generated the most bitter arguments in the past — were excluded on the ground that they had been sufficiently discussed in the last three years. Denigrators of the Labour Party have commented rather acidly on this and said that the apparent unity of the Conference was based on the exclusion of these key and controversial items.

The keynote of this highly successful Conference was set by

Wilson' speech which amply illustrated how much he has grown in stature and gained in confidence. It was serious and purposeful and imparted a sense of responsibility to the assembled delegates. Socialism was defined in terms of the scientific revolution. Wilson said that even if there had never been a case for socialism before, automation has created it now. Technological progress could be directed to national ends only if it became part of national planning. The main theme of his speech was the need for change: "The overdue need for this country to adapt itself to different conditions .....There is no room for Luddites in a socialist party". Wilson pointed out that what was needed was not to drop Clause 4, but to redefine socialism in terms of the scientific age. Instead of nationalising old, ailing sectors of the economy, Britain should apply public ownership at the growing-points of industry — in the manufacture, for example, of products created by Government-sponsored research and

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development. Dealing with State sponsorship of research Mr Wilson said: "We must ensure that where new industries are established, on the basis of State-sponsored research, the State will control them.....It is a basic principle that profits resulting from research should accrue in good measure to the community that creates them". When new industries were set up, the Government would decide where they went, revitalising Britain's declining industries for new tasks. Wilson emphasised:

(a) The need to produce more scientists.

(b) The need to keep them in Britain.

(c) To make more intelligent use of them when trained, and

(d) To organise British industry so that it applied the results of scientific research more purposefully.

Emphasis on Growth

It is to Labour's lasting credit that it has appreciated the vast scale upon which technology promises to transform society in the years ahead, and is planning to give the intelligent use of scientific resources a pre-eminence which the Conservative Party has never allowed. However, it remains to be seen whether the more extreme Left Wing of the Labour Party will be prepared to accept this redefinition of socialism and believe that science and technology by themselves will more than any other single factor transform the British attitude to class, and that the desire for scientific efficiency will both produce and be produced by social equity. The *Daily Worker*, for example, pointed out that unless the monopolies are nationalised, the programme outlined by Wilson would mean more steps by the State to prop up private industry. They have suggested that Labour's brand of planning aims only at making the capitalist "mixed economy" work better than under the Tories.

Perhaps the most important aspect of Wilson's speech was his recognition of the fact that the key to the solution of Britain's problems lies in rapid economic growth. "This Conference recognises that the aims of economic policy should be to secure full employment and continuous economic expansion by which alone justifiable expectations of progressive improvement in living standards can be realised", he said. It is this emphasis on economic growth that could help to make a reality of an incomes policy, for so long as an expanding economy ranks high in Labour priorities, the major Trade Unions can be counted on to co-operate. The Conference has certainly accepted the desirability for concentrating on real earnings and relating the increase in money wages to the average increase in productivity. The attitude to growth puts the whole question of an incomes policy in a new light, described by Cousins as "The planned growth of incomes not wage restraint". Faith in the socialist intentions of Mr Wilson was enough to persuade both Ted Hill (whose resolution condemning a wage freeze was passed at the T U C Congress at Brighton) and Frank Cousins, who was no less forthright in spelling out the dangers of a unilateral wage freeze, to accept the party's motion on an incomes policy. In the event, the motion on planned economy which included an incomes policy covering salaries, wages, dividends, profits and social security benefits, was carried by 6,090,000 votes to 40,000.

Shape of Labour Government

Some idea of the changes which a Labour Government would introduce in the machinery of Government are now available. Wilson is thinking in terms of a number of new Ministries, a Ministry of Production or Economic Planning, a Ministry of Science, a Ministry for Overseas Development, a Ministry for Disarmament and a Ministry for the United Nations. The most controversial of these changes is the appointment of a Ministry of Production and Economic Planning. The Labour Party is to make a distinction between the control of finance and the management of physical resources, between the needs of the balance of payments and the claims of domestic expansion. The idea is to divest the Treasury of economic responsibility which will go to the new Ministry.

To compensate for this, more power will be given to the Chancellor of the Exchequer to control expenditure and he will be a real "tax-payers' watchdog". The Chancellor would then be free to concentrate on reform of the taxation system, monetary policy, debt management, responsibility for the pound at home and abroad. The new Ministry of Production would deal with the nation's physical resources and would draw up plans and see to it that other departments enforced them. It would concern itself "with a considerable degree of purposive physical intervention in industry, and with changes in the structure of British industry". "Neddy" will obviously continue under a Labour Government, but plans would be initiated by the Ministry of Production and endorsed by "Neddy", as opposed to the present system under which "Neddy" takes the initiative while its ministerial chairman, the Chancellor of the Exchequer, is somewhat passive.

No Electioneering Gimmick

Wilson's interest in the scientific revolution is no mere electioneering gimmick. He has always been scientifically inclined and the story goes that when asked by Crossman, as Gaitskell lay dying, what difference Wilson's leadership would have on Party policy, Wilson is said to have remarked: "I would try to release the energies of the scientists and technologists". One of his first steps after election as leader was to revive Labour's links with science. Crossman was given the task of producing a plan for science which was to be the dominant theme for the Scarborough Labour Party Conference. Among the experts consulted to draw up this programme were Professor Blackett, the distinguished Left Wing scientist, Dr Vivien Bowden, Principal of the Manchester School of Technology, and Robert Maxwell, the scientific publisher.

By rethinking old socialist principles in new scientific terms, Harold Wilson has, according to Crossman, given to a Labour movement, unable of itself to throw off the stuffy traditionalism that was making it obsolete and absurd, the moral lift required to make a new start.

The Scarborough Conference certainly inspired delegates to the view that Britain *could* earn for herself once again, by technical skill and working ingenuity, a respected place in the world.

Letter from South

Tirupati Conclave

THE three Southern Congress strong men — Kamaraj, Sanjeeva Reddy and Nijalingappa — and the intruder from sophisticated and decadent West Bengal, Atulya Ghosh, met at Tirupati, went on to Mahabalipuram and then parted. Neither beauty nor worship touched them but the strength and the lure of political power did. No message came to them and none emanated. But important work was transacted.

Despite the dramatic fact of his presence, Atulya Ghosh was far from being the central figure in the Tirupati-Mahabalipuram conclave. Nor was the question of his elevation to Congress Presidentship the most serious topic of the guarded and delicate conversations. Both he himself and his ambitions were incidental.

What one can gather by probing the barriers of reticence is that Kamaraj was anxious to give some depth to his plan by providing it with an ideological foundation. Being rather free from ideological lumber, he found it a painful exercise, yet decided to share such thoughts as came to him with other thoroughly non-ideological persons, Sanjeeva Reddy and Nijalingappa. The pressure towards ideology came from the extraordinary outbursts and antics of Sadoba Patil, who has tried to make out that Kamaraj had worked out his plan only to meet the challenge of the D M K. Later the Prime Minister, egged on by the evil genius of Krishna Menon, had used the Kamaraj Plan as an anti-Right hatchet.

Kamaraj Stung

It is this patronising approach that has stung Kamaraj and he has made his displeasure widely known. During the Madras Pradesh Congress elections he is reported to have told his confidantes that the Plan was meant to revitalise the Congress throughout the country and not to meet a small danger in Tamilnad. Revitalisation could not be separated from the moral tone of the organisation and its cohesion around a programme of belief and action. Therefore, the Plan needed to be supplemented, it needed ideological props.

Kamaraj was particularly peeved by the fact that Rajaji was making full use of Patil's broadsides against both his Plan and the socialist pattern of society. Rajaji's comment that reading Patil's speeches made him rub his eyes to see whether he was not perusing his own anti-Congress polemics, irked Kamaraj and woke him to the need for drawing dividing lines and making distinctions.

He is, however, wary of the quick and far-ranging system of ideas propounded by persons like Krishna Menon and K D Malaviya. He likes and respects Menon and is genuinely convinced of Nehru's indispensability for India's evolution to modernity. But he is rather at sea when an integrated perspective plan is presented as the map of the road ahead. One step enough for me! The road is built by those who travel as they travel. And in this he is far more in the tradition of Gandhi and much closer to the 'Centre in the Congress, which is where the vast majority not only in that organisation but in this land of ours is.

Patil's Strategy

It required the linking by Patil of the drive for organisational rejuvenation with the aims of advance to socialism — both of which the worthy Sadoba deplored — to turn Kamaraj's thoughts to questions of policy. This is the healthiest thing that could have happened and can be an extraordinarily significant augury. It was to try to prevent his thoughts turning in that direction and to fix them on the far more trivial and tractable problem of who should be Congress President, that Patil despatched Atulya Ghosh.

The line of argument was the familiar one of the baneful consequences of ideological choice sharply presented for an organisation like the Congress and for a country like India. The impression had been created, Kamaraj was told, that the implementation of his Plan had been given a Leftist twist and that it was necessary, therefore, to demonstrate tangibly its ideological neutrality. This could be done by not adopting any harsh or censorious approach to Patil for his outbursts and by giving the Congress Presidentship to somebody whom nobody could suspect of being a Leftist.

It need not be Atulya Ghosh. But it should not be Indira Gandhi or Jagjivan Ram. It could be Morarjibhai, or why not Kamaraj himself? Stretching the point Lalbahadur Shastri could be accommodated but only as the best of a very bad bargain. It is thus that Patil's emissary is said to have pleaded.

What impact all this had on Kamaraj would have been difficult to gauge at any time. The dour nature of the man is his great asset. It is far more difficult now when the stakes are higher than they have ever been, when the man himself has not really made up his mind and when he is in the presence of utterly pragmatic colleagues, whom he leads by representing, mirror-like.

Nehru Must Give the Lead

The only indication of the way his mind was working was provided by the reported insistence by Kamaraj that the organisation, while it should also be a critic of the administration, must function principally as the propaganda and agitation wing of the government. It must certainly represent popular grievances and desires but it must even more take the policies of the Government to the people. The communal separatist and "old world" opposition parties had been able to do a great deal of mischief because such explanatory work by respected and powerful Congress leaders at the grassroots had long been abandoned and only fitfully revived during the elections. The implication was clear enough.

As for Congress President, Kamaraj is reported to have been in favour of the continuance of Sanjivayya who had all the advantages of being non-controversial, youthful and energetic—this could not have pleased Sanjeeva Reddy, except as an assurance that his rival would not be coming to Hyderabad for another year.

Nothing whatsoever is known about what ideological programme for the organisation Kamaraj and his southern colleagues have worked out or even whether they decided that no programme is needed after all. If an ideological platform was decided upon, it is scarcely likely to have been original or inspiring, but it would indicate a portentous shift nonetheless.

It now all depends on what Pandit Nehru is going to do. If he follows up his rather allusive criticism of Patil by a direct demand that the latter publicly eat humble pie or by insisting that ideological coherence in the shape of concrete policies is imperative it is very likely that Kamaraj will lead the South to give him powerful support. But should Panditji prevaricate and become elusive and enigmatic then it is likely that the Southern strongman's reticence would clamp down and the drift to the Right in the organisation would become almost irreversible.

A Kashmir Diary

Bakshi Is as Bakshi Goes

IT is not altogether impossible to meet Kashmiris who are mildly sorry that Bakshi Ghulam Mohammed, India's only other Prime Minister, may be on his way out under the plan on which has been planted the paternity of Kamaraj. Such admirers of the Bakshi are, however, mainly officials and other folk who have done well out of the regime. It would be an understatement to say that most Kashmiris are looking forward to a change that must follow Pandit Nehru's greatly belated decision on Bakshi Ghulam Mohammed. Even those who have profited from the Bakshi administration appear to have singularly little respect for him or his many friends and relations. The Third Bridge? The left side is Bakshi's, the right his brother's. The Fourth Bridge? The right side is Bakshi's, the left his cousin's. That cinema? well, that's Bakshi's third nephew's. How come this senior job has gone to that junior official? The man was useful to Bakshi on such and such occasion or that he is married to this or that Minister's third brother's fourth daughter is the answer. The interest in these persistent stories begins to pall when one realises that most of them are inaccurate only in detail, too true in essence. (e g, it isn't this Minister but that; not the fourth daughter but the fifth.) To observe, as it is tempting to, that, in terms of corruption at any rate, Kashmir is fully integrated, entirely in step and more with the rest of the country is to give in to an unpardonable degree of cynicism. Sadiq, the P M to come, is, even his critics concede, an honest man.

The question is terribly important. Kashmir had never known a very honest administration, whatever *Rajatarangini* might say. Never before, however, did the people of Kashmir feel that they had a say, even a choice. Not that the say is heeded; not that the choice has in fact been conceded in full; but the feeling has a tremendous impact. Krishna Menon has spent months and years telling the world outside how cast-iron India's case is in Kashmir. (The case is in fact stronger than many think.) All India Radio and other agencies have spent uncounted megawatts of power and propaganda telling the people of Kashmir how wonderful it is to be with India and how awful it would be with poor and backward Pakistan. It is not true that this ton of talk was never accompanied by even an ounce of practice; the Indian Army was once almost popular and even now enjoys a high repute as "occupying forces" go. As both Americans and Russians should appreciate, it was rather more difficult to choose the right civil administration. Rigid honesty or ready loyalty? Russia, America and Britain should know that mistakes, such as India made, are easy to make, and that they may well be genuine mistakes. What forfeits India's right to be so tolerantly assessed is her refusal to be bracketed with any other country; the aggressive "holier than thou" attitude of the past, yet not entirely of the past, has earned India greater international opprobrium than is her due.

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Being, in part, bureaucratically inclined, this writer thinks an honester, even if harsher, administration, civil or military, would have stood India in greater stead. There is, however, no historical warrant for such a conviction. The recorded history of organised government so far is too short to support the belief that a good government is always popular. It still seems possible that India took greater pains to ensure Kashmir's representation in the Lok Sabha than to see that the poor ponywallah in Pahalgam got his permit renewed without harrassment (meaning palm-greasing) and that, on the ground of being Indianer than thou, someone did not sell his property worth Rs 20,000 for a lakh and a half to some obliging Ministry at New Delhi. No outsider can know the compulsive exigencies of the complex situation in Kashmir. It does seem, however, that professed loyalty to India has been permitted to be a profitable stance. Perhaps there was no alternative. Perhaps there was.

★

Here in Kashmir a visitor is wise to beware of what he is told. A Muslim official, protesting too much, or so it seemed, said, "We want to be with India; but we want an honest administration. And we want all of the Indian Constitution applied to Kashmir". As present-day Indian standards go, honest administration is very much a relative concept and a matter of opinion. There are not a few Indians who would love to see Kashmir turned into a State of India, with a Governor and a Chief Minister, as Bakshi Ghulam Mohammed has since announced he will bring about by amending the Constitution of Kashmir. Again, this writer is in a quandary. The separateness of Kashmir, as that of N E F A or Nagaland, may be awkward; it has not been proved yet that overdone

attempts to Hindiise and Hinduise (in the name of national integration) do not produce results precisely contrary to those intended. On the other hand, does not separateness, preserved and encouraged, tend to perpetuate itself? As this writer never tires of saying in private conversation, he is mighty glad he is not the Prime Minister of this impossible country and has not to take decisions of which the consequences are incalculable and in which the balance of advantages, political and other, are rarely ascertainable in advance with anything approaching precision.

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The question of Sheikh Abdullah can no longer be deferred. New Delhi is quite mistaken in thinking that 50 M Ps lately demanded a different manner of disposal of his case only to be difficult with the Government. Guilty or otherwise, he retains the affection of many Kashmiris. It is said that he was disenchanted with New Delhi because Pandit Nehru would indefinitely defer urgent decisions and leave the Sheikh hanging in the air. It is even said that certain elements covertly encouraged pro-Pakistani sentiments among a section to expose it to their advantage. (Can India's C I A have been in action here too, with results as disastrous as on the Sino-Indian border?) No outsider is competent to speak on such matters; he can only express vague doubts and suspicions. When in foreign minds the charitable vagueness solidifies into downright anti-Indianism, New Delhi tends to put it all down to malice and prejudice; a closer look at its own doings, and their consequences, would be more rewarding.

★

Although to the world outside it seems only too clear that for all practical purposes India has made up her mind to hold what she has, the Kashmir Valley, she has in fact by no means made up her mind just how to hold it, love it and be loved by it. A more ruthless government than Nehru's could at least have tried to bring about material changes in the demographic structure in the Valley; under the present rules, no Indian can buy property here. All this pervasive uncertainty irks some Indians; they are the "clear thinkers": either Kashmir is Indian or it is not. This writer has to confess that he does not find the world so clearly defined; he sees virtue in such uncertainties as obtain in Berlin or Korea or Vietnam — and Kashmir.

Time to sum up. The first thing to remember is that most of the travails of this subcontinent proceed from that fatal Hindu-Muslim polarisation; an accentuation of the process and its extension to Kashmir may seem logical to Pakistan and its friends. It must be obvious even to them that the process can only add to the sum total of human suffering. India may, for purposes of propaganda, exaggerate the dangers of disturbing the *status quo*, which no doubt suits her. But Pakistan fools nobody when it suggests that the Kashmir Valley can be handed over to Pakistan with no repercussions at all elsewhere in India, the home still of many millions of Muslims. Since India has her quota of Hindu communalists, protecting the huge Muslim minority from the "logical" consequences of giving up the Valley because it is Muslim may be beyond Nehru, whose services to Muslims have never been adequately acknowledged by Pakistan.

★

For all foreseeable regimes in Pakistan the deprivation of the Kashmir Valley will be a useful political prop. The Kashmir Valley needs a tremendous amount of investment, something India is in a better position to provide than Pakistan. The poor people of the Valley need it. The final reason for upholding the status quo is what this writer calls the civilising and humanising influence of "colonialism", as much on the colonised as on the coloniser. By having to pretend that India is fully secular in Kashmir, Indian secularism with all its imperfections gains that much more reality. The international obligation to appear acceptable to the Muslims of the Kashmir Valley imposes on the Indian people and the Indian Government the additional obligation to be fair to its internal minorities. Kashmir with all its heartbreaking complexities may yet have been allotted by history the great role of keeping at bay in India the very real forces of communal reaction and Hindu orthodoxy, of keeping alive in India the flames of human tolerance and liberal secularism, of setting an example of civilised living in which our largely wicked human nature learns a thing or two from Nature which is nowhere in the world more resplendent than here in this Kashmir Valley.

—*Flibbertigibbet*

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Book Review

Plan for Agriculture

A K Dasgupta

The Strategy for Agricultural Development and Other Essays on Economic Policy and Planning by S R SEN; Asia Publishing House, 1962; pp xii + 244, price Rs 16.00

PLANNING in India is a challenging experiment. It concerns the economic development of a country which has been in a state of stagnation for years, carrying an enormously big population and an appalling degree of poverty. Agriculture is still the mainstay of the economy, supporting about 70 per cent of the population and accounting for about 50 per cent of the national income. And yet growth of food production is barely sufficient to cope with the growth of population. Yield per acre is low; there is too much pressure of population on land, whereas the soil itself is under-nourished for want of fertilizer; and, what is even more disturbing, cultivation is subject to uncertainties of weather due as much to draught as to flood. Our experience of the last twelve years of planning has demonstrated how precarious our estimates of investment and output are and how dependent they are on what happens in the agricultural sector of our economy.

Agricultural development is thus the most important single element in the strategy for economic planning in the country. In the collection of essays under review, Dr S R Sen, its distinguished author, has addressed himself primarily to this element. For, of the eighteen essays collected in the volume, as many as ten are devoted directly or indirectly to the problem of agriculture. Coming, as they do, from one who has been associated, as Economic and Statistical Adviser, with the Ministry of Food and Agriculture for nearly a decade, these essays are of the utmost interest to students of economic planning here and abroad. The remaining essays deal with the wider problem of planning as such, including price policy. Here again Dr Sen's observations carry a special significance in view of the close association that he has at present with the Planning Commission.

"Bargain Sector"

Dr Sen is optimistic about the potentiality of agriculture in our economy. In fact he considers agriculture as a kind of "bargain sector" in the economy, arguing that its very backwardness provides an index of the unexploited potential that there is in this sector. But, and here is the crux of the problem, for this potentiality to be realised, agriculture needs a "big push". (Essay No 1, pp 13-21). The decks must first be cleared by way of an appropriate land policy, credit policy and marketing policy, and then an all-out effort made through an effective extension service towards the realisation of an adequate agricultural target. Here the author is careful to point out that in a country like India, where labour is abundant and land relatively scarce, the aim of investment should be to replace land by way of improvement of the soil rather than to replace labour by way of mechanisation. Fertilizers, not tractors, are the instrument of agricultural development in an economy like ours, where the land-man ratio is low. (Essay No 2, p 29).

There does not seem to be much that is new in the specific recommendations that Dr Sen makes. They are all in line with the general, agricultural policy of the Government of India; after all Dr Sen himself had his share of responsibility in shaping this policy. What is significant is the emphasis that he lays on the intensity of operation called for in the field of agriculture. Referring, for example, to agriculture extension service, which is supposed to be the chief agency through which improved farming methods are to be retailed to our cultivators, Dr Sen tells us that, whereas in Scotland one extension agent serves 200 farmers, in Holland about 400 and in Japan, a land of small holdings, 500-600, in our country an inadequately trained village level worker, a mere matriculate, "is asked to look after as many as 1,200 farmers and give them day-to-day guidance not merely in agricultural and animal husbandry techniques but also in farm planning, cooperative organisation, panchayat, social service etc" (Essay No 1, p 15). The form is there but the substance is lacking.

Big Push Needed

The theme of a "big push" runs through all the essays. "The Indian farmer is trapped in a mesh of vicious circles. To break through this mesh, an all-out effort will be required — concentrated enough to punch a hole all the way through the mesh and enable the farmer to escape permanently from the trap he is in. (Essay No 3, p 33) It is with these words that the author hails the so-called "Package Programme" organised by the Ford Foundation in 1961. The same spirit of urgency is to be found in the author's plea for agricultural economics research (Essay No 11) and in his scheme for target setting in agriculture (Essay No 14), where, with characteristic foresight, he underlines the need for programmes which would set in motion "a process which will lead to continuous and sustained improvement in the agricultural productivity of the country." (p 173)

Dr Sen is a planner, not just professionally, but by conviction, at any rate insofar as his interest concerns under-developed economies. The present volume contains a number of papers bearing on the more important aspects of planning theory and practice on which he has brought to bear his wide knowledge and experience. We are first acquainted with the machinery through which planning operates in our country. The machinery is complicated, particularly in view of the democratic set-up within which it functions. "Planning in India is essentially a backward and a forward process — an exercise in suc-





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cessive approximation as well as successive coordination." This is how Dr Sen characterises our planning procedure, and he takes us through a vast maze of checks and counter-checks operating through the various organs of our planning machinery, with the Planning Commission and the National Development Council at the top and, say, the Block Development Organisations at the bottom. He then gives a short account of our planning technique, particularly underlining the significance of the splitting up of the plan horizon into long term planning, five-year planning and annual planning. At one end is the long term perspective covering, say, 15–20 years, whose main concern is a broad assessment of needs and technological possibilities of the economy, while at the other end are the annual plans which give a detailed programme of activities for the current year "in the light of the targets and financial provisions of the five-year plan". These plans are inter-related, and yet they are not rigid, if only because a vast private sector coexists with the public sector in our economy.

Investment Priorities

The remaining papers on planning deal with specific issues that arose in the course of the formulation of the Third Five Year Plan. Although written in a particular context and for a special audience, the analysis provided here has general significance. The concept of a self-generating economy, the policies germane to the creation of such an economy, the criteria of investment priorities consistent with socialist aspirations — these are some of the things that are highlighted in these essays, and they are analysed with the skill of a technician, tempered by the wisdom of the practitioner who knows the limitations of a rigid approach. A large investment programme is recommended, involving considerable strain on the people, from which even the common man can not escape. However, alive to the political implications of such a plan, Dr Sen is anxious to carry through an "impact programme", by way of psychological preparation, along with the Plan, such as internment of beggars in big cities in work camps and infirmaries, work projects in lean seasons in rural areas, slum clearance etc. "The common man has to be given a feeling that extreme disparities of income are being gradually eliminated and something visible is happening in his neighbourhood and there is a reasonable promise of his own standard of living and employment opportunities improving during the next decade or so although immediately he is being called upon to bear some strain. If we cannot give him better things today, we must at least give him some visible token, besides promise, of the socialistic pattern of society that is to come." (p 98) One wishes that Dr Sen who is not only a planner but also an administrator, could persuade the Government to put these ideas seriously into practice. Over-much concentration on growth-potential, as distinct from growth as such, may indeed be self-defeating; the common man would not care to understand the significance of exponential functions !

From the point of view of the technique of planning, the essay on "Criteria for Investment Decisions" is by far the most important. Our author lays down certain possible criteria for investment decisions, namely output, employment, surplus etc, and indicates, as a starting point, the primacy of the surplus criterion, tempered by considerations of foreign exchange. This is a much-trodden field, and differences still exist among economists as to what, even accepting maximisation of surplus as our investment criterion, must be the time horizon in relation to which the criterion is to be applied. Dr Sen has steered clear of these controversies and has directed his attention rather to the practical, rough-and-ready method of *doing the job*. And here he takes a project-wise approach and proceeds to enumerate types of data that might serve as the basis of investment decisions. By the way, it is difficult to see why Essays 10, 11, 13 and 14 should not have been placed under Part I where they rightly belong.

P L 480 and Development

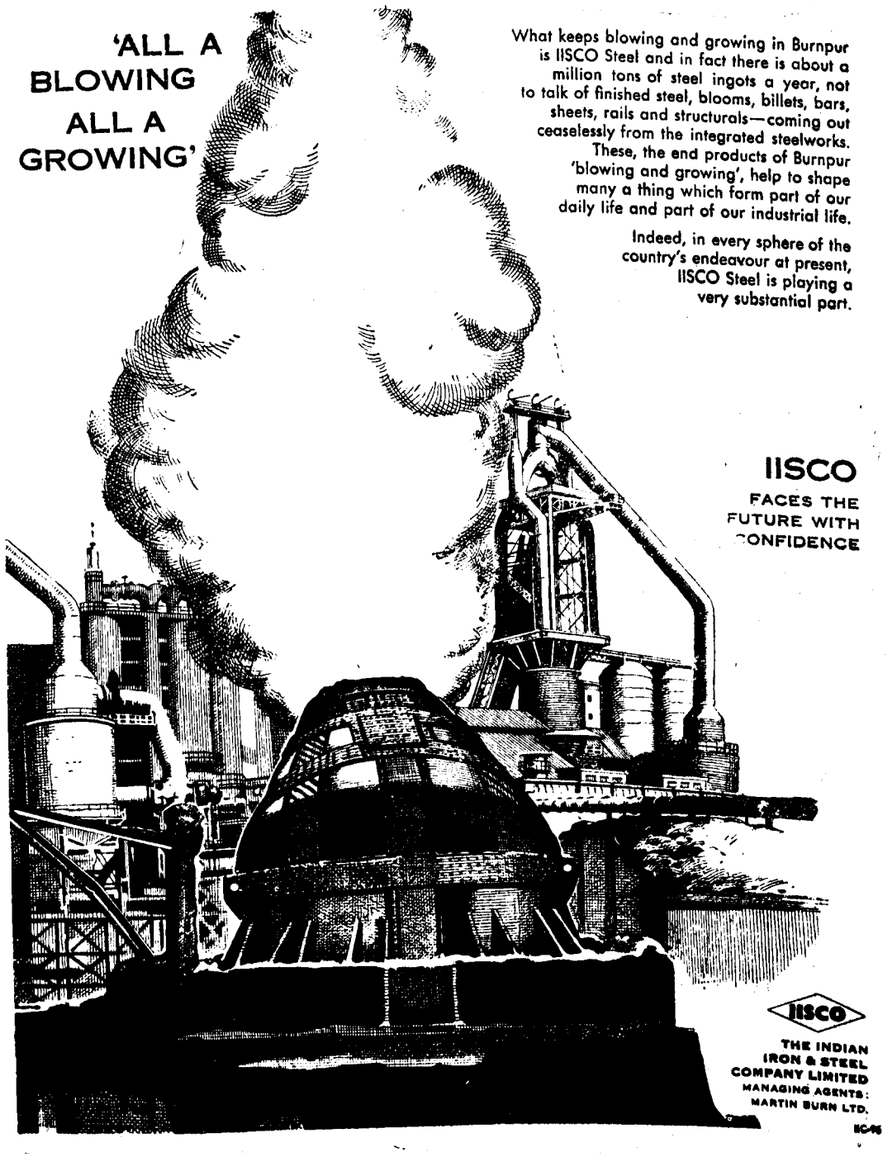
There is a miscellaneous collection of Essays in Parts II and III on the Human Factor in Growth, Statistical Methods in Economics, Price Policy, etc — written for special occasions and carrying Dr Sen's views on a number of problems besetting our economy. Special mention, however, needs to be made of the last essay in the collection, Impact and Implications of Foreign Surplus Disposal on Underdeveloped Economies, which is an address delivered at the Fiftieth Anniversary Session of the American Farm Economics Conference held at Ames, U S A, in August 1960. There was considerable ambiguity in the attitude of the donor country as well as the recipients in the early days of the surplus disposal programme. The USA presented a face which was "a combination of that of a kind-hearted humanitarian, an anxious salesman and a hard-headed negotiator", while to the recipients the proposal came at once as "a generous offer to be readily accepted and as a form of 'charity' which would adversely affect their national morale and weaken the spirit of self-reliance." Some even viewed it as a kind of dumping which would injure their agricultural production and also their export trade.

As, however, the programme for surplus disposal was integrated with the plans for economic development of under-developed countries, much of these misgivings disappeared. For the surplus could now be regarded as a form of foreign aid to be used as a supplement to other resources for economic development. In economies where not only plants and machinery but also circulating capital is in deficient supply, this surely is an important consideration. Yet even here, as Dr Sen points out, certain considerations have to be kept in mind. First, commodity assistance must not be looked upon as a substitute for general foreign exchange assistance. Secondly, the counterpart funds must not be allowed to dissipate into lines of production outside the plan. Thirdly, the utilization of these funds should be on programme basis rather than on project basis. And lastly, in view of the uncertainty involved, the programmes for economic development must not lean too heavily on such assistance.

It is encouraging to note that the Indian authorities are alive to these considerations; despite some local critics of P L 480, the counterpart

funds, as they are being employed here, have not yet produced any disturbing effect upon our economy. Not only has our Government taken a cautious approach to the use of these funds, the donor country has also shown considerable understanding. And for all this Dr Sen himself is perhaps entitled to a share of credit.

Altogether it is a good thing that Dr Sen has collected these essays for publication. The general reader to whom the essays would not otherwise be accessible must feel grateful to him. And to some of us who had read them earlier casually, it is a delight to see them brought together in print. I would recommend this excellent collection to all serious students of Planning.



Burma's Second Revolution

Dusan Dragic

General Ne Win's coup d'etat in March 1962 was the product of the socio-political and economic crisis which Burma faced in its attempt to achieve rapid development while maintaining parliamentary democracy.

The Revolutionary Council has discarded parliamentary democracy, declaring that it will develop such forms of democracy as will promote socialist development.

According to the "Burmese Way to Socialism", the Burmese army, headed by the Revolutionary Council, will guide the country during the transitional period to achieve a socialist pattern of society through socialisation of the means of production and planned development. The central role in this development is given to workers and peasants. In the process, it is hoped, they will be transformed into a strong and organised social force capable of taking over state power and controlling further development.

THE Burmese Army, headed by General Ne Win, overthrew U Nu's Government, dissolved Parliament and placed a Revolutionary Council consisting of the high-ranking army officers at the helm of affairs in a *coup d'etat* on March 2, 1962. The danger of disintegration from the actions of certain federalists who were planning an uprising to separate the Shan States and some other parts of Burma, intensification of the activities of insurgent groups and general breakdown of law and order — these were the immediate factors leading to the military intervention.

This was not the first appearance of General Ne Win and the Burmese Army on the Burmese political stage. They organised the caretaker government from October 1958 to February 1960. But there are obvious differences between the army interventions in 1958 and 1962. The army intervened the first time with the sole intention of restoring law and order in the country and preparing conditions for general elections within a short period so as to transfer power back to politicians. This time the military government is not committed to withdrawing from power once the mistakes of the political parties have been corrected and law and order restored. Further, the military regime in 1958 did not involve itself in radical social, political or economic change whereas the present Revolutionary Council has initiated radical changes in the entire system. In brief, the first army intervention was made in the name of saving parliamentary democracy, whereas the present military regime is working to destroy that system and establish a new order of socialist democracy.

In view of these differences, the description of the 1962 *coup d'etat* as the 'Second Revolution' by its leaders is justified — achievement of Independence being the 'First Revolution'. The *coup d'etat* was not the expression of personal ambitions, nor was it the result of interference by a foreign power. It was the product of the socio-political and economic crisis which the country faced in the attempt to achieve rapid development while maintaining parliamentary democracy.

Seeds of the Second Revolution

The basic causes of the Second Revolution, i e, the real causes of the socio-political and economic crisis and the failure of parliamentary democracy, will be found not in the events which immediately preceded the military intervention, but in the development of the country over the past many years. The autarchic feudal structure, its destruction almost overnight by colonialism, the opening up of the Burmese economy to the world market along with the beginnings of capitalist production and commerce within the country, the imposition of new forms of political power, the growth of nationalism and the struggle for independence, its achievement and then the struggle for national unity, political as well as economic, in conditions still dominated by a colonial inheritance — the real causes of the Second Revolution will emerge from an analysis of factors such as these. If the military intervention is narrowly viewed as the result of events immediately preceding it, then it appears as a *coup d'etat*, but if it is seen from a broader viewpoint, in the context of the historical development of the nation, then it appears more like a genuine revolution. The term 'revolution', of course, should be used conditionally as 19 months are too short a period for the military government to show concrete results which should be the criteria for judging such a historic event.

Space does not allow the elaboration of all factors mentioned above, but it may be worthwhile to point out the main characteristics of Burmese political and economic development which have influenced the present position of the country. Burma became independent on January 4, 1948. The party which led the struggle for independence was the Anti-Fascist Peoples' Freedom League, the AFPFL, comprised of all nationalist forces including socialists, communists, the army units and some other parties and national organisations. It was formed in 1944, too late to become, like some other liberation movements, a strong and united organisation through a long anti-colonial struggle. It was not surprising, therefore, that the process of disintegration of the AFPFL which was more a front than a party began immediately after independence. First, the Red and White Flag Communist Parties broke away and started an open insurrection against the then progressive nationalist movement. Some army units joined hands with them. The desire of some Karen national groups to have a separate State brought the KNDO into open rebellion against the AFPFL Government further threatening the unity of the young nation. In 1949, at the height of the country-wide insurrection, the Government of Burma was rather better described as the Government of Rangoon, the only area in which it exercised real

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THINK IT OVER

TAKE PART IN NATIONAL PREPAREDNESS

DAG3/F14

power. Thanks to resolute military action and the support of the people, the AFPFL Government survived and expelled the insurgents from the cities and townships and freed the main communication lines. Since then, however, diverse insurgent groups have continued to be active in the remote villages and forests, their strength and the intensity of their operations increasing or decreasing with changes in the general political climate. These groups have constantly vitiated the country's political stability and economic development.

Split in AFPFL

Instead of growing stronger through the struggles it had to face during the immediate post-independence years, the AFPFL suffered further losses. The strongest and leading group in the AFPFL remained the Socialist Party and although a group of Red Socialists left it in 1950 to form the leftist Burma Workers and Peasants Party, its basic strength was unaffected. The real split in the AFPFL, which took place in 1958, was a turning point in Burma's post-independence political development. The differences between two groups within the AFPFL, called the "Uneducated" and "Educated" factions, started as early as in 1952 and became pronounced during the general elections of 1956. The two groups had a common goal, the achievement of a welfare State, but they differed in their approach to it. The "Uneducated" faction emphasised development of agriculture, while the "Educated" faction laid stress on industry. When personal differences and a struggle for power permeated the rank and file of the party, and when U Nu, the then Prime Minister and Party President, sided with one group, the AFPFL split from the very top to its roots like a tree struck by lightning. U Nu and Thakin Tin headed the 'Clean AFPFL' and U Ba Swe and U Kyaw Nyein the 'Stable AFPFL'. The entire party membership was divided as were the affiliated organisations like the TUC(B) and ABPO. So the year 1958 saw the unhappy end of Burma's once united, strong, anti-colonial and progressive liberation movement. Since then Burma has had no party strong enough to form a stable government. It is true that U Nu's Union Party got as many as 90 per cent of the votes in the 1960 general elections in which religion figured prominently. But the factional struggle between Thakins and U-Bas contributed to a further deterioration in the political situation.

To make matters worse, a succession of governments could not make any impact on the economic situation. The economic potential of the country was severely damaged during the Second World War. Eighty-five per cent of Burma's population is dependent on the land, principally on rice, the main crop, the growing of which employs half of the total working population on two-thirds of the total cultivable land. About 70 per cent of the country's export consists of rice. Apart from the exploitation of teak forests and oil-wells, industry is negligible. Immediately after independence, the AFPFL Government adopted a two-year plan of economic development which, however, failed completely owing to the country-wide insurrection. When relative peace was restored, the Government adopted in 1952 the ambitious Eight-Year Plan, called 'Pyidawtha' (Welfare) Plan, the main targets of which were to attain the pre-war level of production and to create conditions for further development. The financing of the plan depended too much on the export of rice and when in 1954 the price of rice in the world market suddenly dropped, the plan was left without sufficient financial resources. The implementation of the plan was finally abandoned in 1956 although 72 per cent of the investments planned for that period were incomplete. A new four-year plan was started in 1956 covering only the public sector, but at the end of the four-year period in 1960 it had not achieved the planned investment of 2,000 million Kyats.

Economic Failure

In the fourteen years of independence, the governments of Burma, both the AFPFL's and the Union Party's, failed to raise the share of industry in the gross domestic product, which (excluding the rice mills) is only 11 per cent; nor did they succeed in diversifying agriculture or reducing dependence on it. On the contrary, the dependence on agriculture actually increased. In pre-war Burma rice accounted for 47 per cent of Burma's total exports compared with 70 per cent today. The national per capita income is still 13 per cent lower than the pre-war level and amounts to about 56 US dollars. ("Second Four-Year Plan", Ministry of National Planning, Rangoon, 1961 p 7).

The political parties in Burma and their activities have had much in common: their general socialist outlook and shared objective of establishing a socialist pattern of society; the adoption of progressive political programmes as well as of economic plans though these were seldom implemented; splits and factional struggles caused more by personal conflict than ideological differences; membership composed of all social classes, that is, peasants, workers, intelligentsia and middle classes or petty bourgeoisie; small and inefficient cadres and consequent failure to engage the masses in the rapid development of the country. There are many other characteristics as well, but among the above-mentioned, the two crucial ones were failure to engage the masses in the process of development and the non-implementation of programmes and plans. These failures directly caused the political and economic crisis in the country and thus led to the intervention of the army.

'Socialist Democracy'

In the policy declaration of the Revolutionary Council, "The Burmese Way to Socialism", it is clearly stated that the socialist aims of the nation cannot be achieved through such forms of parliamentary democracy as Burma has experienced in the past. The Revolutionary Council firmly believes that it must, in accordance with existing conditions and environment and changing circumstances, develop forms of democracy which will promote and ensure socialist development, i e, 'socialist democracy'.

The Burmese army, headed by the Revolutionary Council, will guide the country during the transitional period to achieve a socialist pattern of society through socialisation of the means of production and planned development. The central role and place in this development is given to the peasants and work-

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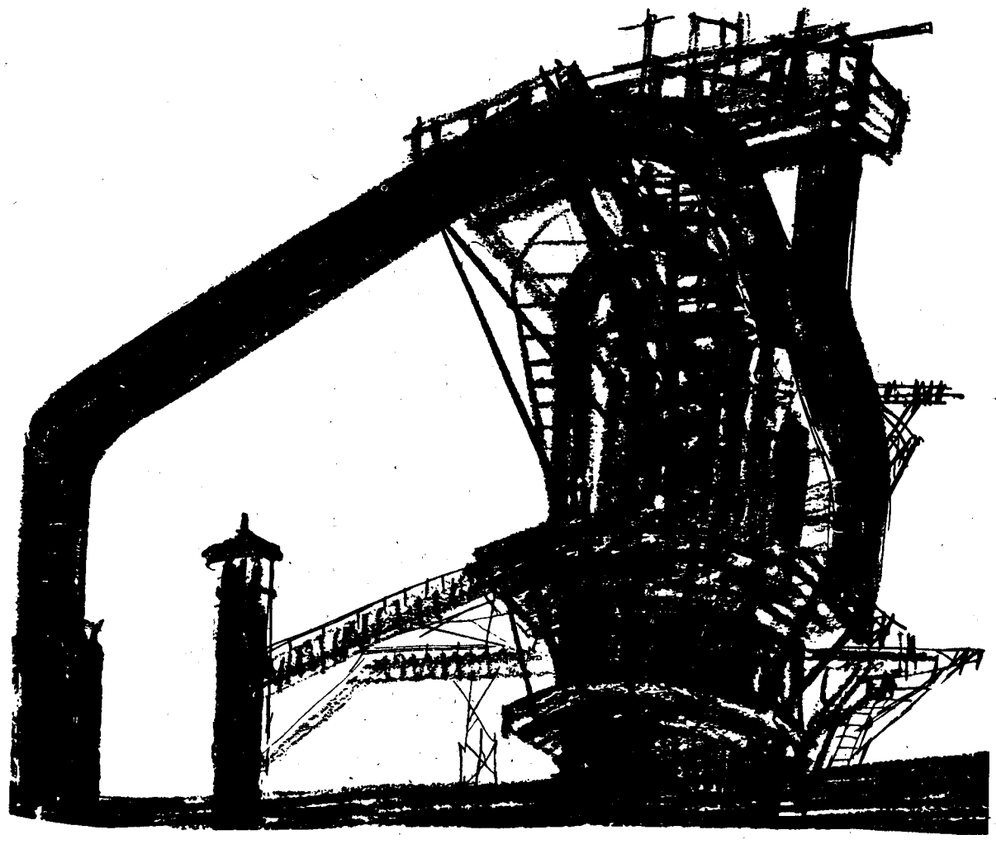
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ers. Through this process, they will be transformed into a strong and organised social force capable of taking over State power and controlling further development of the society free from any exploitation.

Political parties have not been banned but their activities are controlled. If a party is ready to cooperate with the Government in implementing the 'Burmese Way to Socialism', then it is welcome; if the party is quiet and neutral then it is tolerated and it enjoys a sort of *status quo*; but if the party actively opposes the efforts of the Revolutionary Council then it is suppressed and the leadership of the party can even be arrested, as the leaders of the AFPFL were recently.

Philosophy of the Revolution

The Revolutionary Council has started a new party, the Burmese Socialist Programme Party (BS PP), which is to be a cadre party during the transitional period, and will later on become a mass party of peasants, workers and the intelligentsia. The ideology of the BS PP has been published under the title 'The System of Correlation of Man and His Environment'. In the first part of the 'Philosophy', as it is also called, the correlation of mind and matter and their influence on the development of the world are set out while in the second part the materialistic and dialectical approach to historical and contemporary development of society is accepted and stress is laid on the conflict between the exploited and exploiting classes as the cause of social revolutions. Firm belief is expressed in the final victory of the peasants and workers in the socialist State where the means of production will be in their hands and as a consequence exploitation will disappear. In the 'Philosophy' the Revolutionary Council has emphasised that it has chosen the middle way, free of rightist or leftist deviations.

The leftist parties have pointed out that this is a dual philosophy, trying to unite idealism and materialism, and is, therefore, unscientific. Some social democrats have on the other hand described it as a downright Marxist philosophy. What is more true than either of these one-sided comments is that the Revolutionary Council has tried to synthesize materialistic concepts and the traditions of Burmese society and in doing so has shown itself to be Burmese and nationalist above all.

Socialisation of Production

Some of the policies have been implemented already. The Revolutionary Council has nationalised all banks, several of which were foreign, the Burma Oil Company, import trade and the largest part of export trade (namely in rice and teak wood), and some private concerns. The largest part of medium and small industry is still in the hands of Burmese nationals or of Chinese and Indians with Burmese citizenship. General Ne Win has declared all this too will be nationalised one day. But what Burma needs now is to build up new industries. The Revolutionary Council has started several projects. In agriculture mechanisation has been encouraged as well as irrigation and diversification. New cultivable land is to be reclaimed and agricultural credits to the farmers have been doubled.

In its efforts to end the armed insurrection and bring peace and unity in the country, the Revolutionary Council has ordered a general amnesty and started peace parleys with all insurgent groups which honestly wish to resume lawful activity and will cooperate in the implementation of the 'Burmese Way to Socialism'. But the Council will not tolerate other groups, which persist in their extremist demands, like the Red Flag Communists and Kachin Independence Army.

As stated earlier, 19 months is too short a period to judge the success of the new policies. Nevertheless, if the Revolutionary Council, in the implementation of its declared policy, gets active support of the masses, i e, peasants and workers, in whose name the *coup d'etat* was staged, then it will have become a genuine Second Revolution.

Exports: Ups and Downs

FIFTY NINE important countries in the world bought more goods from India in 1962-63 than in the preceding year, according to a survey of India's export trade by the World Trade Department of the Indian Chamber of Commerce, Calcutta. These countries included the U K, USA, USSR, Yugoslavia, Afghanistan, Argentina, Australia, Canada, Czechoslovakia, France, etc. But forty-two countries reduced their offtake of Indian goods, such as Belgium, Ceylon, West Germany, Indonesia, Japan, New Zealand, Sudan and Thailand. India had a deficit in the balance of trade with as many as forty important countries. The deficit was most severe with West Europe, particularly West Germany, with whom it amounted to Rs 82 crores.

Importers in the U K have recently evinced keen interest in obtaining from India a number of new items such as plastics, chemicals, herbs and drugs, handicrafts, footwear, cigarettes, cigars, galvanised buckets, sarees, towels, sewing-thread, raw silk ties, canned fish, sugar, plywood and timber. In 1962 the Indian High Commission in the U K received from the U K importers 703 trade enquiries, many of which related to new products. As many as 33 enquiries were in respect of handicrafts.

India's total exports to the E E C were Rs 47 crores in 1962-63 against Rs 51 crores in the preceding year. In fact, India's export with the E C M has remained practically stagnant at a low level for the past several years, mainly owing to high tariffs, fiscal regulations and quota restrictions.

But there has been a spectacular increase in India's export to East Europe. From Rs 25 crores in 1957-58 the exports rose to Rs 92 crores in 1962-63 forming 13.3 per cent of India's total exports. The conclusion of bilateral agreements and the orientation of the economies of those countries towards increased consumption have greatly helped the expansion of our export trade with this region.

Exports to the USA improved only by Rs 1.5 crores although some individual items like fish preparations, raw cotton, mica, coconut fibre yarn, sewing machines, footwear and art works recorded substantial increases. But there was a steep decline in coffee, pepper, sugar and cotton waste.

Distribution of Agricultural Income in India

S A Shah

M Rajagopal

Distribution of income among different factors of production is important from the point of view of equity; it has also implications for incentives to increased production.

The following study shows that changes in the distribution of agricultural income during the decade 1951–52 *to* 1960–61 *adversely affected both equity and incentives.*

During this period there was a deterioration in the relative position of agricultural labourers and cultivators and an improvement in that of rent and interest receivers.

[The views expressed in this paper are those of the authors and in no way those of the Government of India].

THE five-year plans have imparted a certain amount of dynamism to India's economic development which is partly reflected in the increase in national income by 42 per cent and per capita income by 19 per cent between 1951-52 and 1960-61. In this context a significant question pertains to the distribution of income. The problems of estimating national income and determining its distribution have engaged the attention of researchers like S J Patel,[1] I S Gulati,[2] A K Chatterjee,[3] M Mukerjee,[4] and recently Dey and Maitra.[5] These studies relate to particular years and contain some improvements over earlier attempts. Patel, Mukerjee and Chatterjee have utilised C S O estimates of income originating from agriculture, animal husbandry and ancillary industries. Dey and Maitra have independently estimated national income originating from the agricultural sector which they have defined to cover growing crops (excluding plantations), forestry and animal husbandry. As a result of the exclusion of plantations, distribution of income in agriculture and changes in it may not be adequately revealed. Besides, as these studies pertain to a particular year, changes over a period of time cannot be gauged from them.

In any study of income distribution the method adopted to delineate the various factor shares is crucial.[6] It is, therefore, imperative to explicitly lay bare the procedure and components used.

Distributive Shares

According to the C S O, the agricultural sector comprises the growing of field crops, plantations and ancillary industries. In this paper the national income originating from this sector as published in the Economic Survey of Indian Agriculture, 1961,[7] has been utilised. The distributive shares used are : (a) payments to agricultural labourers, (b) rent on land, (c) interest on borrowings, (d) taxes, and (e) cultivators' income, the residual.

In estimating the income of agricultural labourers in the form of agricultural wages, Dey and Maitra have taken the figure of the agricultural labour population as reported in the Second Agricultural Labour Enquiry Report (1956-57), notwithstanding the publication of the 1961 Census figures. Similarly the number of earners per household has been taken by them to be 2.7 which was the figure given in the First Agricultural Labour Enquiry Report. Actually the earning size of the agricultural labour household reported in the Second A L E was 2.0. Perhaps Dey and Maitra included helpers who, strictly speaking, should not be considered earners.

In the estimation of rent by Dey and Maitra, if 15 per cent of output comes to Rs 983.7 crores, the total value of agricultural output should be Rs 6,560 crores in 1956-57. In this case the income from agriculture of Rs 4,191.05 as given by them is a gross under-estimate.

Dey and Maitra have not made an independent estimate of the interest on cultivators' borrowings but have taken the figures estimated by A K Chatterjee. Here it should be noted that the supply of cooperative credit to cultivators has been increasing and as such the percentage of cooperative credit in the total borrowings has been very likely rising. Thus the assumption that the percentage of loans outstanding from cooperative societies is 4 per cent of the total borrowings by cultivators is an under-estimate.

Finally, the earlier studies, as also that of Dey and Maitra, have omitted the question of payments to the Government in the form of land revenue and agricultural income tax.

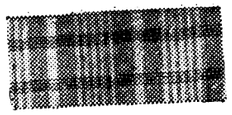
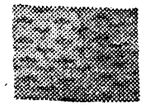
Methodology

The method of estimating the components of income from agriculture followed in this paper is as follows:

Payments to agricultural labourers for agricultural operations: The income of adult male agricultural labourers from agricultural operations was used since the statistics of agricultural labourers according to males, females and children were not available from the 1961 Census. Mid-year agricultural labour population has been estimated by calculating the proportion of agricultural labour population on the basis of 1951 and 1961 mid-year populations. Having obtained the agricultural labour population, agricultural labour households have been calculated from the first and second Agricultural Labour Enquiry reports. On the basis of the size of the household, average income of each household from agricultural operations in the two reports has been taken to estimate the income of agricultural labour from agricultural operations.

Rent: Rent on land has been arrived at by assuming that 15 per cent of the total farm produce is

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disposed of in kind as wages and rent. The average wage payment in kind is calculated on the basis of the First A L E Report and N S S Report on the 11th and 12th rounds. Similar to the earlier study of S J Patel, total rent in kind and cash is arrived at by this indirect approach.

Interest: The interest paid on cultivators' borrowings has also been estimated indirectly. The outstanding loans shown by State and Central cooperative banks and central land mortgage banks, primary agricultural societies and primary land mortgage banks have been studied. Sixty per cent of the loans advanced by cooperative banks, State co-operative banks, central land mortgage banks, primary agricultural credit societies and primary land mortgage banks are for agricultural operations. The total of outstanding loans to agriculturists is assumed to be 4 per cent of the total amount borrowed by cultivators in 1953-54, 5 per cent in 1956-57 and 6 per cent in 1959-60. These percentages have been arrived at on the assumption that the cooperative societies' supplies of credit in relation to those of other agencies have been steadily increasing. In spite of this, cultivators had to depend largely upon outside agencies for credit and so it is not unreasonable to assume a 15 per cent rate of interest throughout this period.

Taxes: Among the distributive components taxes realised by the Government as land revenue and agricultural income tax are to be estimated from State budgets. This share has been omitted in the earlier studies.

Income of the cultivators: What remains after deducting the respective amounts under various distributive shares from the net value of agricultural output constitutes the income of cultivators.

Fall in Labour's Share

We may now study the relative changes in the distribution of income from agriculture proper, which forms a considerable proportion of the total income, from 1951-52 to 1960-61.[8] When the net income from agriculture increased by 40.3 per cent between 1951-52 and 1960-61 from Rs 4,270 crores to Rs 5,990 crores, its share of total national income has gone down slightly from 42.8 per cent to 42.3 per cent. Of the increase in national income during this period, the agricultural sector accounted for 41 per cent.

The income of agricultural labour derived from agricultural labour operations has gone down from 9.93 per cent to 9.15 per cent of total income from agriculture, as shown in the table. This was partly due to agriculture labour deriving incomes from non-agricultural operations. To what extent this decline may be due to a fall in agricultural wages cannot be gauged from the present data. The proportionate share of agricultural labourers in the increase in agricultural income which amounted to Rs 1,720 crores during the decade comes to 7.2 per cent. This shows the relative deterioration in the position of agricultural labourers, especially when it is recalled that their proportion in the agricultural population has increased.

Interest Income Doubled

Interest paid by agriculturists has more than doubled from 4.7 per cent of total income from agriculture to 10.3 per cent. This is partly due to the continuing heavy dependence of agriculturists on credit from non-cooperative sources.[9] Along with the increase in production, agricultural debt has also increased which indicates that the cultivator remains saddled with this traditional

Distributive Shares in Agricultural Income of India, 1951-52 to 1960-61

(Rs in crores)

	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	Changes in 1960-61 over 1951-52
Payments to agricultural labourers for agricultural operations	423.69 (9.93)	433.89 (10.66)	444.79 (9.73)	457.65 (12.89)	470.37 (12.75)	486.43 (10.31)	499.22 (11.19)	515.44 (9.49)	531.47 (9.80)	548.00 (9.15)	124.31 (7.23)
Rent	683.28 (16.00)	627.30 (15.41)	728.01 (15.93)	485.31 (13.67)	503.43 (13.64)	719.07 (15.24)	646.53 (14.50)	848.08 (15.62)	828.80 (15.29)	942.18 (15.73)	258.90 (15.05)
Interest	201.06 (4.71)	203.73 (5.01)	207.00 (4.53)	219.42 (6.18)	246.46 (6.68)	287.13 (6.08)	367.81 (8.24)	426.48 (7.86)	527.88 (9.74)	616.71 (10.30)	415.65 (24.17)
Taxes	54.35 (1.27)	62.01 (1.52)	72.95 (1.60)	77.77 (2.19)	86.34 (2.33)	90.92 (1.92)	95.80 (2.15)	100.49 (1.84)	104.44 (1.93)	107.28 (1.79)	52.93 (3.08)
Cultivator's income	2907.62 (68.09)	2743.07 (67.40)	3117.25 (68.21)	2309.85 (65.07)	2383.40 (64.60)	3136.45 (66.45)	2850.64 (63.92)	3539.51 (65.19)	3427.41 (63.24)	3775.83 (63.03)	868.21 (50.47)
Total income from agriculture proper	4270.00 (100.00)	4070.00 (100.00)	4570.00 (100.00)	3500.00 (100.00)	3690.00 (100.00)	4720.00 (100.00)	4460.00 (100.00)	5430.00 (100.00)	5420.00 (100.00)	5990.00 (100.00)	1720.00 (100.00)
National income	9970.00	9820.00	10480.00	9610.00	9980.00	11310.00	11390.00	12600.00	12950.00	14160.00	4190.00
Total agricultural income as per cent of total national income	42.83	41.45	43.61	36.94	36.97	41.73	39.15	43.09	41.85	42.30	41.06

Note: Figures in paranthesses are shares of the factors as per cent of total income from agriculture.

burden. About 25 per cent of the increase in value of production has gone as interest on debt.

In contrast to the interest recipients' share, the rental share has roughly maintained itself at about 16 per cent. In absolute terms it forms a considerable amount, i e, Rs 683 crores in 1951-52 and Rs 942 crores in 1960-61. About 15 per cent of the increase in income from agriculture has been paid as rent on land. From this the weaknesses of the land tenure legislation and its implementation so far should become evident.

The share of the Government as measured by land revenue payments in the total value of agricultural production has shown an increase from 1.3 per cent in 1951-52 to 1.8 per cent in 1960-61. The proportionate share in the incremental agricultural income was 3.1 per cent.

Cultivators Receive Less

Cultivators' income, which is a residual after deducting the above distributional shares from the total value of the agricultural production, has shown a decline from 68.1 per cent in 1951-52 to 63.0 per cent in 1960-61. In absolute terms the share has increased, but the proportionate share of the incremental income during this period was only 51 per cent. In other words, out of a 41 per cent increase in national income from agriculture, during 1951-52 and 1960-61, little more than the income has gone as cultivators' income.

Clearly, the gains of rent and interest recipients have been considerable and they have been at the expense of cultivators and agricultural labourers. The benefits of increased production have also not accrued to the Government in the form of additional revenue. Thus it appears that during the period under consideration the measures initiated to increase agricultural production have had the effect of improving the position of rent and interest recipients relative to that of cultivators and agricultural labourers. If in the process of economic development the shares accruing to cultivators and labourers are deemed as an essential income lever to raise production and productivity, then the changes which emerge from the above study deserve careful and immediate attention.

Notes

1 Patel, S J, "Distribution of National Income in India — 1950-51", *Indian Economic Review*, Vol III, February 1956, pp 1-12.

2 Gulati, I S, "Agricultural Property Income in India", *Indian Economic Review*, Vol III, August 1956, pp 110-114.

3 Chatterjee, A K, "Factor Shares in National Income of India", Paper III, in the Series "Studies Relating to Planning for National Development of India", I S I, 1959.

4 Mukerjee, M, "On the Available Estimates of the Breakdown of National Income by Distributive Shares in India", in "Papers on National Income and Allied Topics", Vol II, Asia Publishing House, Bombay, 1962, pp 35-36.

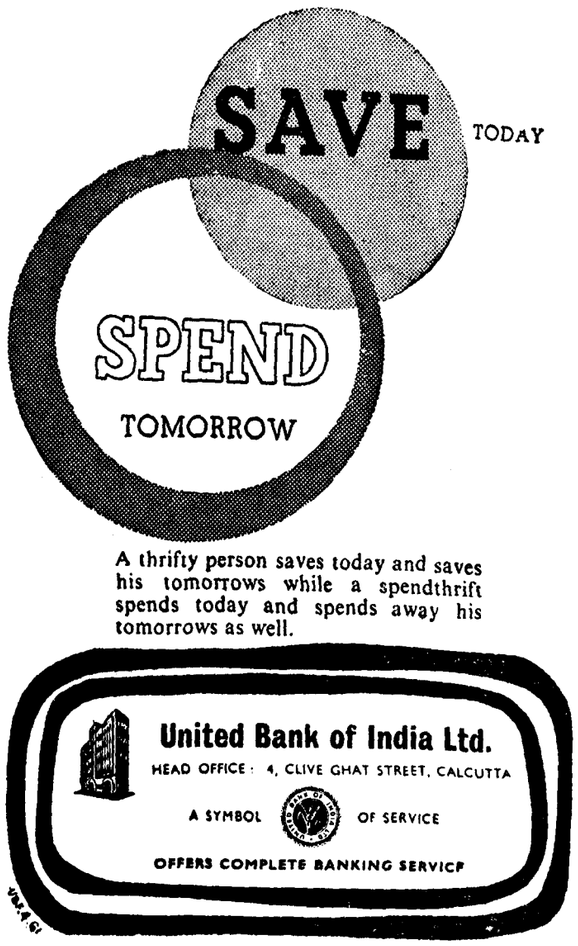
5 Dey, B; and Maitra, T, "Origin and Distribution of Rural Income of India", *The Economic Weekly*, June 15, 1963, pp 965-970.

6 Titmus, R M, "Income Distribution and Social Change", George Allen and Unwin, London, 1962, *passim*.

7 Directorate of Economics and Statistics, Ministry of Food and Agriculture.

8 The distribution has been delineated in terms of four categories which represent main economic activities. As such, each segment, though it represents income arising in the main from that activity, will include more than one activity.

9 This heavy dependence on outside private agencies for credit requirements is evident even if it is assumed that more than 12 per cent of the total credit is currently being supplied by the cooperative societies.



Unemployment and Economic Development

Comments

I

I P Nijhawan

S K NATH's reply (*The Economic Weekly*, August 10, 1963) to my comments on his article 'Unemployment and Economic Development' speaks volumes for his ability to tear sentences from their context and to use them to his advantage. Note his subtle attempt to mislead the reader by putting together my two sentences "increased employment opportunities must follow in the wake of economic progress" and "rapid development may come in conflict with increased employment". This is likely to mislead a reader who does not know the context in which they were written. Putting the two sentences together, Nath asks, "What does the rapid development consist of ?"

For me (unlike him) the measuring rod of economic development is not only 'the millions of men employed' but also the 'output' produced. At times the increase in output may be at the expense of employment. Nath believes that 'full employment' should be the sole objective of economic development. Those who do not see eye to eye with him on this point are accused of being callous as they do not realise the urgency of the solution of the baffling and growing problem of unemployment. He charges me of being "too satisfied about the employment situation to consider full employment as the *most necessary part* of any set of aim of economic planning" (italics mine). This is a gross misrepresentation of my views. He can rest assured that I am as much, if not more, concerned about the 'unemployment of teeming millions in India' as he is. But despite that (and despite his reply) I consider full employment as only one of the important objectives of planning.

Over-Emphasis on Numbers

Full employment should not and cannot be the sole and overriding objective of economic development. In fact as Reddaway* points out, unemployment is not a very meaningful concept in the context of the Indian economy. The phrase 'Unemployment and Underemployment' perhaps better describes the state of affairs in India. Nath is so concerned and distressed about the 'number' aspect that, I am afraid, he ignores the 'productivity' aspect. He feverishly counts the employment openings without caring to find out their productivity or real income generating capacity. Indeed if his suggestions are accepted (leaving aside the question of their feasibility) it will in most cases convert 'visible unemployment' into 'invisible unemployment'. Reddaway (*ibid*, page 24) very aptly remarks, "Trying to measure this problem (of unemployment) or assess progress in curing it (this is exactly Nath's stand point) by counting the unemployed seems about as useful as assessing progress in the nutrition field by counting the number of people who ate nothing at all on a certain day. It may give one some clue about the progress but it ignores the greater part of the problem" (words within brackets mine).

Then again Nath thinks that my quoting of statisics to prove that unemployment is a colossal problem means that I subscribe to the view "that *nothing more* can be done about the problem" (italics mine). Nath could not have misunderstood me more. I quoted the statistics to caution that one should not take an idealistic attitude towards a problem as ticklish and as baffling as that of unemployment. Realism is called for. Nath feels offended at my attempt to question his unrealistic assumptions and wishes to inform me that this is a 'logical attitude' but 'not very helpful attitude'. Probably Nath will brand my attitude 'helpful' if I join him in making unrealistic assumptions and vigorously support his prepostrous thesis that full employment in India can be achieved in just two years.

* W B Reddaway, "The Development of the Indian Economy", George Allen & Urwin, London, 1962.

II

S Shafiuddin

I HAD read with interest S K Nath's first article (*The Economic* Weekly, May 4, 1963). I was rather surprised at his criticism of the present employment policy of of the planners, that solution of unemployment has not been given due priority and the vague suggestions he made to solve the problem.

In the second paragraph of his article Nath states, "... employment for everybody within the next two years with an income at least adequate for the basic necessities (at controlled or subsidised price) should have been given top priority a long time ago and should be given first priority at least now." In this connection it may be pointed out that our planners have been seized of the magnitude of the unemployment problem from the very beginning. Even in the First Plan, which was mainly concerned with correcting the imbalances generated in the economy due to the war and partition, it was realised that in view of the vast volume of unemployment it was necessary to have immediately some special programme to mitigate this problem side by side with the reconstruction and development programme and a 12-point scheme was drawn up chiefly to provide maximum possible employment to people. In the Second and Third Five Year Plans, employment has been included as one of the principal aims of our efforts. The Second Plan also conceived of special schemes to be undertaken to provide relief to the educated unemployed. Similarly, the Third Plan, which in many ways continues the employment policy adopted in the Second Plan, has recommended that wherever in the execution of construction works more labour intensive techniques can be adopted without jeopardising production, such techniques must be given preference over capital intensive ones. All this leaves no room for doubt regarding the sincerity with which efforts are being made to create maximum employment opportunities.

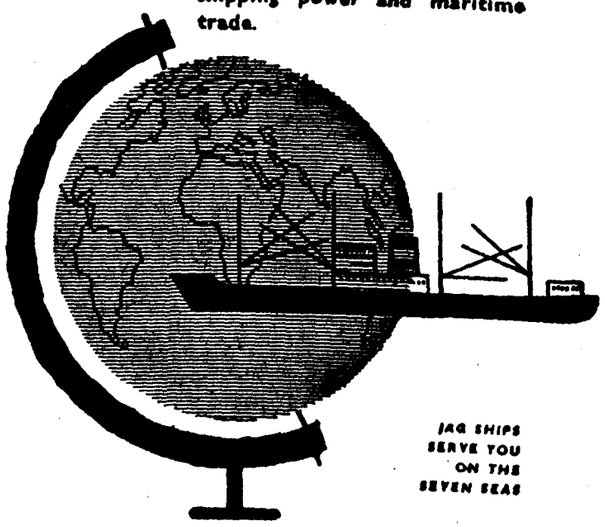
Not Practical

Nath's suggestion that within the next two yars everybody must get employment at a minimum level of wages, represents an admirable ideal but it is not a practical proposition when viewed in the context of our limited resources. A permanent solution of the unemployment problem can be achieved only through large scale investment in basic industries and creation of assets and overheads in the economy and these by their very nature take a long time to yield results in terms of production and employment. Does Nath really feel that unemployment can be eradicated in just two years? If so, he must present a concrete plan. Things are always easier said than done.

Summing up his approach to the problem, Nath goes on to say, "... The aim is to give jobs to all those who are unemployed whether in towns or in villages. The immediate aim is not to abolish seasonal unemployment of the agriculturists with farm holdings which are not extremely small but the unemployment of landless labourers in rural areas and of all sorts of workers (school or college educated or otherwise) in the cities". Of the two categories, Nath suggests that the former can be employed on "such jobs as construction of simple but well designed mud-houses, simple furniture, roads, wells, tanks, canals, school buildings and so on" and "sanctioning of such works should continue so long as there are people willing to work at the wages offered." Similarly, for the educated unemployed people, he offers the suggestion that they can be provided with employment as teachers, nurses, family planning propagandists and also as managers and supervisors, etc, in factories by working multi-shifts.

Not New

With all regard for Nath's noble sentiments, it must be said that he has not attempted to say something which is not already well known and being done. There is a dearth of trained teachers, engineers, doctors, craftsmen and nurses to meet even the existing requirements; thus before more schools, factories or hospitals can be opened there must be adequate supply of suitable personnel to man them. Besides, schools, factories and hospitals require proper buildings and equipment. Do our limited resources allow us to obtain these either internally or from abroad? Nath has not paid enough attention to this aspect of the problem. Even if it were not difficult to import requisite equipment, know-how, etc, from abroad, it would be wiser to build up our own assets and basic industries that can produce these, rather than depend on others. The planners' present approach to economic development aims at a delicate balance between the objectives of maximum employment and maximum production. Though in the short run the impact on employment of such a policy may not be quite sizeable, yet in the longer period this approach alone offers a reliable solution to our unemployment problem.



From the Chair

The Bombay Gas Company Limited

Speech of the Chairman, Shri N K Jalan

THE following is the Speech of the Chairman, Shri N K Jalan, at the Annual General Meeting of The Bombay Gas Company Limited held on October 3, 1963 :

Gentlemen,

It gives me much pleasure to welcome you to the Annual General Meeting and to present to you the Balance Sheet and the Annual Accounts, together with your Directors' Report, for the year ended 31st December, 1962. These have been in your hands for some time now and, with your permission, we may take them as read.

Disappointing Financial Results

You would have found that the Accounts for the year 1962 reveal, once more, and for the fourth year in succession, an extremely poor and disappointing financial result of the working of the Company. The Accounts under review show a net loss of Rs 59,636, after providing for taxation at Rs 52,507. If the income of Rs 1,32,707, which was derived from the investments of the Company, is excluded, the net financial result of the main operations of the Company, namely, production and distribution of gas, would show a loss of Rs 1,92,343. To arrive at a correct assessment of the financial result of the Company's working in 1962, however, it is necessary to exclude a further sum of Rs 1,36,200, being the proceeds of bills for the consumption of gas by the domestic consumers in the earlier years, of which the booking had fallen into arrears due to the altered system of meter reading introduced in 1959 and which were actually booked and realised only in 1962. On this basis, the production and sale of gas by the Company during 1962 actually resulted in a loss of no less than Rs 3,28,543. On account of this markedly unfavourable financial outcome of the Company's working, your Directors regret very much to say that they were not in a position to recommend the payment of any dividend to the stockholders for the year 1962. This is the first time, since the Company was taken over by the present management seventeen years ago, that a dividend has been passed. It may be recalled that the dividend rate for 1959 and 1960 was 6.5 per cent gross or 4.55 per cent net, each, and for 1961, 5 per cent subject to tax, i e, 3.5 per cent net and that, even in paying the paltry dividend of 3.5 per cent net for 1961, the Directors had to draw upon the General Reserves of the Company. In your Directors' Reports for the preceding three years, it was explained in detail how a continuous deterioration in the financial condition of the Company had been brought about by progressively increasing costs of coal, railway freight, taxes, wages and amenities for labour, etc. There was a further rise in the main items of cost during the year under review and the result was, as shown by the Accounts, a further serious worsening of the financial position of the Company to the point of a crisis.

Heavy Increases in Costs

A clear idea of the rapidly increasing costs of manufacturing and distribution of gas will be given by the following figures :

	1957 (Rs)	1962 (Rs)	Increase (%)
Price of coal (per ton)	48.12	60.36	25.44
Total cost of coal used	43,14,132	63,18,424	46.46
Wages bill	22,26,923	27,77,468	24.72
Amenities for labour	4,03,634	5,73,198	42.01

It would be noted that the above three items alone caused an increase in expenditure by as much as Rs 27,24,401 or nearly 40 per cent. In the last few months of the current year (i e, 1963), the increases in the cost of coal, freight, Emergency Risks Insurance premium (Rs 1,74,452), cost of electricity, etc, totalled up to, approximately, Rs 4,44,000 per year. The effect of this further heavy increase in cost in the current year is to aggravate the financial position of the Company still further day by day. And since three Quarters of the year have already passed by without any financial relief having been granted through a price increase, it is to be feared that the financial result of the Company's working for the current year would be far worse than ever before, unless urgent and adequate relief is offered to the Company through a substantial rise in the price of gas.

Unsatisfactory Coal Supplies still Continue

In my address at the last General Meeting, I informed the stockholders how the present system of loading coal in box wagons had been causing serious losses to the Company both financially and operationally. As the shortcomings of the system still continue to affect the Company adversely, I should like to comment, once again, upon this important matter. As the stockholders are no doubt aware, a box wagon has a capacity of 55 tonnes as against a capacity of 22 tonnes of the four-wheeler wagon in which coal was loaded previously. Moreover, to reduce marshalling time, for the last two years, the Railways have adopted the system of Rake Loadings. A Rake consists of 45 (four-wheeler) wagons on South Eastern Railway and 70 (four-wheeler) wagons on Eastern Railway. Therefore, 18 box wagons on the South Eastern Railway and 28 box wagons on the Eastern Railway constitute a rake. As there are very inadequate numbers of heavy weigh-bridges with siding accommodation, at important stations, short loading of coal cannot be checked most often. For this reason, the Company not unoften receives a shorter supply of coal than it has paid for. Secondly, as it is difficult for the collieries to load a rake of box wagons with good quality coal within the demurrage-free time of 5 hours, there is often a tendency to load inferior coal along with good coal. In consequence, the Company receives considerable quantities of low-quality coal, although it has to pay for good quality coal. This is a further source of loss to the Company. Thirdly, the free time allowed for loading and

unloading of coal was reduced from 12 hours to 9 hours, then to 6 hours, and thereafter to 5 hours, in the case of four-wheeler wagons. Now, although the carrying capacity of a box wagon is 2½ times that of a four-wheeler, the free time allowed remains the same 5 hours, instead of being increased *pro-rata* to 12½ hours. Like many other coal users, our Company's unloading arrangements and sidings are related to four-wheelers and not to box wagons, and, consequently, the Company is not able to unload the coal supplies within the demurrage-free time and, therefore, has to incur heavy demurrage charges. We would request the railway authorities to review the position and suitably extend the free time for unloading of coal and thereby save the coal users from unfair demurrage charges.

Gas Advisory Committee

As a result of our representations regarding the serious deterioration of the financial position of the Company, the Government of Maharashtra was pleased to appoint a new Gas Advisory Committee on the 16th February, 1963. In response to the Committee's request to furnish it with relevant information and cost data bearing on the case for an increase in the price of gas, the Company submitted a detailed Memorandum, including carefully worked-out cost estimates and other important information, on the 16th March, 1963. Detailed information on several aspects of the Company's operation was called for and furnished.

The Company stated that, since the take-over by the new management, it had expanded the sale of gas by over 60 per cent and increased the number of gas connections from 14,831 to 18,261. It was explained that, if the per capita consumption of gas had remained at the level of 1946, the increased gas supply would have been sufficient to enable the Company to give as many as 9,000 new gas connections within the period. However, due to a substantial increase in gas consumption per consumer, the number of new gas connections had to be limited to a little over 3,400. The Company also claimed that the quality of the service provided by it compared favourably with that of the most highly reputed public utility companies, such as the leading electric supply companies of the country.

Price Increases for Basic Commodities and Services

Ever since price control for essential commodities and services was instituted, the Government and other price-fixing authorities have sanctioned repeated and substantial price increases to meet cost increases either as a result of ad hoc inquiries or under an Escalator Clause. Thus, successive price increases during all these years have been granted in respect of basic commodities, such as iron and steel, cement, coal, etc, and basic services, such as electricity, telephones and postal rates, rail fares and freights, coastal freights, air fares, B.E.S.T. bus fares. Indeed, it is now an established principle of price fixation in India, in respect of controlled commodities and services, that increases in the costs of basic factors, such as coal, wages, electricity, rail freights, rates and taxes, Emergency Risks Insurance premium, etc, should be covered by adequate price increases. It is also an established principle that controlled prices should provide for sufficient return on capital so as to permit the distribution of dividends at prevailing rates for comparable industries and also a sufficient margin for reserves, to be ploughed back into the industry by way of rehabilitation and expansion. These principles have been followed in India over many years in the cases of practically all controlled commodities and services. Incidentally, these are also the principles that are followed by price-fixing authorities in other advanced industrial countries of the world.

Case for an Increase in Gas Price

But, unlike other important concerns producing basic commodities or services and receiving the benefit of price increases to meet cost increases, time and again, the Bombay Gas Company had the unenviable distinction of providing a unique instance in the country's post-war economic history, of the price of its service having been pegged down to a figure which was slightly lower than that of 1926, even though the costs had indisputably increased by a substantial margin within the period. In the Memorandum submitted to the Gas Advisory Committee, the Company has suggested that, in determining a fair price for gas, the following factors should be taken into account : (a) Actual costs of production and distribution of gas; (b) provision for reasonable improvement in salaries and wages; (c) provision for annual bonus; (d) provision for gratuity; (e) provision for contingency with an Escalator Clause to take care of unforeseen cost elements arising out of dynamic changes in the economy; (f) provision for rehabilitation; and (g) adequate return on capital so as to provide for reasonable dividends to the stockholders and suitable allocation to reserves. In this connection, the Company invited the Committee's attention to the currently prevailing rates of overall return on the invested capital earned by some of the leading public utility companies and certain other high-ranking industrial concerns of the country.

Company's Expansion Programme

The Company's request for an adequate revision of the price of gas, though fully justifiable on the ground of cost increases, was, however, linked up with a definite offer by the Company to undertake a substantial expansion programme designed to enable the Company to give 15,000 to 20,000 new gas connections over a period of three years, at an estimated capital outlay of some Rs 150 lakhs.

Possible Saving in Foreign Exchange

The Company pointed out that, apart from its importance in the context of the country's determination to step up industrial and defence production, the proposed expansion of gas supplies could result in a saving of the country's much too precious foreign exchange resources to the tune of some Rs 46.48 lakhs by reason of the resulting reduction in the consumption of imported kerosene for heating and lighting purposes.

High Price of Substitutes

There was one more important and interesting factor which was brought to the Committee's notice. Over the last few years, two of the leading oil companies had placed on the market a close substitute for piped town's gas, viz, Liquid Petroleum Gas (L P G), or, as it is popularly called, bottled gas. The current selling price for this L P G, in terms of British thermal units, was almost four times as high as the present rigidly-controlled price of town's gas in Bombay. It is noteworthy that, even at this price, there were reported to be no fewer than 45,000 consumers of L P G in the city of Bombay itself. It was also reported that a far larger number of potential consumers in the Bombay city and elsewhere were eager to obtain supplies of L P G for their use, even at that high price. In view of the fact that, in spite of its appreciably higher price, there was extensive demand for L P G in Bombay and other places, the Company strongly suggested that the Bombay public was certain to welcome a substantial increase in the availability of town's gas even though it would entail a moderate rise in the gas bill on account of heavy increases in the main elements of cost, such as coal, railway freight, taxes, wages and amenities for labour.

We trust that the Gas Advisory Committee would be considering the entire question of price revision in the larger perspective and would recommend an adequate price for gas which would enable the Company to continue to give and extend its good service to the city of Bombay, especially in the context of the current situation and foreseeable future developments in the country. In this connection, we may note the rapid strides which the gas industry has been making in western countries. It may be pointed out that in London there is one gas meter for every five persons, whereas in Bombay there is at present one gas meter for every 225 persons of the population. Recently, a tripartite agreement was signed for the joint sponsorship of a new company formed to extend the network of gas transmission and distribution system in Pakistan. If the Bombay Gas Company is given an adequate price rise, as it has every hope that it will be, it is the Company's determination to go ahead with installation of more and more gas connections in the City, either to private consumers or to such industries as may be specified by the Government, and the Government of Maharashtra would be in a position to demonstrate that, in the matter of amenities, Bombay, which is perhaps the most progressive city in the country from every point of view, is not lagging behind in this mater of the availability of gas, which is the cheapest fuel on tap. As mentioned earlier, we have already given an assurance to the Government that about 15000 to 20000 new gas connections would become possible to be given on an adequate price rise being granted, and it will be the endeavour of the Company to fulfil this programme even ahead of schedule. At present there are only two cities in India, Calcutta and Bombay, supplying town's gas. The result of an extension of the network of distribution which the Company will be able to undertake on being granted a price rise would be that the city of Bombay, which is the Commercial Metropolis of India, would have taken one more step in the matter of providing amenities and comforts to the citizens of the enlightened State of Maharashtra, which are the hall-mark of every progressive city in the world today.

Plant and Equipment

You will be glad to know that the New Elevated Purifier Box, which, as I informed you on the last occasion, was under construction, had been in commission since 30th December, 1962. On page 13 of the printed Accounts (Statement 2A), you will find that about Rs 15 lakhs worth of Plant Machinery and Equipments had been newly added to the Capital Block.

Welfare Activities

In the months of October and November, 1962, immediately after the declaration of the national emergency, an appeal was issued by the K E M Hospital Authorities for blood donation. The members of the staff and workers made a very good response and donated 19,000 c c of blood. In addition, the workers and the members of the staff gave a contribution to the National Defence Fund to the tune of about Rs 20,000/-. The workers and staff members continued to take advantage of the facilities provided by the Company in its dispensary at the Gas Works X-Ray and Screening Plant and Diathermy and Infra-Red Equipments in the Physiotherapy Section were well utilised. The annual medical check up of the employees was conducted as usual.

Appreciation

Before I conclude, I would like to express our warmest appreciation to the workers, the staff and officers, for their wholehearted cooperation, and, specially, to Shri S Chowdhary, your General Manager and Secretary, and Shri A S Rao, your Deputy General Manager, for their invaluable services.

Thank you.

Maharashtra State Co-operative Bank

THE progress of the Maharashtra State Co-operative Bank during the year ended June 30, 1963 was quite satisfactory from practically every point of view. The paid up capital of the Bank went up by Rs 72 lakhs to Rs 456.30 lakhs. Government contributed Rs 35 lakhs during the year and now holds 38 per cent of the total capital. Statutory Reserves and Other Funds stood at Rs 126.91 lakhs on June 30, 1963 showing an increase of Rs 21.02 lakhs. Deposits increased from Rs 25.48 crores to Rs 30.13 crores. Borrowings from Reserve Bank were lower by Rs 3.22 crores at Rs 22.26 crores and this was due to higher deposit resources and easy money market conditions. Loans and advances were also down by Rs 2.46 crores at Rs 42.94 crores. The Bank was able to get reimbursement during the year from the Reserve Bank against its loans to the District Central Co-operative Banks. Outstanding advances to co-operative sugar factory were reduced by Rs 4.27 crores to Rs 3.00 crores on June 30, 1963.

At the Annual General Meeting of the Bank held on September 25, Dr D R Gadgil, Chairman of the Bank, stated that the defects in the loan procedure were being gradually removed to make it easier for the District Banks to provide financial accommodation to new societies and members. The loan business of the Bank will show a progressive increase in the future. Dr Gadgil further stated that since land development banks have now made phenomenal progress in the State and had a close bearing on the business of district banks, a scheme for co-ordinating their activities as evolved at a conference of Central Financing Agencies is now being gradually implemented.

ALUCOIN

ALUMINIUM CORPORATION OF INDIA LIMITED

Magnificent Working Results: Rise in Sales 82% and Profits 60%

Expansion Project in Advanced Stage

25 Years National Service Completed: Silver Jubilee Bonus Shares Declared

Need for the Industry's Expansion Stressed

WHILE presiding over the 25th Annual General Meeting of the Aluminium Corporation of India Ltd., held in Calcutta on the 30th September '63, Shri Lakshmipat Singhania said:

Gentlemen,

I have great pleasure in welcoming you to the 25th Annual General Meeting of the Corporation. The formation of the Corporation in October, 1937, was the first concrete step towards the establishment of this highly technical basic industry by pooling all resources available in the country as no foreign technical assistance worth the name was then available. The Corporation has developed the aluminium industry in India in its natural sequence of operations that is from Indian bauxite ore to aluminium-oxide to aluminium metal to finished products like sheets and circles etc. By following this natural sequence the Corporation can claim that it has laid the foundation for this industry and created trained technical personnel wealth in the various sections of the industry. Therefore, the history of the development of the Corporation during the last 25 years can be rightly taken as the history of the establishment of this basic industry in India. Considering the enormous initial difficulties the Corporation had to face technically and financially the present attainment of the Corporation stands as an achievement of Indian Capital, Indian Management, Indian Labour and Indian Technical Skill who have toiled over long years with faith, courage and single purposeness of objective.

Pioneers have only the glory of blazing a trail with a reward of privations. This is also true in the case of pioneers who while establishing any basic industry like aluminium have to face certain difficulties which the subsequent entrants into that Industry do not have to face. The patience and perseverance of the equity shareholders who had to wait for 19 years before they could get their first dividend is a typical example.

Having received nothing for the first 19 years, for the remaining last eight years the Ordinary Shareholders have received a return of 9.11 per cent on their original capital, thus making a total direct return till end of March 1963 of a bare 3.73 per cent on the original capital, excluding the advantages of right shares and bonus shares. The highly capital-intensive nature of this industry will be borne out by the fact that an investment of approximately Rs 10,000 is required for one ton metal production capacity per year, that is about one-third in money value per year in Ratio of Capital Investment, and similarly from the employment point of view, a capital investment of Rs 30,000 to Rs 40,000 will be required per head of direct employment. For any Industrial investment of such magnitude a rate of return of 3.73 per cent is most inadequate. The total earnings of the Corporation during the last 25 years have been distributed as under :—

31 per cent on Raw Materials and Stores,

30.8 per cent for Employees,

10.2 per cent to Government as taxes and duties,

12.7 per cent for fund ploughed back for the industry itself.

5.9 per cent on Dividend,

1.1 per cent to Management.

It will thus be seen that the shareholders of such an industry are not directly benefited to a great extent but the industry becomes a national institution for creation and distribution of wealth for the national economy and it has to be viewed from that angle.

Silver Jubilee Bonus Share

I am happy to state that in order to compensate the shareholders for their patience and restraint and in order to provide a Silver Jubilee gift, the Directors have decided to issue bonus shares to the existing holders of Ordinary Shares in the ratio of one Bonus Share for every four Ordinary Shares held. Consents from the Controller of Capital Issues and the Industrial Finance Corporation of India have been received and the necessary preliminaries are being finalised and the shareholders will hear shortly about the date of allotment.

Here I must mention my appreciation of those Shareholders who have been holding the shares of the Corporation from the very inception. There have been ups and downs, in the value of the share in the market. Your shares were quoted as low as Rs 3/- at one time but with continued good performance of the Corporation the shares are again being quoted, for the last few years, in the range of Rs 13 to Rs 21. Those of the shareholders who happened to be able to buy the shares at the lowest price have benefited to the greatest extent but those shareholders who have been holding the shares from the very inception, are indeed to be praised. As the direct total return on the Ordinary Shares from the inception has not been more than 3.73 per cent, I am sure this 25 per cent bonus will be a compensating effect. I may also mention that today the net break-up value of the share of the Corporation works out to about Rs 36/- per share and the market quotation of the share is not always the criterion for the actual worth of the shares in a Company.

Progress Maintained

The Directors' Report with the annual accounts for the year ended 31st March, 1963, which has already been circulated to you deals elaborately with the various aspects of your Corporation. I will satisfy myself by mentioning that we have been able to maintain our progress during the year. The sales have reached a new high being 82 per cent higher and the gross profit accordingly has increased by over 60 per cent than last year. But the Directors had to reduce the dividend on the Ordinary Shares with a view to conserve the liquid cash to meet the requirements of expansion programme. I hope that this cut in dividend is only of a transitional nature. In view of the expansion and increased production, there is every reason to believe that the shareholders will be benefited to a greater extent in the future. It might be mentioned that the cost of this expansion programme will be in the vicinity of about Rs 5 crores and to finance this expansion the shareholders have been so far called upon to contribute only Rs 31.25 lacs in the form of fresh capital. The rest of the cost of the project is being financed by way of loan and deferred payments and Company's available resources. This has been indeed a very big task. It can be well realised that no new Industry could pay a first dividend in the very first year of establishment. However, I am quite conscious of the importance of servicing the capital by providing a reasonable return to the shareholders and I can assure you that the interest of the shareholders is of as much Primary importance to us as any other matter.

Expansion

I have pleasure in informing you that the expansion programme which has been undertaken by the Company has reached to the final stages. The new Smelter which is the most modern in the East has started functioning fom June, 1962, and has in a very short time reached full production capacity of quality metal and today the production level is higher than what was planned. The extension of the Alumina Plant is likely to be in full operation by the end of this year. Trials have already started on the Extrusion Plant and we hope that the plant will be in full operation within a month or two. Other plants of sales services of metal-like ACSR Cable Plant and Foil Plant are expected to be in operation before the end of the financial year i e, 31st March, 1964. The full benefit of all these extensions and new products will only be available to the Company during the next financial year. At present I can only say that the Corporation is completing all these plants most economically and in the most modern manner. A good deal of the plants has been designed and fabricated in India and I have no hesitation in saying that probably we have spent the least amount of foreign exchange compared to any other plant of this nature in India.

Need for the Industry's Expansion

The World production of Aluminium metal during the year 1962 has increased by about 10 per cent over the year 1961, the production for the two years being about 5½ million metric tonnes and about 5 million metric tonnes respectively. The slackening trend of demand in the countries producing largest quantities which was evident two years back has now changed and the demand for aluminium has increased all over the World. In fact the world consumption of primary metal for 1962 has shown a rise of 13 per cent over 1961. This is the highest percentage in a single year recorded recently. Further it is reported that the stocks at the end of the year 1962 were substantially lower than the stocks at the end of 1961. This shows that the existing uses of this metal are increasing and yet new uses are also being introduced.

The year 1962 has been of great importance in our country also. The production of metal has jumped from 16,382 metric tonnes in Calendar year 1961 to 35,313 metric tonnes in 1962 because of new plants and extensions of the existing plants coming into operation. Adding to this about 35,000 metric tonnes of metal which were imported during the year (actual figures available only for 10 months) the total metal available for consumption in the country for the first time has reached a peak figure of 70,000 metric tonnes. This is indicative of the trend of consumption of metal in the country. However, the basic factor remains that though we are in the middle of Third Five Year Plan period yet we are importing nearly fifty per cent of requirements of metal from abroad. According to the estimate of the Third Five Year Plan, the production in 1966 should be 1,17,000 tons; but unfortunately certain Licences granted so far back as 1959-60 for the establishment of new plants have not been still utilised and these are blocking the passage for others who could produce more metal in the country. Thus there is going to be a back-log in production at the end of the Third Five Year Plan. However, as stated by me on last year's same occasion, the estimated consumption of the metal at the end of the Third Five Year Plan may be in the vicinity of 1,20,000 tons or even higher, if the industrial growth of the country is

maintained at the present level. Again there is a possibility of consumption of Aluminium metal going further high especially in view of the non-availability of other Non-ferrous metals in the country. It is, therefore, essential that proper planning has to be done, especially as the rate of return on capital for this Industry is very low and capital requirements are very high. In my opinion for the proper development of this Industry a number of plants have to be established in the country and situated at different sites wherever power is available in sufficient quantities. It is not merely a matter of one or two particular sites in the country. As the most important raw material for the Aluminium Industry is power and as it is necessary that Electro-metallurgical industries are to be developed in the country, it is essential that power be made available from bulk generating stations at least to the extent of 10 per cent of the total generating capacity, at suitable rates. Then only the industry will be able to make proper progress and in time attain a growth to compete with other Aluminium producers in the World.

At present due to several factors there is a downward tendency of industrial growth and development which is very disturbing, for, the whole future of the country depends on this growth and if the economy will not grow faster than the population growth then the problems of unemployment, and lowering of standard of living will become more acute and the country as a whole will suffer. It is hoped that the Government will soon take appropriate action to revise the industrial economic growth so that industries can be established and expanded. Certain measures adopted by the Government in the past including taxation have to be very seriously reviewed, before it is too late and the tempo of industrial development should not be allowed to come to halt.

Gentlemen, I have great pleasure in felicitating all the shareholders, workers, officers, Managing Agents and esteemed customers of the Corporation who have helped the Corporation in its growth to the present position.

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Around Bombay Markets

Dalal Street Turns Erratic

Thursday, Morning

DALAL STREET last week pushed its way further up into new high ground but the going was a bit tough. The market seemed to encounter rough weather at the high altitudes. Occasionally it was obliged to beat a hasty retreat in order to be able to launch another successful assault. While Dalal Street's determination and ability to scale new heights are not suspect, it might soon find it necessary to take a good pause and consolidate its position before moving on to the next phase of its upward journey. It has a very fast run over the past two-and-a-half months and its recent performance suggests that it has spent away much of its force by now. Making further advance is likely to prove an uphill task unless the market takes necessary rest and regains much of its lost vitality.

The recent spectacular recovery in equity prices is due primarily to a significant turn in market psychology but market's confidence can by no means be said to be misplaced. There are good reasons to think that the Government is really serious about toning up the capital market. The Government seems even more determined to accelerate the pace of industrial and economic tempo through appropriate changes in the credit and fiscal policies. The new Finance Minister has met with considerable success in bringing about an improvement in market psychology. How far he will meet the market's expectations in regard to modifications in the fiscal policy remains to be seen. Fortunately, there has been a considerable improvement in the political situation recently and prospects of a fresh attack by China are now generally discounted. Political uncertainty had been the main factor behind the prolonged stalemate in the investment market; improvement in the political situation is bound to help revival of investors' confidence.

The bull is again the king and it would be risky to mistake any setback in the market as a sign of his weakening control over the market. Judged by the amplitude and the duration of the current bull phase, odds are in favour of an early good correction. How exactly the technical adjustment might come about is difficult to say. It, however, bears repetition that the major trend is no longer in doubt. The investor can look forward to the future with confidence, especially if the Colombo Powers can succeed in bringing about a peaceful settlement of the border dispute between India and China.

Cotton

Prices Rise Further

THE upward trend in cotton futures gained further momentum last week. The March contract which had been moving up since 21st September when it made a low of Rs 687.75 and could be had around Rs 703 early last week (3rd October) recorded a high of Rs 713.75 by the week-end (9th October). This takes it fairly close to the highest rate of Rs 720 touched on 22nd July — the starting day for trading in the new season's contract.

The recent improvement in futures is due as much to short covering as to persistent bull support. The bull who had been keeping off the market because of the large carry-over and prospects of another good harvest became active when he came to know that the Government was really serious about setting up an agency to support the market should prices tend to be unduly depressed under pressure of arrivals at the harvest time. The speculator is not concerned with the merit of the buffer stock scheme. That the Government should be thinking of supporting the market when prices are just half way between the ceiling and the floor is a sufficiently good reason for the bull to build up a position as the potential risk is small.

While the Government is preparing to keep ready to stand by the cotton grower and insure him, as it were, against a seasonal fall resulting from the seasonal pressure of arrivals, the trade is beginning to revise its optimistic forecasts about the 1963-64 crop. Lack of rains during end-September and early-October, which is regarded as a crucial period for the crop, is said to have adversely affected the yield in some of the important cotton growing tracts. It is felt that the new crop might turn out to be 3 lakh to 4 lakh bales less than in the previous season. How far the revised crop estimates reflect the change in the mood of the market is difficult to say. It is perhaps still rather premature to make a dependable estimate of the crop. In any case, the crop movement is late by about three weeks. The pace of arrivals once the crop begins to move into the market freely should provide a reasonably good idea both in regard to the size and the quality of the crop. Meanwhile, the official move for creating a buffer stock agency has brought about a significant change in the tone of the spot cotton market. Spinners are beginning to show a more lively interest in the market though business is limited by the scarcity of offerings. The quotations for new crop cottons have improved by about Rs 20 to Rs 30 per candy over the past fortnight or so.

It is not merely the mills which have become a little more active. There has also been a noticeable improvement in overseas inquiries for Bengal Deshi. Japan which had been keeping off the market all this while is reported to have purchased sizable quantities. Apparently, the continuing strength in Deshi prices due to satisfactory domestic off-take and downward revision of the crop estimate have induced the Japanese importers to revise their attitude. Now that the Japanese demand is beginning to revive, exporters feel that it will be possible to negotiate substantial business in the near future. This is encouraging. New Delhi will be well advised to allay trade's anxiety at the earliest by declaring that it has no intention of including Bengal Deshi in any kind of barter deal.

Consumption and Imports

Mill consumption of cotton in July is placed at 5.02 lakh bales made up of 4.48 lakh bales of Indian cotton and 0.54 lakh bales of foreign cotton. The July figure, the highest for the 1962-63 season — raises the total for the first 11 months of the season to 51.77 lakhs comprising 43.48 lakh bales of Indian cotton and 8.29 lakh bales of foreign cotton. The corresponding figures for the previous season were 42.94 lakh bales of Indian and 9.07 lakh bales of foreign cotton making a total of 52.01 lakh bales. The setback in consumption — though very small — is intriguing in face of distinctly comfortable supply position of cotton during the season excepting a few months in the beginning. Stocks with mills at the end of July comprised 16.96 lakh bales of Indian cotton and 2 lakh bales of foreign cotton compared to 12.67 lakh bales and 2.23 lakh bales respectively at the end of July 1962.

The quantity of cotton licensed for import during the 1962-63 season totalled 624,226 bales of which U S cotton amounted to 227,374 bales. The corresponding figures for the previous season were 903,003 bales and 259,982 bales. Actual arrivals during 1962-63 consisted of 399,079 bales (296,098 bales) of U S cotton, 160,245 bales (195,866) of Sudan, 128,085 bales (94,299) Egyptian, 68,110 bales (160,855) of East African, 47,799 bales (88,275) of Pakistan and 16,648 bales (29,313) of others making a total of 819,966 bales (864,706 bales). Figures in brackets relate to the previous season. Arrivals include quantity licensed in the preceding season.

Oilseeds

Expectant Mood

THE oilseeds market is in an expectant mood. Optimism is running high that the Government will soon announce the substantial liberalisation of export incentives for all the vegetable oils — groundnut oil, linseed oil, cottonseed oil and castor oil. The way most market men are talking about the revised incentives suggests that New Delhi has completely made up its mind on the issue and that the announcement is merely a formality. Any comment on the revised incentives will naturally have to be reserved until the official announcement has actually been made.

Hopes of an imminent announcement of more liberal export incentives have already brought about a significant change in the general market sentiment. Groundnut futures which had developed a sagging tendency in sympathy with the sharp decline in spot prices because of the increased flow of new crop arrivals have again turned steadier on renewed bull support and anxious bear covering. The January contract which had been marked down from Rs 219.75 to Rs 216.12 was up again around Rs 219 at the week-end. The recent sharp fall in spot groundnut and groundnut oil is in the nature of a quick readjustment of old and new crop prices. The huge premium that the spot material had been enjoying over the new crop hedge contracts could not be expected to be maintained when the new crop begins to move into the market in quantity. Futures have held remarkably steady despite the recent pronounced weakness in the spot material. And if export business picks up appreciably with the anticipated increase in incentives, oilseeds futures are unlikely to register any noticeable decline which usually follows the seasonal pressure of arrivals. Castor futures (March contract) moved irregularly between Rs 166.25 and Rs 164.62 and wound up the week virtually unchanged at Rs 166. Linseed March also moved erratically between Rs 36.81 and Rs 36.31 and closed at Rs 36.62 against Rs 36.75 a week ago. Cottonseed futures firmed up from Rs 96 to Rs 99.75 in sympathy with the marked strength in cotton futures.

Overseas Advices Firm

Apart from the general belief in higher export incentives, sentiment in the oilseeds market was also influenced by the marked strength in overseas markets. The recent heavy purchases of wheat by Russia and other Communist countries from Canada and other non-Communist countries has virtually touched off a boom in grain and oilseeds markets. Prospects of reduced supplies of copra oil and palm oil as a result of the strained relations between Indonesia and Malaysia have also imparted considerable strength to vegetable oils. Prices of groundnut oil, linseed oil, copra oil, castor oil and soya oil have risen by about £8 to £10 per ton over the past two weeks or so. Though Indian prices are still substantially out of world parity, exporters seem optimistic about selling substantial quantities of Indian oils if the incentives are further liberalised as generally anticipated, especially because the trend in foreign markets is likely to keep firm in the near-distant future.

Export houses reported fairly large business in groundnut extractions last week. Hungary alone was said to have purchased nearly 12,000 tons at around Rs 395 per ton f o b. The U K also purchased sizable quantities of extractions and a few thousand tons of groundnut oil; crude oil fetched about £102-10 per ton. Some business was also reported in groundnut H P S. Czechoslovakia took a small quantity of castor oil. Business in linseed cake was poor but cottonseed cake continued to be in keen demand and realised £31-10 to £32 per ton.

Madras Safe Deposit

THE net profit of Madras Safe Deposit for the year ended June 30, 1963 after providing for depreciation and taxation amounted to Rs 11,886 compared with Rs 8,024 in the previous year. The Directors have recommended a dividend of 6 per cent on its Equity shares absorbing Rs 9,563. Additional lockers have been installed in the current year.

Aluminium Limited

ALUMINIUM Limited have increased the basic price for primary aluminium ingot in world markets by one-half cent per pound to U S cents twentythree per pound CIF main ports, from October 2, 1963.

Business Notes

India Steamship

THE continuous and substantial losses suffered by India Steamship for the past four years have moved the Chairman of the Company, Sir A Ramaswami Mudaliar, to explain to the shareholders at the Annual General Meeting of the Company on September 30, the circumstances that led to these losses. Ever since 1961 the Conference Lines operating on the India-UK-Continent routes have contended that a freight increase on both eastward and westward cargoes was necessary to save them from losses and to enable them to earn a reasonable profit. However, as a result of subsequent developments in relation to Pakistan, the Conference agreed not to increase freight in the east-to-west trade till July 1, 1963, (the west-to-east freight was increased by 10 per cent from October 1, 1961). On the contrary, the Conference even reduced freight on some commodities, notably jute and gunnies, from Pakistan to meet the threat of competition from a new tramp shipping company in Pakistan. A similar freight reduction was inevitably forced on exports from India also. The net effect was that the Lines which were incurring losses even at 1961 rates — freights were unchanged from 1958 — had to content themselves with the same rates and, in some cases, even reduced rates for the next 2 years.

As time passed, it was however conceded by shippers, and Government ultimately, that an increase in the east-to-west freight was justified in principle though views differed with regard to the quantum of increase. Some of the Conference Lines engaged in other overseas trade had increased freight twice during the past three years. The Indian Lines suggested an increase of 10 per cent in the east-to-west trade, but the Conference fixed increase at 12½ per cent on the ground that the effective increase would be only 10 per cent because of the non-increase or lower increase for serisitive commodities. In this context, Sir Ramaswami has expressed the hope that the treatment of sensitive export Commodities will be discussed in a cordial atmosphere between the Conference and the Governments concerned.

Comparing the freight increases with the 1957 rates, Sir Ramaswami has stated that the revised rates are only slightly higher. He emphasised that exports should be promoted and foreign exchange earnings increased but at the same time he has suggested that the prices of export items and the profit margins on them should be carefully evaluated before pressing for an alteration in the proposed increase in freight rates.

Sir Ramaswami has also taken the occasion to answer the criticism that while other companies are making profits India Steamship alone is making losses. He has said that the Company's fleet is operating on the India-UK-Continent route and the Baltic and Black Sea routes with a few calls at South American Ports. It is on these routes that freight rates have not been increased from 1957 till now. Other companies have more remunerative routes to ply and some of them have large investments of reserves, which contribute to their increased income.

Reiterating his agreement with the policy of the Government of India that export promotion should in no way be hindered by unreasonable freight rates, Sir Ramaswami has commended the practice in some other countries anxious to promote exports where national shipping companies are compensated for loss in earnings. Sir Ramaswami finds the Government's anxiety to expand Indian tramp tonnage to avoid over-dependence on foreign carriers understandable and thinks that this can be done without adversely affecting the Indian Lines who are, after all, important earners of foreign exchange for the country.

Commenting on the future of the Company, the Chairman has stated that the share of the Indian Companies in the import and export trade of UK is increasing every year by about 1 per cent. The Government of India's export promotion schemes have expanded the volume of trade to both West and East Europe. He was, therefore, confident that the era of deficit balance sheets had come to an end.

(The Directors' Report and Accounts were reviewed in these columns in the issue dated September 28.)

National Newsprint

NATIONAL Newsprint and Paper Mills is the first venture of its kind in the country. Apart from difficulties which generally confront a new industry, the Company had to contend with several unusual difficulties for lack of initial attention. Location, raw material availability, water supply, staff, etc, all of which seem to have been very casually dealt with at the inception of the Company, presented serious problems which at one time looked formidable. The quality of paper particularly its shade was constantly criticised by the public who have not appreciated efforts made to overcome difficulties. The Annual General Meeting of the Company held on September 30, provided an occasion for its Chairman, Sir A Ramaswami Mudaliar who holds this office for over the last 12 years, to refer to the progress of the Company.

Sir Ramaswami pointed out that the Central Government and the Madhya Pradesh Government by financing the venture gave a turn to its fortunes. A part of the loans from the Governments had been converted into equity capital. The M P Government agreed to freeze the accumulated interest charges amounting to over Rs 110 lakhs which was to be paid in ten instalments beginning from 1959. The position to-day is that loans from Governments exceeding Rs 137 lakhs have been paid off. The frozen interest charges now stand reduced to Rs 66 lakhs.

To meet the complaint against the shade of its paper, the Company has now planned to put up a caustic soda chlorine plant in collaboration with a Swiss firm and production from this plant is expected to be available to the Mills in the first half of 1964. Experiments with a new method of treating wood pulp have proved successful and the quality of paper will show improvement both in colour and in tensile strength.

The unsuitability of the plant's location meant that a whole township, having now a population of over 5000, had to be created in Nepanagar, the entire housing being provided by the Company. This had to be supplemented by establishment of schools, hospital, etc, with requisite staff and other paraphernalia. All these involved heavy expenses and called for a band of enthusiastic men. In these circumstances, it is gratifying that the Company was presented a Certificate of Honour by the President of India for satisfactory performance during the year 1962. The initial target planned was 30,000 tons but an expansion of capacity to 60,000 tons was being actively considered for the last three years and the Board has now decided to apply to Government for necessary licence.

The net profit of the Mills during the year ended March 31, 1963 after providing for depreciation and other charges amounted to Rs 50.20 lakhs (Rs 40.84 lakhs.) Adjusting the previous debit balance of Rs 24.83 lakhs, there remained a balance of Rs 25.37 lakhs which has been taken to Reserves. No dividend was declared as there was a contingent liability in respect of income-tax assessment. The Chairman, however, indicated that the current year's working would enable the Company to declare a dividend, probably even an interim one. Production of newsprint for the year showed an increase of 1,236 tonnes to 26,515 tons. Sales went up by Rs 15 lakhs to Rs 2.80 crores. Production for the first nine months of the current year was 23,070 tonnes being 570 tonnes more than the rated capacity and 5,100 tonnes more than production in the corresponding period of last year.

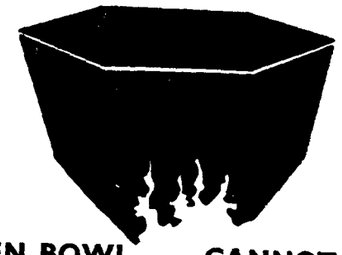
National and Grindlays Centenary

THIS is the Centenary Year of National and Grindlays Bank. The bank was registered on September 29, 1863 in Calcutta by a small group of British and Indian merchants under the name of the Calcutta City Banking Corporation which was changed to the National Bank of India early the following year. Thereafter until 1958, when further changes of name were made in recognition of the new conditions in South Asia, the National Bank of India was a name familiar to successive generations of customers in an increasing number of countries. The National Bank acquired the entire capital of Grindlays Bank in 1948. Grindlays absorbed the branches of Lloyds Eastern in 1961.

The National Bank's head office and control were transferred to London in 1866 and the bank was registered as a sterling concern under the U K Companies Act. This gave it ready access to the world's principal money market, where it speedily established itself as a forward and progressive institution specialising in the financing of eastern trade and commerce. The mid-1860's were a time of great financial stress: with the end of the American Civil War the Indian cotton boom collapsed, and the Overend Gurney failure in London had its repercussions in India. Banking casualties were heavy, especially in India, but by prudent and skilful direction the infant National Bank of India weathered the storm. An account of these and other eventful happenings in the long story of the bank is given in "100 years of Banking in Asia and Africa", a book specially written by Geoffrey Tyson to mark National and Grindlays' centenary which will be released shortly.

By the 1890's the bank was fully established in India, (including that part which is now Pakistan), Burma and Ceylon, as well as in Aden and Zanzibar. From the latter place it was a short step to the East African mainland, where it had the distinction of being the first British bank to begin operations and to bring western banking techniques to the several East African territories. As the railway made its way from the coast to Lake Victoria, the bank went with it on what was literally a pioneering journey. In the process it was able to provide banking services for the considerable number of Asian merchants, tradesmen, clerks and mechanics who came to East Africa for the construction of the railway or its subsequent operation.

On December 31, 1864 the bank's total assets amounted to £328,736; today they are more than £277 millions. In the first year of operation there were slightly more than 300 shareholders; at the end of 1962 the number was approximately



ASP/EEPC-2/63

"A WOODEN BOWL CANNOT BE USED TWICE ON A COOKING STOVE"

The first order is only half as important as the second order.

Therefore exporters must maintain a very high standard of business in order to make long term profits and uphold the country's prestige—particularly as new competitors with highly industrialised countries.

The export market can be a source of continuous earning power—if quality goods, prompt service, competitive prices and service facilities are provided.

Export is a Sacred Trust

ENGINEERING EXPORT PROMOTION COUNCIL,
India Exchange (7th Floor), Calcutta-1

6,500. In contrast to the dozen or so staff with which the Calcutta City Banking Corporation opened its doors in 1863, National and Grindlays today gives employment to nearly ten thousand employees of all grades in 165 branches operating in a dozen countries and is official banker to four Governments. This is some measure of the progress which National and Grindlays can proudly look back to on the occasion of its centenary.

Poysha Industrial Co

POYSHA Industrial Co had to contend with difficulties regarding its main raw materials. Inadequate import of tinplate restricted manufacture of open top sanitary cans to suit the needs of canners, and therefore sales of this item suffered. The indigenous tinplate varied in its thickness and hence not only became at times unusable in automatic machines but also reduced the rate of production. Again, there was irregularity in supplies. These difficulties handicapped the industry throughout the year. The Company hopes that with the co-operation of the Hindustan Steel (Rourkela) these difficulties would be minimised. These facts were revealed by Shri M R Ruia, Chairman of the Company at the Annual General Meeting held on September 30. The Chairman, however, felt that considering handicaps the performance of the Company was satisfactory.

Total sales for the year amounted to Rs 94 lakhs as against Rs 78 lakhs in the previous year. The profit earned increased from Rs 1.45 lakhs to Rs 2.11 lakhs during the year. The equity dividend was stepped up from 70 to 90 nP.

When the new factory at Dighe (near Thana) is completed production would improve rapidly resulting in a larger turnover and profits for the Company. The Company has received orders from Government for supply of cylinders of various types. Since the manufacturing of such cylinders is a profitable line, the Company is planning for special tooling and machinery. The company has suggested to the Government that some of the specifications may be modified as this would substantially reduce costs without impairing efficiency.

Balmadies Plantation

BALMADIES Plantations earned a net profit of Rs 1.12 lakhs for the year ended May 31, 1963 as against a loss of Rs 1.11 lakhs in the previous year. With hardly a balance of Rs 996 after adjusting the loss, which is now completely wiped out, the Directors have utilised Rs 20,000 from the Dividend Equalisation Fund to pay the Preference dividend at 6 per cent and an Ordinary dividend at 5 per cent absorbing Rs 4,515 and Rs 15,000 respectively.

The crop harvested by the Company was a record one and exceeded estimates. The Company has replanted about 60 acres and has planned to replant some 30 acres every year for a period of four years. This would not affect profits, it is expected. Estimates of the current year's crop is lower, but the Company hopes to realise an additional income from the sale of timber.

Money Market

Thursday, Morning

THE inter-bank call money rate which had remained unchanged at 2 per cent for the past over two weeks hardened to 2½ per cent on this Tuesday. Demand picked up and funds were taken over at the increased rate. On account of strengthening demand, tenders for Treasury Bills continued to be poor with the discount remaining unchanged at 2.318 per cent. Sales of intermediates between October 3 and 5 fetched only Rs 1 crore as against Rs 2.37 crores in the previous week and Rs 10.30 crores in the week before.

Additional demand for funds is partly due to Diwali requirements and partly to diversion of funds to Calcutta where stringent conditions have prevailed throughout the past week and call money fetched anywhere between 3 and 4¼ per cent with more borrowers than lenders.

These, and not any change in the comfortable resources position of scheduled banks, are the causes of the stringency in Bombay. During the week ended September 27, the banks got additional deposits of Rs 7.24 crores while their advances increased by merely Rs 1.46 crores. Their resources position must have been so comfortable that they utilised their funds, including a part of their cash and balances with the Reserve Bank, to augment their investments in government securities by Rs 6.78 crores. Their borrowings from the Reserve Bank were only fractionally higher by Rs 27 lakhs while moneys lent on call stood higher by Rs 3.42 crores.

Although there have been continuous increases in deposits and contractions in credit, banks have increasingly turned to Government securities for investment of surplus funds, with the result that excess funds at their disposal were restricted to their current needs. This is the reason why the call money market has remained more a lender's than a borrower's market, and why, while the return flow of funds did not depress the market, temporary upsurges in demand for funds tended to harden the rates on occasions. The slack season will draw to a close by the end of the month. Crop movements will pick up and trade demand will expand. In these circumstances it is unlikely that there will be any further substantial contraction in credit this season. Unless therefore, deposit resources increase from time to time, the rising demand for credit which will emerge in the coming months will either compel banks to reduce their holdings in securities or cause a growing stringency in the money market and pull up rates further in stages. At any rate it appears that the call money rate has begun to improve and is unlikely to sink to lower levels.

The Reserve Bank's statement for the week ended October 4, throws further light on the growing demand on scheduled banks for funds (which will be also reflected in the next returns of scheduled banks). Their balances with the Reserve Bank on October 4 were lower by Rs 9.99 crores while their borrowings increased by Rs 1.26 crores.

Public demand for funds has also gone up and is reflected in a sharp rise of Rs 28.38 crores in Notes in Circulation. As the Banking Department met the demand by giving out Rs 5.47 crores from its vaults, the net Note Issue was up by only Rs 22.91 crores. Besides rupee coins held in the Issue Department are down by Rs 2.08 crores. Cover for the additional note issue and for

the depletion of rupee coins has been provided by the rise of Rs 3.00 crores in foreign securities and by the addition of Rs 22 crores to Rupee securities in the Issue Department. Investments held in the Banking Department have, therefore, come down by Rs 22.45 crores.

Deposits of the Central Government rose by Rs 13.99 crores during that week while those of State Governments fell by Rs 3.54 crores showing a net rise of Rs 10.45 crores in Government deposits with the Bank. Other deposits also increased by Rs 6.22 crores. However, since scheduled banks' deposits fell by Rs 9.99 crores, the Bank's total deposits improved by only Rs 6.68 crores. Loans and advances to Governments increased by Rs 25.92 crores. As stated above, schedule banks' borrowings showed only a small rise of Rs 1.26 crores. Bills purchased and discounted swelled by Rs 9.70 crores and foreign assets moved up Rs 3.98 crores in the aggregate.

In the giltedged market, demand for the 3 per cent Conversion Loan which touched Rs 66.10 seems to have tapered off. While near-dateds continue in demand at quoted rates, demand in other issues has slackened somewhat. Sentiment still continues to be quite good.

Preparation for Fourth Plan

THE Planning Commission has indicated to the States that the basic core of the Fourth Plan will continue to be a faster growth of agriculture combined with a rapid expansion of industry and suitable provision for transport, fuel, power and education. It has been suggested that the pattern of industrial development is to be so designed as to free the country's development from the difficulties of the balance of payment.

The means of achieving these objectives, according to the Planning Commission, will necessarily include significant increases in domestic savings, improved efficiency in construction and management of enterprises and sizeable extension of exports.

The principal objectives of development programmes will remain

(a) achievement of a socialistic pattern of society;

(b) balanced development of the country's different regions;

(c) expanding employment opportunities; and,

(d) a level of production which will lead to self-sustained and rapid growth of the economy at an early date.

With these goals in view, 26 working groups are currently busy formulating proposals for the Fourth Plan in the perspective of a 15-year period 1966-81. The subjects taken up by the groups include internal and external resources, international trade, and development, policy on food, family planning and scientific research.

Preliminary reports are likely to be submitted to the Planning Commission by November this year.

Burn and Company Limited

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the above-named company will be held at the registered office of the company, 12, Mission Row, Calcutta-1, on Tuesday, 19th November 1963 at 11 A M for the purpose of considering and, if thought fit, passing the following special resolutions.

Special Resolution

1. That the authorised share capital of the company be increased from Rs 1,20,00,000 to Rs 2,00,00,000 by the creation of 80,000 new ordinary shares of Rs 100 each.

Special Resolution

2. That the Articles of Association of the Company be altered by deleting from the beginning of Article 4 the following words namely "The Capital of the Company is Rs 1,20,00,000 divided into 28,000 Preference shares of Rs 100 each and 92,000 Ordinary shares of Rs 100/- each" and substituting therefor the following words namely "The Capital of the Company is Rs 2,00,00,000 divided into 28,000 Preference shares and 1,72,000 Ordinary Shares of Rs 100 each".

Special Resolution

3. That it is desirable to capitalise the sum of Rs 84,00,000 out of the amount standing to the credit of Works Reconstruction and Expansion Reserve in the books of the Company and accordingly that such sum be capitalised and distributed amongst the holders of the ordinary shares of the company on the register of members at the 19th day of November 1963 (joint holders being considered as one person for this purpose) in the proportions in which they hold such shares respectively on that day and on the footing that they become entitled thereto as capital and on condition that the same be not paid in cash but be applied in paying up in whole at par 84,000 new Ordinary Shares of Rs 100 each to be allotted and distributed credited as fully paid up Bonus Shares to and amongst the said holders of 84,000 Ordinary Shares in the proportions aforesaid, that is to say, at the rate of one of such new ordinary bonus shares for every one ordinary share held by the Members respectively according to the Register of Members at this the 19th day of November 1963 and that the said ordinary shares so distributed shall rank in all respects pari passu with the existing ordinary shares save and except that they will not participate in dividends declared in respect of any period ending on or before the 30th April 1963, and that the Directors be and they are hereby directed to give effect to this Resolution.

The Registers of Members and the Transfer Books of the Company for Ordinary Shares will remain closed from the 4th November to 19th November, 1963, both days inclusive.

A member entitled to vote at the meeting is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member.

By Order of the Board
Burn and Company Limited
Martin Burn Limited
F G Liversedge
Managing Director
Managing Agents.

Registered Office :
12, Mission Row,
Calcutta 1.
Dated 9th October, 1963.

Note : An Explanatory Statement is annexed to the convening notice issued to members of the Company.

CURRENT STATISTICS

BANKING RETURNS

(*Rs crores*)

Reserve Bank		Oct 4	Sep 27	Sep 6	Oct 5 '62
1	Note circulation	2220.69	2192.31	2218.88	2054.34
2	Rupee coin	123.27	125.36	121.50	123.04
3	Deposits				
	(a) Central Govt	78.29	64.30	94.54	60.87
	(b) Other Govts	2.54	6.08	7.76	19.95
	(c) Banks	77.93	87.94	84.22	85.82
	(d) Others	165.68	159.43	159.05	160.08
4	Foreign securities	92.46	89.46	89.46	88.33
5	Balance abroad	8.60	7.62	6.67	5.64
6	Rupee securities	1914.31	1892.31	1907.21	1703.05
7	Investments	173.27	195.71	208.62	136.64
8	Loans and advances to Govts	86.50	60.58	53.31	35.44
9	Other loans and advances	144.57	139.45	148.93	154.58
Scheduled Banks		**Sep 27**	**Sep 20**	**Aug 30**	**Sep 28 '62**
1	Aggregate deposits (net)	2215.45	2208.21	2196.07	2035.27
	Demand (net)	968.97	966.48	960.10	799.46
	Time (net)	1246.48	1241.73	1235.96	1235.80
2	Cash in hand	50.92	51.19	53.95	47.38
3	Balance with Reserve Bank	81.50	83.92	95.03	79.05
4	(2)+(3) as % of (1)	5.98	6.12	6.78	6.21
5	Borrowings from Reserve Bank	1.86	1.59	0.38	4.51
	(a) Against usance bills and/or promissory notes	0.10	—	—	2.31
	(b) Others	1.76	1.59	0.38	2.20
6	Advances	1233.15	1233.96	1256.23	1180.24
	(a) State Bank	236.39	236.41	240.48	256.00
	(b) Others	996.76	997.55	1015.75	924.24
7	Bills discounted				
	(a) Inland	168.07	164.45	161.67	149.61
	(b) Foreign	50.90	52.25	49.93	48.53
	(c) Total	218.97	216.70	211.60	198.14
	(i) State Bank	13.88	15.48	15.92	12.02
	(ii) Others	205.09	201.22	195.68	186.12
8	(6)+(7) as % of (1)	65.54	65.69	66.84	67.72
9	Investment in Govt Securities	779.43	772.65	745.84	689.93
10	(9) as % of (1)	35.18	34.99	33.96	33.90

Bombay Money Rates

(*Per cent per annum*)

	Sep 27	Sep 20	Aug 30	Sep 28 '62
Call money from Banks	—	2.32	1.34	2.62
Deposits				
Seven days	—	3.00	3.00	3.00
Three months	—	—	3.50	—
Six months	3.75	3.75	3.75	3.75

INDEX NUMBER OF WHOLESALE PRICES

(*Base* : 1952-53 = 100)

Group & Sub-Group	MONTHLY AVERAGE August '63	July '63	August '62
Food Articles	**138.6**	**137.9**	**131.5**
Cereals	115.3	115.0	109.5
Pulses	108.0	109.7	113.0
Fruits & Vegetables	143.3	141.3	146.5
Milk & Ghee	130.2	132.1	133.0
Edible Oils	152.0	151.6	159.4
Fish, Eggs & Meat	152.5	148.5	149.1
Sugar & Gur	205.1	193.8	151.2
Others	184.5	188.2	171.0
Liquor & Tobacco	**119.1**	**118.8**	**99.2**
Tobacco	116.1	115.9	95.7
Fuel, Power, Light & Lubricants	**137.0**	**137.1**	**122.5**
Industrial Raw Materials	**138.4**	**138.5**	**139.6**
Fibres	131.8	130.2	128.6
Oilseeds	153.9	155.7	160.4
Minerals	92.6	93.4	93.4
Others	125.1	125.2	124.7
Manufactures	**130.9**	**130.6**	**129.0**
Intermediate Products	**139.0**	**140.1**	**143.1**
Finished Products	**129.5**	**129.1**	**126.6**
Textiles	127.7	126.5	125.3
Cotton	135.3	135.2	129.3
Jute	101.1	97.9	111.1
Woollen	156.6	156.6	141.3
Silk & Rayon	138.8	136.3	131.3
Metal Products	163.0	163.0	160.8
Chemicals	117.6	117.2	115.1
Oil cakes	163.3	169.8	163.9
Machinery & Transport Equipment	123.8	123.8	117.6
Others	128.5	128.4	125.3
All Commodities	**135.9**	**135.5**	**131.1**

Coal Production and Despatches

(Monthly Averages or Calendar Months)

('000 *Metric Tons*)

		Raisings	Despatches	Stocks at pit head
1963	May	5,718	4,888	3,731
	April	5,696	4,949	4,267
	March	5,806	5,229	4,086
1962	May	5,127	4,441	3,869
1962		5,129	4,573	3,483
1961		4,675	4,190	3,290
1960		4,384	3,860	3,458
1959		3,984	3,522	2,729
1955		3,236	2,789	2,685
1951		2,915	2,473	2,824

Source : Ministry of Mines and Fuel, Government of India.

Working Class Cost of Living Index

(*Base adjusted to* 1949 = 100)

	June '63	May '63	June '62	1962 (Average)
Gauhati	110	NA	110	112
Ahmedabad	120	NA	124	122
Madras	150	150	150	150
Bombay	145	143	146	145
Bangalore	NA	NA	153	153
Kanpur	106	105	106	107
Calcutta	128	128	119	120
Delhi	NA	NA	130	130
All-India	134	NA	130	130

Source : Central Statistical Organisation, Cabinet Secretariat.

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The Minimum Family Income Target for 1975-76

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Plan Reappraisal

IT was known that for quite some time the Planning Commission was engaged in a reappraisal of the Third Plan. And now, from the speeches of the Prime Minister and the Finance Minister it appears there has been going on concurrently a reappraisal of the Planning Commission. The two activities are far from unconnected. The Planning Commission's appraisal of the Plan, if it is to be meaningful, must go beyond producing a list of likely shortfalls in Plan targets. It must go deep into the factors which have been responsible for achievements falling short of expectations and, further, it must outline the steps that have to be taken in the remaining years of the Plan so that the basic objectives of the Plan are achieved.

A sincere enquiry into the causes of the shortfalls in the Third Plan will require the Planning Commission to turn the searchlight upon itself. The realisation that production targets in several key sectors are not likely to be achieved is not sudden or recent. Within a year of the beginning of the Plan, it had become apparent that the programmes for, say, steel, heavy machinery, machine tools and fertilizers, among others, would not be fulfilled. The trend of agricultural production since then has also left no doubt that agriculture will be an even bigger millstone than all these, weighing Plan progress down. How is it that even before the Plan had run half its course, it became necessary to revise the targets in the very sectors which had been given top priority initially, and rightly because on them depended the pace of progress of the economy?

The questions that arise are whether the various projects were fully worked out in detail well in time and whether the implementation machinery was set to work according to schedule. The Planning Commission cannot absolve itself of responsibility for shortcomings in either of these directions, for, whatever the theory about its status at the time of its establishment it has certainly not confined itself to the advisory role befitting an extra-constitutional agency. This has been no accident; it has consciously evolved in that direction.

It has gone even further. Today the Planning Commission has almost ceased to be a planning body and has assumed the role of the Secretariat. It has become so engrossed in normal Government administration that it is unable to see the mistakes that are being made, since to a large measure the mistakes of the administration have been the responsibility of the Commission. The endless stream of files which pours into Yojana Bhavan for specific and routine decisions necessarily hinders the Commission in the vital task of keeping a constant and careful watch over Plan implementation. This function can be fulfilled only by a body detached from the day to day routine of the Government, a body competent in statistics, whose role should be to think and plan, to inform and advise rather than to administer. To the extent that the Planning Commission is not today such a body, its competence to dispassionately and objectively study the causes of the failures of the Third Plan and to formulate concrete proposals so as to remove them in future is suspect.

The other part of the Planning Commission's reappraisal of the Third Plan must consist of a reconstruction of the Plan in the light of its operation so far and of the impact on the economy of developments following the Chinese aggression so that the really vital objectives do not get lost in a free-for-all in the remaining years. Reviewing the industrial development in the Second Plan, the Planning Commission had ruefully concluded that "the shortfalls have unfortunately occurred in some of the very industries which are of crucial importance and have deprived the economy of the benefits reckoned on for the start of the Third Plan". Without a thorough-going reconsideration of priorities here and now, a similar epitaph can be written in advance for the Third Plan.

The proof of the pudding is in the eating and the worth of the Planning Commission's labours in the reappraisal of the Third Plan will be revealed in the proposals it is able to present to the National Development Council which meets in New Delhi early next month.

Steel Price and Distribution

THE Raj Committee on Steel Control had revealed its thinking on the major questions referred to it in its preliminary report submitted to the Government in January. The final report released this month, covers certain matters which it had not then examined — e g problems of re-rollers, distribution and pricing of imported steel, etc — but the principal recommendations conform to the expectations raised by the earlier report.

The Raj Committee has come to be associated with decontrol of steel distribution, but its recommendations on steel pricing deserve no less attention. Pricing, of course, was not among the terms of reference of the Committee and strictly speaking, its concern should have been only with the effect of the present relative prices on the pattern of production and distribution of different steel products. The Committee has found that, under the present system, relative prices do not reflect the demand for different products and, therefore, play no part in making the rolling programmes of producers conform to the pattern of demand. If relative prices are to fulfil this role, the Committee argues, there should be greater flexibility in their determination than is allowed by the present system of fixing them on the basis of the recommendations of the Tariff Commission. It does not, however, stop with relative prices, but also considers "the general level of the price of steel allowed to producers". It finds the present price, fixed on the basis of the Tariff Commission's recommendation last year, unsatisfactory insofar as it does not provide adequately for the replacement of plant at current or prospective replacement costs.

While conceding that there can be no other sensible principle of depreciation which can apply to the costing of steel, it is not immediately clear how the Committee came around to judging the absolute retention price. In any case, if the present retention price were subjected to proper scrutiny, inadequate provision for depreciation would not appear to be its only fault. And, what is more, the other faults could not be blamed on the Tariff Commission either. Is it then possible that the excursion into the question of the retention price was intended to pave the way for the Minister of Steel and Heavy Industry, who no less than the Tariff Commission is responsible for the inadequacies of the current retention price, to correct his mistakes without appearing to own them up?

In defreezing the retention price the Committee has performed a valuable service and it would be petty to quibble about its terms of reference. The Committee, however, goes further and suggests that the responsibility for fixing steel prices should be entrusted to a joint committee of the steel producers. It is true that if relative prices are to reflect demand conditions it should be possible to change them through a less elaborate process than a Tariff Commission enquiry. But can such changes not be made after base prices have been fixed by the Commission on a cost-plus basis? As should be evident from the following quotation from its report, the Committee intends the cost-plus principle to continue to be the basis of pricing:

> "Under the new system (of flexible prices) it will be necessary to introduce a safeguard against the accrual to the steel producers of much larger surpluses than may on broader social considerations be thought to be warranted. We suggest that ordinarily when free market prices are such as to justify an increase in first sale prices by the Joint Plant Committee, but the latter are already high enough to more than cover producers' costs and requirements of replacement and expansion, action may be taken by the Government to adjust the sale price realised by the producers through imposition of excise duties or other fiscal devices".

If, then, the basic prices are to continue to be determined by the cost-plus formula, isn't a statutory, specialised agency like the Tariff Commission better qualified to fix them than a committee of the producers themselves? Surely, there can be no difficulty in the Tariff Commission fixing the basic prices and subjecting them to scrutiny at periodic intervals and another agency, in closer touch with demand and supply conditions, making the necessary adjustments in these prices from time to time with the approval of the Government?

Turning to distribution, the Committee has reiterated the recommendation it had made in its preliminary report, viz. that control should be exercised only over first sale by the steel producers. According to the Committee, this will only legalise the position that now obtains in spite of the comprehensive control which exists on paper. Though steel prices are now fixed all the way from the producer to the consumer through many layers of distributors, there is no means of ensuring that the actual sale prices conform to the statutory prices at different stages, except that of the first sale by the main producers. In fact, the prices actually charged to the final consumers for products which are in short supply are not far below the black market prices. And since it is the small consumers who are more dependent on stockists for their supplies, the incidence of the higher-than-fixed prices falls more heavily on them than on the bigger consumers who get their supplies directly from the main producers.

Under the system of distribution proposed by the Committee, any consumer will be able to get his supplies of steel from one or more of four sources: main steel producers, re-rollers, Government stockyards and private traders. The main producers will sell at the controlled prices fixed by the Joint Plant Committee, and the Government stockyards at these prices plus a margin to cover operating expenses. Private traders and re-rollers will be free to sell at the highest prices they can get. In theory any one can place an indent with the main producers, but since, for technical reasons, the main producers cannot be expected to execute orders below a reasonable minimum size, it will be the small consumer who will have to buy his requirements at the free market prices from the private traders or re-rollers and so, except to the extent that he can get his supplies from the Government stockyards, he will be no better under the proposed new system than at present.

The demand for a large number of steel products far exceeds supply (including imports) and so the re-rollers and the traders who will get their supplies of billets and finished products, respectively, from the main producers at fixed prices but who will make their own sales at free market prices will earn very handsome margins. The Committee recognises this and recommends that should the margin between producers' prices and the free market prices become "excessively large", the Government should use the device of excise duties to mop up part of the difference. It needs to be considered whether the logic of this arrangement cannot be carried further to make out a case for unpegging of the sale prices of the main producers *also*, while, of course, maintaining control over allocation according to priorities.

The Committee has itself argued that the assignment of priority to particular consumers should not carry with it the implication that they will get any kind of price preference. Why then peg the sale prices of the main producers? The prices which the producers are allowed to retain can be fixed, as at present, on a cost-plus basis with adjustments to reflect the supply and demand conditions for particular products, but their actual sale prices need not be pegged and should fully reflect the free market prices obtainable by the re-rollers and traders. And even if it is felt that priority consumers should be given a price advantage, this can be done by having two sets of sale prices, one for priority consumers and the other for the rest. Some such arrangement would far more effectively mop up the excessive margins going to intermediaries than the use of excise duties.

Maghreb Malaise

EVENTS in North Africa have moved with considerable speed towards an impasse, transforming a hopeful experiment into an all too familiar squalid Arab wrangle. King Hassan of Morocco has good claims in the disputed area, and might with justice complain that Algeria has dismissed those claims brusquely since independence; but he made a crucial mistake in shifting the dispute from the diplomatic to the military arena, a mistake stemming from his estimation that Algeria was too weak to resist his military nibbling in the south. The transition from encroachment by tribal chieftains to advance by Royal Moroccan troops was the catalyst that precipitated fifteen months' friction between the two countries into open warfare. Sadly for Hassan, a patriotic war was just what Ben Bella needed to extricate himself from domestic troubles — he has embraced the conflict with an eagerness and enthusiasm that suggest considerable relief.

Not that the war will help either country. It allows Hassan to continue to curb his troublesome left-wing who have been succoured, Hassan alleges, by Algeria. It allows Ben Bella to discredit utterly the Berber rebels, to whip up a nationalistic hysteria which submerges domestic grievances, and, most important, to enlist under loyal officers the veterans of guerilla warfare who might be tempted by unemployment and Ben Bella's open dictatorship to make common cause with the Berber revolt. It adds a terrible burden to the stumbling Algerian economy, but it allows the President to consolidate his regime in one move — he has already dismissed his puppet National Assembly and formally assumed supreme power. The military rebels (there is as yet no word of Ait Ahmed) have tacitly admitted that Ben Bella has outmanoeuvred them, and they have joined the national crusade against what Algiers variously describes as the murderer of Patrice Lumumba, the decisive force leading to the collapse of the Congo, or the agent of French imperialism. This last charge is ludicrous considering how much aid Algeria receives from France.

Not that Hassan has been very much more restrained in his attacks on Ben Bella. The public relations aspect of Arab warfare has always been more highly developed than the military — so highly developed, in fact, that reports from either side, couched in well-worn patter, are equally fictional. All this obscures the tragic side of the conflict. Once more, the Algerian people which so richly deserves freedom after the terrible sacrifices of the struggle with France, is in the melting pot. The outcome of the conflict can benefit the people of neither side — only the leaders will profit by the defeat of their domestic opponents. That is, if Ben Bella does not overplay his hand, and the Algerian economy withstands the strain — military defeat or even further economic dislocation could turn those bayonets he has given the veterans against himself. More likely is it, however, that prolonged bitter fighting will lead, in due course of time, to exhausted stalemate, and the Algerian-Moroccan border will join that tragically long list of unsettled border issues that continue to plague the world, and continue to provide unscrupulous leaders with a constant source of chauvinistic nourishment with which to blind their peoples.

Weekly Notes

The King Is Dead . . .

AGAINST all odds, Lord Home has succeeded to leadership of the British Conservative Party, and to one of the traditional privileges of the office, the Prime Ministership of Britain. He is hardly known in politics. He comes not from the hurly-burly of politics, but from the quiet cloisters of Britain's decayed aristocracy. His reticence prompted a London satirical magazine to portray him as merely capable of saying 'I agree' to whoever happened to be at his elbow. He is old in comparison to his rivals (Butler excepted), and obviously a compromise candidate. The Conservative backbench baronets have always disliked the most deserving and competent heir-apparent, R A Butler, whose postwar efforts to reform Conservative policy earned him many enemies although it helped the Party back to power. On the other hand, Hailsham's windy rhetoric is too much like Churchill's to have any relevance to the problems of a technical and planning society. The other contenders are young enough to wait.

In political terms, the change of faces at Downing Street is likely to represent very little, despite the weakening of the left entailed in the protest departure from office of the powerful Macleod and liberal Powell; in the nature of things. their departure will be temporary. The Conservative Party in its years of office has come to represent *par excellence* a homogenous ruling class interest — the terms right and left tend to conceal that basic homogeneity. At times of transition, from squirarchy Toryism to free-trade Liberalism, or from Liberal-Conservatism to the modern streamlined managerialism, the divisions become important. But in the late fifties and sixties, this is not so — the Conservatives will continue on their Butlerian course because no other political tactic offers the same degree of success. Butlerianism, like an oil patch on the sea, takes its shape from the waves beneath, the union of business, the State and the middle class, which is Conservatism. Policy within the Party thus hardly differs very much, just as it hardly differs from right-wing Labour Party policy. The old image of Mr Butskell, invented in the early fifties, still reigns supreme.

Thus it is with ease that the Conservatives take their cue from Labour. As the election approaches, the Conservatives wait for the publication of Labour's policy in order to expropriate it — on social welfare and education, they have now copied assiduously. What Labour cannot solve, the Tories have no answers to — how to raise economic growth, to curb inflation and the upward surge of wages, how to tackle the depressed areas of the North and declining industries like shipbuilding or cotton. These are the real pitfalls, but Tory drift has so far paid dividends. Now, with the economy beginning to expand again, no doubt helped by a bright budget next April, people will forget, and Tory electoral prospects will begin to improve. No doubt, Home, like his predecessor, will continue to survey these fluctuations of fortune with a surprised air — and even to suggest sometimes that it is by his efforts that the mood has changed. Think how splendid Canute would have felt if the tide had at that moment begun to go out.

Reform or Revolution?

THE coincidence of the Sino-Soviet debate and the Indian Emergency could hardly have been more disastrous for the Indian Communist Party. Its recent National Council meeting, staged to demonstrate Chairman Dange's power and the supremacy of the Soviet line, has precipitated matters, clarifying issues and allowing the rivals to see their support. The debate offered the domestic reformulation of the Sino-Soviet controversy — should the CPI support the Congress Left against its Right or wage all out opposition to Congress, should it take the Emergency seriously (should it be defeatist or defencist), should it seek a popular revolution or just Parliamentary pressure? In a phrase, reform or revolution, nationalism or class-struggle? Dange's position drives him into dependence on Nehru; Gopalan's into association with Peking. If the Government released the Communist detenus, Dange would probably not have a majority even on the National Council (thirty-five of the 110 members of the National Council were absent at the current session).

The balance of forces in the Party reflects the political alignment. Dange for the moment controls the national party; Gopalan's strongholds are at the grass-roots where the CPI is strongest — West Bengal, Kerala and Andhra Pradesh. Dange's position on the National Council (supported by two-thirds of those present) allowed him to censure his main opponents — Gopalan and Namboodripad of Kerala, Sundarayya of Andhra, and Ramamurthi of Tamilnad — but not to precipitate a split by expelling Gopalan from the Executive Committee or depriving him of his Lok Sabha leadership. Gopalan, on the other hand, was strong enough to defy the censure motion; he was warned, however, by Jyoti Basu and his group of intellectuals in Calcutta against breaking away from the Party. Gopalan must try to increase his strength in the national party — for which he needs pre-eminently a Party Congress as platform. an opportunity Dange has unobligingly postponed until September of next year. The centrists in the controversy have all but disappeared, and the left is revealed as surprisingly strong. Kerala repudiated the censure by giving Gopalan a hero's welcome back, and rudely refusing Dange's offer to come and help in the campaign against the Land Reforms Bill. In this State, clearly Communist-Congress co-operation is an absurdity whatever its national relevance. In West Bengal, a separate party organisation has sought to oust Dange's imposed organisation (the old State Council is in gaol), has organised demonstrations contrary to central policy, and even barracked the Chairman on his trip to Calcutta. Even in Dange's Maharashtrian stronghold, pro-Gopalan slogans have been heard, and the Party has had to discipline six 'dissidents'. Overall Dange has replied by creating a Control Commission to discipline the rebels and the papers and periodicals which defy the central line in the key States.

Gone are the Comintern days when Stalin could excommunicate rebels in foreign Communist parties without discussion. Dange must now fight out the political issues, albeit supported by the unlikely alliance of Delhi and Moscow. Dange, dependent on his opponents being kept in gaol, cannot hold the Party Congress until he is sure of a majority. Meanwhile, rumours suggest Moscow will not wait — the forthcoming anniversary celebrations might be the occasion for Khrushchev's final condemnation of Peking. Then Dange's balancing trick will be crucially upset — he will be morally bound to root out opposition in the CPI. Whether this will result in Dange being the 'rebel' or Gopalan is unclear — present signs suggest that real power lies with Gopalan. This is to be expected in any underdeveloped country — Dange's parlour politics or 'class collaboration' are hardly relevant to any party which calls itself Marxist and revolutionary, whatever it might be in terms of Russian foreign policy.

Adulterated Drugs

THE text of the Bill to amend the Drugs and Cosmetics Act of 1940 has been published. The Bill was introduced in the Rajya Sabha in the last session of Parliament and was referred to a Select Committee. It will be recalled that in the middle of 1962 there was quite a furore over the widespread detection of spurious drugs in the market and the public was very much agitated. At that time the Union Health Minister and other official spokesmen had assured the public that steps would be taken to eradicate the spurious drugs racket. The proposed amendment of the Drugs Act is presumably the product of their cogitations on the subject.

The principal objectives of the Bill are (a) to bring Ayurvedic and Unani medicines within the purview of the Drugs Act, and (b) to provide for more severe punishment for offences under the Act, specially for the manufacture and sale of misbranded and adulterated drugs. The amendment also seeks to clarify the definition of "Patent or Proprietary Medicines", by making the term applicable only to a remedy or prescription presented in a form ready for internal or external administration, and not, as at present, to any drug which is not included in the current pharmacopoeias. This clarification was very necessary. At present even basic drugs are included under patent and proprietary medicines and consequently subjected to import and excise duty at the rates applicable to medicines. This leads to multi-point taxation and raises the price of manufactured medicines. Similarly, the definition of adulterated drugs has also been explained. At present the terms faked drugs, spurious drugs, counterfeit drugs, etc, are indiscriminately used as synonyms. The proposed amendment clearly defines an offence under the Act to consist of the manufacture of misbranded drugs or adulterated drugs. These terms are so defined as to cover both deliberate action intended to cheat as well as negligence.

At the time of introducing the Bill in the Rajya Sabha, the Union Health Minister had given a detailed explanation of its objectives and the reasons for introducing it. She had pointed out that the preparation of Ayurvedic and Unani medicines was no longer restricted to vaids and hakims, but had been commercialised by many manufacturing firms. Certain manufacturers were also increasingly marketing preparations containing partly modern drugs and partly Ayurvedic and Unani drugs. It had become necessary, therefore, to exercise control over the manufacture and sale of these drugs. The Uduba Committee on indigenous systems of medicine had disclosed that certain costly materials such as gold, musk, pearl, saffron, etc, which were ingredients of various Ayurvedic medicines had been substituted by imitation products. To check all these malpractices, it had been decided to bring the indigenous systems of medicine within the scope of the Drugs Act through this amendment, the Minister explained.

No one will doubt the sincerity of the Government's intention to stamp out spurious and adulterated drugs, but it needs to be asked how far this objective can be achieved by making more rules and laws. There is no prescribed pharmacopoeia for Ayurvedic or Unani medicines. To compile it is a near-impossible task because of the different systems of medicine used by different vaids and hakims in their practice. Enforcement of the amended Act will be made further difficult by the fact that it would require personnel trained in both the systems of medicine.

In her speech while introducing the Bill, the Minister had said: "There has been a general demand throughout the country for enhancing the penalty for the manufacture and sale of misbranded and spurious drugs. Accordingly, it is proposed to enhance the maximum penalty of imprisonment provided for such offences to 10 years and to provide for the confiscation of property apparatus, etc, used for the manufacture of such drugs". The Bill also provides for compulsory punishment for even technical offences.

It is debatable whether enhancement of punishment is the most effective way of reducing the incidence of the crime. The penalties prescribed under the present Act are quite sufficient provided the laws are fully and efficiently enforced. But this will not be possible as long as the enforcement of the Act is left to the State Governments. This should be obvious from the fact that at present only 4 or 5 States have the requisite Drug Control Administration. Unless, therefore, the Centre assumes the responsibility for enforcing the Act, additional legislation, however well meant, will not go very far.

State Finances

YET once again the States have been reminded that their revenue mobilisation is not upto the mark and that they have to seriously set about rounding up resources for pushing through their Third Plan. In this familiar homily, however, some differentiation has been made among States. Five of them — Madras, Maharashtra, Orissa, Punjab and West Bengal — have received fair-sized bouquets from the Planning Commission. They are considered to have put forth "adequate efforts" so far and the Planning Commission hopes that they "will continue the efforts to mobilise resources and improve upon Plan targets". The other States have

been pulled up for their recalcitrance.

Actually, available data on Plan outlay in the States do not seem to warrant such differentiation. The outlay in the first three years of the Plan (including the budget estimates for the current year) equals three-fifths of the total Plan target only in 2 States — W Bengal and Assam. It is lower than 50 per cent of the target in 5 States, including Punjab. Both Madras and W Bengal — States which have been commended — introduced fresh taxation only once in the last three years and have run up budgetary deficits. Considered as a whole, the picture is anything but bright. Tax effort by the States, which appeared more enthusiastic in their 1962 budgets, flagged again in 1963. The result is that while the Plan target of additional taxation by the States is Rs 610 crores, what has so far been levied aggregates to just around Rs 120 crores.

Taxation, of course, is not the only aspect of the financial discipline required. On the expenditure side, there has to be as much conservation of resources as possible. Brave schemes of economy and protestations of austerity are common enough. Last year, for instance, almost all the States proposed such measures as suspension of fresh staff recruitment, reduction in travelling allowances, economies in the use of stationery and electricity, and so on. Nonetheless, the States' total non-developmental expenditure has increased by about 30 per cent since the Third Plan was inaugurated.

The consequence is inescapable: mounting budgetary deficits — which have risen from a total of Rs 38 crores in 1961-62 to Rs 59 crores in the following year and Rs 74 crores in the current year. Increased Central assistance has been the States' principal source of funds to cover the deficits, but some of them have also had to resort to unauthorised overdrafts from the Reserve Bank. This financial jugglery reached such a pitch that the States had to be warned that further unauthorised overdrafts would not be honoured by the Reserve Bank!

Small savings is another sphere in which the States have to improve their performance. The record of the past three years is, to say the least, disappointing. One of the objections to the Compulsory Deposit Scheme was that it would adversely affect voluntary savings. Now that the Scheme has been virtually abandoned — for which the resistance of the States was given as the principal reason — the obligation of the States is all the greater.

IJMA Takes Umbrage

THE jute mill industry has been an enigma to many people. It is one of the oldest industries in the country, and has always contributed a fair share to our export earnings. Till the early twenties, the bulk of the shares in the mills was held by foreigners and foreign agency houses, almost wholly English. Indian businessmen came into this industry in the 1920's. The Partition of 1947 did hit the industry severely as the bulk of its raw material used to come from East Bengal. But it must be said to the credit of the cultivator in India that within a few years he was able to supply practically all that the mills needed.

It was during the period of shortage of raw material that the mills reintroduced the Working Time Agreement to restrict output according to the volume of raw material available as well as the export demand for jute goods. The Working Time Agreement has been criticised on various counts. Perhaps its most damaging effect has been the opportunity it gave to Pakistan to set up a highly competitive jute industry. It is not denied that Pakistan had the benefit of an assured supply of good quality raw jute produced very close to the mills that she set up after 1947. But there was certainly lack of foresight on the part of Indian mills and the result was a considerable shrinkage in India's share of the world market for jute goods. The Working Time Agreement has also meant that the cultivator has been denied the benefits of bigger markets for his produce. It has also meant the elimination of competition within the industry between the more efficient mills and the others as the Agreement assured everyone a market.

Another enigmatic feature of the industry in the post-war years, except in the last two years or so, has been the very indifferent financial performance of a number of mills. Raw jute has been available by and large at reasonable prices, labour has not had to be paid the wages which it commands in many other industries in the country (as compared with the textile industry of Bombay, jute mill labour has been at a distinct disadvantage), and output has been sought to be regulated to keep in step with the export market. Given these factors it surprises one why the shareholder in the mills has so often suffered so much.

It is some of these factors which led the Jute Committee, under the Chairmanship of Shri N C Srivastava of the Planning Commission, to suggest recently that a high powered Jute Development Board should be set up by the Government under the Ministry of Food and Agriculture to formulate and execute a development programme for raw jute as well as to take steps to stabilise prices of raw jute and jute goods. Not unexpectedly, the IJMA has taken umbrage at some of the findings and recommendations of the Jute Committee. The facts are there in the Committee's report for all to see though perhaps some of the difficulties experienced by the mills since the partition could have been a little more emphasised. But that would hardly make a difference to the main conclusions of the Report. Whether a separate Board is set up or not, the Government can ill afford to allow things to drift in the manner in which they have been allowed to all these years.

The Economic Weekly

Foreign Subscription Rate

Due to increase in foreign postal rates it has been found necessary to revise our foreign subscription rate. With effect from July 1963, the annual foreign subscription is Rs 34, 50s or $ 7.

A FERNANDES
Business Manager

Capital View

'Andha Yug'

Romesh Thapar

WHAT a beautifully relaxed feeling it is to be so confused that we can happily justify the celebration of the major festivals of Diwali and Dusserah at different times in different parts of the country — or, for that matter, as in Uttar Pradesh, accept without murmer the administering of defective oaths of office to a number of the warring ministers headed by our only woman Chief Minister, Sucheta Kripalani. What's more, the Posts and Telegraphs Department helped the confusion by printing the wrong birth date on the Annie Besant commemorative stamp. And, appropriately it seemed, the director and students of the National School of Drama staged with skill the historical play "Andha Yug", the age of the blind!

We are all groping — or so, at least, it appears to us in the Capital. The 'reluctant renunciators' of the Congress, who were to have galvanised political life at the grass roots, are so involved fighting each other that Kamaraj was compelled to offer himself as presidential candidate of the party. Perhaps, this is all to the good — but no one really knows. Nor do we understand how present trends in the States will condition the future, whether there will be stability or more ferocious factional activity. In fact, I have seldom seen Delhi so inhibited about passing political judgements.

However, the pattern of change in Jammu and Kashmir compels attention. The rise to power of the comparatively unknown Shamsuddin could be dismissed as another one of those skilful manoeuvres by Bakshi Ghulam Mohammad, who is now preparing to fill the vacuum left by Maulana Abul Kalam Azad but is anxious to preserve his considerable influence in his home State. Superficially, it does appear that Shamsuddin will be 'his master's voice'. But already reports suggest that things may not turn out the way they have been planned — that is, if Shamsuddin has some ambition in him.

It is well-known that the Prime Minister was much disappointed that Bakshi Ghulam Mohammad had been unable to assist Sadiq, Mir Qasim and D P Dhar to crush the political ambitions of Bakshi Rashid, that approval for Shamsuddin's election was obtained — and deviously — only when it became clear that any other leader would not obtain the necessary 'unanimous' support of the National Conference. However, Bakshi Ghulam Mohammad's decision to place power in the hands of a younger, not so factional and *comparatively* uncorrupted leadership, thereby removing the so-called 'right' and 'left' group leaders from the power struggle, marks what might well be an important turning point in the life of Jammu and Kashmir. Shamsuddin's pledge to attack corruption in the State, to guarantee dissenting political activity and to tone up the administration has been well received, and, if he means business, the blockages to Kashmir's progress can be removed.

Politicians *vs* Specialists

In the Capital, of course, there is a tendency to equate the developments in Kashmir with those which have taken place in other States. Is not Shamsuddin the creature of Bakshi Ghulam Mohammad in the same way as Gujarat's Balwantrai Mehta is of Morarji Desai, or Orissa's Mitra of Patnaik, or Sucheta Kripalani of C B Gupta and so on? What these critics forget is that whereas everywhere else one or the other faction leader has assumed power, and will continue to press the sectional interests of his faction, in Kashmir there is a possibility of the new leadership breaking loose of the deadening grip of the old factionalists. If this happens, Delhi will feel relieved.

At the moment, the governmental reshuffle at the Centre is consuming the time and energy of the Prime Minister and his confidants. The more thorough-going purge at minister and deputy minister level, which had earlier been forecast, is now being spoken of as some minor adjustment necessitated by the departure of Jagjivan Ram, Patil, Shrimali and Gopala Reddy. A host of names are being mentioned as new entrants into the Cabinet, including Sanjivayya, M C Chagla, Dr Homi Bhabha, C D Deshmukh and a number of younger, technically-equipped men.

Clearly, more specialist leadership is sought for the departments of education, science, information and broadcasting, but the Prime Minister is finding it difficult to move out of the old grooves because the party machine does not approve such a move, despite the fact that there has been much support for the idea that prominent industrialist-businessmen head departments and projects concerned with national development.

The turn to the specialists, or to the more dynamic and unorthodox within the party, is hesitant and grudging. The instinctive feeling persists in the higher echelons that specialists who have not received their baptism in political battles are wavering allies — and this loose theorising becomes a passionate conviction when it is realised that the specialist will encroach upon the profitable preserves of the politician. And when the specialist or semi-specialist 'arrives', as in the case of the Praja-Socialist leader Asoka Mehta in the Planning Commission, the effort is to reduce him to a detached thinker; the job is made easier because he too is frightened to put his hands into the Congress cauldron. Yet, if the present leadership is to remain effective, the specialist touch will have to be introduced — for an enfeebled and ill-equipped bureaucracy cannot locate the priorities.

The crisis within the Congress Party finds its reflection among the organisations of the opposition. Take the confabulations at executive level of the CPI. The communists would have us believe that the Dange-Gopalan-Namboodiripad tussle is an ideological matter, but from what one can gather the Moscow-Peking rift is sought to be used factionally to destroy genuine opponents and critics. For this reason, when Lohia attempts to defend some of the communists who are accused of being pro-Peking, he is not being mulish. Serious observers of the CPI wrangles are only too aware

that ideology has been at a discount for some time now in the party. Increasingly, the rank and file is despairing of the so-called veterans and their capacity to resolve what is usually referred to as 'the inner party crisis'.

Those still isolated elements in the CPI, who demand an end to Moscow and Peking orientations and the working-out of a strategic and tactical line suited to Indian conditions, are likely to be considerably strengthened if the next month's meeting of the Central Committee of the Chinese Communist Party begins to 'trim' the attack on the Khrushchovites. Rumours are current in Europe that some such 'rectification' is on the agenda, for China's economy is 'wilting' in the heat of the Moscow-Peking dialogue. Soviet optimism can be guaged from the stress given in policy pronouncements to the need to avoid ruptures within the communist parties of the world. Will these inexplicable shifts in the positions of the two leading communist powers spotlight for the blind the much-neglected truth that the policies of these States are largely dictated by national interests and that such interests are not necessarily akin to those of other nations?

If the impression has been created that the blind are leading the blind, this was not intended. May be, many in the Capital would agree with this generalisation but the truth is that what we really lack is an objective; all decision-making is vitiated by this fact. When will this objective be sketched, and by whom? And when it has been fixed, will we be able to focus on it the energies of the nation?

Pointers : Hardly one per cent of the nearly 25,000 agricultural scientists in the country have gone in for farming or farm management, according to a recent study published by the Council of Scientific and Industrial Research!

Pakistani Fears of India

Taya Zinkin writes :

WHENEVER I have been to Pakistan, particularly to West Pakistan, I have been struck by the very real obsession of the Pakistanis with India. I have always laughed this fear off as imaginary or as due to an inner built complex; Pakistan, if it was the bigger country, might perhaps wish to take over India. But in India people are occupied with their own problems, and I felt sure that there was no cause for fear, unless, of course, Pakistan itself attacked India; I said so at the time to my Pakistani friends, but without any effect.

The other day I met one of Pakistan's most senior politicians, perhaps the only real politician Pakistan has. Listening to him I understood for the first time why Pakistan is afraid of India and why this fear is not as ridiculous as it sounds. People in India ought to know his arguments, whether they are valid or not, so that they can understand Pakistani reactions better.

Kashmir does not loom so very large in his picture of fear, Kashmir is only an irritant, a reminder of powerlessness, and an obsession in West Pakistan. But if Kashmir were solved the underlying fear of both East and West Pakistan would still remain.

First, let us see what it is that gnaws at the heart of East Pakistan, prevents East Pakistanis from being really sure that India will remain their friend and makes them feel a certain *schadenfreude* over the Sino-Indian dispute. They are afraid of the East Bengal refugees. A large number of East Bengali Hindus have fled to India. They have not always prospered there. They still have ties and interests in East Bengal, and even when they have managed to exchange or get rid of their assets, they hanker after the 'hawa pani' of their motherland. They were the leaders of East Pakistan, the elite. They have lost a great deal by migrating. The Pakistanis are afraid that their true desire is to be able to go back to East Bengal by undoing the partition. At present, of course, they are impotent; but if the conditions of East Bengal's very large Hindu population became critical, if there were to be a large exodus, they might try to mobilise opinion in India for a police action in East Bengal. My informant, who feels very strongly that East Pakistan is a colony of West Pakistan, far more exploited than it ever was under the British, thinks that it is possible that the pressure on East Bengal might one day create a migration of Hindus. The Muslims of East Bengal too might migrate, if they had somewhere to go, but they do not, so they have to allow themselves to be exploited. But the Hindus have relations, friends, or simply India, a Hindu land, to which they can turn if things get out of hand, if inflation or famine threatens their precarious existence. Thus, the combination of colonial exploitation and the existence of a large and discriminated against minority creates an explosive situation, a situation no government in power can afford to ignore. The solution for Pakistan ought to be to treat East Pakistanis, be they Hindus or Muslims, as full citizens, but this is a solution no Government dominated by West Pakistanis, is prepared to contemplate.

Next, there is a more general threat which makes it necessary for Pakistan to try and find friends amongst India's enemies, and to keep itself strong, if possible stronger even than India, by hook or by crook.

India is bigger than Pakistan. India is industrialising more and more, India in due course will be a really great modern power with a heavy industry of its own. Such a power, in say a generation or so could, if it wished, attack Pakistan, either in the West or the East, and win with the greatest of ease, unless Pakistan has powerful allies who will come to its rescue. As things are at present nobody in India really wants to invade Pakistan, and this my informant fully recognises, but one day the mood may change; it may not even be that the Hindu Mahasabha will attain power. The Government of India of the day might get fed up with Pakistan for some purely secular reason. No Government of Pakistan, my politician argues, can afford to take a chance on India's always remaining a restrained and peaceful neighbour. It is this need to insure oneself against the future that makes India loom so large in all Pakistani minds, even in the minds of those few men who are balanced and dispassionate and whose real desire, as with my informant, is to make the two countries friends again now.

Our Calcutta Letter

Coal Price

Dangers of Aggregative Approach

ALL coal producers are pleading with New Delhi for a price increase but there are sharp differences between the larger mines and the smaller ones on how the increase should be apportioned. The larger units have asked for a sliding scale increase ranging from Re 1 for Grade II at the bottom to Rs 3 per ton for selected A grade at the top for both coking and non-coking coals, while the smaller units seem to want a straight uniform price rise for all coals irrespective of quality.

The claim for price increase raises several separate issues. The plea for neutralisation of increased costs is the simplest to dispose off. The Government has committed itself to an automatic increase in price whenever there is an increase in the industry's statutory liabilities. For instance, every time wages or dearness allowance or provident fund payments are raised, the industry is given a corresponding increment in its prices.

Increase in Productivity

In other words, the entire burden of improving the coal-miners' living standards must be borne by the consumer, a position explicitly accepted by the Labour and the Mines and Fuel Ministries. Replying to Mrs Renu Chakravarty, the Minister for Labour and Employment said in the Lok Sabha on November 28, 1961 that he shared the opinion of the Minister for Steel, Mines and Fuel that the coal mining industry is not in a position to bear "any additional burden".

No allowance is being made for increases in preductivity reflected in the output per man shift which has risen by one-seventh in the last five years. The producers contend that this increase has resulted from mechanisation, necessitating larger investment per worker employed, and no benefit from this can, therefore, legitimately be claimed by labour. There is, at first sight, some substance in the producers' view because available figures show that the quantity of machine-won coal has risen from 10.76 m tons in 1958 to 17.15 m tons in 1962, accounting for half the total increase in production in the five years. But the claim is not wholly convincing until one breaks down the aggregate figures by sectors because this may well show that the great increase in machine-won coal has taken place in the new State-owned open cast mines in Karanpura.

Our concern here is not with the mutually conflicting claims of the industry and its workers, except in their relation to pricing. It seems illogical that producers should want to be compensated for higher capitalisation not only by an enhancement of the element allowed for depreciation in the price but also ask separately for provisions for

(a) meeting the interest charges on borrowed capital;

(b) repayment of borrowings;

(c) a depletion allowance; and,

(d) an increase in the return on capital employed from 11 per cent to 12 per cent. If the consumer is to have to finance the entire cost of expansion in this manner, why should not credit be taken for the benefits derived by the producer from increases in productivity?

Not All Mines Are Expanding

This is, relatively speaking, a less serious objection to the price claim than the fact that the entire increase in private sector production during the Third Plan is to come from 173 mining units out of the 844 currently working. While every unit may be eligible to be compensated for cost increases (even this is doubtful, as explained below), why should the claims relating specifically to the requirements of expansion be allowed to the whole lot? This underlines the lesson that the problems of this highly differentiated industry cannot be viewed in aggregative terms.

By and large, it is the bigger units with access to capital and technical know-how that are expanding. Even at the top, some are expanding considerably more than others — Andrew Yule, the biggest, is working for a 25 per cent rise in its output but Macneill and Barry, ranking third, for only one per cent. It is the companies which are undertaking substantial investment on new capacity which are faced with real difficulty. Assistance specifically directed to these, should be viewed differently from the claims of the others. The claims of the latter should be judged in light of any actual increase in production costs over and above the escalation in prices already allowed. There have been 10 price changes since 1961 including one blanket increase, unrelated to costs, ranging from 37 nP for grade II to Rs 1.50 for selected A.

Expansion of Private Sector Mines

Once capital investment on expansion or even modernisation is facilitated by suitable measures — such as a development element in the price earmarked for investment, or increased development rebate and depreciation allowances — there need be little sympathy with those who fail to take advantage of these opportunities to enlarge their output and realise the economies of scale. In other words, price need not be fixed as in the case of the 1958 award on the basis of the costs of representative mines but of a hypothetical unit, optimum-sized and reasonably mechanised.

This implies, of course, that private sector mines are allowed to expand, where necessary, to reach the optimum size. The anachronistic inhibitions from which New Delhi's policies once suffered have now largely disappeared, and licenses for

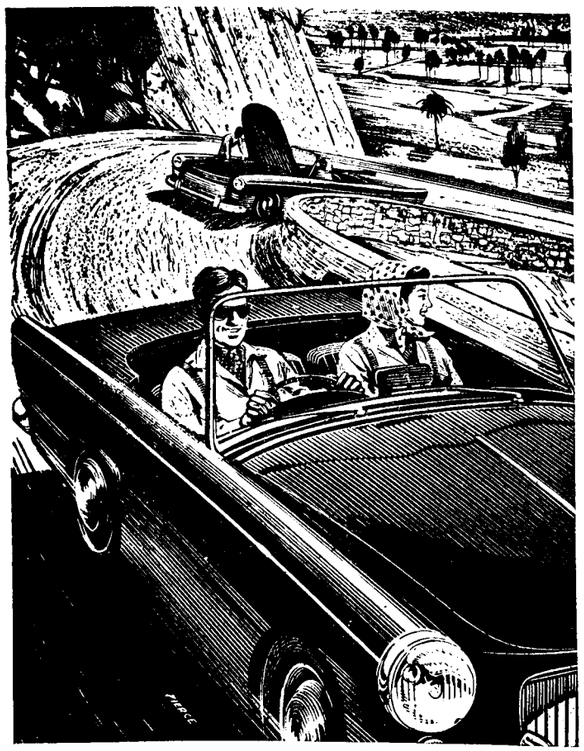
expansion appear to be given now-a-days with far less fuss. According to a recent reckoning, 49 mining leases for new areas have been issued to the private sector since 1956, 25 of them in non-contiguous areas. If there are hesitations still on the score of size, these must give way and positive encouragement extended to expansion.

Selective Approach Necessary

To sum up, the approach to pricing should be to reserve the incentives, for which producers are pleading, only for those that are expanding. An *ad hoc* general price rise, besides being indiscriminate, weakens the incentive element; measures should therefore, be devised to make the benefits proportional to the expansion effort. This does not eliminate New Delhi's obligations to ensure that the general profitability of the industry compares favourably with the all-industry average. Unless it does this, the flow of investment into coal mining will be thwarted which will ill-serve the national interest because of the role assigned to the private sector in the Third Plan and the task likely to be allotted to it in the Fourth Plan. But profitability, one must reiterate, should be defined in such a way that there is a built-in incentive to make the tired tycoons of Clive Street sit up and push their companies either to expand or, where this is not technically feasible, to modernise.

Two objections may be raised to this approach. What, it may be asked, is to happen to all the many small mines which can never hope to become optimum-sized? In the first place, the problem of inadequate profitability does not touch them. They are, as several independent observers have noted, earning handsome returns of as much as Rs 7 per ton in 1961 or 30 per cent on their sales, against 10 per cent or less for the bigger units. They manage to do this by simply evading some statutory obligations regarding wages or mining regulations, and perhaps more so by keeping investment on fixed assets to the barest minimum. They do not employ any technical personnel and have no long-range development costs because they are solely concerned with getting such coal as there is near the surface. There is some danger that their mining methods may damage seams. In any case, the reserves falling within their leased areas need to be more systematically developed to meet the country's growing requirements.

There is no future in such mining, either for the owners or for the country. Voluntary amalgamation having failed largely (because nothing has been done to push the small mines, through appropriate pricing



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policies), stronger methods now seem indicated. There is no reason at all, in the circumstances, to think in terms of an *ad hoc* price increase which will give an entirely unmerited bonus to such producers.

Misguided Subsidies

The second objection to basing prices on the costs of a hypothetical unit arises from the fact that mining conditions vary very widely. Even in Britain, where the average level of technology is rising and becoming more uniform, the cost spread may still be as wide as 25s to 70s per ton in a few years time. A possible answer to this problem already exists in the subsidy given since the last price award for working a mine under adverse conditions. These subsidies cover such conditions as (a) sand stowing, extremely important for purposes of conservation, (b) gassiness, (c) working beyond a depth of 150 metres, (d) excessive percolation of water into working faces, (e) thinness of seams, (f) distance from nearest rail-head exceeding 3 miles. The list is pretty exhaustive already, and is matched by equally diverse assistance given for meeting statutory welfare requirements of housing, water supply, medical services, education and other amenities.

It has been argued that subsidies do not recover the actual costs incurred. Adjustments in this regard present no difficulty since the principle of full reimbursement is already accepted. The policy-maker may, however, take the present opportunity to tidy up the situation by relating subsidies not to actual costs but to hypothetical costs of a well-managed and technically sound operation. One notices, for instance, that the subsidy paid for bringing in sand over a distance of say 5 miles varies between Rs 2.35 for ropeway installations, Rs 3.60 for transport by locomotives and Rs 4.80 for truck/trailers. Is this diversity technologically necessary? Or are the higher subsidies allowed for less efficient forms of transport going to perpetuate their use? Possibly the foreign exchange resources needed to improve efficiency cannot be made available just now, or large capital investment may be unjustified by the state of reserves in particular instances. Even so, the aim in fixing subsidies should be to put a premium on the use of the most efficient of the available technological alternatives. This does not seem to have been done because of the pre-occupation with costs as they are rather than as they should be.

These suggestions for a new approach to pricing policy still leave unresolved the questions of grade differentials and relative prices. The first point to be made is that the present system of ranking is unscientific, a fact recognised by several committees since compulsory grading was first adopted in 1944, as a war-time measure. The present basis of judging quality by ash or ash and moisture content does not reflect the real usefulness of coal in terms of its heat content. An expert committee has evolved a new scheme of ranking based on calorific value alone (*The Economic Weekly,* February 23, 1963) but this seems to have been shelved. Can the opportunity presented by the industry's price claim not be taken to bring in the new grading?

Is Price Incentive Required?

Whether on the basis of the old grading or new, some coals will remain intrinsically more valuable than others. The difference arises not from any extra effort made by the producer but by the natural variations in the quality of coal from seam to seam, and even within a single seam. Broadly speaking, mining costs will be the same under identical working conditions regardless of the quality of coal mined.

Quality coal is very scarce, and is becoming more so. Should prices be raised to reflect this situation? The spokesmen of the big mines say that opening out the price spectrum will help to ration out good coal by price. But is this really necessary? The 8 million tons of selected non-coking coal now produced is already rationed quite strictly by the standing fuel efficiency committee of the Coal Council; it decides which consumers must really get the quality coals. The question hardly arises in the case of coking coals where steel plants and other vital metallurgical installations take all that is produced. In the circumstances, will a rise in prices really help in curbing consumption? The answer is difficult to give unless the details of allocations are more closely examined, but on available evidence the presumption is warranted that a rise will only hit essential consumers (particularly the older power plants) whose demands are inflexible.

There is perhaps some case for putting a premium on good coal to encourage the producer to exert himself specially to win it. Since the accessible seams are approaching exhaustion, deeper mining will put up the average cost of quality coal. That part of the operating cost which relates to mining difficulties can presumably be recovered fully through available subsidies, once these are made more realistic. The premium is not necessitated, therefore, by cost considerations urged by the big mines but only for the relatively limited purpose of providing an 'extra' incentive so that the mine-owner is given a further impetus to expand either vertically, where this is necessary, or to take some care in maintaining the quality of raisings from existing workings. In the light of the fact that the production of better grades has been declining year by year, a premium may well be necessary even though it brings fortuitous benefits to some quite undeserving units. Widening of the present differentials appears, therefore, justified despite the protests emanating from Dhanbad from an association much of whose membership produces nothing but Grade II coal.

Lowest Grades and Middlings

There is, finally, the problem of the lowest grades — grade I and below — for which prices are presently not fixed but only permissive ceilings are prescribed. Considering for the moment only non-coking coal, production of these grades was just over 18.6 million tons, almost 7 m tons in grade II and the rest in grade III and below. In the current year, output is expected to go up to 22.2 million tons which will aggravate the surfeit that already exists.

The demand for grade II non-coking coals is currently considerably short of supply, as evident from extensive rebating. This situation seems to call for restraining production by excluding this grade from the benefit of price increases. But no final decision can be taken on this except in light of the pros-

pective of demand over the next plan period. The delay in making a reappraisal of the current plan targets — New Delhi is still sticking to the original aggregate figure of 97 million tons although it will be neither possible or even necessary to achieve it — has made the task of looking forward to the next plan period particularly difficult.

The assumption has been that grade II non-coking coals will find their main outlet in power generation (outside the coalfields where middlings will be used), and for brick burning. All new power stations are to be designed to use not only grade II coals but even inferior varieties of upto 45 per cent ash. But both outlets may shrink because of the quantity of middlings that will come on the market in future years when washery capacity rises in step with the steel target to 55 million tons of raw coal. This is one of the imponderables in relation to grade II and, even more so, to lower grades which have about the same thermal value as middlings. On present evidence, there seems little reason to plan for the expansion of grade II non-coking coal production at the current rate. If so, this goes against the loud claims to equality of treatment from Dhanbad. The question relating to coking coal is easily answered; the country will need every ton that can be produced.

The problem of middlings, however, is not going to be solved so simply. If 55 million tons are washed, the middlings (upto 45 per cent ash) may be of the order of 15 m tons and with another 10-12 million tons accumulating as rejects (some of which will have 50 per cent carbon or more). Neither should be dumped or wastefully utilised in any sensible scheme designed to make the most of the national fuel resources. The chief use of middlings at present contemplated is in central power plants in the coalfields. This may well take up all middlings offering in Bengal/Bihar provided all new generating capacity in the whole of the region comprising Bengal, Bihar and northern Orissa is concentrated in the coking coal fields of Jharia and Bokaro. But is this either practical or politically feasible?

Vitalising the Kamaraj Plan

A Correspondent writes from Andhra:

THE Kamaraj Plan is still very much in the doldrums. Those who renounced office tried to put on a bold face and discern great merits in the 'renunciation'—like B Gopala Reddi, who described it as a "satyagraha against the lure of office". Some other Congressmen are enthusiastic about the Plan's revitalising potentialities. But the people are not convinced that the 'renunciations' were voluntary or prompted by a desire to rehabilitate Congress prestige, which is definitely on the decline. The big question is: how to vitalise the Kamaraj Plan so that it can revitalise the party?

The rumblings produced by the election of new party leaders in some States have not died down. In Andhra Pradesh we have still to know the practical effect of the Kamaraj Plan on the affairs of the Pradesh Congress organisation. This body has not been a model of harmonious working, especially in the last two years. Efforts to patch the rift between the two rival groups have only widened it. The last effort in this direction by Union Defence Minister, Y B Chavan, had not yielded any results. The High Command has now abandoned compromise efforts and decreed holding of organisational elections on the basis of existing membership.

Gopala Reddi's two recent visits to Hyderabad and the speeches made by him here and elsewhere do not make clear how he hopes to fit himself into the Congress organisational set up in Andhra Pradesh and play a role in strengthening the party. Both groups in the Andhra Congress, as also the general public, are eagerly awaiting Reddi's next move in his self-imposed mission, which he hopes, will receive the blessings of the High Command.

Tasks for Ex-Ministers

To prevent the Kamaraj Plan from sliding into unmerited oblivion, certain positive steps should be taken immediately. First, definite and clear-cut responsibilities have to be assigned to ministers who have resigned under the Plan in the organisational frame-work of their respective States. If this is not done, they would inevitably be dragged into the intrigues among various party factions in the States and get enmeshed in them. It would be a fair division of labour and responsibility if these ministers are entrusted with special departments in the Pradesh Congress solely devoted to organisational vitalisation. They could be put in charge of recruitment, training and disposition of a band of active wokrers who will devote themselves to promoting mass contacts. These trained party workers could spread themselves out in rural areas, enlist Congress members, educate the people on Congress ideology and programmes and act as agents of the party. They could ascertain public grievances against the administration and transmit public reactions to the State Congress headquarters. Care should be taken to see, however, that they do not throw their weight around and interfere with the functioning of administrative machinery.

The ex-ministers could also function as coordinators and links between the governmental and organisational wings of the Congress. In Andhra Pradesh it would be appropriate to make Dr Gopala Reddi the chairman of the joint coordinating committee for harmonising relations between the two wings.

Second, an urgent effort is needed to close the ideological divisions, at least in public, between the "rightist" and the "leftist" sections in the Congress organisation at different levels. That a division along these lines does exist in Congress ranks is undeniable, and some of the topmost leaders have given evidence of it in their recent utterances. It is unfortunate that references to this occur constantly in the speeches of the Prime Minister and other top leaders like S K Patil, besides those of lesser personalities. This shadow-fighting between the so-called rightists and leftists must be stopped with a stern hand by the High Command.

But positive results in strengthening the Congress base can be achieved only when in the policies and programmes of the party and the government, there is a continuous effort to demonstrate that the objective of a socialistic pattern of society is being pursued. What "democratic socialism" implies ideologically and how to achieve it in practice must be clearly spelt out, to enable those who do not agree with it or accept it to decide whether to remain in the organisation or quit.

The acid test of whether the spirit of the Kamaraj Plan has permeated Congress consciousness or not would come at the time of the Congress Presidential election. The Working Committee's unanimous choice of Kamaraj, which is intended to prevent an unseemly contest, would very probably be supported by all Congress delegates, for Kamaraj is the best choice in the present circumstances despite some personal handicaps.

From the London End

Economy Moving Out of the Doldrums?

ALL the latest economic indicators seem to show that the UK economy is at last on the move, on a rather more firm foundation. The optimistic features in the situation outlined by the Chancellor of the Exchequer at the Blackpool Conference were further underlined in the confident speech he made at the Mansion House last week. He was at some pains to point out that the measures taken by him in his budget were just about right, as they have produced an upsurge in production, without corresponding inflationary pressures. He said:

> "I said in the budget speech that our aim must be, not merely expansion, but expansion without inflation, expansion at a rate that can be sustained. So far, the signs are encouraging. Prices have remained very stable for the best part of a year now. The £ sterling is strong, and its recent performance in the market, in months that are sometimes difficult for us, has been very encouraging . . . We are at the beginning of a phase of expansion and we are tackling the bottlenecks which may impede rapid growth".

Maudling's Claims

Maudling pointed out that two of the factors which in the past had bedevilled the UK economy were the exposed position of sterling and incipient inflationary tendencies. The position of sterling had been improved as the defences now available to protect the small reserves of sterling had increased considerably through the co-operative arrangement between the Central Banks, based on the Basle Agreement, the $500 m swap arrangement negotiated with the US, and the $1 billion standby agreement with the International Moneary Fund. "These, taken together with the resources of the International Monetary Fund as increased by the Paris Borrowing Scheme, mean that we have powerful resources to protect sterling against short-term speculation and to carry us over any difficulties in a phase of vigorous expansion".

The Chancellor laid special emphasis on the need to control cost inflation and dealt at length with the need for an incomes policy and said: "I am glad to see how widespread now is the understanding in this country of the need for a rational incomes policy. It cannot be stressed too often that if incomes of all kinds are pushed up too fast, and our prices, therefore, rise too fast, we shall be beaten in world markets, our balance of payments will suffer, and we shall have inevitably to restrain our expansion. You can see in the recent and remarkable increase of exports to Western Europe, where wages and prices have been rising much faster than ours, a clear example of the benefits that can flow to us if we keep our own income level stable, and thereby keep our costs competitive". The basic picture is one of a steady expansion in industrial production which this time is not confined to just one or two industries, of promising prospects on the export front and of no serious balance of payments crisis threatening in the near future.

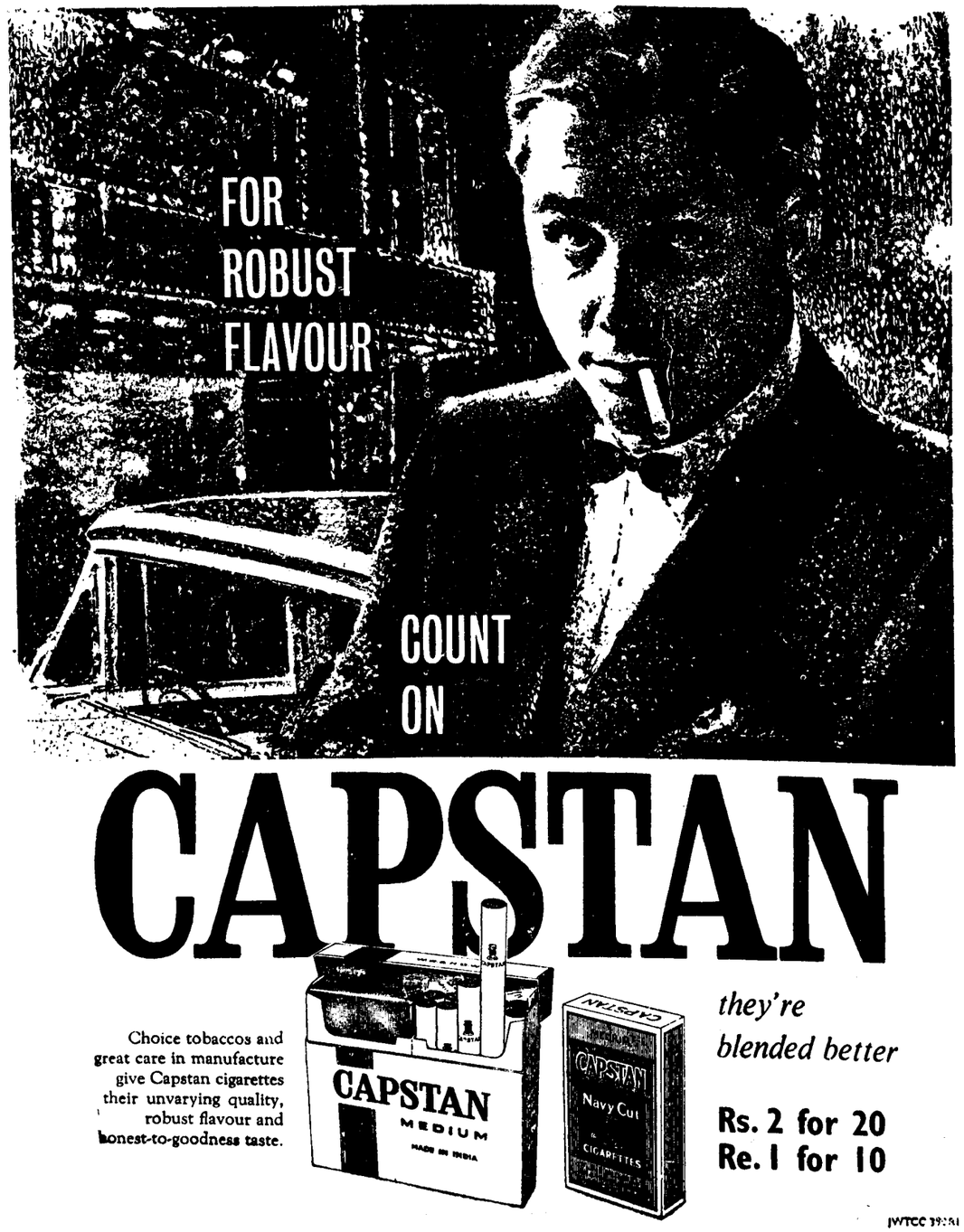
Upward Trend in Production

The latest index prepared by the Central Statistical Office shows the upward trend of production during the summer months. After adjustment for seasonal factors, the figure for manufacturing industries in August is 122, about 4½ per cent higher than a year ago. In the three months June to August, the manufacturing index showed a rise of some 4 per cent over the three preceding months, and the index for all industries, which includes construction and public utilities, was 3 per cent higher than in March/May. A more detailed survey of the production index shows that until April, there was no evidence of any general acceleration. Since May, the recovery has spread, and the Treasury now states that in August and in July, the improvement was "widespread".

In his speech at the Lord Mayor's dinner, the Chancellor of the Exequer said: "It is clear that output is now rising well. The latest index of production is five points up on a year ago. The expansion that began as a result of the Government's measures, with motor cars and construction, has now spread widely. You can see the evidence for this in a wide range of statistics from retail trade to steel production".

One-Sided Expansion

The expansion has been going on for too short a time to indicate whether or not it can be sustained. A basic defect in the economic system still persists — most of the recovery in industrial production is concentrated on the fast-growing industries in the Southern half of the country. While in the Midlands and the South-East the small reserves of labour which existed until recently have been largely absorbed and labour is beginning to get scarce, the North-East still remains depressed. This feature is further emphasised in the report of the National Association of British Manufacturers referred to later on.



The National Economic Development Council is also confident that a steady sustainable upsurge in production and incomes is in progress. The Director General, Sir Robert Shone, has said that the apparent underlying trend of productivity looks now to be almost in line with the long-term growth in productivity prescribed in the Neddy plan. Over the last two years, productivity has risen 7 per cent, but it must be remembered that at that time, there was a substantial margin of unused resources and production itself was at a low level. Significant rises of this size will probably not be possible in the future.

Exports Rise

In September, exports remained at a very high level and stood at £ 348 m, only £ 3 m down from the all-time high of £ 351 m reached in August. The total value of exports and re-exports in September was £ 361 m. Imports increased by £ 23 m to a new peak of £ 421 m on a seasonally adjusted basis. The previous record import figure of £ 419 m was touched in July. The adjusted trade gap thus widened to a provisional £ 60 m from the August figure of £ 34 m. The higher shipment to Britain of industrial raw materials needed to feed the expansion in industrial output, is the reason for the widening of the gap.

The President of the Board of Trade, speaking to members of the Institute of Mechanical Engineers, described September as a good month for exports. "Exports have been rising throughout this year and so far are 6½ per cent more than in the comparable period of last year. Imports are rising too. I shed no tears about this. The imports are coming in to sustain and support the rising level of activity in the economy. This is a picture of welcome and healthy growth".

More important than statistics of growth is business confidence. Until this really starts to pick up, it is difficult to predict a continuation of the progress that has already been made. The Chancellor, in his speech said: "It is clear that the confidence of businessmen is strengthening day by day. Latest assessments just made by the Federation of British Industries, is convincing evidence of this".

The FBI report published early in September was the most bullish in the five-year history of the series, and suggested that the economic climate may be set fair throughout the whole of 1964. Of the 644 firms which replied to enquiries, 42 per cent reported increased production since June (against 37 per cent who reported higher production in June over February). In the latest report, only 13 per cent showed a drop in output. The majority of the firms were more optimistic about the general business situation in the country than they were four months ago. About a quarter of the firms report an increase in numbers employed, and only 17 per cent a decrease. The number of firms reporting spare capacity has dropped since June from 65 per cent to 56 per cent. Nearly half the replies indicate a higher inflow of new orders. The report points out that there are, as yet, few signs of strains on available resources, although the replies point strongly to a full tide of boom in 1964. But shortage of skilled labour is beginning to limit further expansion of output in 14 per cent of the reporting firms. As far as exports are concerned, 35 per cent feel more optimistic about export prospects, as compared with 32 per cent in the last report, while 42 per cent of the firms show a rise in exports compared with 38 per cent, and only 16 per cent of the firms compared with 20 per cent last year show that their exports are down.

Widespread Optimism

The FBI Survey also suggests that over the next 12 months, expenditure on new plant and machinery will rise. For the first time since June 1960, those expecting to authorise more expenditure in the coming year outnumber those expected to authorise less. For over a year, a slowing-down of the decline in new plant outlays has been indicated in these surveys. Now an upturn seems at hand. In the case of building, however, the contraction still continues. Management expectations are in themselves a powerful factor in the economy. Quite apart from the factual reports on rising output and orders obtained in this survey, the growing expectation of still better news to come suggests that manufacturers are not discouraged by the prospect of a General Election and Labour Government.

Further evidence of the growth of confidence among businessmen was provided last week by the National Association of British Manufacturers which represents the small and medium size firms in Britain. In its 7th survey of production trends, it is revealed that its members expect industrial activity to go on rising in the coming months. Of the 501 firms reporting, 51 per cent said that output had increased in the third quarter, 40 per cent said that there had been no change and, only 9 per cent witnessed a fall; 48 per cent foresee a continuation of the rising trend, 44 per cent think output will remain unchanged, and only 8 per cent forecast a decline.

Private Investment Still Slow

The Association says that the improvement was general, but seemed to be particularly good in the engineering and vehicles industries. Textiles and food also showed a marked advance and building rose as forecast. The chief discouraging features of the survey were that a majority of firms in the north-east expect a fall in production in the fourth quarter and there seems little likelihood at present that there will be any significant increase in capital investment during the next three months in any part of the country.

The one exception to the bright picture is private investment, both in stock of goods and in fixed assets. This has shown no upward tendencies. There are early signs that it may soon do so — engineering orders are rising, and the steel industry is operating at over 80 per cent of capacity, compared with about 70 per cent nine months ago. The plight of the machine tool industry, whose order book, despite the contrary experience of a few firms, is still declining, is a reflection of the industry's reluctance to install new equipment or to replace existing plant. Until there is more evidence of a definite upswing in private investment, the present recovery cannot be said to be solidly based.

Letter from America

Grain and Chaff

LAST week President Kennedy announced his approval of the sale of wheat to Russia and other East European countries. These countries had hinted to the US Government that they would be interested in buying wheat to the tune of $ 250 million. It has been known for some time that the communist countries, including China, are scouring the world market for foodgrains and also that several western countries, including W Germany, with surplus foodgrains had already offered to sell large quantities.

Should the US also sell foodgrains to communist countries? President Kennedy took quite some time making up his mind. In fact, the delay provoked Drew Pearson to administer the President a strong rebuke. He recalled what Eleanor Roosevelt had said of the President: "I wish Mr Kennedy had more courage than profile".

But the important point is that Kennedy did finally take the courageous step and order that the deal be put through even though Republican Congressmen, who were sounded in advance, refused to commit themselves. Among them Barry Goldwater, the Senator from Arizona and probably the strongest contender for the Republican nomination for Presidency, came the nearest to expressing a definite opinion when he said that "If our allies sell wheat to Russia, I don't see how we can stay out of it". But he urged that the sale should be made conditional on Soviet troops pulling out of Cuba. But no sooner was the President's decision announced than Richard Nixon, former Vice-President, denounced it as the most serious foreign policy mistake of the decade.

Political Realism

Objections to the wheat deal are of two types, political and economic. On the political plane, it is asked: if it is the aim of US policy to reduce the capacity of the Soviet Union to wage war — economic, political or military — how can the US come to its aid just when, as the result of its expensive preoccupation with worldwide "subversion", it shows itself to have neglected its domestic development? This argument is fallacious, however. It presumes that the US is the Soviet Union's only source of supply of foodgrains, which it is not. But even assuming that it were or that it could prevail upon other surplus countries not to sell foodgrains to the Soviet Union and other communist countries, what makes these people so sure that the current shortages in farm output will force the Soviet Union to change its course?

On the contrary, if experience with the Chinese communists has taught the West one lesson, it is that economic difficulties can drive a country to the extreme. Incidentally, former President Harry S Truman has strongly recommended that even communist China should be given shiploads of wheat. No one is going to take him seriously, but Truman feels that this gesture will have a favourable impact on the world political situation. Also isn't China now Russia's enemy?

Economic Advantages

The economic argument against the supply of wheat at world prices to Russia and East European countries is that the Russians will thereby benefit to the extent of 55 cents a bushel at the expense of the US tax-payer. The current world price of wheat, $ 1.71 a bushel, is about 55 cents a bushel lower than the price which the US Government is committed to support. But even this objection cannot be sustained. First, the US tax-payer will, if anything, benefit from this deal because the US Government will have to buy so much less wheat. As President Kennedy has rightly pointed out, "there is in such transactions no subsidy to the foreign purchasers; only a saving to the American tax-payer on wheat the Government has already purchased and stored at the higher domestic price which is maintained to assist our farmers".

Second, the argument ignores the fact that the world price of wheat would have been even lower than what it is now if surplus countries like the USA allowed all current output to come to the market. Deficit countries have a genuine grouse that they are compelled to buy wheat in the world market at an artificially high price. One could, therefore, argue that actually the deficit countries are being made to pay a part of the subsidy to the American farmer.

Further, it is estimated that the sale of $ 250 million worth of wheat will save the US as much as $ 25 million a year in storage charges on surplus grains. This means a saving of 18 cents a bushel sold abroad which will be an additional real saving to the American tax-payer.

Support for Balance of Payments

But what made up President Kennedy's mind was not the type of saving referred to above but the gain in terms of export earning. The American balance of payments position has been none too happy and so this consideration cannot but have weighed with him, as it did certainly with the Treasury Secretary, Douglas Dillon, who strongly endorsed the deal. Partly, of course, the current international climate must have influenced the President's mind.

As it turns out now, the Soviet Union and other communist countries (except China) may buy from America as much as 7 million tons of wheat, which, to quote an American farm correspondent, "would barely make a dent in the bountiful American supply". But it could enable the Government to reduce its stock of surplus wheat by about one-fourth if current surplus stock is put at 1,026,000,000 bushels. If the Soviet Union and its allies do in fact buy 7 million tons of US wheat, the American balance of payments will record a sizeable improvement of $ 500 million.

There is no doubt that even in Eisenhower's administration an opportunity like this would not have been allowed to slip by. Barry Goldwater evidently recognises this, despite all his conservatism. If he set some conditions, it was only to make things uncomfortable for the person whom he hopes to oppose in the Presidential election in about a year's time.

Letter from South

Kerala Congress Chaos

THE manner in which the meeting to elect the President of the Kerala Pradesh Congress broke up is an indication of the shape of things to come when commitment to policies is replaced by undisguised lust for loot. There is nothing that Kamaraj or Shastri can do to cover up the cracks — there is already an unbridgeable gulf. What they need to do is to rally the supporters of the Congress creed in terms of socialism, secularism and non-alignment. But this would clearly mean a straightforward choice and cleavage and there seem to be few signs of such a development.

The postponement of the election was a tactical victory for what is called the ministerialist group, led by Sankar and Chacko. Being in a hopeless minority, they resorted to extraordinary measures of deceit — including faked telegrams from Delhi — and to intimidation — a large police force was kept ready by Police Minister Chacko to break up the meeting, should a postponement not be agreed to. On the strength of being able to create scenes and split the organisation, they hope that with the intervention of the High Command they might prevent T O Bava, a nominee of the organisational wing, from becoming the new K P C C President. It is rumoured that Madhavan Nair, former P C C Secretary, may be put up as the unanimous choice, not too close to the organisational wing and yet not a ministerialist.

Ministerial Wing Unpopular

The election to the State and District Congress Committees has clearly revealed that the Ministerial wing is far from being popular in the organisation. Not only were their candidates thoroughly trounced in the Malabar region, but turncoats in the so-called ministerialist strongholds of Alleppy and Trivandrum were also routed. It is doubtful if even one-third of the votes in the K P C C is under its control.

Faced with this situation its leaders decided that brazenness is the better part of discretion and insisted that P T Chacko should be unanimously elected K P C C President. The ridiculous nature of the demand takes one's breath away. When this ultimatum was rejected, the meeting was physically broken up and the threat of police action was openly hurled.

The situation was absolutely clear and if the Congress High Command had a minimum of respect for inner-party democracy and of minimum standards of political decency it should have just thrown Sankar and Chacko out and faced the consequences. That it did not dare to do this is the result of the whole series of shady deals and plots that it has conducted in Kerala since 1957.

The Harvest

The open alliance with the Catholic, Nair and Muslim Communalists to start an illegal campaign of arson and provocation in the middle of 1959; the open election alliance with these same forces in early 1960 to avoid splitting of votes in the face of the massive Communist popularity; the unceremonial ousting of the Muslim league when it came to forming the government; the kidnapping of Pattom Thanu Pillai and the pushing out of the PSP from the Government — all these are the more dramatic of the unscrupulous activities of the Congress High Command when confronted with difficult situations in Kerala.

Equally unprincipled was the way in which it caved in to the Sankar-Chacko demand that the Agrarian Reform Law, fully approved by the Planning Commission, should not get the protection of the Ninth Schedule of the Constitution as a new Bill was in the offing, which openly cancelled the concessions that the tenants and the more vulnerable sections of the peasantry had received.

Since it has connived at all this, and has even initiated some of the open departures from proclaimed Congress goals, why should the High Command not be able to swallow skulduggery in organisational elections? Its record so far has been always to support the more discreditable course and candidates. No wonder C K Govindan Nair and his supporters are anxious, especially since some of them at any rate have been quite close to Krishna Menon even in the days when the witch hunt against him was at its height.

Their only hope is the new orientation and new social force that the emergence of Kamaraj has meant. Certainly the organisational wing with all its enormous defects, is closer to the half-submerged and semi-oppressed sections that this man of Madras represents. He can, if he allows his courage full play, make a clean sweep. The snag is that this would split the Congress and probably see the emergence of a full-fledged Swatantra unit in the State — not an outcome to be welcomed as the opening move after his elevation to Congress President-designate. Besides there is the wily Lal Bahadur, with whom Sankar and Chacko are on excellent terms, to plead caution and pull him up short. A botched organisation is likely to continue its ruinous course and, unfortunately, drag the Malayalee people along with it a little further down the road to perdition.

Kerala represents a singular aspect of India today. It is the one State where the Congress is not only patently incapable of implementing its own programme but where it confronts an opposition that proclaims its adherence to this programme and is manifestly capable of carrying it out. A suitably dialectical state of affairs in the firmest Communist stronghold in India with a mature and flexible leadership.

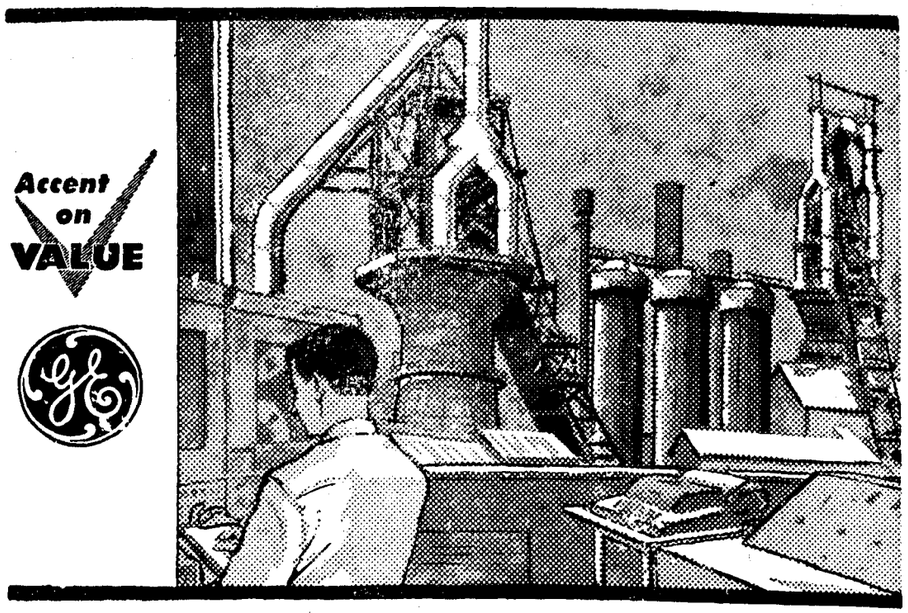
What is the wayout? It would seem that the organisational wing should be backed to the hilt and the Congress High Command should move in the direction of ordering fresh elections in the State. Elections are due in January 1965 in any event and pushing them a year forward would do nobody any harm. In the interim a caretaker government could be established including representatives of the opposition parties on the basis of the number of votes they command in the Assembly. This would lead to the

institutionalisation of chaos for a while but it would have the merit of preventing official interference in the crucial elections.

It is time that India broke with her political stagnation which is blessed with the supposed virtue of stability. She must innovate and pioneer again as she did in the mid and late 1950s. Only then shall we regain the respect and the attention of the world. Kerala is a good place to begin and Kamaraj not the least likely of men to make the first push to new patterns.

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Official Paper

World Agriculture

The State of Food and Agriculture, 1963, Food and Agricultural Organisation of the United Nations, Rome 1963: pp xi + 227, price $ 3 or 15s.

A COMPARISON of the rate of growth of agricultural production in the rich and the poor countries best underscores the economic gap between them. The latter devote a far greater proportion of their real resources to agriculture, which is their mainstay, and yet agricultural production in these countries lags behind that in the developed countries. And the gap continues to grow. Last year the Food and Agriculture Organisation of the United Nations published estimates of the future growth of production and consumption of cereals in the different regions of the world. These projections showed that in the case of wheat, for instance, the surplus of production over consumption in the developed countries would have grown to 32 million tons by 1970 from about 14 million tons in 1961-62. At the same time, the deficit in the low income countries would have increased from 11 million to 18 million tons. The trends would not be very different for other foodgrains, according to the FAO.

Below Pre-War Level

This is, no doubt, an extremely depressing prognosis, but one which is not unwarranted by past experience. According to the FAO's "State of Food and Agriculture, 1963", taking all regions of the world, agricultural production per capita is today about 11 to 13 per cent higher than before the war But among the underdeveloped regions only in the Near East (Iran, Iraq, Israel, Syria, Turkey and U A R) has per capita production been consistently maintained at above the pre-war level. In Africa though the pre-war level of output was recovered comparatively quickly there have been considerable fluctuations and in both 1961-62 and 1962-63, production was below the pre-war level. In the Far East (excluding People's Republic of China), the pre-war per capita output was achieved in just one single year, 1961-62. If Japan were to be excluded, the Far East's performance would be even less flattering. In Latin America, the other underdeveloped region, the pre-war production was achieved only in 1958-59 and since then there has been a sharp fall.

In 1962-63, which is the year with which the FAO report is particularly concerned, world agricultural production rose by between 2 and 3 per cent. This was slightly higher than the rate of growth of population, which is estimated at 2 per cent per annum, so that there was a slight increase in per capita production. Thus, compared to 1961-62 when there was a small decline in per capita production, 1962-63 was a favourable year for world agriculture.

However, even in 1962-63, there was a fall in per capita production in the Far East (excluding People's China) and in Latin America. In the Far East production rose by only about 1 per cent which was smaller than the rate of growth of population, while in Latin America there was an absolute decline in production. In the other two underdeveloped regions, Africa and the Near East, production rose by 4 to 5 per cent but this, it should be remembered, followed a sharp decline in production in 1961-62.

Imports of Little Help

Among the developed regions the rate of growth of agricultural output was the highest in Oceania (Australia and New Zealand) and Western Europe. In the Soviet Union and Eastern Europe, production rose by about 3 per cent, while in North America the rise was about 2 per cent. Official statistics of agricultural production are still not available for People's China, but the FAO report suggests that there was some increase in production in 1962-63 following the series of poor harvests that began in 1959-60.

The wide disparity in per capita food output between the developed and the underdeveloped countries has been, to some extent, evened out by imports and exports. As a result, in each of the underdeveloped regions the trend of food supplies has been more favourable than that of production and per capita consumption has been above the pre-war level even where production has lagged behind. On the other hand, in the developed regions, except Oceania, the increase in food supply has been less than the increase in production.

However, imports and exports of food have been too small to appreciably affect the relative consumption levels in the different regions. In fact, according to the FAO report, "the gap in actual food consumption levels between the more and less developed regions has tended to widen, since there has been more improvement in the per capita supplies of the more developed than in those of the less developed regions". This leads the FAO's Director-General, B R Sen, to state in his foreword to the report that "any sustained attack on the problem of hunger must come from a much more rapid growth of food production in the developing countries themselves".

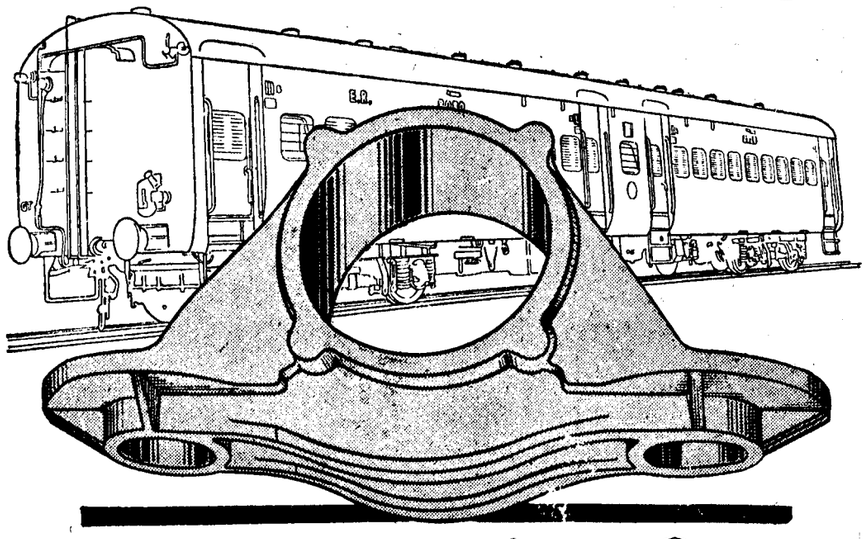
Stagnant Exports

Over the period 1952-53 to 1961-62 exports of agricultural products from the developed regions increased much faster, both in volume and value, than from the developing — the so-called primary producing — regions. Of course, to some extent this reflects exports on special terms, mainly from North America, e g under U S PL 480. However, even if only commercial exports are considered, the value of exports from the developed regions increased by about 13 per cent and that of those from the underdeveloped regions by only 8 per cent. In volume exports from both regions increased by a third over the period, indicating a relative decline in the average price of exports from the underdeveloped regions.

This trend was particularly in evidence in 1962 when the volume of exports of each of the developed regions was slightly lower than in the year before, while that of each of the underdeveloped regions, except the Near East, increased by about 3 per cent. Price movements, however, tended to completely offset these differences in the volume of exports. This trend in the prices of agricultural exports of the developing countries leads the FAO report to conclude that "earnings from agricultural exports, the main and the only source of foreign exchange of most developing countries, show little likelihood of growing at a rate commensurate with their needs of economic development, and indeed have fallen sharply on a per caput basis over the past decade".

Taking all agricultural exports, from both the developed and the underdeveloped regions, the most conspicuous development in 1962 was the increase in prices of a number of commodities, in particular sugar. Although offset by further

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falls in prices of some other products, these increases led to a break in the longer-term falling trend of the average price level of all agricultural exports. However, these price increases were due almost exclusively to specific factors affecting the supply of a few commodities and were, according to the FAO report, of a short-term nature. The price of sugar, for instance, has started declining since May this year. On the other hand, "the longer-term factors which have tended to hold down prices, including the slow growth of demand for many products, rapid increase in output and productivity and Government efforts to expand exports, all remain largely unaltered".

Productivity in Agriculture

The trends in agricultural production in the developed and the underdeveloped regions would appear to indicate that development is a composite process which cannot be confined to particular sectors. However, while a high level of labour productivity in agriculture is possible only in countries at an advanced stage of development, where the farm labour force is a small part of the population, there are a number of instances of where high output per hectare has been attained in countries at a fairly early stage of development. This is an important point since under conditions of abundance of labour in relation to agricultural land, which obtain in most underdeveloped countries, it is the output per hectare which has to be maximised. A comparison among different countries brings out the wide range of productivity of land. Average yields of wheat, for instance, vary from about 4 to 40 quintals per hectare, a range of about ten-fold. For rice the range is about seven-fold. While such differences are to a large extent due to natural conditions of soil and climate, they undoubtedly reflect also the technical level of agriculture.

The FAO report devotes an entire chapter to the study of the factors affecting the growth of productivity in agriculture. At the operational level, raising agricultural productivity is largely a technical poblem, principally of applying the knowledge and techniques devised by agricultural science. Further research is also necessary, especially on the problems of tropical agriculture since hitherto agricultural science has been primarily concerned with agriculture in the temperate zones. Raising agricultural productivity also requires the creation of an economic and social environment in which farmers have the incentive and the means to put into practice better farming methods. The FAO report is not concerned with these technical and institutional determinants of agricultural productivity, but rather with the underlying economic factors and hence with the inter-relations between agricultural productivity and economic development as a whole.

Use of Fertilisers

In the final chapter however, one of the principal technical factors determining agricultural productivity is examined in some detail. This is fertiliser use which is termed the "spearhead of agricultural development". An attempt is made to estimate the contribution of fertilisers to crop yield and typical response data for fertilisers are given for selected crops in a number of countries. It is shown, for instance, that the yields of two staple crops, rice in Japan and wheat in the UK, have increased phenomenally in the past few years and show no signs of levelling off yet. It is estimated that at least half of the increase in yields is attributable to use of fertilisers.

Fertiliser use depends on a number of economic and social factors. Principal among these are the price relationships between fertilisers and the crops to which they are applied; the level of income of the farmers and the conditions of land tenure which decisively influence the incentive to use fertilisers; and adequate credit and distribution facilities to

Indices of Per Capita Agricultural Production
(*Average* 1952/53–1956/57 = 100)

	Pre-war average	Average 1948/49–1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59	1959/60	1960/61	1961/62	1962/63 (Preliminary)
All Agricultural Products												
Western Europe	93	89	102	101	102	101	105	106	108	113	112	115
Eastern Europe and U S S R	84	92	96	96	103	113	113	122	123	121	122	124
North America	87	100	101	97	99	100	93	98	98	98	96	97
Oceania	103	99	99	97	101	100	95	107	106	107	107	110
Latin America	110	98	98	100	100	102	104	106	106	103	103	99
Far East*	109	94	100	100	102	103	100	103	104	105	105	104
Near East	96	94	102	97	98	104	104	107	108	107	104	107
Africa	92	95	100	101	99	102	97	100	99	101	95	97
All above regions	95	95	100	99	101	103	101	106	106	106	105	106
Food Products Only												
Western Europe	93	89	102	101	101	101	105	106	108	113	113	116
Eastern Europe and U S S R	85	92	96	96	103	113	114	123	124	123	124	126
North America	85	99	100	97	99	101	96	101	100	100	98	98
Oceania	108	102	102	98	101	96	92	106	102	106	105	111
Latin America	105	98	98	101	99	103	103	105	102	101	99	97
Far East*	106	94	101	100	101	103	100	103	105	106	105	104
Near East	96	93	103	97	98	104	105	107	107	105	103	104
Africa	95	96	101	102	98	101	96	98	97	98	93	94
All above regions	94	95	100	99	101	103	102	106	106	107	104	106

* Excluding Mainland China

ensure that supples of fertilisers are available to farmers at the right time.

The efficient use of fertilisers must go hand in hand with the provision of other inputs. Irrigation, for instance, is a pre-requisite; so is the development of crop varieties which can benefit from larger application of fertilisers, or the control of diseases and pests in the more intensively cultivated crops. An efficient agriculture expansion service is essential to provide these conditions as well as to bring home to the farmer the value of fertilisers. The Intensive Agricultural District Programme in India, the so-called package programme, which is organised by the Government of India with assistance from the Ford Foundation and which is eventually expected to cover about 3 million hectares of land is quoted by the FAO report as an example of an integrated extension service essential for agricultural development.

Book Review

Small Industry

Small-Scale and Household Industries in a Developing Economy : a Study of Their Rationale, Structure and Operative Conditions by M C Shetty. Asia Publishing House, 1963; pp 221, price 32s.

WITH the possibilities for transplantation of the most advanced techniques, small-scale industry can no longer be regarded as the "natural" precursor to large-scale industry. Yet it has a vital role in the developing countries, in reducing unemployment and in providing momentum for further development. Even in the United States, with factor endowments so different from India's, small-scale enterprise is important; there the small constantly tends to grow and beget other small enterprises. In Japan, on the other hand, there seem to be more continuous relationships between small and large industries through sub-contracting arrangements. As Shri M C Shetty points out, between large-scale, mechanised mass production and handicraft production there is in any country a considerable range of techniques which, though inferior in efficiency to the former, can be economically and commercially viable.

Institutional Handicaps

The institutional handicaps of small industries are well known: lack of capital, managerial and technical skills and of a generally favourable industrial climate. Besides these general difficulties, they face other obstacles springing from their very smallness. The operational conditions of small industries as well as their commercial and technological problems have been surveyed by Shetty through a field enquiry conducted in 1958, covering some 16 selected household and small-scale industries (171 units in all) in 20 centres (5 towns and 15 villages) in the three tehsils of Daryapur, Amravati and Morsi of the erstwhile composite Bombay State. In the enquiry, household industries have been given a higher weightage than the small-scale ones. This was deliberate, for given the initial help, household industries are capable of developing into viable small-scale units. The study covered all aspects of their day-to-day operation — capital, output, income, employment — and other characteristics such as ownership pattern, working period, marketing and sales, credit and indebtedness, problems of raw materials and organisation, training and research, improvements in techniques of production and factors tending to raise productivity and make the units more competitive.

Household Units Neglected

The contrast between the 28 small-scale firms and the 146 household units covered is indeed striking. The small-scale units typically have wider market areas, registering relatively more sales beyond the tehsil and district boundaries. The industry is pursued as a full-time occupation and there is higher utilisation of capacity. They also make greater use of the wholesale trade as a marketing channel, extend trade credit for longer periods and receive payment in cash rather than in kind.

The household units, by comparison, rely heavily on the 'balutha' system of payments in kind. Moreover, they appear to be influenced more directly by the agricultural cycle. This is suggested by the reasons cited by household establishments for temporary suspension of production: weather conditions, marketing difficulties and lack of demand. The seasonality of demand generated by agricultural income, and the substantial non-monetary part of this income are factors that limit the incentive to invest capital in rural areas. These factors impede the transformation of village artisans into small entrepreneurs.

What are the pre-requisites for such transformation? The provision of finance, transportation facilities, availability of quality raw material and arrangements for its bulk purchase and provision of common facilities and marketing assistance — these are the factors which will enable them to raise their productivity and their competitiveness. Provision of these facilities will enable the household units to become economically viable small-scale units and the small-scale units, in turn, to enlarge their size and improve their commercial viability.

Smaller Units Deprived of Benefits

Unfortunately, Shetty points out, much of State assistance goes to the relatively big small-scale units. The present official definition of small-scale industries has no lower limit in respect of capital or employment. The dividing line between household and small-scale industries is drawn in practice to exclude those industries which are covered by the other all-India boards. This creates confusion and, by and large, leads to the exclusion of relatively smaller units from the benefits of development programmes. Many household industries such as blacksmithy, carpentry, brick-making, tanning, leather working, etc which should qualify for assistance are precluded from taking advantage of assistance extended by the Small Industry Organisation. As Shetty says, "The chief reason for this, it would appear, is the very situation of these industries in matters of organisation and resources — the lack of which precisely forms the *raison d'etre* for the formulation of special policies to help these industries".

The Minimum Family Income Target for 1975-76

K S Gill

The Planning Commission's target of a minimum income of Rs 100 per month for a family of five in 1975-76 would require either a change in the pattern of income distribution or a rate of growth substantially higher than that envisaged in the long-term projections given in the Third Plan document.

Considering the rates of growth achieved in the past, it is clearly unrealistic to assume a higher rate of growth for the Fourth and Fifth Plans than that envisaged in the long-term projections. Even to realise this growth rate would call for a stupendous effort.

If, however, the pattern of distribution of income could be changed so that the share of the poorest 20 per cent of the population in aggregate consumption was raised from about 7.9 per cent in 1961-62 to 9.5 per cent in 1975-76, the long-term rate of growth envisaged in the Third Plan could yield an average annual income of Rs 1,000 per family for this stratum of the population in 1975-76.

ADDRESSING the planning forum of a Bombay College on October 3, 1963 Shriman Narayan is reported to have said that the planners had, for the first time, adopted the target of ensuring a minimum level of earning capacity to the people so that they could have a minimum standard of living. "It would be our earnest attempt", he added, "to plan in such a fashion that no family in this country should earn less than Rs 100 per month by the end of the Fifth Plan". Since the speaker is a senior member of the Planning Commission, the above pronouncement may be considered an authoritative statement of the goal set for the Perspective Plan (1961-75). It may be recalled that in the Third Plan document it had been stated that "in the course of the next three years it is proposed to devote substantial resources to the preparation of an over-all plan of development covering the period upto the end of the Fifth Plan". It seems that the work on the Perspective Plan has progressed to the stage of setting the major over-all target for it.

It is very appropriate to think and plan in terms of an assured minimum income for all. The target of a minimum of Rs 100 per month for a family of five at the end of 1975-76 is by no means modest, though Shrimanji, very modestly, described it so. It means that, in about 12 years, the hundreds of millions of agricultural workers, landless and land-poor peasants, artisans, unskilled and casual workers, etc, would be able to afford a level of living comparable to that of a Central Government peon today. The peon, though very low paid compared to officers or even clerks, is in quite affluent circumstances compared to the vast numbers in the poorer strata. No one expects poverty to be abolished in India by 1975-76; it would be a great step forward if even *misery*, in the sense of lack of barest necessities of life, could be banished by that date. An assured minimum income of Rs 100 per month for all families, if supplemented by a reasonable expansion of social services, would go a long way towards abolishing misery. Clearly it would be a great achievement if the target is realised.

Long-term Projections

This target, however, does not seem to be feasible on the basis of the long-term projections given in the Third Plan document. In the chapter on "Long-Term Development", it has been stated that "at 1960-61 prices, the national income should raise from about Rs 14,500 crores at the end of the Second Plan to about Rs 19,000 crores at the end of the Third Plan, about Rs 25,000 crores at the end of the Fourth and about Rs 33,000 to 34,000 crores at the end of the Fifth Plan". This order of growth cannot yield a minimum family income of Rs 100 per month by 1975-76 except on rather unrealistic assumptions regarding the distribution of personal income. The argument is presented below.

The first step in the exercise is to estimate the gross national product (GNP) corresponding to the anticipated national income of Rs 34,000 crores in 1975-76.

The Central Statistical Organisation (CSO) has estimated the 1960-61 net national product at factor cost (national income) at Rs 14,160 crores and the net national product at market prices (NNP) at Rs 15,350 crores[1]. The latter is 108.4 per cent of the former. On the assumption of constant 1960-61 prices and costs, the two must grow at the same rate, that is the 1960-61 relationship between the two must continue to hold good. On this basis, the NNP corresponding to the national income of Rs 34,000 crores in 1975-76 works out to Rs 36,856 crores.

Capital Consumption

The CSO has estimated capital consumption in 1960-61 at Rs 912 crores[2]. This is most probably an over-estimate but, no other estimate being available, may be adopted. In the Third Plan document aggregate net investment over the Third, Fourth and the Fifth Plan periods has been estimated at Rs 52,500 crores[3]. On the assumption that the structure of investment in the Fourth and the Fifth Plan would be broadly the same as in the Third Plan, about one-third of the above amount, i e Rs 17,500 crores, may be accounted for by plant and equipment and the balance, i e Rs 35,000 crores, by construction. If capital consumption is allowed on plant and equipment at 5 per cent per annum and on other assets at 2 per cent per annum, the increase in capital consumption allowances consequent on the Rs 52,500 crores increase in the stock of real capital would amount to Rs 1,575 crores. Adding this to the estimated capital consumption in 1960-61, the estimate for 1975-76 works out to Rs 2,487 crores.

The estimated capital consumption allowance of Rs 2,487 crores added to the estimated NNP of Rs 36,856 crores yields Rs 39,343 crores as the estimated GNP in 1975-76. As the above calculations are neces-

sarily very rough, the amount may be rounded to Rs 40,000 crores.

The next step is to work out the structure of GNP in 1975-76 on the basis of data provided in the Third Plan document and in the CSO National Income Estimates.

In the Third Plan document, net investment in 1975-76 has been estimated at 19-20 per cent of national income. At 20 per cent of the estimated national income of Rs 34,000 crores, it will work out to Rs 6,800 crores. Adding this to the estimated Rs 2,487 crores of capital consumption, gross capital formation would amount to Rs 9,287 crores. This works out to about 23 per cent of the estimated GNP in 1975-76.

As against the estimated net investment of 19-20 per cent of national income, domestic saving in 1975-76 has been estimated in the Third Plan document at 18-19 per cent of national income. The gap of 1 per cent of national income

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gives the envisaged net inflow of funds. This will work out to a slightly lower percentage in terms of GNP. For the purpose of the present rough exercise, the import surplus may be taken at 1 per cent of GNP.

Public Consumption

There has been a considerable increase in public consumption, i e, government purchase of goods and services for current purposes, since 1950-51. The data are presented below:

	(Rs Crores) 1950-51	1960-61
(1) National income	9,530	14,160
(2) Indirect taxes less subsidies	500	1,190
(3) N N P (1+2)	10,030	15,350
(4) Capital consumption	640	910
(5) G N P (3+4)	10,670	16,260
(6) Defence expenditure	188	297
(7) 6 as % of 5	1.70	1.80
(8) Civil Administration	371	839
(9) 8 as % of 5	3.50	5.20
(10) Aggregate public consumption (6+8)	559	1,136
(11) 10 as % of 5	5.20	7.00

Defence expenditure as a percentage of GNP showed a very marginal increase between 1950-51 and 1960-61. The percentage increased from 1.7 in 1950-51 to 1.8 in 1960-61. Since the Emergency, however, defence expenditure has been expanding fast. The net budget provision in the current year stands at Rs 867 crores. It is not possible to project defence expenditure with any degree of assurance. For the purpose of the present exercise it may be assumed to double in the next 12 years, rising to about Rs 1600 crores in 1975-76. This would be 4 per cent of the estimated GNP.

The current expenditure on civil administration increased from 3.5 per cent of GNP in 1950-51 to 5.2 per cent of GNP in 1960-61. The trend is likely to continue. The country has yet to go a long way in the matter of creating an adequate system of social services — education and health, sports and recreation, social security and welfare, etc. If the minimum basic needs of the poorer strata have to be met, improved personal consumption will need to be supplemented by expanded public consumption. As a minimum, it may be assumed that current expenditure on civil administration would rise to about 8 per cent of GNP by 1975-76.

Adding defence and civil expenditure, the total public consumption would work out to 12 per cent of GNP in 1975-76 as against 7 per cent in 1960-61.

Structure of GNP

It follows that the structure of GNP in 1975-76 may be anticipated as under:

	Per Cent of G N P
(1) Gross domestic capital formation	23
(2) Export surplus	(—) 1
(3) Public consumption	12
(4) Personal consumption	66
(5) G N P	100

At 66 per cent of G N P, the aggregate personal consumption in 1975-76 would amount to Rs 26,400 crores.

An attempt may now be made to work out, on the assumption of the existing distribution pattern, the average personal consumption expenditure among the poorest 10 per cent and the poorest 20 per cent of the households in 1975-76. This requires sufficient knowledge of the existing distribution pattern. Unfortunately the available information is neither very adequate nor very reliable. The latest on the subject has been the August 26 statement of the Minister of Planning in the Lok Sabha. The statement is based on the findings of the 17th round of the National Sample Survey (N S S) for the period September 1961 to August 1962. A major weakness of the data presented in the statement is that these lead to an estimate of aggregate personal consumption that is short of the estimate based on the data presented in the Third Plan document and the C S O national income estimates by a wide margin.

NSS and CSO Data

According to the NSS data, per capita daily consumer expenditure averaged 70 nP for the total rural population and 101 nP for the total urban population. According to the 1961 census, the rural population numbered 359.77 million and the urban population 78.84 million. On the basis of daily average of 70 nP per capita, the annual consumption expenditure for the total rural population works out to Rs 9,102 crores. The estimate for the total urban population on the basis of daily average of 101 nP per capita, works out to Rs 2,906 crores. The amount for the entire population adds up to Rs 12,098 crores.

The national income estimates by the CSO, however, yield considerably higher estimates of aggregate personal consumption for 1960-61 and 1961-62. In arriving at these estimates, the estimate of Rs 1,600 crores of net investment in 1960-61 given in the Third Plan document (p 59) has been adopted. In the absence of any estimate for 1961-62, in line with the normal expectation in regard to the first year's performance, it has been assumed that net investment in this year would be about one-sixth of the total for the Third Plan period. On this basis net investment in 1961-62 has been taken as Rs 1,700 crores. The estimates are presented below:

	(Rs Crores) 1960-61	1961-62
(1) Net national product at market price	15,350	15,910
(2) Export surplus	(-)420	(-)290
(3) Net domestic capital formation	1,600	1,700
(4) Public consumption	1,136	1,294
(5) Personal consumption (1-2-3-4)	13,034	13,206

The above estimate of aggregate personal consumption in 1961-62 is higher by about Rs 1,100 crores than the estimate worked out on the basis of the NSS data.

It is common, for well known reasons, for the people in the upper income brackets to understate their income and expenditure. It seems that the NSS data also reflect this bias. That the NSS estimates of the national average per capita daily expenditure are on the low side is, perhaps, mainly due to this. It is also on account of this bias that the NSS data, perhaps, somewhat understate the degree of inequality in living standards. That the average per capita consumer spending of the richest 10 per cent of the population should be less than 9 times as high in the urban areas and only 6½ times as high in the rural areas as that of the poorest 10 per cent of the population seems a little too good and at variance with common observation.

In view of the above, in the present exercise, in working out the percentage share of the poorest 10 per cent, and the poorest 20 per cent in the aggregate consumption, only a partial use of the NSS data has been made. Total consumer expenditure of the poorest 10 per cent, and the poorest 20 per cent, of the population in 1961-62 is estimated on the basis of the population figures of the 1961 census and the per capita daily consumer expenditure figures yielded by the NSS 17th round (September 1961 to August 1962). Aggregate personal consumption in 1961-62 is taken as estimated above on the basis of the CSO national income estimates. On this basis the percentage accounted for by each group is worked out.

According to the NSS data, the poorest 10 per cent of the rural population had an average daily per capita consumer expenditure of 27 nP. This works out to Rs 98.55 per annum. Ten per cent of the rural population would be 35,977,000 persons. Their total consumer expenditure works out to Rs 354.5 crores. The NSS figure for the poorest 10 per cent of the urban population is 33 nP per capita per day. This gives Rs 120.45 per annum. Ten per cent of the urban population would be 7,884,000 persons. Their aggregate consumer expenditure works out to Rs 95.0 crores. The amount for both the rural and the urban poorest 10 per cent of the population adds up to Rs 449.5 crores. This is 3.4 per cent of the aggregate personal consumption estimated at about Rs 13,200 crores for 1961-62.

The NSS figure for the poorest 20 per cent of the rural population is 31 nP. The annual expenditure per capita works out to Rs 113.15. The total annual expenditure for the entire group comes to Rs 814.1 crores. The figure for the poorest 20 per cent of the urban population is 40 nP. This is Rs 146 per annum. The total annual expenditure for the entire urban group works out to Rs 230.2 crores. The amount for both the rural and the urban 20 per cent of the population adds up to Rs 1,044.3 crores. This is 7.91 per cent of the estimated aggregate personal consumption.

Too Ambitious

On the assumption of the existing distribution pattern, the consumer expenditure of the poorest 10 per cent of the population in 1975-76 would work out to Rs 897.6 crores and that of the poorest 20 per cent to Rs 2,088.2 crores. The Third Plan document has estimated total population at the close of the Fifth Plan period at 625 million. In terms of an average family of five, this means 125 million families. The poorest 10 per cent would number 12.5 million families and the poorest 20 per cent 25 million families. The average consumer expenditure per family per annum would work out to Rs 718 for the poorest 10 per cent and to Rs 835 for the poorest 20 per cent.

In no country do the poorest 10 or 20 per cent of the population, taken as a group, do any significant saving. Their income more or less equals their consumption. The long-term development as envisaged in the Third Plan document may, therefore, be taken to imply average annual income in 1975-76 of only Rs 718 in the case of the poorest 10 per cent and only Rs 835 in the case of poorest 20 per cent of the families. This works out to only about Rs 60 and Rs 70 per month for the two groups, respectively. This is nowhere near the target of an assured minimum family income of Rs 100 per month.

On the basis of the NSS data, the consumer expenditure for the poorest 10 per cent of the population numbering 43,861,000 persons was estimated above at Rs 449.4 crores for 1961-62. This works out to Rs 102.5 per capita or Rs 512.5 for a family of five. The estimated increase in the average family income of this group to Rs 718 in 1975-76 would mean an improvement of only 40 per cent as against that of 134 per cent required to achieve an average annual family income of Rs 1,200.

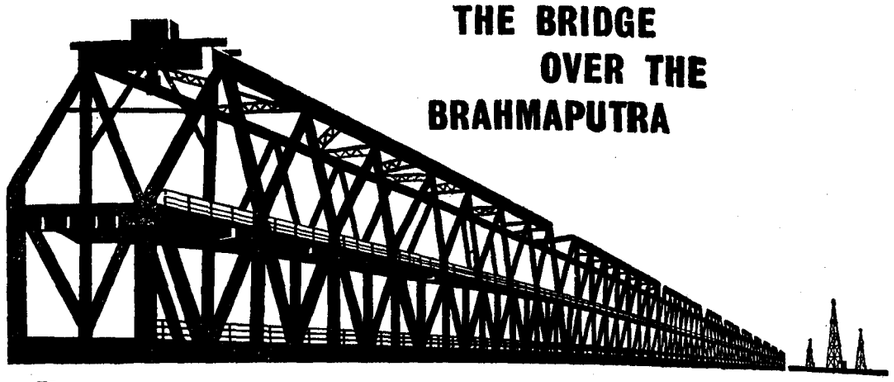
Even if the minimum income target is interpreted to mean average family income of Rs 1,200 per annum for the poorest 20 per cent of the population (which would imply large numbers below this level of family income), the short-fall implied in the envisaged long-term development outlined in the Third Plan document still remains very large. On the basis of the NSS data, the average consumer expenditure of the poorest 20 per cent of the population works out to Rs 119 per capita or Rs 595 for a family of five in 1961-62. The estimated increase in the average family income of this group to Rs 835 in 1975-76 would mean an improvement of only 40 per cent as against the improvement of a little over 100 per cent required to achieve an average family income of Rs 1,200 per annum.

Higher Growth Rate Necessary

The plain fact is that if the distribution pattern remains unchanged, the Rs 1,200 per annum target for 1975-76 would require a very much higher rate of growth than envisaged in the Third Plan document. Would it be realistic to assume a great speed-up in economic development? Economic growth over the first half of the Third Plan period does not warrant any such optimism. In fact there is every likelihood now of a considerable short-fall in the realisation of the Third Plan target for national income.

The national income target of Rs 19,000 crores in 1965-66 at 1960-61 prices was based on the assumption that national income was Rs 14,500 crores in the base year and that it would grow by about 31 per cent over the five year period. Actually the national income in 1960-61 turned out to be Rs 14,160 crores i e lower by Rs 340 crores compared to the figure assumed in the Third Plan. If the short-fall in the base year is to be made good, national income over the Third Plan period must grow by 34.2 per cent as against 31 per cent anticipated in the Third Plan document. This works out to a cumulative annual rate of a little over 6 per cent. The actual rate of growth during the first two years has been less than half this rate. It seems unlikely that over the Third Plan period, national income will grow by more than 25 per cent or so. This would give a total of about Rs 17,700 crores as against the target of Rs 19,000 crores.

It will not be easy even to make up this shortfall during the next two plan periods. In the long-term projections given in the Third Plan document, national income was envisaged to grow over the Fourth and the Fifth Plan periods from Rs 19,000 crores to Rs 34,000 crores. i e, by 79 per cent. This works out to a cumulative annual rate of growth of about 6 per cent. If the likely short-fall in the Third Plan period is to be made good, the rate of growth would need to be somewhat higher. This rate is very much higher than those experienced so far. Over the First Plan period national income in real terms increased by 18.5 per cent, a cumulative annual rate of 3.5 per cent. Over the Second Plan period, national income increased by 21.6 per cent, a cumulative annual rate of 4 per cent. In the Third Plan period. the increase in national income is unlikely to exceed 25 per cent, i e an annual rate of about 4.5 per cent. The climb to 6 per cent annual rate of growth over the next two Plan periods would not be an easy ascent. It would require a stupendous effort to loosen some of the present formidable constraints on economic growth. Such an effort is nowhere in the offing. A thorough, objective and scientific



THE BRIDGE OVER THE BRAHMAPUTRA

By day and by night, with deafening roar and rattle, goods and passenger trains hurtle across the new Brahmaputra Bridge, connecting Amingaon and Pandu. When on 7th June 1963, Prime Minister Nehru formally opened the Saraighat Bridge, wholly Indian in design and execution, it marked the culmination of a plan first thought of in 1910.

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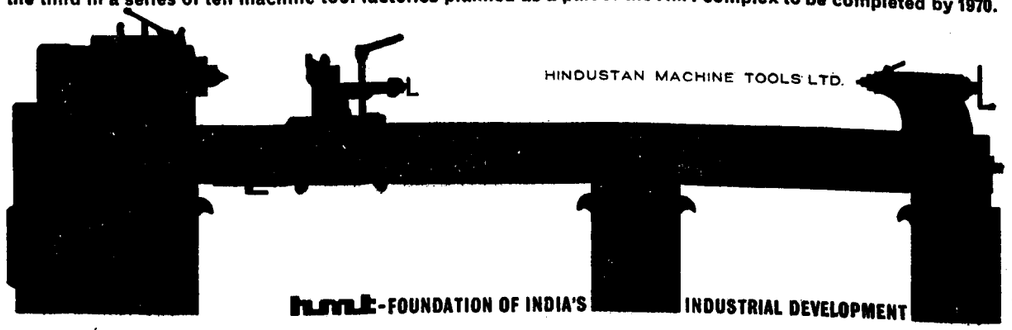
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AT PINJORE -A MONUMENT TO VISION, COURAGE AND DYNAMISM

VISION—of the Government of India to plan for the manufacture of machine tools in the Public Sector to meet the industrial needs for "Machines that make machines". **COURAGE**—to go into the manufacture of machine tools against the opinion of experts who considered the project economically unsound and doubted the ability of the Indian worker to acquire the necessary skill. **DYNAMISM**—of the workers and management of HMT whose resolution and hard work made such an unparalleled success of the two machine tool factories and the high precision watch factory at Jalahalli, and their continued determination to gift the nation a new factory every year.

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HMT-FOUNDATION OF INDIA'S INDUSTRIAL DEVELOPMENT

analysis of these constraints is a condition precedent to such an effort. Such an analysis, however, is yet to materialise. As it is, it would be airy optimism to bank on a higher rate of growth than that envisaged in the long term projections. Let it first be demonstrated that the economy can, and shall grow, at least at the rate envisaged in the Third Plan document.

If it is considered unrealistic to assume a rate of growth higher than that envisaged in the Third Plan document, a possible way to improve expectations regarding the average annual family income of the poorest strata would be to plan for greater equality in income and consumption distribution. If, for instance, the share of the poorest 20 per cent in aggregate personal consumption could be raised from 7.91 per cent as at present to about 9.5 per cent in 1975-76, the total consumption of this group would work out to about Rs 25,080 crores, i e an average of about Rs 1,000 per annum per family. This much improvement in the distribution pattern would not be an easy task either. There are formidable political, administrative and other difficulties in the way of the pursuit of egalitarianism. And some of these difficulties have tended to grow rather than weaken in recent years. The above order of improvement in the distribution pattern would not, however, be impossible provided measures for this are carefully thought out and effectively implemented.

Conclusions

The following conclusions emerge:

(1) It is very appropriate to think and plan in terms of an assured minimum family income or consumption for all.

(2) The target of a minimum income of Rs 100 per month for a family of five reported to have been set by the Planning Commission for 1975-76 is far too optimistic in relation to the existing distribution pattern and the rate of growth envisaged in the long term projections given in the Third Plan document.

(3) As things stand at present, it would be unrealistic to assume a higher rate of growth than that envisaged in the long term projections. A stupendous effort based on proper analysis of the existing constraints on development would be required even to realise the rate of growth envisaged in these projections.

(4) If the existing distribution pattern could be improved to the extent of raising the share of the poorest 20 per cent of the population in aggregate consumption from the estimated 7.91 per cent in 1961-62 to about 9.5 per cent in 1975-76, the long-term rate of growth envisaged in the Third Plan document would yield the poorest 20 per cent of the population an average annual income in that year of about Rs 1,000 for a family of five.

It would be legitimate to assume that before the Planning Commission accepted and announced the target of Rs 100 per month as the minimum family income by 1975-76, they must have undertaken the necessary studies to satisfy themselves about its feasibility and to work out its implications. In order to carry conviction, there is need for the Planning Commission to be a little more communicative on the

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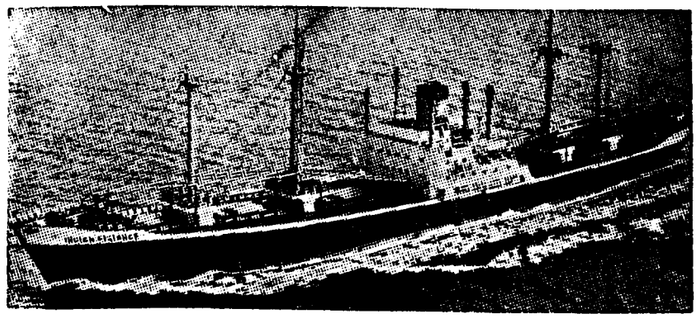
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subject. A convincing programme for speeding up economic growth and levelling up income distribution with a view to reaching out to even Rs 1,000 per annum as the average family income in 1975-76 of the poorest 20 per cent of the population would create a new climate and a new interest in planning in the country. It would transform the Perspective Plan into the grand design of a great popular battle and the minimum income target into an inspiring battle cry.

Notes

[1] "Estimates of National Income, 1948-49 to 1961-62", January, 1963, p 8.

[2] "Estimates of Gross Capital Formation in India for 1948-49 to 1960-61", 1961, p 64.

[3] *Op cit*, p 28.



Role of the CIA in American Foreign Policy

B Maheshwari

Nothing succeeds like success. On the occasions when it has manifestly failed in its mission, the U S Central Intelligence Agency has attracted severe criticism, though on other occasions when it has been successful it has been applauded for activities which are, in principle, far outside the scope of an intelligence agency and which, in practice, have the gravest implications for U S foreign relations.

Its successes and failures apart, the fundamental question raised by a study of the functioning of the CIA is whether an intelligence agency should be allowed to formulate and execute high policy. The British answer to this question has been that the acquisition, interpretation and utilisation of intelligence are three distinct functions and should be the responsibility of different agencies.

The U S experience with the CIA underscores the wisdom of this view. The operational role of the CIA is dangerous. Moreover, the existence of this "state within a state", unaccountable and uncontrolled, and its active and often independent involvement in foreign policy may lead to a situation in which the nature of U S democracy, the powers of the Congress and the President and the effectiveness of public opinion are all fundamentally affected.

THE Central Intelligence Agency is an organisation which is shrouded in mystery. Secrecy is its main principle in all respects — its planning, operations, personnel and budget. None, including the all-knowing Congress, knows for definite the size of its budget, which is estimated on the lower side at $ 500 million and on the higher side at $ 3,000 to $ 6,000 million; or of its staff, which is supposed to be between 20,000 and 60,000. The CIA is all-pervasive and all-comprehensive and both its friends and foes are impresed by its capacity and coverage of the intelligence network. J Chernov in *New Times* (Moscow) of August 1960, compared the CIA with the Nazi espionage set-up and admitted that it collected all types of information. Andrew Tully's "CIA: The Inside Story" (1962) is extremely readable and interesting, but at the same time apologetic and boastful of the record of the CIA. Describing the well-known CIA exploit of the Berlin Tunnel, he says, "The CIA is equipped intellectually, financially and operationally to add more success to its record (p 7)". But as he himself admits, there is a debit side to this balance sheet; the CIA "has committed blunders in both judgement and operations since its establishment" and "sometimes its mistakes have been dangerous enough to threaten world peace (p 7)". Hansom Baldwin of the *New York Times* wrote in 1956 that CIA "engages in activities that, unless carefully balanced and well executed, could lead to political, psychological and even military defeats and even to changes in our form of government".

The importance of intelligence collection has been recognised and accepted by the world since the days of Kautilya. Adequate intelligence is essential in the world struggle of to-day and the CIA has a vital role to play in this sphere. But the trouble arises when it attempts to cross the legitimate limits of its activity and fails. There is much truth in the reported statement of the former CIA director, Allen Dulles, that "the only time the people pay attention to us is when we fall flat on our face" and in recent years this has been rather more frequent. The U-2 episode and the Cuban invasion (1961) were disastrous for world peace, for American foreign policy and also for the CIA, which was then subjected to a sober and penetrating assessment.

Role as King-Maker

There have been several other occasions when the CIA was found meddling in foreign affairs, but then American public opinion did not pay any heed because the CIA had achieved successful results. A brief enumeration of certain events will show that interference in the internal affairs of other countries is an old habit of the CIA; it has had no qualms about adopting such a course whenever, in its opinion, it was necessary to combat the forces of Communism. It is now widely known and publicised that the CIA played a key role in the overthrow of the Mossadeq Government in Iran in 1953. CIA strategy and dollars were behind the people's revolt against him, and it has been active in the king-making since then. In 1954, the CIA caused the fall of Arbenz Guzman in Guatemala and the American people expressed their gratitude to the CIA for saving the Western hemisphere from the 'Communist menace'. However, this proud record has many 'black entries', which landed the United States and her people in trouble. People with inside knowledge hold that the CIA was a potent factor in shaping the China policy of the U S and it provoked the Red Chinese to bombard the islands of Quemoy and Matsu during 1954-58. The CIA activities in supporting the opium-growing Chinese exiles in northern Burma resulted in the worsening of U S-Burmese relations. All this was, however, done without even the knowledge of the American Ambassador in Rangoon, who first issued an 'unequivocal denial' and later resigned because he had been 'hoodwinked'. It is also public knowledge now that the CIA had its hand in the overthrow of the neutralist government of Souvanna Phounma in Laos in 1960-61. This led to the Laotian crisis and later on, the fourteen-nation Geneva conference was left with no choice but to recommend appointment of Souvanna Phouma as premier and the U S accepted the plan of a neutral Laos.

The trouble in such cases arises mainly out of what Andrew Tully calls "the CIA's traditional unwillingness to do business with any but the forces of the far Right". It refused to do business with any

one, except those it considered to be militantly anti-communist. In its crusade against Communism, it refused to see any virtue in several progressive, socialist, liberal and democratic movements in the world. Unfortunately, both the Dulles brothers, Foster and Allen, concurred in this view and the CIA dominated the American foreign policy in Asia. Because of this attitude, the CIA has involved the American nation with dictorships of the worst types in different countries, only because these dictators appeared to be staunch anti-communists. Unmindful of the people's welfare, these CIA stooges prepared the path for the ultimate victory of the communists.

Two of the worst mistakes of the CIA were committed in 1960 and 1961 — the U-2 flight and the Cuban invasion. They were fatal mistakes of judgement and operational organisation and rocked the world. The American public got a sudden jolt and several inquiries were ordered to find out what was wrong with the CIA. When the Soviets

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brought down the US spy plane and took the pilot alive, the CIA made ridiculous attempts to put up a cover story that it was a weather reconnaissance plane. Wise and Ross in a book, "The U-2 Affair" have given a graphic picture of how events moved during those days and it indicates that the CIA was not prepared for such an unexpected jolt. In other words, the implications and consequences of the flight were not properly and throughly considered. It was a mistake to send a spy mission of such a nature on the eve of a Summit conference, and the CIA's explanation that weather conditions determined Powers' flight on that particular day is unconvincing and naive, particularly in the context or the complex cold war world, when all actions are bound to have their long-term implications and consequences for the foreign relations of a nation.

The results of the U-2 flight were grim. It wrecked the Paris summit; it intensified the cold war and created a general alarm in the world. The Camp David spirit vanished and Moscow cancelled its invitation to President Eisenhower. It also lowered the prestige of US, whose government was found telling lies to the world. This was a serious situation. Though the Senate Foreign Relations Committee absolved the CIA of responsibility for the U-2 incident and thought that the responsibility appeared to rest with 'political officers at the State Department and the White House', yet it is obvious that the CIA's action had precipitated the crisis.

In April 1961, the CIA was again in the news, and this time the trouble was much more serious. The CIA-master-minded invasion of Cuba had misfired and the US stood guilty of invasion before the world. This incident was also followed by the same pattern of cover stories and lies, which were soon exposed by Fidel Castro, who paraded the prisoners on TV and got out their stories for the world. Criticism has since been abundant of the CIA action in Cuba and the critics have discovered several loopholes in the plan. It was the product of a series of mistakes committed under the influence of overwhelming'y optimistic reports. The CIA paid no heed to such expert observers' impressions as Senator-elect C Pell, General Hugh B Hester (retd) and Joseph Gordon. Hester and Gordon wrote in the *New World Review* that if the US military high command went ahead with its plan to invade Cuba, "we fear disaster will result". The CIA is alleged to have meted out high-handed treatment to the Cuban resistance fighters. It enlisted many Batistinos, and progressive Cuban leaders were kept locked up. CIA's choice of the Bay of Pigs for landing rebel force was also unsound. It was a swampy and isolated Bay, 90 miles southeast of Havana.

The CIA, in this venture, had seized the broad responsibility for making policy which belonged to the State Department and declared war without the consent of the Congress and command of the President. *Newsweek* of May 8, 1961, pleaded that, "the truth is that CIA begins no major mission without clearing with the Secretary of Defence, Secretary of State and the President himself", but Fred J Cook of *The Nation* (June 24, 1961) disclosed that President Kennedy took his decision on the basis of misinformation that Castro's "island empire" was ripe for revolution; that the latent rebellion needed only a spark to ignite the whole set-up of communist government there. The truth remains that in Cuba, CIA failed to grasp the realities of the situation.

Defects in Organisation

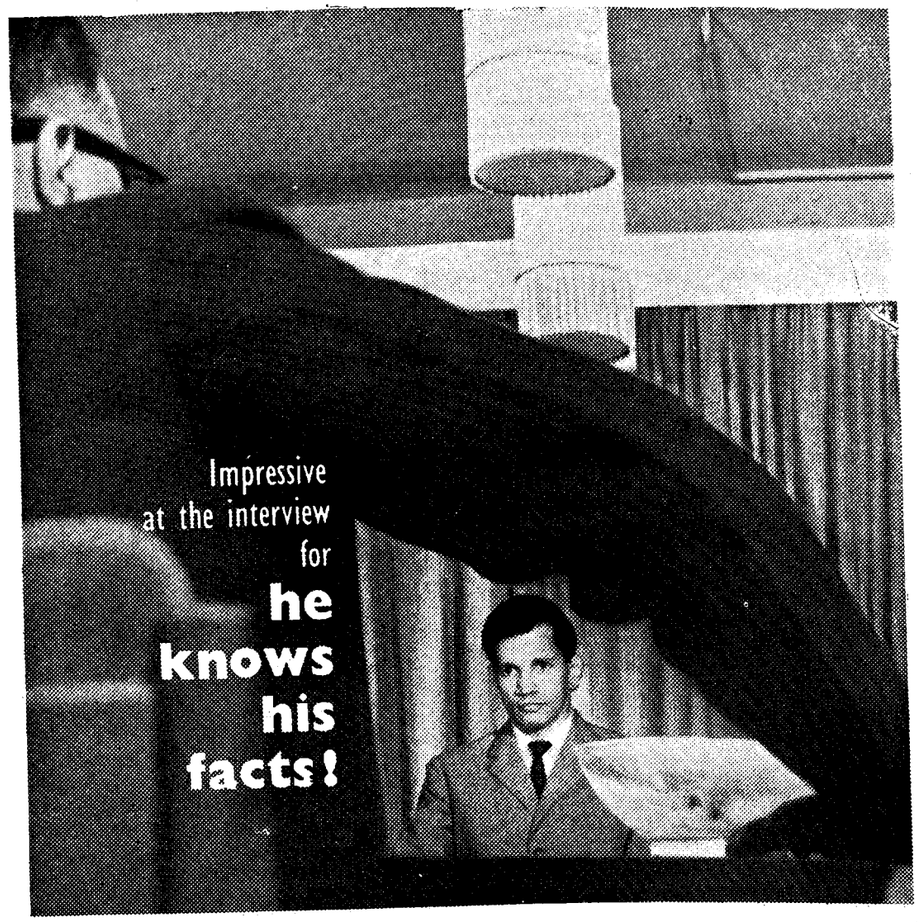
A look at the past and present record of CIA raises a fundamental question of the basic philosophy of the organisation of an intelligence agency. Should intelligence and operations be combined under one roof and entrusted to an intelligence agency? To this the British have always given a clear 'No'. They say that this prevents an objective analysis of the intelligence collected and also leaves this agency free to collect whatever intelligence it finds essential to back and justify its own policy line. The acquisition, interpretation and use of intelligence are three different functions and should be done by different agencies. The para-military operations of an intelligence agency may also be inconsistent with the principles and objectives of foreign policy, as laid down by the Foreign Affairs Department of the government.

The American experience indicates that there are definite disadvantages of getting intelligence too close to policy. There have been several instances when the CIA agents set themselves up against the officially accredited diplomatic mission. Andrew Tully has recorded the incidents when in Laos the CIA went against the US Ambassador there. To quote him, "Ambassador Smith (in Laos) charged that his operation was being crossed by CIA men attached to his embassy, who are attempting to make US policy in Laos". (p 214). More recently such a CIA-State Department conflict has attracted notice in South Vietnam, where US Ambassador Lodge has found that the CIA agent was pursuing his own policy. The *New York Times* correspondent from Saigon reported (October 4, 1963) that the Ambassador and CIA differed on policy in South Vietnam. He further added, "This is not a problem of personalities. What is involved is in part the traditional relationship, sometimes of rivalry, between the State Department and the CIA. In part, it involves the problem of whether the CIA should be primarily a straight intelligence network, or have operative functions; whether there should be separate chiefs for intelligence and operations".

This is a significant controversy — crucial for not only American foreign policy but also for the entire world, simply because of the world-wide commitments of USA. It is interesting to note here that even Allen Dulles, in his memorandum dated April 25, 1947, had held that, "the CIA should have nothing to do with policy. It should try to get at the hard facts on which others must determine policy". It is startling that it was under his direction that the CIA assumed role of policy maker.

However, a close look at the statutory provisions about the CIA reveals that it has been vested with authority under which it is possible for it to undertake certain operations. The National Security Act (1947) charged CIA with specific functions:

(1) To advise the NSC on intelligence matters related to national security;

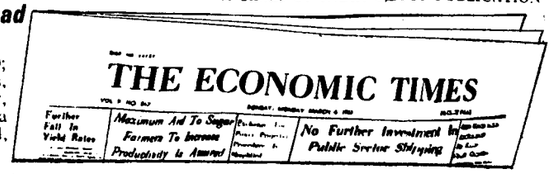




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(2) to make recommendations to the Council for co-ordination of intelligence activities of departments and agencies of the government;

(3) to correlate and evaluate intelligence and provide for its appropriate dissemination within the government;

(4) to perform for the benefit of existing intelligence agencies such additional services as the NSC might determine could be more efficiently handled centrally; and

(5) to perform *other functions and duties* relating to national security intelligence as the NSC might direct (italics added).

Thus, there seems to be implied scope for operations of the CIA in the "other functions and duties". The direction by the NSC is bound to be general and can be interpreted for specific situations by the CIA chief himself.

More significant than the statutory provisions is the potential of the CIA to influence the formulation and even implementation of American foreign policy. The CIA is responsible to the President alone and the Congress does not exercise any control over it. A resolution was brought in the Senate after the Cuban incident (April 1961) for Congressional watch over the CIA. This could not go through. A similar resolution by Senator Mansfield had been defeated by a 59 to 27 vote in 1956. Besides, the CIA has an almost unlimited budget and its Director is the only executive in U S who can spend any amount of money without any audit. These dollars can be used to organise popular revolts against foreign governments or to influence them in several other ways. The CIA represents a tremendous power and unaccountability to any one. Any agency, as big and powerful and rich as the CIA, can exert a considerable influence on policy in any country.

The National Security Council is the highest body in U S to advise the President on foreign policy and the Director of the CIA is its member. One feature of every NSC meeting is a regular briefing by him. He gives a summary of important developments throughout the world with particular attention to those areas which are on the Council agenda that day. The NSC decisions are based on the information provided by the CIA which is thus very well placed to influence the decisions. Intelligence is knowledge and knowledge is power. It is difficult for the members of the NSC, including the President, to verify the reports of the CIA. In this complicated world it is difficult for the chief executive to have his own evaluation of the intelligence reports and hence the policy decisions are invariably based on the CIA's facts which can be masterminded by the agency.

Besides this, there are certain gaps in foreign policy, which can be exploited by the CIA. Charles Edmundson, a former foreign service officer, wrote in 1959 that, "CIA is an activist group which steps in boldly to dictate foreign policy in areas not covered by decisions of Congress, the State Department or the White House." (Quoted by the *New Leader*, May 15, 1961). Thus, its large and worldwide network, its vast and unspecified funds, its completely independent and secret working and the importance of its information in policy formulation undoubtedly make the CIA a very potent force in foreign policy and its influence is bound to persist.

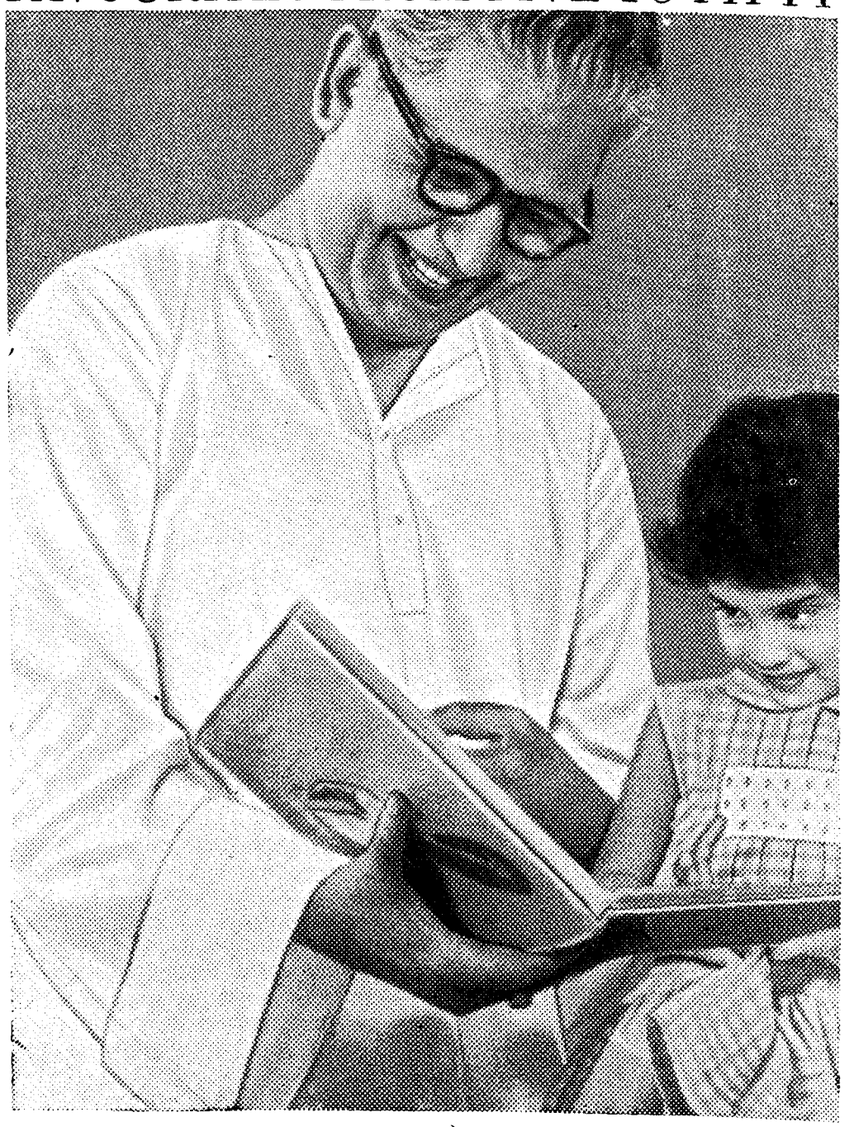
Proper Sphere of C I A

Nobody denies the necessity of an intelligence agency because intelligence is of profound importance to national security and only decisions based on knowledge can be expected to produce effective results. It is also true that the CIA will coninue to influence American foreign policy but even so its operational role is not only unjustified but is also harmful and dangerous. The foreign governments and peoples do not distinguish between the accredited diplomatic representatives of the United States, and CIA agents. Any action of these agents thus affects the relationship between U S and the foreign country involved.

Such a role of the CIA also creates problems of coordination of foreign policy and puts the U S government in very embarassing situation. The President and the Cabinet have to bear the blame for the CIA's activities. This role of the CIA in foreign policy-making is inconsistent with the constitutional philosophy of the U S. It is difficult to conceive of an uncontrollable massive power in the system of 'checks and balances'. The existence of what the *New York Times* (October 6, 1963) called "a state within a state", and the continued participation by the CIA in foreign policy operations may lead to a situation where the nature of democracy, the powers of the Congress and President and the effectiveness of public opinion groups may be fundamentally affected. The actions of this 'Frankenstein monster' dominate the American system at home and American prestige abroad.

The proper job for the CIA is to gather all information available about a situation abroad, without getting involved in it. An independent judgement of its intelligence estimates is also necessary. Besides, even if some form of Congressional control is not feasible in the interests of secrecy, there should be strict Presidential control over it. The Taylor Committee (1961) had recommended, *inter alia*, that, "CIA should have no operational role in future major actions similar to the Cuban adventure, but should continue its small scale, covert activities". This seems to be the generally accepted view today. But it is difficult, if not impossible, in practice to draw a line between small-scale and large-scale operations. It is difficult, therefore, to disagree with the views of Fred J Cook (*The Nation*, June 24, 1961) that, "the CIA must be divested of its action or operational functions, and restricted to the sole function of gathering information for other agencies operating under customary constitutional safeguards". That this is possible is indicated by Allan Evans (*World Politics*, October 1959) who says that "There can grow a more continuous relationship of intelligence to policy, a relationship in which the two sides seek a running familiarity with each other's needs and views and in which the contribution of intelligence is cumulative and organic". This can be realised only when the CIA is made to act not as a 'super foreign service' or 'paramilitary organisation' but as a team of investigators, researchers and analysts, disinterested in activist operations.

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Makerere Conference on Planning

Amartya Kumar Sen

HOW easily academic economists communicate with policy-makers? The question was being faced continually at the Conference on the Machinery of Planning held last month at Makerere College, Kampala, Uganda. This was the first of a series of three conferences on public policy organised by the University of East Africa: the other two will be held in Nairobi and in Dar-es-Salam. The conference organisers took the unusual step of putting economists next to politicians and civil servants, and asked them to argue it out. The background papers were contributed by economists, mainly from outside Africa, though a number of very able African economists took part in the discussion. The policy makers posed their questions, and the rest was free for all. I must confess that I was expecting some rather heated scenes, having had some previous experience of what happens when determined policy-makers are confronted with tough-minded economists. I cannot say that there were no explosions at all (and to these I shall come presently), but by and large the temper of the conference was cool, and the discussions much more calm than one would expect in the controversial field of the machinery of planning.

This was all the more remarkable because those present at the conference represented practically all possible political and economic views. The politicians present, a fair number of whom were Ministers in the Governments of Uganda, Kenya and Tanganyika (and, a little curiously, the Minister of Labour from Israel), were all rather determined men of convictions, and so were the economists present. Among the foreign economists there were Thomas Balogh of Oxford, Paul Clark from the U S A, Jan Drewnowski from Poland (and Ghana), Ephraim Kleiman from Israel, Jussi Linnamo from Finland, Dudley Seers from England (and the Economic Commission for Africa), Takao Sasaki from Japan, George Skorov from the Soviet Union (and the UNESCO), and myself. I think it is fair to say that nearly all the foreign economists had strong (but different) views about what kind of planning to have, and did not sound as if they were going to revise their views shortly. The African economists themselves fell into several well-defined groups. One got the general impression, however, that most of them were socialists, though the precise definition of socialism varied from person to person. The colonial ties were rather strongly felt and equally strongly resented. The fact that most of the business was in the hands of Asians (mostly of Indian origin) and Europeans, was also a sore point. In short, most of the Africans present seemed to be rather radical, keen on a change of the *status quo*. But there were differences of views on how best to bring about the required changes.

Overpaid Administrators

Thomas Balogh made a number of interesting observations on educational planning. There was a great deal of excitement about Balogh's point that high-level administrators in Africa were grossly overpaid. Salary scales of this kind are all right when thirty or forty administrators distributed justice over a vast territory, as in the colonial days. But with planned economic development, this simply would not do, since the need is for a very much larger number of administrators, and they cannot all be paid these fantastic salaries. Balogh also outlined the need for paying higher salaries to men with technical knowledge than to administrators. Skorov pointed out that this was by and large the practice in the Soviet Union, and he discussed the pattern of relative wages in that country. But the assumption that top administrators are over-paid in Africa was challenged by one of the top African administrators present. He argued that administration requires a very special kind of skill which should be duly rewarded. Administrators, we learnt, also *need* more income to be efficient. The conference discussed for a while whether the administrator in question should have a motor car to come to office, and Balogh tried to persuade him to use a bicycle! This, naturally, hit the headlines next morning, but in the news-report the authorship of this benevolent suggestion was placed on Nabwera, the Acting Secretary-General of K A N U, who had also shared the sentiments, and Balogh did not get his due publicity as a bicycle-promoter.

Specialisation *versus* Diversification

A question that generated a lot of discussion was the relative importance of industrialisation. Both Seers and I had emphasized the problem posed by the deteriorating terms of trade of primary goods, and the difficulties they imply for too heavy concentration on primary products, as some African economies have today. It was clear that Balogh did not share quite these fears, and drew our attention to difficulties in forecasting future terms of trade, and basing any conclusions on such prognosis. P H Okondo, Chief of Transport Section of Economic Commission for Africa, disagreed strongly with Balogh. Okondo also took Skorov to task for expressing pleasure at an agreement between Cuba and the USSR whereby Cuba will exchange sugar for industrial products from the Soviet Union, rather than producing the industrial products herself. (There was later an interchange between Skorov and Seers on the precise impact of Soviet-Cuban relationship on the market for Cuban sugar.) There was a fairly general discussion on the need for balancing advantages from specialisation arising both from differences in comparative costs and from economies of large scale, against the disadvantages of greater uncertainty, the possibility of being over-influenced by short run factors, etc. All this came in at a level of some abstraction, but on the more concrete level the need for raising the share of industrial income in East Africa seemed to be very widely accepted.

There was a lively discussion on monetary policies. Kleiman argued forcefully that the role of the monetary mechanism is usually over-emphasised, and that it is not all that important for economic development. This point was well taken, but it was felt that monetary policies were not entirely uselsss, so that the fact

that East Africa had no central bank made deliberate policy-making that much more difficult. Proposals for a central bank and banking policies were considered. It was pointed out that the fact that the banks in East Africa were owned mainly by the British or the Indians, made it more imperative to set up a central bank to regulate the monetary mechanism in step with other vehicles of national planning. The habit of foreign-owned banks to invest a big part of the funds abroad also came in for some sharp criticism.

Distrust of Devaluation

There was a very short but appropriate discussion on foreign exchange problems, which is not acute in East Africa as yet, but may become acute as development plans start. Balogh made the point that the East Africans should not fear devaluation unduly, since their export prices as well as their import prices were fixed largely in terms of foreign currency. This point, which was well made in economic terms, some of the participants found a trifle mystifying, but before the discussion on it could proceed very far, the topic changed.

The discussion on the collection and use of statistics for planning was very interesting. This was illuminatingly introduced by Paul Clark and ably followed up by Skorov. Seers found the attitude of the two a little too perfectionist, and attributed this to the over-cautious nature of the economists from the "rich, conservative countries, i e the U S A and the U S S R", as opposed to those from poorer countries, such as Great Britain, from where reckless Seers comes !

Economic Integration of Africa

There were many other points discussed. Kleiman tackled the question of training planning staff, Drewnowski elaborated the general machinery of planning, Skorov emphasised the regional aspect of development, and there were several other points to which I cannot do justice in this short report. Altogeher the conference was very successful in covering in a general way the broad policy questions facing these three economies just about to launch a full-scale assault on the problem of underdevelopment. The more technical points were appropriately avoided, for this was not a seminar for such discussion. But there was an interesting mixture of economic wisdom and political aspirations, typified (for example) by the recurrent appeal to greater economic and political integration between East African economies, and perhaps between all African economies at a later date. Swai, Minister for Development Planning in Tanganyika (an ex-student of the Delhi School of Economics) raised the question on the very first day, and it cropped up again and again. The economic argument for such integration happens to be strong, but what gave it the force it displayed was its very understandable political appeal.

While politics set the tone of economics, and the economists breathed down the neck of policy-makers, the discussions went on remarkably smoothly. The economists were more restrained than they usually are, but the bulk of the credit for the smoothness of everything goes to the civil servants and politicians. While many of them expressed a healthy scepticism of the economists' arguments, they were on the whole very unassertive. The attitude of the Ministers, in particular, was very surprising. They listened to other people's arguments, waited for their turn to speak, and abstained from giving us personal reminiscences. Being used to Indian conditions, I found this tantalising. In fact I almost harboured a suspicion that they were not Ministers at all! And if they really are, I wish they would tell their Indian counterparts what keeps them so abnormally normal.



Around Bombay Markets

Technical Correction Overdue

Thursday, Morning

DALAL STREET hit a new high last week but the going this time was extremely tough. It struggled hard to gain the small ground that it did and often panted for breath. And near the week-end, the market showed distinct signs of weariness though most counters were still quoted only a little below their best levels.

Optimism feeds optimism and that is how the stock market has been moving up week after week. So far, Shri Krishnamachari has only made known his firm determination to accelerate the economic and industrial tempo and also to revitalise the capital market. What concrete steps T T K will take to achieve the desired results is still a matter of speculation. It would be foolish to think that liberal credit alone can do the trick. Nor can the psychology of confidence be developed through the magic of words.

The current bull phase has been in progress for nearly three months. The rise that has come about during this period has lifted the market to around pre-emergency level and a few isolated counters have even crossed the 1962 high levels. The duration and the amplitude of the recent major bull phase warrant a sizeable technical correction. Anything can touch off the process of technical adjustment. A technical reaction in a rising trend occurs in much the same manner as the safety valve of a steam boiler pops and relieves the pressure before the factor of safety has been exceeded.

The market is already beginning to feel somewhat uneasy because of reports about the massing of Pakistani troops near the Kashmir cease-fire line. An open armed conflict can seriously disturb the temper of the stock market. And once the mood changes, the magic of fluctuation can produce a sizeable correction wihch seems overdue. Needless to add that one can never be sure how the process of technical adjustment will complete itself.

Cotton

Prices Recede

JARILLA march which had touched a high of Rs 715.75 on 10th October was sold down to Rs 699 on the 22nd and the latest quotation is only a little higher around Rs 703. The setback in futures reflected the easier tendency in the spot section where prices came down by about Rs 20 to Rs 30 per candy over the past fortnight or so. Spot prices have turned easy mainly due to slack spinner inquiry; sellers have continued to be reserved. With their stock position quite comfortable, mills are inclined to go slow with fresh purchases as the new crop is believed to be reasonably good with estimates varying between 54 lakh and 58 lakh bales. The quality of the crop is said to be good which has encouraged many market men to think that the size of the crop will also be large. While it is still too early to assess the size of the crop with reasonable accuracy, the industry is assured of ample supplies at prices below the previous season's average even if imports are just around 6/7 lakh bales.

Apart from the prospect of increased flow of arrivals with the progress of the marketing season in coming weeks and the somewhat slack mill off-take, market sentiment recently seems to have been influenced by the report that the Indian Cotton Mills' Federation does not view with favour the idea of building a buffer stock except through supplies of important cotton. Indeed, with domestic production continuing to lag behind the industry's requirements, buffer stock of indigenous cotton makes little sense, unless, of course, it is aimed at boosting raw cotton prices which are currently quoted nearer to the ceiling than the floor.

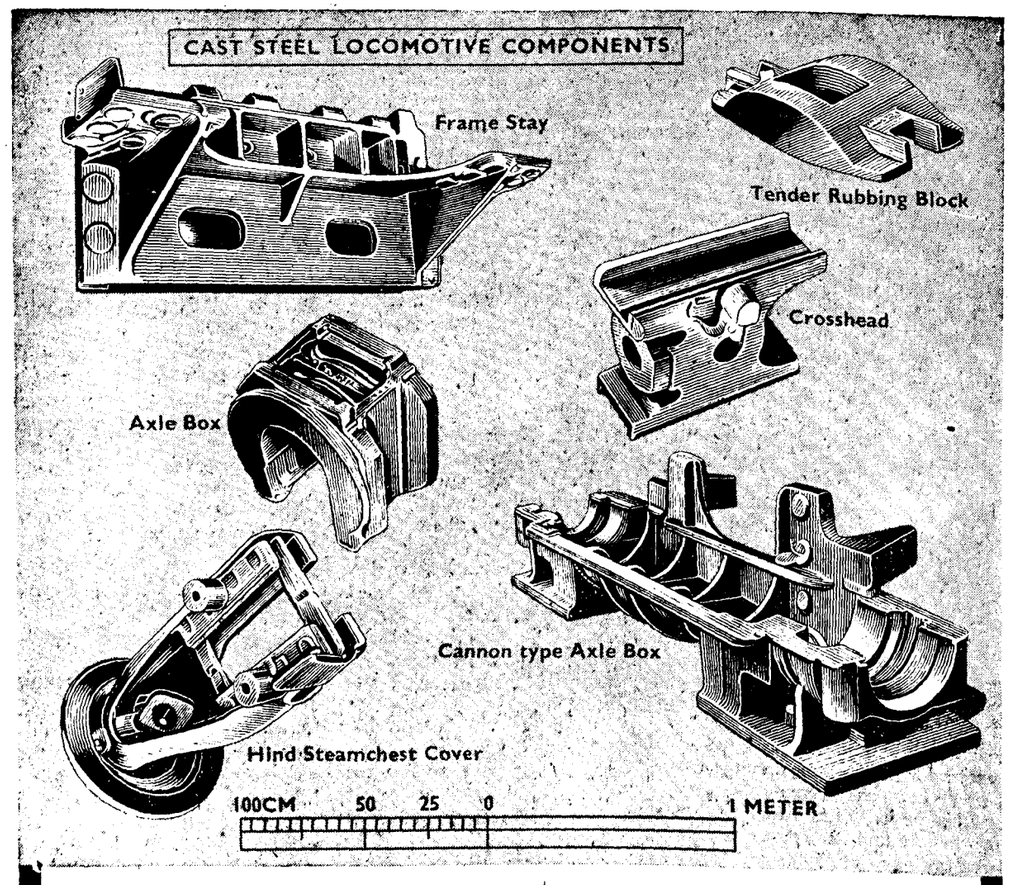
Trading sentiment last week was also unsettled by reports that the Government is making a fresh attempt to secure one million bales of cotton from the U S under P L 480. The U S response so far has by no means been very encouraging. But if Washington were to accede to India's demand, it will be possible to build up a buffer stock thereby assuring the cotton textile industry of sufficient supplies even during lean years. Rarely has the country had more than two good harvests in succession. In order to be able to achieve the Third Plan target for cotton textiles, the country will need to make a sustained and determined effort to step up cotton production. Export business in Bengal Deshi is progressing rather slowly but it should not be long before the present quota is fully utilised. Deshi prices have declined by about Rs 20 per candy over the past week or two. This has improved chances of export business. Inquiries from Japan have been steadily increasing.

Oilseeds

More Incentives for Exports

IN its desperate anxiety to boost exports of vegetable oils, New Delhi has liberalised the incentive scheme by permitting shippers to import larger quantities of copra and palm oil against exports of vegetable oils. The import entitlement for crude groundnut oil has been raised from 60 to 70 per cent, for refined variety from 70 to 80 per cent, for raw linseed oil from 20 to 60 pr cent, for double boiled from 25 to 70 per cent, for castor oil Commercial grade from 10 to 15 per cent and for B S S from 15 to 20 per cent. Export of crude cottonseed oil has also been brought under the incentive scheme and shippers are to be allowed imports of copra and palm oil up to 80 per cent of the value of export of cottonseed oil, crude or refined. The incentive for decorticated cottonseed cake has also been made more attractive.

The export trade is naturally much pleased with the liberation of the incentive scheme, particularly because market conditions abroad point to a firmer tendency for vegetable oil prices. Unlike in the past, the recent announcement of



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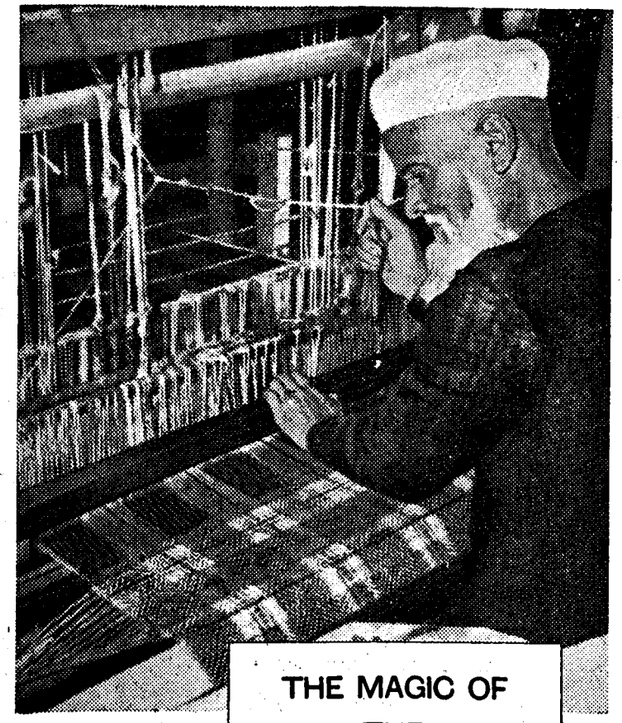
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further concessions to exporters here has not been followed by a setback in overseas prices. Neither Nigeria nor the Argentine has considered it necessary to reduce its quotations for groundnut oil. Increased Indian offerings in groundnut oil have, however, made the overseas buyers somewhat cautious which was only to be expected. The export trade seems confident about selling substantial quantities of groundnut oil in due course of time. The outlook for linseed oil is not considered to be promising because of the continued wide disparity in Indian and overseas prices, the increased incentive notwithstanding. New Delhi's policy allowing larger incentive for groundnut oil compared to linseed oil is basically unsound. In fact, there exists a strong case for according preferential treatment to linseed oil because it is less important from the point of view of indigenous consumption. Compared to linseed oil, export of an equivalent quantity of groundnut oil has an exaggerated effect on the domestic price structure of vegetable oils. New Delhi's decision extending the incentive scheme for crude cottonseed oil and treating it at par with refined oil is welcome and it should go a long way in encouraging the growth of the domestic cottonseed crushing industry.

The Real Need

Other things remaining the same, large incentives will no doubt help to promote exports but the liberalisation of incentives from time to time hardly makes up a sound export policy. It is unfortunate that no real effort has so far been made to strengthen the competitive position of Indian oils by improving facilities for bulk handling and storage. The organisational set up of the export trade also needs to be strengthened. The Ministry for International Trade will be well-advised to make a thorough study of the selling techniques adopted by different countries. In many countries exports are being channelled through centralised agencies which can quickly adjust their marketing policy to suit the changing needs of world markets. When exports have to be subsidized through various incentives, the incentive scheme can be most economically administered if the export



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trade is handled by some centralised agency.

Export houses reported fairly good business in groundnut extractions. The U K was mentioned as the main buyer. Japan also took a fair quantity. The Communist countries have not yet emerged as big buyers presumably because the new trade agreements have still to be ratified. Notwithstanding improved supplies with the progress of the crushing season, exporters hope to be able to realise good prices for groundnut extractions because of good overseas demand. Fairly good business was stated to have been put through in groundnut oil with the U K and Continent. Some business was also reported in groundnut H P S. Business in castor oil was limited but export prospects should improve with the recent increase in the incentive. While linseed cake continues to be out of favour, export of cottonseed cake is being well-maintained.

Prices Subdued

While the export trade seems well-satisfied with the recent liberalisation of incentives and it has welcomed the decision of the Karmahom Conference to reduce the freight rise from 12½ per cent to 10 per cent and also to offer an immediate rebate contract as a running alternative to the prevailing deferred rebate system, the oilseeds futures market has continued to display a rather subdued tendency. Fluctuations have been confined to a narrow range. Over the past fortnight or so, groundnut futures (January contract) have been moving up and down irregularly between Rs 219.62 and Rs 217.37, castor March between Rs 166.25 and Rs 165 and linseed March between Rs 36.81 and Rs 36.12. Cottonseed January have been hovering around 99 within a narrow range. Speculative interest is centred mainly round groundnut. In spite of improved export prospects, big speculators seem reluctant to 'bull' the market on the argument that if the Forward Markets Commission does not suitably revise the present ceiling of Rs 236 in order to allow for the normal carry forward charges for the subsequent contracts, the scope for a rise in the January contract would be limited. Besides, the crop movement is also likely to gather momentum shortly. There is something to be said for this line of reasoning, but the scope for any significant decline in groundnut prices from the current level is limited. The market might keep a little subdued for a while but prices are bound to develop an upward tendency because of the distinct improvement in the export prospect due both to the more attractive export incentives and the firmer tendency in world markets for vegetable oils and oilcakes.

Business Notes

Bombay Gas

BOMBAY Gas has made out a fair case before the Gas Advisory Committee for an adequate increase in the price of town gas. The Committee was appointed in February last by the Government of Maharashtra following the Company's representation on the serious deterioration in its financial position.

For the first time after 17 years, the Company had to pass over the dividend for 1962. It paid a dividend of 6.5 per cent gross for the years 1959 and 1960 and 5 per cent gross for the year 1961. Even for the lower dividend for 1961, it had to draw from its General Reserve. In the year 1962, the Company incurred a net loss of about Rs 60,000 even with the advantages of an income of Rs 1.33 lakhs from investments and Rs 1.36 lakhs from outstanding bills of the previous years.

The progressive deterioration of the Company's finances is attributed by the Directors to the continuously increasing cost of coal, railway freight, taxes, wages, etc. For instance between the years 1957 and 1962, cost of coal increased by 46.5 per cent, wage bill by 24.7 per cent and expenditure on labour amenities by 42 per cent. During the current year these costs have further increased. Besides, enhanced electricity charges, ERI premium, etc, have added to the burden with the result that the Company's prospects for 1963 look bleak.

Shri N K Jalan presiding over the last Annual General Meeting of the Company has stated that there are other facts also which continue to cause financial loss to the Company. The Company often receives a shorter supply of coal than it has paid for, and is unable to check short-loading for want of heavy weigh-bridges at important stations. Secondly, under the new system of allotment of box wagons, loading of good quality coal becomes difficult within the demurrage-free time of 5 hours with the result that inferior coal is often loaded along with good coal. Thirdly, the reduction of demurrage-free time from 12 hours to 5 hours for loading and unloading of coal even as the capacity of the wagon has been increased by 2½ times has resulted in heavy demurrage charges. Shri Jalan has urged the railway authorities to review the position and revise the demurrage-free time for loading and unloading.

The Company's demand for a price increase is sought to be justified on the following grounds. Firstly, although successive price increases have been granted in respect of several controlled commodities like iron and steel, cement coal, etc, and electricity and telephone and postal charges, rail fares and freights, etc, have been raised keeping the principle in view that even controlled prices should provide for sufficient return on capital and sufficient surpluses to be ploughed back for rehabilitation or expansion, the price of the Company's gas is pegged down to a rate lower than that in 1926! The Company has drawn the attention of the Gas Advisory Committee to the different factors which have a bearing on the selling price and also to the rates and returns of some of the leading public utility companies, which should provide a guidance to the Committee in judging the Company's case for a price increase.

Secondly, the Company is prepared to undertake a substantial expansion programme designed to give 15,000 to 20,000 new gas connections over a period of 3 years at an estimated capital outlay of Rs 150 lakhs.

Thirdly, liquid petroleum gas manufactured by two leading oil companies is sold in the market at four times the price of town gas



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SAVE FOR SECURITY

and yet has some 45,000 consumers with an expanding demand. The Company feels that with a moderate increase in the price of the town gas, demand will continue to be substantial, and the gas will still be cheaper than liquid petroleum gas.

Shri Jalan has, therefore, every reason to expect that the Gas Advisory Committee would consider the question of price increase in a proper perspective and make appropriate recommendations to enable the Company to improve its finances and plan for further expansion in the interest of consumers.

Aluminium Corporation

ALUMINIUM Corporation of India has completed 25 years of existence. *Shri Lakshmipat Singhania* who presided over the 25th Annual General Meeting of the Corporation claimed that the establishment of the Corporation in October 1937 was the first concrete step towards the establishment of this highly technical aluminium industry, and that too by pooling resources available in the country with no foreign technical assistance. Aluminium Corporation was the first to produce aluminium from Indian bauxite. Considering the enormous technical and financial difficulties it had to face, the present attainment of the Corporation is an unique achievement of Indian capital, Indian management, Indian labour and Indian technical skill. The shareholders had to wait for 19 years to get the first dividend but the Company has made steady and satisfactory progress during the last 8 years.

A new smelter, claimed to be the most modern in the East, has been put into operation from June last and it has achieved full rated capacity production of the required quality. Further expansion is under way and, when completed, the Corporation will be in a good competitive position for the supply of aluminium in various forms. The full benefit of expansion will be available to the Company from the next financial year.

Production of aluminium in India has increased from 16,382 metric tonnes in 1951 to 35,313 metric tonnes in 1962 reflecting the establishment of new plants and extension of existing plants. Consumption has reached a peak figure of 70,000 metric tonnes, the deficit of nearly 50 per cent being met from imports. The production target for 1966 is 1.17 lakh tons, but is not likely to be attained, because certain licences granted so far back as 1959-60 for the establishment of new plants have not been utilised. As the consumption of the metal at the end of the Plan period is estimated at 1.20 lakh tons, Shri Singhania suggests the setting up of a number of plants in different parts of the country where power is available in adequate quantities, as power supply is most essential for the industry. He has also stressed the need for reduction of taxes to step up the tempo of industrial production.

The operations of the Company during the year ended March 31, 1963 have shown excellent results. Sales reached a record figure of Rs 233.82 lakhs as against Rs 128.63 lakhs in the previous year showing a rise of 82 per cent. Gross profits amounted to Rs 46.78 lakhs being an increase of 62.7 per cent over the previous year's figure of Rs 28.75 lakhs. The profit margin has slightly narrowed from 22.3 per cent to 22.00 per cent. Provision for taxation has absorbed Rs 2.27 lakhs (Rs 11.50 lakhs); Depreciation is provided at Rs 16.20 lakhs (Rs 7.35 lakhs); Development Rebate Reserve has got Rs 12.39 lakhs (Rs 0.86 lakh); Rs 17 lakhs (Rs 1 lakh) are transferred to General Reserve. Preference dividend has absorbed Rs 2.86 lakhs and Ordinary dividend Rs 4.69 lakhs at 50 nP per share of Rs 10. Total dividend has amounted to Rs 7.55 lakhs as against Rs 10.56 lakhs in 1961-62. The Ordinary dividend is reduced this year from 80 nP in the previous year, although the net earnings per ordinary share have increased from Rs 1.51 to Rs 4.44. The Directors have cut the dividend with a view to conserving the resources to meet the expansion plans. Shri Lakshmipat has indicated that the cut is only a transitional feature. As a Silver Jubilee gift, the Directors will issue bonus shares to the ordinary shareholders in the ratio of 1 for every 4 shares for which the consent of the CCI has been obtained. Since the outlook for the industry is good, the prospects of the Aluminium Corporation seem bright.

Money Market

Thursday, Morning

FOR over a fortnight now, the inter-bank call money rate ruled steady at 2½ per cent, though there have been fluctuations in the demand for and supply of funds. The Diwali and Puja festivals kept money busy, but the demands were met without strain and the scheduled banks' resources position remained comfortable throughout. The banks, however, unloaded Rs 27.55 crores worth of securities during the week ended October 10. This enabled them to meet an additional credit demand of Rs 8.88 crores, to increase their balances with the Reserve Bank by Rs 7.72 crores, to reduce their borrowings from the Reserve Bank by Rs 1.19 crores and to augment their cash balance by Rs 2.40 crores during that week. The increase in deposits was, however, limited to Rs 1.21 crores.

The rate of growth of deposits has been slack for some time and with the slack season shortly coming to an end, it cannot be expected to pick up now. Demand for bank credit, on the other hand, has been active during the last two or three weeks. In these circumstances it is likely that banks sold their investments in order to keep with them adequate funds to meet any increased requirements. There may have been other reasons also for the disinvestment. The demand for giltedged securities has slackened since about a fortnight with the busy season drawing nearer. The rising prices of equities have reduced their yields and since lower yields on equities will normally find sympathetic reflection among the giltedged, banks have been perhaps inclined to the view that giltedged securities have now reached more or less top levels for the season. If this view is correct, it will not be surprising if the rising demand for credit is met from time to time by disinvestment in securities.

In any case, the resources available with the banks now appear to be more than adequate for their immediate requirements. This has found reflection in call money get-

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ting easier at 2 per cent by Wednesday evening. It is doubtful though that this lower rate will stay for long. For if the rate eases further even Treasury Bills, which fetch about 2.320 per cent, will provide a more attractive alternative. In fact, the intermediates sold from October 16 to 19 were higher at Rs 3.81 crores compared with Rs 2.55 crores in the previous period. The call money rate in Calcutta moved erratically as usual, but hovered at a higher level between 3 and 4¼ per cent with a tendency to harden. This may also be indicative of the future trend.

During the week ended October 18, the tempo of increase in active notes slowed down. Notes in Circulation rose by Rs 4.25 crores only compared with Rs 36.29 crores and Rs 28.38 crores during the preceding two weeks. The total of Notes Issued during the week was Rs 14.45 crores of which Rs 10.20 crores were held by the Banking Department. The increased note issue was backed by the addition of Rs 15 crores to the Rupee Securities in the Issue Department which also covered a fall of Rs 55 lakhs in Rupee coins. In the Banking Department there was a depletion of Rs 17.05 crores in the holdings of Treasury Bills.

Scheduled banks did not increase their borrowings during the week beyond Rs 28 lakhs, but their balances with the Reserve Bank were lower by Rs 4.74 crores. State Co-operative Banks increased their deposits by a mere Rs 5 lakhs, but their borrowings had risen sharply by Rs 15.10 crores. Deposits of of Central and State Governments declined by Rs 2.65 crores and their borrowings were also less by Rs 57 lakhs. Foreign Balances receded by Rs 1.10 crores. The Bank's investments were up by Rs 4.59 crores.

Activity in the giltedged market quietened a little during the week. The 3 per cent Coversion Loan had more sellers and lost ground. Short-dateds continued in favour while long-dateds were frequently on offer. The tone is quiet but steady.

Cochin Refineries

COCHIN Refineries, Kerala, will shortly issue a capital of Rs 7 crores, divided into 7,00,000 equity shares of Rs 100 each. Out of this issue, shares of the value of Rs 3.57 crores will be offered to the Government of India and Rs 70 lakhs to parties nominated by the Government of India, Rs 1.75 crores to the foreign collaborators, Phillips Petroleum, U.S.A, Rs 14 lakhs to Duncan Brothers, Calcutta, and Rs 84 lakhs to the public by prospectus.

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CURRENT STATISTICS

BANKING RETURNS

(Rs crores)

Reserve Bank	Oct 18	Oct 11	Sep 20	Oct 19, '62
1 Note circulation	2261.33	2257.08	2204.43	2047.88
2 Rupee coin	120.42	120.97	123.85	123.38
3 Deposits				
(a) Central Govt	48.90	52.20	70.20	52.42
(b) Other Govts	11.01	10.36	7.13	15.27
(c) Banks	83.89	88.51	88.42	89.88
(d) Others	163.06	161.96	160.96	159.86
4 Foreign securities	92.46	92.46	89.46	88.08
5 Balance abroad	8.00	9.10	9.04	6.27
6 Rupee securities	1954.31	1939.31	1892.30	1738.31
7 Investments	173.00	168.21	196.13	140.06
8 Loans and advances to Govts	83.31	83.88	55.86	39.66
9 Other loans and advances	146.68	141.22	140.63	144.40
Schduled Banks	**Oct 11**	**Oct 4**	**Sep 13**	**Oct 12, '62**
1 Aggregate deposits (net)	2214.31	2213.10	2191.26	2054.94
Demand (net)	963.78	969.52	947.26	813.18
Time (net)	1250.52	1243.57	1243.99	1241.75
2 Cash in hand	57.93	55.53	52.45	55.02
3 Balance with Reserve Bank	87.16	79.44	86.86	74.13
4 (2)+(3) as % of (1)	6.55	6.10	6.36	6.28
5 Borrowings from Reserve Bank	1.93	3.12	0.90	10.35
(a) Against usance bills and/or promissory notes	—	0.20	0.55	6.09
(b) Others	1.93	2.92	0.35	4.26
6 Advances	1240.81	1238.52	1242.52	1282.91
(a) State Bank	235.44	234.80	238.14	256.60
(b) Others	1005.37	1003.72	1003.38	1026.31
7 Bills discounted				
(a) Inland	174.65	170.90	163.37	158.23
(b) Foreign	55.70	52.87	53.52	49.60
(c) Total	230.35	223.77	216.89	207.83
(i) State Bank	15.55	14.55	15.63	12.34
(ii) Others	214.80	219.22	201.26	195.49
8 (6)+(7) as % of (1)	66.44	66.07	66.60	67.68
9 Investment in Govt securities	758.45	786.00	751.04	690.15
10 (9) as % of (1)	34.25	35.52	34.27	33.59

Bombay Money Rates

(Per cent per annum)

	Oct 11	Oct 4	Sep 13	Oct 12, '62
Call money from Banks	2.27	2.22	3.04	3.90
Seven days	—	3.00	3.00	3.00
Deposits				
Three months	—	—	—	—
Six months	3.75	3.75	3.75	3.75

INDEX NUMBER OF WHOLESALE PRICES

(Base : year ending March 1953 = 100)

Group and Sub-group	August 1962	July 1963	August 1963	% Increase (+) or decrease (—) in August 1963 as compared with August '62
Food Articles	**131.5**	**137.9**	**138.6**	**+ 5.4**
Cereals	109.5	115.0	115.3	+ 5.4
Pulses	113.0	109.7	108.0	— 4.4
Fruits & Vegetables	146.5	141.3	143.3	— 2.2
Milk & Ghee	133.0	132.1	130.2	— 2.1
Edible Oils	159.4	151.6	152.0	— 4.6
Fish, Eggs & Meat	149.1	148.5	152.5	+ 2.3
Sugar & Gur	151.2	193.8	205.1	+35.6
Others	171.0	188.2	184.8	+ 8.1
Liquor & Tobacco	**99.2**	**118.8**	**119.1**	**+20.1**
Tobacco	95.7	115.9	116.1	+21.3
Fuel, Power, Light & Lubricants	**122.5**	**137.1**	**137.0**	**+11.8**
Industrial Raw Materials	**139.6**	**138.5**	**138.8**	**— 0.6**
Fibres	128.6	130.2	131.8	+ 2.5
Oilseeds	160.4	155.7	154.8	— 3.5
Minerals	93.4	93.4	92.6	— 0.9
Others	124.7	125.2	125.2	+ 0.4
Manufactures	**129.0**	**130.6**	**130.9**	**+ 1.5**
Intermediate Products	**143.1**	**140.1**	**139.0**	**— 2.9**
Finished Products	**126.6**	**129.1**	**129.5**	**+ 2.3**
Textiles	125.3	126.5	127.7	+ 1.9
Cotton	129.3	135.2	135.3	+ 4.6
Jute	111.1	97.9	101.1	— 9.0
Woollen	141.3	156.6	156.5	+10.8
Silk & Rayon	131.3	136.3	138.8	+ 5.7
Metal Products	160.8	163.0	163.7	+ 1.8
Chemicals	115.1	117.2	117.4	+ 2.0
Oil cakes	163.9	169.8	163.3	— 0.4
Machinery & Transport Equipment	117.6	123.9	123.9	+ 5.4
Others	125.3	128.4	128.5	+ 2.6
All Commodities	**131.1**	**135.5**	**135.9**	**+ 3.7**

Employment Exchanges

(In '000)*

	July '63	June '63	July '62	1962 (Total)
No of employment exchanges†	350	350	342	342
No of registrations	466.2	395.2	387.7	3844.9
No of vacancies notified	77.8	77.3	71.4	790.4
No of applicants placed in employment	45.3	42.7	41.9	458.1
No of applicants on live registers†	2743.8	2684.7	2147.0	2379.5

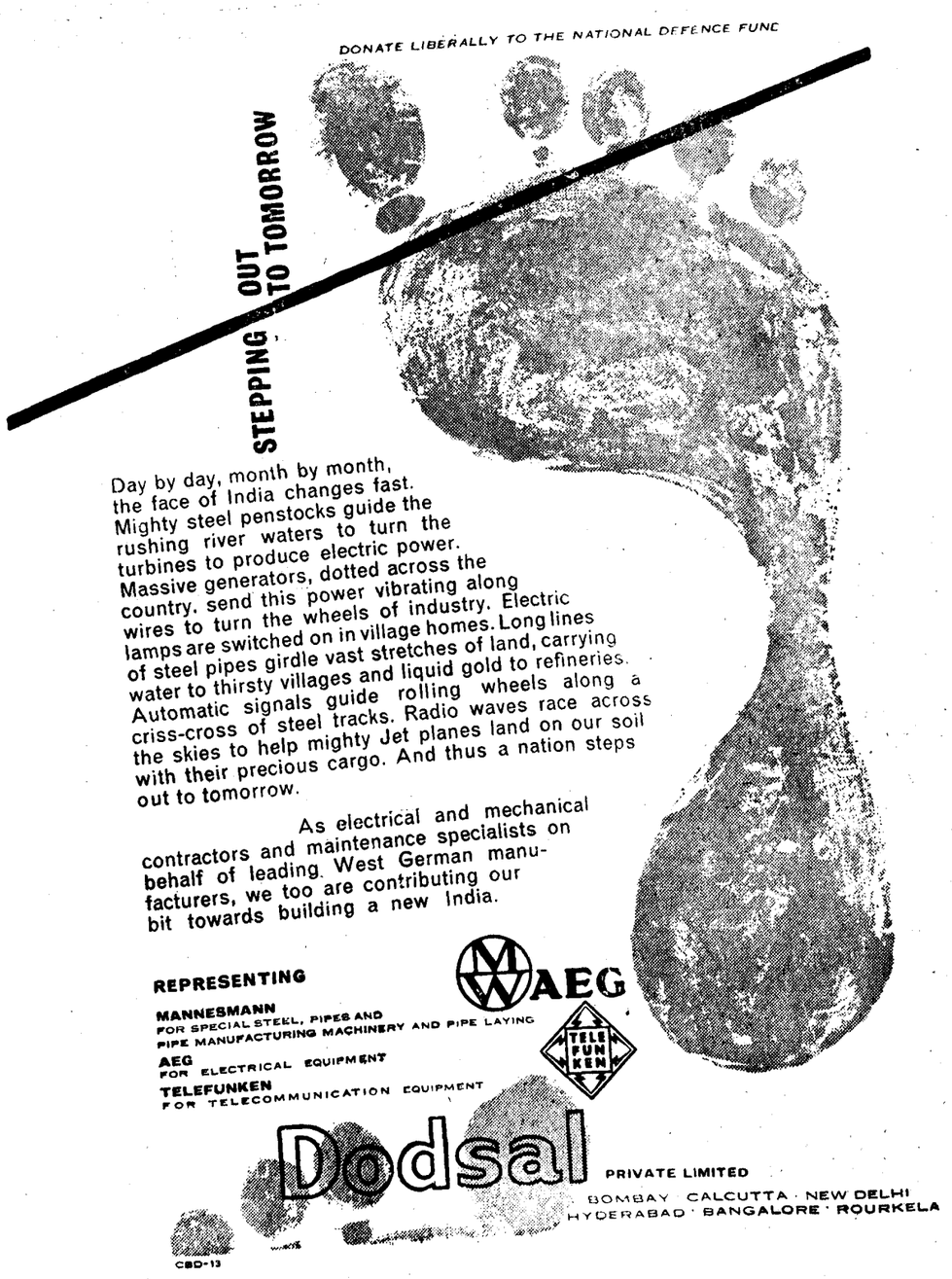
Source : Ministry of Labour and Employment.
† At the end of the period.

Electricity Generation and Distribution

(Million kwh)

	June '63	May '63	June '62	1962–63
Electricity generated	1992.1	2048.9	1746.2	22093.7
Electricity sold	1648.5	1689.8	1507.1	18276.3
Domestic consumption	146.2	148.8	150.1	1792.2
Commercial light and small power	84.4	85.7	100.1	1110.9
Industrial power	1186.7	1217.1	1060.5	13014.9
Public lighting	19.5	19.8	19.2	252.7
Irrigation	104.9	103.3	81.3	917.2
Miscellaneous	106.8	114.9	95.9	1188.5

Source : Central Water and Power Commission.



INDEX NUMBERS OF AREA UNDER CROPS

(Agricultural Year 1949-50 = 100)

Commodity Group	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62
I Foodgrains	**97.9**	**98.0**	**103.2**	**110.2**	**109.3**	**111.9**	**112.5**	**110.7**	**115.9**	**115.3**	**114.5**	**115.5**
(a) *Cereals*	99.4	99.3	104.5	111.0	108.1	110.7	111.4	110.2	114.5	113.7	114.0	114.7
Rice	100.9	97.7	98.2	102.5	100.6	103.1	105.4	105.4	108.1	109.3	109.4	110.4
Jowar	100.2	102.6	112.9	114.3	112.4	111.6	104.3	111.2	115.3	109.5	110.8	111.8
Maize	96.4	101.0	110.0	118.0	114.3	112.7	114.6	124.3	130.0	132.1	132.9	136.2
Ragi	92.4	91.8	94.0	97.9	96.4	93.2	94.3	97.3	101.3	99.9	96.1	95.6
Wheat	99.9	97.1	100.7	109.5	115.4	126.7	138.6	120.2	129.3	135.0	133.0	137.9
Barley	97.9	99.4	102.1	111.0	107.4	107.5	110.6	96.4	104.0	106.1	101.2	104.8
(b) *Pulses*	91.9	92.6	97.9	107.1	110.3	116.8	117.3	113.3	122.1	122.3	116.6	119.5
Gram	91.2	82.3	87.4	96.0	111.5	118.0	116.7	109.7	121.7	124.0	113.6	117.7
Tur	93.5	104.9	102.9	103.1	103.1	98.0	98.3	101.1	105.8	102.2	102.5	99.2
Other Pulses	92.2	98.4	105.6	117.7	106.2	115.3	117.4	114.8	121.7	121.2	118.3	121.5
II Non-Foodgrains	**110.8**	**121.3**	**116.2**	**115.9**	**127.4**	**130.7**	**134.4**	**135.1**	**136.5**	**137.7**	**138.9**	**143.1**
(a) *Oilseeds*	106.5	115.8	110.7	108.9	123.6	119.3	123.4	125.0	128.4	133.5	133.4	137.1
Groundnut	113.0	123.6	120.5	106.8	139.4	129.1	139.2	161.5	157.3	151.3	157.4	161.3
Sesamum	107.7	117.5	116.2	125.6	127.5	111.3	105.4	101.6	109.1	106.5	105.2	109.1
Rapeseed & Mustard	107.0	123.4	108.1	115.2	125.2	131.2	130.3	123.8	125.7	148.7	147.5	158.0
Linseed	92.2	89.8	88.6	90.2	88.5	99.4	109.4	83.5	103.8	126.5	116.8	111.0
Castorseed	94.0	98.1	90.5	91.9	93.6	96.9	96.0	75.5	77.3	79.8	70.9	75.7
(b) *Fibres*	118.8	135.0	130.4	137.3	147.2	160.7	161.8	160.7	161.3	152.6	151.7	157.8
Cotton	119.2	132.9	128.9	141.7	153.0	164.0	162.7	162.5	161.5	154.2	154.8	153.4
Jute	121.3	167.8	155.9	105.5	106.8	149.4	163.9	149.5	155.5	144.6	129.7	193.8
(c) *Plantation Crops*	99.0	99.3	100.4	101.7	104.4	104.9	104.8	105.7	109.3	110.0	110.0	110.0
Tea	100.4	100.1	100.4	99.3	101.0	101.3	100.7	101.5	101.8	101.8*	101.8*	101.8*
Coffee	103.6	105.7	107.2	97.6	103.2	104.2	104.7	108.8	114.9	120.5	120.5*	120.5*
Rubber	83.9	84.7	89.5	122.5	127.3	128.1	129.8	126.6	145.1	141.9	141.9*	141.9*
(d) *Miscellaneous Crops*	112.3	117.8	110.6	100.3	103.9	113.5	121.0	122.1	116.8	123.0	134.2	136.6
Sugarcane	116.4	132.2	117.8	96.0	109.6	125.1	138.9	140.4	132.0	143.1	158.7	162.8
Tobacco	102.7	82.9	104.2	106.1	99.6	117.8	120.4	105.3	108.9	106.4	115.1	119.3
III All Commodities	**99.9**	**101.7**	**105.3**	**111.2**	**112.3**	**115.0**	**116.0**	**114.6**	**119.2**	**119.0**	**118.5**	**120.0**

* Based on provisional estimates

INDEX NUMBERS OF AGRICULTURAL PRODUCTIVITY

(Agricultural Year 1949-50 = 100)

Commodity Group	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62
I Foodgrains	**92.4**	**93.0**	**98.0**	**108.1**	**105.2**	**103.0**	**107.4**	**98.6**	**113.0**	**110.0**	**118.4**	**117.1**
(a) *Cereals*	90.8	91.8	97.0	108.2	104.9	103.8	108.2	99.9	113.8	112.4	119.8	119.7
Rice	87.1	92.2	98.6	115.7	105.2	110.8	114.2	100.3	118.8	114.6	124.5	123.2
Jowar	89.6	94.0	94.4	102.4	117.7	86.6	101.0	111.6	112.6	106.8	121.5	100.1
Maize	87.6	100.3	112.1	110.3	111.5	99.6	115.9	109.3	104.2	110.9	108.7	107.3
Ragi	94.8	87.6	87.2	117.5	112.7	128.4	125.9	122.2	127.4	128.2	115.8	123.1
Wheat	101.2	96.7	111.9	109.6	117.3	103.6	101.5	98.6	114.0	112.4	122.3	126.8
Barley	107.9	100.6	119.9	111.0	115.8	110.2	109.0	99.5	108.4	107.2	118.6	124.5
(b) *Pulses*	99.8	97.5	100.9	104.6	107.4	101.4	104.8	90.9	111.4	98.1	110.3	101.3
Gram	107.5	107.2	124.9	130.6	130.9	117.7	136.9	114.7	148.1	115.7	142.9	129.7
Tur	98.2	93.1	88.3	96.5	89.0	101.4	108.0	76.5	84.3	85.3	104.5	68.0
Other Pulses	92.8	91.7	86.1	87.2	93.8	90.1	78.3	76.9	87.3	87.9	86.3	87.1
II Non-Foodgrains	**95.6**	**91.1**	**89.3**	**90.3**	**94.9**	**91.7**	**97.8**	**95.9**	**102.1**	**95.9**	**106.9**	**104.4**
(a) *Oilseeds*	92.5	84.1	83.0	95.2	92.2	91.0	97.5	95.2	106.5	88.6	98.3	99.9
Groundnut	89.7	75.2	70.8	93.9	88.7	87.1	91.4	85.1	94.7	81.0	86.7	90.2
Sesamum	94.3	87.8	92.0	101.6	105.9	94.3	93.2	84.3	112.8	86.4	77.0	86.0
Rapeseed & Mustard	88.4	94.0	97.6	93.1	102.0	88.6	98.5	92.7	102.1	88.0	113.1	101.6
Linseed	95.2	85.9	97.1	98.8	102.0	97.7	82.5	71.9	100.9	82.9	81.1	85.8
Castorseed	85.6	84.4	88.1	87.6	101.9	99.2	99.3	91.0	111.1	103.8	98.0	104.2
(b) *Fibres*	91.4	95.0	98.5	96.2	95.4	93.2	105.5	102.3	109.0	92.5	115.8	115.5
Cotton	92.9	89.7	93.9	107.1	106.9	93.8	111.4	110.0	198.9	89.8	131.3	110.6
Jute	87.6	90.2	95.3	94.8	88.7	90.9	84.6	86.2	102.1	97.3	93.8	98.9
(c) *Plantation Crops*	105.0	110.2	115.2	102.3	108.4	107.9	117.4	116.1	116.5	116.7	119.4	126.1
Tea	103.4	109.4	114.9	101.3	109.3	105.8	116.4	114.0	117.3	117.5	114.6	128.0
Coffee	108.4	106.6	117.4	150.1	147.1	188.2	194.9	211.2	209.6	215.4	294.7	213.8
Rubber	111.8	111.5	118.5	107.6	100.2	114.1	117.8	110.7	110.4	108.9	116.4	124.7
(d) *Miscellaneous Crops*	98.2	96.8	91.8	97.1	111.5	105.8	106.8	104.4	113.9	112.3	116.1	110.1
Sugarcane	97.7	92.9	86.2	93.2	105.7	95.7	98.8	98.4	107.2	105.0	109.6	99.5
Tobacco	94.7	94.1	87.6	95.7	95.5	95.8	94.4	86.5	108.5	100.1	101.1	107.7
III All Commodities	**95.7**	**95.9**	**96.9**	**102.8**	**104.2**	**101.6**	**107.2**	**101.1**	**112.2**	**108.0**	**118.1**	**116.6**

Note: The index numbers cover 28 crops, divided into 2 main groups and 7 sub-groups, as the case of index numbers of agricultural production. The productivity index has been estimated by dividing the agricultural production index by the unweighted area index. The productivity index, as in case of production index, has been computed by the chain base method to allow for changes in coverage and methods of estimation.

Source: Directorate of Economics and Statistics, Ministry of Food and Agriculture.

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Task before Congress

THE Congress has been discredited by its performance, and a [illegible] up of the party and its revitalisation might win back for it the image which it has lost. There is some logic in the Kamaraj Plan. Basic to the reorganisation of the party is the proposal put forward by Lal Bahadur Shastri, among others, for a change in the Congress Constitution, by which primary members will be deprived of their voting right. The organisation is defiled at the roots because, as every one knows, much of the primary membership is bogus and bought by the well-off and influential *in order to* secure for themselves a position in the party. If the voting for election of members to the party hierarchy is restricted to Congress workers who have given evidence of their competence and devotion, it should be possible to keep out some of the undesirables from running the party or having a prominent voice in it. That is, however, a hope and not a certainty. But even so, it is an essential step. The proposal, however, will not come up before the Jaipur Congress. It is to be hoped that the sponsors will have the courage and determination to push it through at the plenary session of the Congress which meets later at Bhubaneshwar.

Though not an off-shoot of the manner of recruitment of primary members, but in the same category of practice in regard to its baneful influence on the tone and temper of the party, is the reliance on big money for party funds. Shastri recounts wistfully that there was a time when the Congress relied for its funds on small subscriptions from the masses. It had found no access to big money then. And he raised the question of the Congress going back to the four-anna members as the principal source for party funds and weaning away the party from big money. This is, however, only wishful thinking. For raising money in small amounts from a very large number of people is an enormously difficult job; the temptation to take short-cuts, difficult to resist in any circumstances, is bound to be irresistible when the party is in power and access to big money only too easy.

But to go back to the logic of Kamaraj Plan, has the Congress been discredited only because the people who run the party have failed to keep to the strait and narrow path, or because they have been tried and found wanting? A contributor has unearthed and drawn attention to a letter which Pandit Nehru wrote to Mahatma Gandhi a few months after the Congress came to power in 1937 in seven of the eleven Provinces of what was then British India. In that letter, Pandit Nehru had mentioned the speedy disillusionment of the people, the alliance of the Congress ministers with the industrialists, their unconcern for youth and hostility towards labour. He had written of his own bewilderment at the use of the police by the Congress ministries at the slightest provocation against students or labour. He had even resented such outrage. That was just after 1937.

What has happened since? After In[illegible]e Congress faced tremendous problems. There could [illegible] solution to any of them. What has made the country bitter today is not that the Congress has failed to solve these problems but that it has not tried to

solve them though it is pledged to do so. On the contrary, it has sat tight on them doling out half-measures and platitudes. By its waiting game, it successfully managed to stamp out all the fervour that was in the country after Independence and chilled all enthusiasm. The Congress leadership has generated general apathy by making promises and refusing to carry them out. All the time it has kept on talking of a socialistic society, of welfare State, of social justice, of equal opportunities for all, and the other catch phrases from the Fabian Bible, with the result that the rich at the top are annoyed by its talk and the poor are dismayed by its performance. In the resulting situation, the opposition parties who have nothing to lose are capitalising on the distress of the middle class and the rural people and exploiting their grievances in order to undermine precisely those ideas and institutions which can lift the country out of the morass. Communalism comes in handy and social backwardness is always their ally. So planning is reviled and socialism is discredited because the Congress party has planned and talked of socialism. Kamaraj plan will not stop this rot.

We all witnessed how much energy lies dormant among the people of this country from their response to the Emergency at the time of the Chinese aggression. If the Congress party has a programme which can still capture the imagination of the people and bring out that same latent energy, a minimum programme, concrete and definite, which will mobilise labour and rural people and bring the urban youth under its banner, a programme which has a direct and positive meaning, the people will shake off their apathy and come forward.

Yet another definition of socialism at the Jaipur session is not the answer. Socialistic pattern has been debased into socialistic patter, and it cannot be redefined back to life. In any case, what is it that is now sought to be done? Prepare a list of industries which would be under public ownership? Such a list already exists in the Industrial Policy Resolution which can be modified without much ado. Nanda's mountainous labours will no doubt produce an ample mouse which will, for a while, make copy for cynical newspaper commentators. That apart, it is unlikely that anything that transpires at Jaipur will much change the content of Congress Government. Controls do not add up to socialism of any type; devoid of socialist purpose they become vast sources of patronage for the powers that be and vast sources of gain for those whom these powers patronise — witness industrial licensing or trade controls. Even planning merely has underwritten private capitalism. It is no euphemism that private enterprise has never had it so good as since the inception of planning and Congress socialism. The vast investment of public money in the social overheads, in power, transport, and so on, creates the conditions for private profit. That is, after all, the mechanics of growth — growth yes, but not socialism.

Is Jaipur going to change all this? Will the Congress cease to be financed by big money? Are Congress Ministers going to stop leaning on capitalists for everything from old age pension and employment for relatives to black money for political skullduggery? To pose these questions is to answer them.

Laos : Dangerous Drift

THE arrival in New Delhi of Prince Souvanna Phouma, Prime Minister of Laos, not long after the visit of General Kong Le, is a reminder that the bitter problems of that unhappy country are still not within sight of settlement. Indeed, the most recent reports suggest that behind Prince Souvanna, his country lurches towards *open civil war*, this time without centrist mediation to balance the contenders. As Prime Minister, Souvanna is respected by almost all Laotians, and obeyed by hardly any. The space left by the departing French has never been filled by any one authority, and, as in pre-war China at various times, contesting warlords compete for supremacy. In the conditions of a world Cold War, the armies are backed by different punters, and as a consequence, although the warlords were, until recently, almost all Princes (Right Prince Boum Oun, Left Prince Souphanouvong, and neutralist Prince Souvanna), the traditional alignments of world politics had appeared — the Soviet-backed Pathet Lao (Neo Lao Hak Sat) versus the American-backed General Phoumi Nosavan.

However, the recent shift in world alignments has changed the familiar pattern, and the Soviet Union has shown a willingness to join with the US in defending Laotian neutrality and minimising the factional wings — a closing of the ranks against the less scrupulous militancy of the Chinese. For the first time, roads connect Hanoi in North Viet Nam, and China, to Pathet Lao territory — communications that can expand the help given by the East Wind Communists, and prevent any Russo-American agreement to neutralise the country. What the peasants of this poor and war-riven country can make of these distant manoeuvres can only be guessed — the appeals of the 'American Way of Life' or 'People's Democracy' must be equally irrelevant beside the mute plea for peace.

In the past year, the uneasy balance between the three groups, momentarily reconciled by the Geneva agreements of 1961 in a tripartite Government under Souvanna, has been shifted. First, the Right has been weakened steadily, while the Pathet Lao has extended its area despite the formal ceasefire. Second, and more important, the neutralists have become increasingly split between a left and right faction — Souvanna, supported by Kong Le, leaning towards General Phoumi and Washington, and Quinim Pholsena, supported by one of Kong Le's lieutenants, Colonel Deuane Sipaseuth, favouring Pathet Lao. Late last year, the extent of the split was shown when an American transport plane delivering supplies to Kong Le, was

shot down by his erstwhile comrade, Deuane. Deuane and his followers fled, but later efforts by Souvanna temporarily patched up the quarrel. A little later, one of Kong Le's neutralist officers was shot dead, the first of a series of assassinations that included Quinim. Isolated fighting on the Plain of Jars between the two neutralist factions followed a familiar pattern, with the left slowly gaining over Kong Le. Early in September, there was a further outbreak of fighting between Pathet Lao and the Right, which later subsided and which the International Control Commission (India, Poland, Canada) is now investigating.

Meanwhile, the economy has continued on its downward path : what prosperity there has been has been a direct function of American subsidies. Under the ceasefire, there was no real attempt to unify the three divisions of the country, any more than there was any integrated system of administration — the rightist Minister of Finance has, it is said, never met the Pathet Lao Minister for the Economy and Plan. Prices and the general cost of living have continued to climb steeply, and most of the remaining aid projects have been abandoned; crop area shrank under the continuous military havoc, and the country is now dependent on food imports. (*America has* paid on occasions up to 90 per cent of the import bill.) The ambitious development plan prepared by the Planning Ministry remains an academic exercise while political instability continues. The only industry which continues to be a success is the French operated tin mines at Phong Tiou. The extensive iron and oil resources discovered in the country remain unexploited.

Through the vagaries of Western policy, one fairly clear trend has been visible — the inexorable growth of the Pathet Lao. Its discipline and organisation as well as its close proximity to friends (particularly Hanoi) have brought it within striking distance of its objective. American aid and the neutralist centre have prevented the final solution of the Laotian problem. Perhaps now, with the neutralist split and the Right weakened, a final onslaught by the Pathet Lao could finish the question. In terms of a breathing space for the people of Laos, it is of relatively little moment whether the strong central authority is like the North Vietnamese or the South. Partition would be a confession of failure, but perhaps even that will have to be faced to end the present stalemate. Certainly, despite the best intentions, the neutral centrists seem to have little more that is fruitful to offer.

Relaxation of Credit

AS promised by the Finance Minister in his broadcast speech three weeks ago, the Reserve Bank has announced some liberalisation of its credit policy on the eve of the busy season. The quotas for lending to the scheduled banks have been relaxed and the lending rates have been reduced. Banks would now be able to borrow up to 75 per cent of their statutory reserves, instead of 50 per cent as hitherto, at 4½ per cent; to the extent of another 75 per cent, they would be able to borrow at 6 per cent. Borrowing beyond this limit would still be subject to discussion between the Reserve Bank and the scheduled bank concerned but the latter will not have to pay the penal rate of interest of 6½ per cent; loans beyond this limit will carry the same rate of interest of 6 per cent. The concession for credit to small-scale industries and cooperatives, to collieries and for export bills will continue.

An important change in the lending policy of the banks is the removal of the 40 per cent margin restriction on advances against shares which has been in force since January 1962. Banks will henceforth be able to lend against shares freely.

The idea behind this liberalisation is, of course, stimulation of activity, particularly of investment activity, which has been slack. Not that easier credit by itself can make a great difference. The present measure, however, should be viewed along with the promised institutional changes in that direction such as the transformation of the Industrial Finance Corporation into a development bank and the formation of one or more unit trusts, which are all on the cards.

Unlike in last year, the banks should be in a sufficiently liquid position, judging from the trend of deposits in the last few months, to be able to expand their loans much more easily even if credit had not been relaxed. In fact, they are not likely to be under the same pressure as in the last busy season to resort to the Reserve Bank. The relaxation, therefore, can have only a marginal significance and largely a psychological one. If, however, it was the intention to give a more positive direction to credit, it would have been more rewarding to allow the banks to borrow their entire quota at the Bank Rate as it would have significantly reduced the cost of credit. This would also be in tune with the decline in the rates ruling in the call money market. Indeed, it is difficult to understand why the tier system in its lending rates is still being maintained by the Reserve Bank. Apart from being cumbersome and confusing, the tier system no longer serves the purpose for which it was originally intended.

The Finance Minister is, of course, aware that investment activity has slackened because of many other reasons such as the difficulty of securing foreign collaboration, without which new industrial ventures are hardly possible. The slackening of the rate of increase of industrial production has also something to do — how much, one does not know for sure — with the inadequacy of maintenance imports. The success that India has already achieved in convincing the aid-givers of the necessity for untied aid, highlighted by the decision of the World Bank to extend such aid for the first time to India — also the first untied loan by the World Bank to any developing country — holds out a prospect of some relief in this direction.

Weekly Notes

Prelude to Independence

AFTER a month's talks in London with the British Government, the formal framework of the new Kenyan State has been settled, and its independence on December 12 assured. The compromise reached at the talks showed that Britain was not prepared to use its military force to defend the regional demands of the Kenya African Democratic Union (KADU), representing some of the smaller tribes in Kenya (and particularly the Kalenjins) against the will of the majority of Kenyans. The Kenya African National Union (KANU) for its part scaled its claims down, and remained satisfied with the powers over police and civil service not being taken from the eight regions and given to Nairobi. In addition, KANU accepted that constitutional revision could only take place by referendum in matters affecting the powers of the regional assemblies. KADU is comforted with the knowledge that matters affecting individual and tribal rights, regional boundaries, and the composition of regional assemblies require support from seventy-five per cent of the House of Representatives and ninety per cent of the Senate.

The achievement of a compromise is surprising given the long and tortuous wrangle at Lancaster House, interspersed with bitter denunciations. Both sides tried to stampede the British Government from Nairobi —while Kenyatta was in London, KANU in Kenya demanded the withdrawal of the British Governor and immediate independence for the country; while Ronald Ngala negotiated for KADU, his Kenyan followers announced immediate secession from the Kenyan Union alerting Government troops and causing a minor flurry. Whether either side gained by these tactics is unclear: in any case, they hardly affected the basic issue.

When the colonial power is withdrawn in any country, it leaves a vacuum in which contesting elements clash in the struggle to replace the old authority. Kenya has been surprisingly stable. KANU since election has slowly extended its influence, and with the adherence to its standard of the former KADU ally, the African People's Party, it now represents the three major tribes of Kenya (the Kikuyu, Luo and Khamba tribes), holds eight of the thirteen small tribe seats in the lower House, and is broadly supported by Kenya's white population. Accession to office strengthened its claims to being a national party — steps towards an East African Federation were undertaken almost immediately after forming the Government. In addition, it has attracted some Asian support (despite the fiasco over home leave recently).

The constitutional talks have given some formal shape to the new strength of KANU, but in the nature of the case, it cannot settle the tension between the groups in Kenya. The Somalis in the former North East Frontier province boycotted the elections, and have never lost an opportunity to state their alienation from Nairobi and desire to join Somaliland. What the Kalenjins, who showed two years ago that they were effective in carrying arms against authority, have not yet indicated through KADU is how far they are prepared to carry their demand for autonomous regions. Tension, flaring up into riots between KANU and KADU during the celebrations of the first Kenyan Government last June, is likely to continue. Even within KANU all has not been immune to the disintegrating tendencies — there have already been sharp faction fights, and most recently, rumours that the youth wing of the party has burnt crops in the Highlands in protest against party activity.

But, for the moment, Kenya has purchased a breathing space in which to begin the heavy task of developing its potentially very rich country. Before the serious fission tendencies develop, perhaps they will be able to express themselves in the wider and more secure arena of the East African Federation.

End of Dravida Nadu

THE Dravida Munnetra Kazhagam's promised land was supposed to comprise Kerala, Andhra and Mysore, besides Madras. Yet curiously the party had not the slightest following in these States. Even its popularity in Madras really owed little to its secessionist pretensions. And for all the fire-breathing by its leaders, the D M K itself took its avowed objective of a sovereign Dravida Nadu just about as seriously as the people.

So when recently the party's General Secretary, C N Annadorai, quietly let it be known through an article in the party newspaper that the D M K was abandoning Dravida Nadu once and for all, it caused no more than a ripple. Instead of being the D M K's clarion call, Dravida Nadu had become the dirty word for the party's opponents to vilify it with. The Sixteenth Amendment to the Constitution provided a convenient excuse for Annadorai, who is no obscurantist like his mentor E V R Naicker, to get rid of a total political liability.

Formed in 1949 as an offshoot of the virulently anti-Brahmin Dravida Kazhagam, the D M K now constitutes the principal opposition in Madras. But it has long cut its milk teeth and it is doubtful whether anti-Brahminism was a major factor at all in its striking success in the last General Elections. With the exit of C Rajagopalachari from Madras Congress and the passing of Congress leadership into non-Brahmin hands, D M K's caste appeal inevitably waned. In fact, the 1962 elections found the D M K in a working alliance with the Swatantra party which in Madras is largely, and correctly, identified with the Brahmins. Rajaji addressed election meetings organised by the D M K and appealed to the "intellectuals" to vote for it in constituencies where the Swatantra Party had no candidate.

Even opposition to Hindi cannot provide the D M K with a viable long-term platform since the Hindi versus English choice has little meaning for the vast majority of its followers who, unlike the middle class, white-collar supporters of the Swatantra party, have no vested interest in the retention of English. Otherwise also it must sooner than later part company with the Swatantra since, though it has largely shed its anti-Brahminism, it is inconceivable that it can survive as the party of the dispossessed. Under-privileged and non-Brahmin are now no longer synonyms in Madras, but the D M K which began as the party of non-Brahmins must, by the logic of its organisation and appeal, remain the party of the under-privileged — a position which, in the absence of a Communist Party anywhere near as well organised or popular as in Kerala or Andhra, gives it a vast scope. To exploit this opportunity the D M K has to turn from caste and language to economics. It is to the credit of at least a section of the D M K leadership that it has recognised this and as long as this section continues to control the party, the D M K will constitute an effective threat to the Congress in Madras. None knows this better than K Kamaraj.

Higher Secondary Course

YET another year, it is likely, may be added to the duration of schooling all over the country. It is not long ago that the Government fixed the 11-year school course as the standard pattern to be adopted by all the States. Now the All-India Council for Secondary Education, which met in New Delhi this week, has expressed itself in favour of a total of 12 years of schooling. This is not to be taken to mean that all the States have implemented the earlier scheme. Far from it, even by the end of the Third Plan only some 30 per cent of all secondary schools in the country will have changed over to the 11-year pattern. Most of the States have pleaded shortage of finance and lack of trained teachers as the reasons for their failure to make the change. It is surprising, in view of this, that the Council should be in such haste to further lengthen the higher secondary course.

It is not denied that since for a majority of those entering schools the high school or higher secondary course constitutes the sum total of academic training with which to seek employment and go through life, the course must be made as thorough as possible. But when it concentrates its attention on extending the duration of the course, the Council for Secondary Education reveals its obsession with the quantitative aspects of education just as the States do when they divert funds earmarked for improving the quality of education to opening more schools, increasing the enrolment of students, etc.

It is now estimated that the enrolment in classes IX, X and XI at the end of the Third Plan will be 52 lakhs as against 45.6 lakhs envisaged at the time of the formulation of the Plan. This number is expected to rise to well over 100 lakhs by the end of the Fourth Plan. Unless, therefore, at least 30 to 40 per cent of the additional numbers are diverted to vocational and semi-vocational courses, the consequences in terms of educated unemployment are too frightening to contemplate. The right pattern of school education can emerge only if we are clear about its aims. If a considerable number of those entering schools have to be prepared for a career without the benefit of any further education, then the education system has to be revamped accordingly.

There is no dearth of ideas. A workable scheme for teaching craft and other practical courses in our schools is there in the report of the Mudaliar Commission. The so-called multi-purpose and junior technical schools are intended to prepare students for middle-level jobs in industry. Yet their number is very small because they are more expensive than schools doling out general education. Much larger funds than are now provided have to be found to equip these schools and train teachers for these courses. The problems are also organisational, of taking the initiative and pulling out of the rut. Unless they are tackled and the content and pattern of school education is linked to its aims, lengthening the duration of schooling will only result in wasteful diffusion of the all-too-limited real and financial resources available for education.

Co-ordination in Agriculture

WHAT happens when developmental tasks are thrust upon an administrative structure designed primarily for "tax collection" and "police" functions? One result is the extraordinary proliferation of offices and officials, more complex in a federal state with its different layers of government. It inevitably happens that, more often than not, the Government's right hand has no way of knowing what the left is up to. "Co-ordination", therefore, comes to be much bandied about and more lapses are attributed to its absence than to anything else.

The teams of officials despatched by the Central Government to the States to review agricultural programmes earlier this year were of the opinion that the "unsatisfactory administrative and organisational arrangement" was by far the most important single factor responsible for poor results in agriculture. This automatically led the Agriculture Ministry to set up a Working Group "to review the existing arrangements and suggest concrete measures for bringing about adequate co-ordination within the entire administrative and organisational structure".

The Group had 16 members — 3 Union Ministers, 5 State Ministers, one member of the Planning Commission and the rest civil servants — all well versed in the technicalities of the administrative machinery and the nuances of hierarchical propriety. It is hardly surprising, therefore, that the Group's report is concerned primarily with designations, positions in the complex hierarchy and such delicate matters as the proper routing of papers and who is to write whose confidential report. The principles of administration enunciated by the Working Group are no doubt unexceptionable: that the new "integrated" approach to agricultural development (as opposed to the earlier "segmentary" approach) requires a single organisational unit, with specific and clear-cut responsibilities at all levels; and that this should not result in "unmanageable work load" for any single functionary or undermine specialisation. In spelling out these general principles the Group pays meticulous attention to nomenclatures and status and such other details. The only thing that is not very clear is whether the suggested re-arrangement will really improve matters.

The Group suggests that at the Secretariat level all departments and

agencies concerned with agricultural production and Panchayati Raj should be integrated in one department "that may be known as Department of Agricultural and Rural Development". The head of this Department, to be designated "Commissioner for Agricultural Production and Rural Development", should "co-ordinate the work of Heads of Departments concerned with agricultural production". It is not obvious how, in practice, this senior official will prove any more effective than the present Development Commissioner, the abolition of which post is suggested. At the district level the responsibility for co-ordination is put on an Agricultural Production Committee, consisting of the district officers of the concerned departments and non-officials.

It is difficult to imagine such a Committee doing any fruitful work. Nevertheless, it is to have a member-secretary (prescribed designation: "Agricultural Production Officer"; prescribed rank: senior officer, class I) to assist the Collector (who will write his "character roll") in the task of co-ordination "under the overall direction of the Agricultural Production Committee". This officer, in turn, will have under him the Block Development Officers. And to enable the B D O to devote all his time to developmental work, the group recommends, with a fine flourish of officialese, that he may be assisted by another minor official "who may be designated, for this purpose, as P A to the B D O"!

What matters more for development — the framework of administration or the men who fill that framework?

Outsider Shipping Service

Our Shipping Correspondent writes :

THE apparent tug-of-war between the Government and the Karmahom Conference over freight rates has now become an elaborate farce which should fool no one. The Government had made it known that it would be satisfied if the increase of 12½ per cent proposed by the Conference was scaled down to 10 per cent. And so, now that the Conference has settled for a 10 per cent rise, the Government cannot be as dissatisfied in fact as it pretends. In any case, the Conference no doubt will make some more concessions in what, for some obscure reason, are called 'sensitive commodities' and the matter will end there. Of course, the Government is showing great enthusiasm for an India-U K service outside the Conference but this may well end up as a damp squib.

One should not be so discouraging perhaps about the Government's intentions. It is, indeed, a considerable advance that the need to break Conference monopolies should be recognised. The pity is that the Government should attack the Conference when the Conference has, on economic grounds, a reasonable case. All said and done, a 10 per cent increase in freight is not likely to affect much our exports; nor is it probably unjustified from the stand-point of the economics of the Conference lines' operation. After all, even the Government's Maritime Freight Commission recommended a 7½ per cent increase.

It bears repeating, however, that the crucial point in the battle between the Conference and the Government is not the arithmetic of the freight increase but that the Conference, in ignoring the recommendations of a supposedly independent body appointed by the Government, has shown its contempt for Government control. Therefore, when Government spokesmen repeatedly stress that our merchant fleet, including tramp shipping, should be expanded so that we are not left "at the mercy of vested foreign shipping interests", they have arrived at the right conclusion, through the wrong reasoning. The need for an alternative to the Conference is great, not so much to beat down the increase in India-UK Conference freight rates as to ensure that the Conferences do not in future act arbitrarily and ignore the Government, in any matter including freight rates.

What the Government proposes to do is still uncertain. It may be suggested that it should acknowledge the Conference's gesture in scaling down the freight increase a little more gracefully. At the same time it should continue to pursue its policy of encouraging independent carriers who operate to and from India. The case for having independent carriers is totally unconnected with the freight increase by the India-UK Conference and, therefore, they should not be limited to the India-U K service but should be encouraged in all services to and from India at present monopolised by Conferences. It is well known that the Japan Conference, for instance, intends to raise rates from Japan to India. Before this is done, the Government should put into effect its declared policy of encouraging outsiders. If the Government lives up to its recent pronouncements and extends the support it has promised within a reasonable period Indian shipowners should be in a position to provide a nucleus for an outsider service.

The Government should take care, however, not to over-play its hand. It can, with the Indian merchant fleet and without gross violation of propriety in international trades, do much to encourage independent national lines, but it cannot go so far as to cut out foreign lines completely. Controls should be exercised with finesse and without apparent bias. The Government should encourage not only Indian shipping companies but also foreign tramp companies to start an outsider service so that it is not accused of flag discrimination.

As yet Indian shipowners have failed to respond to the Government's challenge to build up an outsider service. The real test of how far the Government will go will come if the shipowners do meet the challenge. That will be the time to watch the Government's actions.

Automobiles, How Indian?

DIALOGUE between the Government and the automobile industry follows an unvarying pattern with the industry complaining that the present scale of production is uneconomical and demanding that it should be allowed to expand and the Government admonishing the industry for continuing to rely heavily on imports and reiterating that in view of the shortage of foreign exchange no expansion can be permitted unless the industry reduces its import bill. The Minister for Steel and Heavy Industry probably had a good reason for going through this familiar conversational exercise at the meeting of the Development Council for Automobile Industry on Tuesday. Was

Subramaniam telling automobile manufacturers that the recently announced World Bank loan for maintenance imports, part of which is earmarked for the automobile industry, will not mean an increase in its total foreign exchange ration?

That expansion which would commit the industry to larger imports is impermissible is unexceptionable since, with the foreign exchange position being what it is, it is more likely to result in larger unutilised capacity than higher output. For, fanciful calculations purporting to show how the indigenous content of motor vehicles has gone up notwithstanding, the fact remains that the automobile industry accounts for a foreign exchange expenditure on maintenance imports which is not all that much less than what would have to be spent if the vehicles were completely imported.

How does one account for this? From time to time the Government has released foreign exchange to automobile manufacturers and ancillary producers for import of machinery to expand indigenous manufacture. Every time these allocations are linked to a new target of indigenous production. Last year, for instance, the Government was publicly hopeful of the industry achieving 90 per cent indigenous production by April 1963. But now Subramaniam tells us that the most that can be hoped for is that this target may be reached by the end of next year. What has gone wrong? It may be that the original target was too ambitious, but should not the Minister tell the public frankly that what *has* been achieved is not commensurate with the expenditure of foreign exchange and why?

In fact, one may question the validity of going by a notional target of indigenous content for the industry as a whole since it is well known that different units have had markedly uneven success with their production programmes so that the indigenous content is now said to vary between a little over 50 per cent and 80 per cent. The time schedule for increasing indigenous manufacture, therefore, has to be separately fixed for different manufacturers and their foreign exchange requirements determined accordingly. Unless such time tables are set and enforced, not through Government resolutions and exhortations, but through some combination of incentives and penalties, the automobile industry will remain in the *cul-de-sac* it has got into.

Attracting Tourists

FOR a foreign exchange earner of some importance — it ranks sixth in our export list — and vast potential, tourism has not received the serious consideration it deserves. Quite recently, however, there has been a spurt of interest with the appointment of an *ad hoc* committee on tourism, headed by L K Jha, Secretary, Department of Economic Affairs. The report of this Committee has not yet been released to the public but is said to be under official consideration.

Like all measures of export promotion, policy for the promotion of tourism should be based on "market information". What sort of foreigners come to India ? The Ministry of Transport and Communication comes out with statistics of tourists. As in most other government publications, there is a considerable time lag — the latest available data relate to 1961—but the information is plentiful and detailed. Thumbing through them, one can reach some interesting generalisations; the "average" tourist coming to India is most likely to be an American male, between 31 and 50 years of age; an "employee" (private or government) by occupation, he has most probably come to India for pleasure, arriving by air and spending as many as 39.6 days in the country.

More significant for development programming are other details. For instance, while the largest number of tourists came from the U S, tourists from Ceylon, Burma, Malaya, Singapore and Africa together formed as much as 30.3 per cent of the total. These are "markets" with little immediate prospect for development. Since many of the countries in this group themselves face balance of payments difficulties, the tightening of their travel regulations —inevitable, as we know only too well — will naturally affect our trade. In fact, this is already apparent. Preliminary figures for the first seven months of the current year show that while there was an increase in the number of tourists from the U S, Europe and Japan, it was more than offset by a decline in the inflow from Ceylon, Burma, West Asia and Africa.

This is something that cannot be helped. Planning for the development of tourism has to be done principally with an eye on tourists from the Americas and Europe (now forming 56.4 per cent of the total) and those whose purpose of visit is pleasure (45 per cent). Not that the claims to comfort of business or other tourists should be ignored; but as a source of income, they are surely less "elastic" than the pleasure-seekers.

Increased affluence, more leisure, transport of extraordinary speed and the new spirit of international exchange have all contributed to the vastly greater mobility of the post-war era. It is estimated that total international travel expenditure now exceeds $ 6 billion per annum — of which citizens of the U S alone account for about $ 2 billion. It is also estimated that Europe received as much as about 45 per cent of the world's international tourist business. This is understandable since Europe has well developed facilities and offers a wide range of attractions, within a comparatively small and compact area. For Americans, it is within easy reach and also has the "pull" of cultural affinity. Europeans themselves are highly travel-conscious, but they tend to spend their vacations in intra-European travel, easily accomplished by road.

India is quite a different case. Its "exotic" appeal is likely to miss quite a large section of the travelling public; and for most of those who are attracted by it, a visit to India is a "once in a life-time" affair. It is not entirely surprising that most Americans who seek non-European travel go to Japan via Hawaii and then turn around and return home, ignoring the Pacific region and the rest of Asia. This again is a feature that cannot be helped, though effective and imaginative publicity will certainly not be wasted.

But what is more pertinent is the provision of facilities within the country. Accommodation naturally tops the list. Unfortunately, the development of the hotel industry takes

time, especially with various scarcities in the economy. Investment itself is a problem, but management also counts for a great deal. Private sector has certain obvious advantages here but it is likely to find the prospects rather uncertain, especially in the more out-of-the-way tourist interest spots. The incentives offered by the Government — a "tax holiday", availability of finance from the special financial institutions —may help, but not much. The public sector's initiative is necessary and this is already recognised. Only it would do well to bear in mind that a measure of comfort is quite compatible with austerity and is certainly more important than "class" and pomp.

Letter to Editor

Reform or Revolution?

A VERY odd and inaccurate comment appeared in your issue of October 26 on the recently concluded session of the National Council of the Communist Party of India.

First, it is hinted that 35 members of the Council are in jail and that their presence would have tilted the balance against the present majority. Only 20 members are in jail, four are dead and 11 were absentees. It is quite wrong to believe that even of the 20 in jail all would necessarily cast their votes against the present majority.

Second, the public censure of Gopalan is interpreted as an act of political vendetta. In actual fact Gopalan's misdemeanour was to publicly violate the discipline of the Party by attending a meeting which he was forbidden to do. He now admits, as against earlier public pronouncements, that he knew the Party had prohibited him from attending that meeting. At the meeting Gopalan declared that the Party was divided into pro-imperialist and anti-imperialist sections, into pro-government and anti-government groups.

Can any disciplined organisation, let alone a Communist Party, tolerate such flagrant breaches of discipline? The C P I has shown that it has respect for its organisational principles and would come out against its tallest leaders should they violate these principles — an attitude sadly lacking in other parties, as is evident from the cases of Patil and Asoka Mehta.

Thirdly, the comment hastily concluded that the West Bengal, Kerala and Andhra Pradesh branches of the C P I support Gopalan. The source of this information is not provided but as the latter two State Councils will soon be meeting we can await the results. One can, however, hazard the prophecy that you will be chagrined at their decisions. As for West Bengal you would again do well to wait till the jailed leaders are released.

Fourthly, it is not Dange who has "unobligingly postponed" the Party Congress till September next. A Congress takes time since conferences have to be held from the Party branch upwards. And it is hoped that public pressure by that time will have persuaded the Government to release all the Communists now in jail. One has not heard that Gopalan and his supporters demanded the immediate convening of the Party Congress.

Fifthly, to describe the present political line and mass activities of the C P I as "parlour politics and class collaboration" is downright slander—an echo of the very words used by the Peking *People's Daily* against the C P I in its outrageous editorial "Mirror for Revisionists".

Never before in close to four decades of Party history had such a massive and successful all-India campaign been organised by the C P I as the Great Petition march only some months ago. The recent session of the National Council has outlined a further course of mass campaigns and struggle which one would invite critics of "parlour politics" to be courageous enough to openly join. Or, at least, they might enlighten us on what more "revolutionary" steps and policies they would like the C P I to adopt. To join the Jana Sangh and Swatantra Party in an indiscriminate onslaught against Nehru, perhaps?

Criticism of the C P I and its policies are only to be welcomed, especially when it appears in an unprejudiced journal like yours. But the comment under discussion is a sad departure from the usual accuracy and objectivity and is more akin to the psychotic outburst of a frustrated soul.

MOHIT SEN

Hyderabad,
October 30.

[We did not 'hint' that the absent National Council members were in prison. We only suggested that the present majority might be eroded by the release of the detenus.

We did not mention a 'political vendetta', but did assume that where important political divisions exist, contesting groups will attempt to destroy the influence of their rivals. Is the C P I immune from this phenomena common in other political parties, particularly Communist Parties?

Mohit Sen's defence of the 'official' line, merely because it happens to be official does little credit to the history of Communism where the term Bolshevik ('minority') has more than passing significance — nor does it help understanding of the important political issues currently debated in the C P I. To discuss these in terms of what a 'disciplined organisation' can tolerate is to raise the organisational question far above the political.

The political issues are vital, and have been somewhat neglected. Our attempt was merely to view the present struggle in the C P I in terms of those issues, rather than as questions of nationalism or party discipline.

— *Ed.*]

The Economic Weekly

Foreign Subscription Rate

Due to increase in foreign postal rates it has been found necessary to revise our foreign subscription rate. With effect from July 1963, the annual foreign subscription is Rs 34, 50s or $ 7.

A FERNANDES
Business Manager

Capital View

On the Eve of the Jaipur Session

Romesh Thapar

SOON, all attention will be concentrated on the All-India Congress Committee session at Jaipur. but in the Capital a very serious view is being taken of the Pakistani military build-up at Dhumabari and Lathitila in Tripura and at Chaknot on the cease fire line. Ayub is obviously a good student of Peking's border tactics. He, too, is attempting to push into these two pockets of territory which are supposedly 'disputed'.

The assumption is that a Pakistani adventure here will be easy to explain to the US State Department which is reported to have made it clear to him that clash with India would be viewed as proof of Rawalpindi's collusion with Peking. A minor skirmish, Ayub believes, will pass unpunished and earn him much-needed acclaim among the bellicose sections in his country. The unilateral US postponement of the official visit of General Maxwell Taylor to Pakistan is significant.

Trouble on Indo-Pak Border

Ever since the Chinese cease-fire and withdrawal, the army staff has been only too conscious of the possibility of Pakistan attempting militarily to embarrass India and in this way 'proving' her friendship for China. Indeed, this opinion was shared by many perceptive persons in the Government of India who while discounting the likelihood of another Chinese attack this year were not nearly as sure about Pakistan's intentions.

Unfortunately, however, the lesson we learned last year that it was foolhardy to rely on the USSR to discipline a pugnacious China has been forgotten, for a dominant section in Delhi is now deluding itself that the USA will curb Pakistan's aggressive appetite. This kind of wishful thinking can have grave consequences.

Of course, despite what moronic stock exchange speculators might believe, an India-Pakistan clash in the east or west can never take on the dimensions of last year's battle in the Himalayas. The cease-fire line in Kashmir is 'registered', as it were, with the United Nations. In the east, Ayub knows that he must tread warily. But there is anxiety in Delhi about the repercussions within India over the present Pakistani posture.

The power-seekers who last year exploited the collision in the Himalayas to 'bring down' the government of Jawaharlal Nehru could again come out on the streets if Pakistan violated the existing border—and it would be easier to disrupt law and order by picking on the so-called 'the enemy within'. Have adequate arrangements been made to meet such an eventuality? There is still a deep reluctance to remain on the alert, fully prepared. We are lazy, and only too willing to lapse into apathy.

Defence Production

Any one who takes the trouble to investigate our defence production efforts soon comes away with the impression that we are still wallowing in the belief that foreign military aid will solve our shortages. A year has passed since the Chinese awakened us from our slumber, but there is still no coordinated plan properly to utilise unused capacity in the private sector for defence needs, to mobilise the best managerial talent to reorganise our ordnance factories, to expand their production and to build units geared to manufacture the new equipment we require to modernise our armed forces. Small wonder, then, that hardly any sustained work has been done to adjust planning perspectives to meet the defence needs of the future. In fact, those who think of perspectives are seldom briefed on matters pertaining to defence production.

This grave neglect is highlighted by a series of obviously inspired reports circulating in the Capital about TTK's 'first thoughts' on the budget of 1964. Apparently, the Finance Minister has assured that his taxation proposals will restore personal and corporate incentives. In fact, he is out to convince that he means business.

Actually, the truth of the matter is that TTK is relying heavily on the GOI's inability to spend the Rs 900 crores set aside for defence. He believes that the revenue loss implied by the modification in the Desai budget and the estimated deficit will be more than covered by the 'kick-back' from defence. The other possibility is also there: that the Desai budget will yield much more than estimated. In such a situation TTK will be in a position to offer substantial reliefs.

Morale Boosting

In other words what all this means is that a very mechanical view is being taken of what constitutes defence expenditure. Considering that ordnance production was so neglected over the past fifteen years, and tied-up into knots by the extraordinary overlapping of authority between TTK and Chavan during the past year, there is every likelihood that some Rs 250 crores set aside for defence will remain unspent But what prevents Chavan and Subramaniam from investigating the possibility of ploughing this surplus into public sector industries which are closely linked to direct defence production? Surely, the Finance Ministry can have no valid objection to this arrangement — and, if necessary, it can be approved by Parliament. To permit the surplus of the Desai budget to become the excuse for blunting the effort to raise internal resources is the kind of tactic which makes many wonder whether we are serious about meeting the twin challenge of defence and development.

This is not to suggest that the economy can do without organised morale boosting. Investment has become sluggish and developing shortfalls in various sectors could prove disastrous. The Finance Minister's determination to do something to change this state of affairs is most welcome, but he seems to be taking the easy way out with rather obvious remedial action based on restoring profit incentives even through what is described as 'reflation'.

However, the wrath that TTK has invited upon himself by his loose criticisms of government's fiscal and planning policies might have a salutary effect. Report has it that he attempted the other day to make amends at a meeting of the Planning Commission over which the Prime Minister presided. But these politically inspired performances, dismissed by many seasoned observers as 'double-talk' and 'double-think', can also increase confusion and demoralisation.

For precisely this reason, a number of influential Congressmen are anxious that the Jaipur Session of the AICC should be compelled to address itself to that long-neglected subject — Indian socialism and its definition. A multitude of definitions are permitted within the amorphous Congress Party, and the bulk of the leadership uses socialist verbiage purely as a public relations gimmick.

The cynical public reaction which now greets Congress pronouncements about socialism underlines the urgent need for a definition of objectives which can restore the *elan* of the ruling party. Then there is the problem of relating this definition to every day issues so that the millions of India can comprehend socialism in practical terms — something on which even the minimum research has not yet been done.

Defining Socialism

Naturally, the problem of defining a socialist creed for India is made all the more difficult when we are witnessing profound changes in approach and content to so many problems. This is true of India, too. Witness the report of the Raj Committee on steel which is likely to modify ideas on the subject of controls. With regard to our country's agriculture also there is the need for fresh and cogent thinking, particularly on linking land reform to intensive cultivation and all that it involves. Similarly, social ownership in industry can no longer ignore the vital elements of management and competition in the interests of efficiency. And in the field of culture, it would be short-sighted to imagine that creative workers can be overnight embodied into an agit-prop at the disposal of the State. In other words, if the genuine socialists wish to remain relevant, they have to get out of some of the old socialist equations.

At best, the Jaipur Session can only mark the *beginnings* of a new Congress quest for a viable ideology. It is encouraging to know that some at least feel the urgency for such a quest. Let us see what sort of response they get from those who hold commanding positions in the ruling party. Amorphousness can be a skilful political weapon, but not amorphous amorphousness!

Tailpiece : For whatever it is worth, those who observed Diwali last month had better prepare to do so again. The weather continues warm, and the weather forecasters declare that winter will descend in the third week of November. We, in Delhi, were right for once.

From the London End

Focus on Backward Regions

THE leadership struggle, resolved by the appointment of the 14th Earl of Home, now plain Sir Alec Douglas-Home, has provided an unsavoury spectacle of the Tory Party with its lid off; personal antagonism, rivalry and bitterness have been uppermost and the discontentment and rivalry continue to simmer under the facade of the new Government.

The new Prime Minister is anxious to eradicate any suspicion that his aristocratic background inevitably means the end of all progressive movement in the Conservative Party — a suspicion that was strong enough to persuade Iain Macleod and Enoch Powell, the more forward-looking Conservatives, to refuse office. In his first political speech since he became Prime Minister, Sir Alec Douglas-Home has said: "We are not lurching to the right, we are not lurching to the left. We are not lurching at all. We are going straight ahead — and straight ahead fast". It is in home affairs that Lord Home is making his maximum effort to capture a new momentum and initiative.

Although the UK economy after 12 years of Conservative rule is at last beginning to emerge from its rut, one of the most serious problems facing the country lies in the sharply different prospects of the North and the South. Indeed, the crippling social and economic imbalance between the North and the South is the toughest, most intractable and potentially most dangerous domestic problem faced by Britain in the 1960s.

High Unemployment

The latest figures for regional employment (for October) offer small comfort to Northern England and Scotland; both these regions have still more than 4½ per cent of men unemployed. In London and the South-East unemployment is 1.5 per cent. In Northern Ireland, the Kingdom's most depressed region, unemployment is still worse, the rate for men being 7.1 per cent.

It is this that adds point to the only interesting change that the new Conservative Government has introduced, the creation of a new post for Edward Heath (one of the also-rans for the post of Prime Minister), with the grandiloquent title of "Secretary of State for Industry, Trade and Regional Development and President of the Board of Trade".

Regional Unemployment Rates
(Percentages)

	Oct 1957	Oct 1962	Oct 1963
London and South-East	1.0	1.6	1.5
East and South	1.2	1.8	1.6
South West	1.8	2.1	2.1
Midlands	*	2.2	1.7
Yorkshire and Lincolnshire	*	2.1	1.9
North West	1.5	3.2	3.1
North	1.4	4.9	4.8
Scotland	2.3	4.5	4.7
Wales	2.3	3.5	3.0
TOTAL: Great Britain	1.3	2.6	2.4
N Ireland	7.0	6.7	7.1

* Earlier classification: Midlands 0.9; North Midlands 0.8; East and West Ridings 0.9.

The Economist has pointed out that Heath's new title seems at first sight to be a novel example of sticking part of the Conservative election manifesto into a ministerial title, a free vehicle of publicity that the Party's Public Relations advisers had not thought of before; the new Minister will not have any powers which the old Board of Trade did not have.

How significant is Heath's new job really going to be? Is this the Tory Party's answer to Harold Wilson's suggestion put forward at Scarborough for the creation of a Production Ministry? When Wilson made this proposal, it was vigorously attacked in the Tory press and sneering remarks were made about cutting the Treasury in two and giving one half to Brown and one half to Callaghan. What is now going to be the division of responsibility between Maudling, as Chancellor of the Exchequer, and Heath in his new role as production overlord ? Is the Treasury then going to be responsible for the regulation of the economy as a whole — budgetary and monetary policy, international lending and borrowing, exchange rates, income policies, etc — and Heath, in his new role, for improvements in the efficiency of particular industries and regions, industrial management, training practices and general relations with businessmen ? Heath certainly seems to have cast himself as the Tory answer to Wilson, and his revamped Board of Trade as the riposte to Wilson's projected Ministry of Expansion.

Comments on Heath's new post have largely concentrated on regional development. Dealing with spreading prosperity, the new Prime Minister said: "We shall put increasing effort into this to see that no part of the Kingdom is left out of the general prosperity. That is why Mr Heath has his new job".

Having conceded that planning of a sort is necessary, is the Government now coming round to the belief that free enterprise is not all that it is conjured up to be, and that the free play of the market economy, if left to itself, does not inevitably produce the best economic results and that a certain amount of direction of industry may, after all, be necessary? The Board of Trade has certainly, in the past, held out against the implications of newer thinking on regional development. There is no denying that until fairly recently there has been a basic conviction in Whitehall that an artificial redistribution of work between North and South on non-economic grounds would weaken the competitiveness of the economy as a whole. For a variety of reasons, economic and political and with an election in the offing, the Government has become convinced that more active intervention is required to steer capital investment, contracts and social expenditure towards the under-developed areas in Britain. It appears certain that in the months ahead, there will be a substantial shift of Government policy in the treatment of these less favoured regions. This is underlined by Heath's appointment. One of his main jobs will be to co-ordinate the new programme of regional development in Britain, as soon as Whitehall and the Cabinet can agree on what the new programme should do.

Stronger Board of Trade

It has been obvious for a very long time that the Board of Trade has not really been pulling its weight. Quite demonstratively it has not been doing the job it should, i e, maintaining a proper contact with business and industry and helping with improvements in the efficiency of particular regions and industries. Had the Board of Trade been doing its job properly, it might perhaps not have been necessary to create the National Economic Development Council whose main virtue for the Government is its contact with industry.

Businessmen have been very conscious of the fact that the Board of Trade and the other Ministries whose activities bear upon industry seem to have somewhat differing philosophies which have been a source of potential and sometimes actual trouble. On more than one occasion, the Board of Trade has been overruled by the Cabinet, whether on the question of resale price-maintenance or the fate of the Dundee jute industry. In matters of international trade, the Board of Trade has shown no ability to launch out as an initiator of a drive for free world trade but has followed rather docilely the lead given by other countries. A reorganisation of this Department making it a powerful economic department of State is long overdue if Britain is seriously to pursue a policy of growth and development.

A strong Board of Trade has a major role to play in the modernisation of British industry. As a senior Cabinet Minister with enhanced powers of co-ordination, Heath is now in a position to strive for greater consistency and clarity in Government policy towards industry and regional development. Heath is one of the key men in the Home team, and his success will have the biggest influence of all on the morale and prospects of the Conservatives in the next election.

In view of the preoccupation of the Tories with personalities rather than policies, it is tempting to speculate how Heath's new appointment will affect the political rivalry between him and Maudling, one of the men who were tipped for the Premiership. The new appointment will provide Heath with a chance to recover the position he lost as a result of the Brussels breakdown. It is inevitable that the rivalries between the two will increase, particularly as they will both be operating on the crucial economic front. Maudling is naturally suspicious of Heath's new responsibilities and has pointed out quite clearly that "overall responsibility" for economic policy remains with him as Chancellor. The Treasury has surrendered none of its prerogatives.

It will be interesting to see what will happen in the months ahead. Last week-end, Maudling made it clear that he was not willing to let his hard earned success in reviving the economy to be wasted by another bout of public spending which would invite inflation; yet once the Hailsham report is published it will be Heath's responsibility to see that a great deal of money is spent in the under-developed areas. Should there be a hard winter, and should unemployment rise, on whose shoulders will the blame be placed — of the Chancellor of the Exchequer responsible for the economy as a whole or of Heath the new overlord of the under-developed regions? As *The Observer* has pointed out, of all the new men in new jobs, Heath is certainly the one to watch; and Maudling, for one, will certainly watch him.

Letter from America

Negro-White Marriages

A NEGRO friend once told me that the reason why white people do not want to live with even a single Negro family in their neighbourhood is that they are afraid that their daughters would be attracted by black boys. That this fear is not entirely baseless has subsequently been revealed by events I have come across.

The word miscegenation, defined as "racial interbreeding", is now-a-days heard with increasing frequency. Racial segregationists all over the country have been busy admonishing that one of the inevitable 'evils' of a widening integration would be miscegenation. A surprisingly large number of people, who are not particularly opposed to the Negro civil rights movement, are terrified by the prospect of increasing mixed marriages. Segregationists are, therefore, trying to do their best to exploit such deep-seated prejudice and fear.

Negro Male's Sex Appeal

Not that too many anti-racists look upon miscegenation as a means to achieving greater integration. Nor need it be the goal of integration. Certainly, the Jews, the Catholics and the several Protestant and other denominations in this country now live together in a relatively non-discriminatory and peaceful atmosphere, although marriage among these groups is still fairly limited. One might thus even think that in the event of a successful racial integration the pattern of Negro-white marriages need not or should not be any different. The alleged sex appeal of the Negro male does, however, cast serious doubt on such thinking. And the over-apprehensiveness of the white community indicates that they take this alleged sex appeal seriously.

The recent hullabaloo in this country about miscegenation and the laws applying to it started with the correspondence between a Negro soldier (who is married to a white woman and whose military unit is being transferred from Germany to the segregated Southern State of Georgia) and the attorney general of Georgia. Regarding the legal status of his marriage the attorney general's answer was that in Georgia it is "unlawful for a white person to marry anyone except a white person" and that "any marriage in violation of this section shall be void". This means that in order to escape the wrath of law the couple will have to request transfer to another unit in a State where their marriage would not be considered illegal.

Supreme Court Evasive

The case of the Negro soldier has been coupled with another recent case of mixed marriage. Charlayne Hunter, the first coed admitted to the University of Georgia, was subsequently found to have secretly married a white student. Most probably Charlayne and her husband will now choose to move out of Georgia.

It is interesting though that quite a few people in the North are apparently unaware of the fact that there are as many as 19 States today in which miscegenation (Negro-white) is forbidden by law. These States are Wyoming, Indiana, West Virginia, Delaware, Maryland, Oklahoma, Missouri, Kentucky and the 11 States of the Civil War Confederacy. Some of these States also forbid marriages between whites and all other races, and any minister knowingly performing a mixed marriage ceremony is liable to be legally reprimanded. Further, in quite a few of these States there is a heavier penalty for sexual relations outside of marriage when the parties involved do not belong to the same race.

There is some confusion as to what would happen to a mixed couple who get married in a State which allows such marriage and then move into a State which bars it. The U S Supreme Court has not yet given a precise ruling on this question. However, as things are, the couple would be very likely to be penalised in case they were found living together. For all practical purposes, therefore, their marriage, which was legally initiated, would now be considered automatically null and void. What is even more ridiculous is that the children born of such interracial union would suddenly be declared illegitimate and they would lose rights of inheritance.

Mixed Marriages Will Increase

In all probability, Negro-white marriages will go on increasing in future, although, according to available survey statistics covering the States where miscegenation is legal, only a little over 5 per cent of married Negroes seem to have non-Negro wives. It has been observed that more and more Negro soldiers who are stationed overseas come back to the U S with white wives. It is pertinent to ask, therefore, what the Supreme Court is going to do about the constitutionality of State laws against miscegenation. In all the 12 States which have repealed laws barring miscegenation since the last war, it is the relevant State Courts which have been responsible for such abrogation. The Supreme Court has consistently shied away from making a definite ruling. Lately there have been at least two appeals to the Court in connection with cases involving mixed-marriage bans. On both occasions it has sidetracked the actual constitutional issue by skilfully disposing of the cases themselves. Whether the latest case involving a Florida couple would be similarly put aside by the Court is still a matter of speculation.

The Supreme Court reconvenes for its new term on October 7. The coming year will be a particularly rough one for the Court especially because some important decisions on the race problem will be thrust upon it. The retirement last year of 'conservative' Justice Frankfurter and his prompt replacement by Kennedy's own man, Arthur Goldberg, has given the so-called 'activist' group a solid majority. On the other hand, however, the opposition of the Congress, the American Bar Association and the State chief justices would certainly continue to increase. Before, therefore, Justice Douglas (65) and Black (77) retire, the 'activists' would have to accomplish a great deal and in great haste.

A Kashmir Diary

Secularism's Test-Tube Baby

THE built-in beauty of the Valley of Kashmir is something our adjective-laden bright young feature writers had better leave well alone. Let Madison Avenue with its gushing prose sell toothpastes with chlorophyl or department stores with their personalised service. Kashmir's mountains will not be described; its narrow but fast moving streams will speak their own language, without benefit of tourist literature. Those adjectives (which, Anatole France reminded us long ago, only weaken your nouns) and those tourist bureau folders do not really insult the Valley; they should shame only their producers; but they may evoke perverse reactions in men like Aldous Huxley who, you may remember, had read so much about the Taj that, when in its presence, he was mildly disappointed. One would need to be very insensitive indeed not to respond to the lovely Valley; even the Kashmiris—whose women have the prettiest faces in the dirtiest clothes and whose men could do with an annual wash — have gloriously failed to impair the nameless grace of Kashmir. It is pathetic to see them name their hotels and similar establishments after this or that in Switzerland, to which this writer is not a total stranger and which he in fact greatly admires. Let it be recorded then, in vile Americanese, that Kashmir is Switzerland plus — minus Swiss organisation. Foreigners who criticise India for clinging to Kashmir despite demographic facts should still be appreciative of the only possible Indian reaction to the scenery of Kashmir: "This Valley is too good for the Pakistanis". The element of politics in such a statement is the least important. Our American and British critics would have felt exactly the same way — if they were Indians — and then set about rationalising all that has happened, as we have been doing.

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You do not begin to understand Jawaharlal Nehru if you let yourself forget for a moment that he is a Kashmiri brahmin, with the stress equally divided between Kashmiri and brahmin. It is all very well for a distant Bengali, such as this writer, to try to be objective, impartial and all that about Kashmir; his analysis leaves out one of the most material factors in the whole affair if he does not examine and take full account of Nehru vis-a-vis Kashmir. Has it occurred to many that, if he were to part with Kashmir, Nehru would be, at least psychologically, a refugee — like those millions from East and West Pakistan? This is not a status a Prime Minister seeks for himself, especially when his country is in physical possession of all that is most desirable in Kashmir. When Messrs Harriman and Sandys make misguided and mis-timed efforts to make Pandit Nehru "see reason" over Kashmir, they miss this important psychological point. That the pressure came at a time of the Prime Minister's personal humiliation from the Chinese was foredoomed to reduce the Swaran Singh-Bhutto exchanges into an exercise in political masturbation. Who ever knew that Whitehall and Washington were so guileless as not to know this elementary thing?

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When some years ago a writer described Kashmir in the *Economist* as a fairly well run Indian colony, this reporter was left oddly unexcited. There are ways and ways of labelling a particular phenomenon. Dash it all, India is a country of diversities. Is Scotland a fairly well run colony of England's? Some describe the entire South as a colony, not so very benevolently run, of the Hindi-speaking North. Only those who unquestioningly accept the stigma attaching to the word "colony" will be angered. The more important questions to ask are how well run Kashmir is, how the relations are shaping between India and Kashmir — whether or not one is a coloniser and the other a colony. It is all too easy to describe India's Kashmir as America's Formosa, although, in relation to India's resources, she has poured not a little money into Kashmir. With what return? To ask the question is to concede a certain separateness to Kashmir. To set official pretensions aside, India would hold a plebiscite here tomorrow if she could be sure of the result. How to explain the uncertainty? What went wrong, if it be true that a plebiscite in an earlier year would have been a "cinch" for India? Or was the uncertainty inherent in the situation of a Muslim side-pocket attached to an overwhelmingly Hindu Jawahar jacket? There are no easy answers. There is much to be said for India perservering with the secular ideal; the liberal West does its own ideals less than justice when it wants India to abandon her secularism. Kashmir is the test, which India may or may not pass; Pakistan is not prepared even to sit for the test.

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On the subject of Kashmir being an Indian colony, this writer has something to tell India's British critics. Seventy-five or 80 years ago, Whitehall was seriously considering settling Britons in Kashmir, much as has been done since in Kenya and Southern Rhodesia. Better sense prevailed in the event; but, for students of the "ifs" and "buts" of history, what a vista opens up for speculation! How would a sizeable white colony of settlers have behaved when the Pakistani hordes descended on the Valley in 1947? Think of a Katanga in this beautiful Valley! Kashmir too is before the United Nations; there is a certain U N presence in Kashmir too — those station wagons in Srinagar which tell you, quite gratuitously, that they will give you no lift. But what a difference in scale and magnitude between the two problems! Both the U N and India should be grateful that the Kashmir problem is not more serious than it is. It really would have been too much to be told by Lord Salisbury in 1947

Kashmir Diary

"Bakshi Is as Bakshi Goes", which appeared on October 12, was part II of Flibbertigibbet's Kashmir Diary and was to have followed the piece which appears on this page. However, owing to a postal quirk, the two parts reached us in reverse order and, it is regretted, have been published in that order.

— *Ed.*

INDIANOIL SIGNIFIES PROGRESS

India is a nation advancing rapidly in many fields. The Indian Oil Company is making a significant contribution towards this progress. Jyoti Brand Superior Kerosene, for instance, is used all over the country for lighting and cooking. It reaches even the smallest, remotest villages swiftly and economically through distributing agents all over the country.

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INDIANOIL



that Indian freedom would be a disaster and by Lord Home in 1963 that Britain must defy the U N in Kashmir and intervene. Away with Dags and O'Briens!

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So much in Kashmir is reminiscent of what one had seen years ago in places like Kabul in Afghanistan, Tashkent and Termez in Uzbekistan. (A Czech girl recently told this writer that New Delhi always reminded her of Tashkent. So much for poor Lutyens!) The people do look more Central Asian than Indian, if Indian means those of the plains — as too many thereabouts are wont to think. A chance acquaintance said the other day that Kashmiri Muslims are Kashmiris first and Muslims second. Perhaps. At what point, if any, have they begun to be Indians? No Bihari or Bengali or Madrasi has the right to ask a Kashmiri this question until he has answered it himelf honestly. There in Chandanwari, eight miles from Pahalgam at an altitude of 9,500 ft, there is an odd bridge that every tourist must be shown; it is made entirely of ice, not by engineers but by nature. There it hangs, seemingly precarious, threatening to melt into water under the sun, a huge block of ice already separated from the main bridge. One walks across it with only a mild and by no means disagreeable sense of insecurity. Kashmir's Indian connection is not a perfect parallel; but there are points in common. Meanwhile, both New Delhi and Srinagar do well to remember that they both are skating on thin ice, more or less dextrously. A surer touch is at once possible and necessary.

—Flibbertigibbet

Our Calcutta Letter

Restrictionist Policies in Jute

I J M A's Defence Unconvincing

THE working time agreement is IJMA's sacred cow. In one form or another, agreements for regulating production have been with the jute industry since its earliest days. The Bengal Chamber's historian, Geoffrey Tyson, recalls that the "too rapid" expansion of manufacturing capacity led to the formation of the Jute Manufacturers' Association (which later became the IJMA) to fix prices at weekly intervals. Price fixation was soon abandoned and the Association thereafter adopted a working time agreement for the regulation of output under a covenant signed in February 1886 for an initial period of five years. Then as now the favoured instrument of regulation was the sealing of a percentage of looms or alternatively a reduction in working hours. A 10 per cent sealing of sacking looms came into effect in 1890.

Bias — Whose?

To IJMA, the working time agreement has thus become a way of life. Any suggestion that the old order may have outlived its usefulness provokes violent and unreasoning wrath almost as a conditioned reflex. Not surprisingly therefore it has, in high dudgeon, sent off a 20-page reply to the Shrivastava Committee report* because it dared to suggest that "there is no longer any need for the continuation of the agreement". Not content with rejecting their recommendation, IJMA has gone so far as to accuse the committee of an "undue bias" against the mills generally and the Association in particular. Injured and indignant, IJMA finds itself unable "to resist the conclusion" that the Shrivastava Committee has "no faith" in the Association's ability to play a major role in the future development of the country's jute industry. This, of course, assumes a preemptive right to leadership, an attitude of mind typical of IJMA.

The accusation of bad faith could have been dismissed as an aberration but for certain special circumstances. The committee consisted of five officials headed by N C Shrivastava, adviser on Industries to the Planning Commission. Of the other four, three represented the Ministries of Commerce and Industry, Finance, and Food and Agriculture. The fourth was Ajit Mazoomdar, then the jute commissioner in Calcutta, the only member with some direct experience of the industry's problems.

It is an open secret that IJMA fell out with Mazoomdar over the disastrous block closures of June and July 1961. Some of its leading members mounted a *jehad* against this official and pulled every conceivable string to get him removed from the job. New Delhi's high-minded socialists, as one must regretfully admit, did not fail to oblige. The vigour of IJMA's protests leaves no doubt that the "bias" imputed to the committee is in continuation of its campaign against Mazoomdar who as member-secretary is assumed to have played a large part in the drafting of the report.

Report Too Mild

Actually the report is a mild and factual document which rarely makes any value judgements. It is also rather skimpy because the whole subject of the working time agreement merits only three, rather short paragraphs. The committee must have known that IJMA will mount a strong counter-attack, and should have, therefore, attempted to anticipate the arguments usually advanced in favour of retaining the working time agreement. Its failure to do this is the more unfortunate because the technical complexities of regulation make this a forbidding subject to the outsider without privileged access to information that IJMA very naturally is reluctant to share with anyone.

IJMA claims that production curbs were necessary to spread out the limited supply of domestic raw jute. At first sight this sounds plausible until one tries to establish some rational correlation between the permitted level of working and the size of successive harvests. From the end of 1949, when devaluation created a complete deadlock in Indo-Pakistani trade, to the beginning of 1956, one-eighth of the

* *Report of the Jute Committee*, Government of India, Ministry of International Trade, July, 1963.

looms remained unvaryingly sealed and for long periods the worked hours were reduced from the standard 48 per week to 42½ or 45. From 1956 to 1960, control was less inflexible; there was a five month period in 1956 when sealing of looms was reduced to 5 per cent, followed by a two-month period at 7½ per cent. Thereafter mills went back to the 'norm' of 12½ per cent which continued with minor changes upto the end of 1961. A clearer picture of performance may be obtained perhaps from the trend of overall output of manufactured goods but this again shows little correspondence with the size of crop, yet IJMA insists on adjustments to raw material supplies as the principal justification for the working time agreement. All one can say on availab'e evidence is that IJMA has yet to prove its case.

Man-Made Shortages

The Association's memorandum says that until 1958 the jute mills in India did not have home grown jute sufficient in quantity, let alone quality, to meet their demands, and had to rely consequently on what imports the Government chose to permit. In 1958, the index of raw jute production was 158 and of mesta 255 (1949-50 = 100). The acreage under the crops was 18 and 9 lakh acres or a total of 27 lakh acres. This declined in the next two years to 24 and 22 lakh acres, bringing down with it the production indices to 140 for jute and 168 for mesta the next season and to 122 and 170 in the year after.

In other words, the ability to grow large quantities of fibre at home had been established by 1958, as IJMA itself acknowledges. If there was a subsequent falling off in production, it was less because of the vagaries of the monsoon than the prices which the farmer was allowed to earn for his crop. Since the working time agreement directly effects the demand for fibre, is it fanciful to suggest that IJMA should bear some responsibility for the man-made shortage of 1959 which unfavourable weather aggravated in 1960? This interrelationship between the industry's operating level, as determined by the IJMA committee virtually at its own discretion with only a modicum of consultation with an obliging State Government, and the harvests is a fruitful field of enquiry which the Shrivastava committee has unfortunately left unexplored.

Impact of Exports

IJMA claims that regulation of production has also helped to restrict the scope of the foreign buyer to influence market conditions by their purchasing policy. But how? In the only instance cited in the memorandum, a reduction of sealing to 5 per cent in 1956 is claimed to have led to "an increase in sacking stocks by 100 per cent in the course of six months, with a consequent fall in the price of heavy goods to unremunerative levels".

At the time, Pakistan mills, our sole competitors in sacking, had a a productive capacity of less than 55,000 tons a year against a million tons in India. Competition could, therefore, be only marginal which the Indian industry shuld have known how to tackle, having been freed by that time from the export duty imposed to mop up windfall profits during the Korean boom but allowed unnecessarily to linger until 1955.

Since competition was only a negligible factor at the time, one must assume that the accumulation of stocks reflected the well-known short-term inelasticity of demand for jute goods. If so, was IJMA right to base its judgement on the experience of as short a period as six months? This is indeed the crux of the matter, as the Committee's report pinpoints when it says:

> "The forecasts on which the agreement is based are essentially of a short seasonal character. It does not appear proper to attempt to achieve stability in the short run by making frequent changes in the level of production....."

Link with Market Operators

Equally valid is the point that prices have rarely needed pushing up in the last 6 or 8 years but just the other way round. Except in 1958-59, yearly average of sacking prices (100 bags of B Twills) has always been about Rs 110 and hessian above Rs 40 (40" x 10 oz per 100 yards), or around the maximum levels recommended by IJMA delegations and others in the long-term interests of protecting markets against substitutes.

A more fundamental objection to the IJMA claim is that the mills sell the bulk of their standard constructions in the local market, rather than to the ultimate buyer. The price the latter pays is set by the East India Jute and Hessian Exchange's trading ring, several removes away from the actual equation between demand and supply. In the circumstances, the mills' operations can have little direct influence on price. This assumes, of course, that mills and the market operators are independent entities, a proposition which is very much suspect.

Not content with these claims, IJMA advances several others. It says that the agreement has helped to stabilise employment by avoiding wide swings in the levels of output. The stability is not in dispute but the fact remains that total employment in the mills has declined in the past ten years by 100,000 or more.

Markets Lost

Finally, the claim is made that the agreement is "a highly effective means" of securing a quick increase in production when this is required. On this little need be said except to point out that world production has increased steadily from year to year with little contribution from India. The latest figures show the world total to have risen from an average of 1.5 million tons in 1946-50, to 1.97 million tons in 1951-56, and more sharply to 2.5 million tons in 1957-61.* The corresponding Indian figures are 983,000 tons, 997,000 tons and 1.08 million tons which works out to a growth of less than 2 per cent in 1951-56 compared with 1946-50 and of 9 per cent in 1957-61 over the previous five years against a rise of 30 per cent and 60 per cent in the world total.

IJMA is right that the expansion of the Pakistani industry would have come in natural course; one may, in fact add that India could and should have done nothing to obstruct its legitimate growth. But the point to consider is whether the quantitative increase in non-Indian production would have still taken place at this rate had IJMA actively pursued a policy of making jute available at the lowest possible price in the world market?

* "Industrial Fibres", a review compiled by the Commonwealth Economic Committee, London, July, 1963. Table 118, p 173.

Book Review

Trading with the Six

India, Britain and the European Common Market by D K Rangnekar, R & K Publishing House, New Delhi, 1963; pp 236. Price Rs 15.

WILL the European Economic Community turn out to be a dynamic entity, throwing its weight in favour of liberal trade policies and generous aid to developing countries or will it grow into an inward-looking bloc, isolationist and protectionist? D K Rangnekar poses this all too-familiar question and devotes a good part of his book to framing an inconclusive answer, forgetting that the answer is implicit in his own description of the "basic attitude" of the E E C countries which, he says, has always been "conditioned by the prospect of establishing an exclusive union of the Western countries, which will be economically strong and politically viable to play Big Power politics in the changing world".

Not Excessively Protectionist

It should be fairly obvious that any country or group of countries which aspires to a Big Power role can hardly hope to achieve its objective by pursuing isolationist policies. As a major economic and political power the E E C must, in the long run, expect to match and excel the efforts of the other Powers to influence world affairs. In specific economic terms, it will have to bid for an increasing share of trade and, insofar as it has come about that trade and political influence follow economic aid, grant increasing quantities of development aid. Liberal trade and generous aid have little to do with political and economic idealism, much with the compulsions of power politics.

In fact, it would be difficult to establish that the E E C has been excessively protectionist even in its formative years. To take Rangnekar's own statistics, in 1960 the imports of the six, per capita of population, amounted to $ 125 compared to only $ 81 for the United States. If imports were linked to per capita income, the Six would emerge in even more favourable light.

There is little reason, therefore, why Indian policy makers should lose sleep over the E E C evolving into a protectionist bloc. What is more to the point is to consider what can be done to increase the country's exports to the E E C here and now. This problem engages Rangnekar in the second, and more fruitful, part of his book. Though we have had stupendous trade deficits with the E E C ever since its inception, the question of persuading the Community to accept more of our exports received scant attention from the Government of India till Macmillan announced in July 1961 that Britain would apply for membership of the Rome Treaty. Even then India was slow to assess the implications of the development. As Rangnekar writes "For a long time, even after Britain — India's principal economic partner — had decided to plunge into the European movement, India did not make any serious attempt to study the situation and take advance action to meet the new challenge. There was a sense of shock at Britain's decision but, apart from some vague expressions of regret and fears, India did little else, until the climate at Brussels started becoming sticky."

Likely Loss Exaggerated

In the initial stage of the negotiations, India relied exclusively on British efforts to obtain satisfactory safeguards for Commonwealth trade. It was not until November 1961 that the Government of India made the first move to establish direct contact with the E E C by appointing an envoy at Brussels. But it was only in May 1962, almost a year after the British application for membership, that India sent her first note to the Six. Even this belated memorandum turned out to be "a rather pathetic appeal to the Six to safeguard India's economic ties with Britain" and concentrated on the effect of the discontinuance of the Commonwealth preference consequent on British membership of the E E C instead of making a case for a larger share of E E C's imports for India. That the latter approach would have been far more effective is suggested by the willingness of the Six, revealed as the negotiations with the U K dragged on, to offer favourable trade arrangements to India through direct negotiations.

In the largely emotional reaction to the British move to join the Common Market, Rangnekar shows, the likely loss of exports was very much over-estimated. On the basis of a painstaking analysis of the prospects for each of our major export items, he concludes: "Allowing for some losses in the more vulnerable exports, perhaps roughly about 90 per cent of India's exports to Britain and the Six should emerge unscathed from the European moves. The prospects for the ba'ance are rather uncertain. Even after taking a highly pessimistic view (and allowing for the possibility of diversion of some of the trade in certain exclusive and better established items of exports), there is reason to believe that the overall loss may not exceed 11 to 12 per cent of the present export trade with the seven countries".

Need to Continue Negotiations

While there may be differences about the exact extent of the damage to our exports as a result of the loss of the Commonwealth preference, there can be no doubt that it was magnified to unrealistic proportions and allowed to distort our approach to the E E C. Even the Government of India appeared to realise this in course of time as was reflected in the marked softening of its attitude to the "provisional agreement" over Commonwealth exports which the Six offered to conclude with Britain. Under this agreement the Six undertook to (i) abolish or suspend the common external tariff on a number of primary products; (ii) slow down the rate at which Britain's preferential tariff was to be adjusted to the E E C tariff over a wide range of "controversial" exports like textiles; and (iii) negotiate a comprehensive trade agreement with India by the end of 1966 at the latest, but earlier if possible.

Britain stays out of the E E C for the time being, but nothing has happened to lessen the urgency of

countries like India to reduce the imbalance in their trade with the Six. This imbalance has nothing to do with whether Britain joins or stays out of the E E C. There is no reason, therefore, why some of the possible solutions which were considered during the negotiations on Britain's entry should be abandoned. As for Britain, she cannot but welcome any effort by India, or by any other Commonwealth country, to negotiate her trade directly with the Six, for it will ease Britain's task of safeguarding Commonwealth interests when she makes her next attempt to join the E E C, as she perforce must as soon as she can. It is, therefore, for India to pick up the thread of the Brussels negotiations and actively pursue the openings which had then been made.

Rangnekar buttresses this most timely reminder with a summary, in the last chapter, of the essential aspects of a general plan for export promotion which, for all their being reiterated by various committees, remain largely on paper yet.



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Panchayati Raj in Andhra

An Evaluation

C V H

In the four years since its inception, Panchayati Raj has made a significant contribution to the development of rural Andhra. More and more functions relating to village development are being entrusted to the panchayats and samitis.

In the light of the experience gained, the State Government has formulated a comprehensive Panchayats Bill which is expected to be passed in the forthcoming session of the State legislature. The Bill will integrate the panchayat systems in the Andhra and Telangana regions of the State. It will also specify, more clearly than the existing legislation does, the functions of panchayats, their sources of finance, the procedure for appointment of executive officers, etc.

The report of the Santhanam Committee on panchayat finances also bodes well for the panchayati raj. At least one of the Committee's recommendations — the establishment of a special financial corporation from which panchayat bodies can secure loans to execute certain programmes for which their own resources are not adequate — is likely to be accepted by the State Government.

FOUR years after its inauguration on November 1, 1959, the Panchayati Raj scheme in Andhra Pradesh may not have revolutionised rural life in the State or made its villages overflow with milk and honey. But it has opened up new vistas of hope and promise. The physical achievements of Panchayati Raj are not insignificant, but more important perhaps are the hopes and aspirations the scheme has inspired among rural population.

Contribution to Development

Panchayati Raj has so far faced three kinds of practical problems — those relating to programme formulation, to administration, and to the scheme's political implications. Though some of these problems have been solved, many others are proving difficult.

Panchayati Raj institutions may be regarded as units and agencies of local and district administration; they are also training grounds for the rural masses in social, political and economic democracy. These institutions have to draw up and execute programmes of local development relating to agricultural production, small industry, education, public health, medical relief and social welfare, in pursuance of (or to fit into) the Plan programmes in these fields. To succeed in this task they have to win the goodwill and cooperation of the rural populace.

In the last four years Panchayati Raj institutions have made a significant contribution to the development of rural Andhra. More and more functions pertaining to village and rural development have been and are being entrusted to the panchayats or samitis. More financial assistance is being made available to them in the form of grants, subsidies and loans to enable them to execute development programmes. Problems of administration, arising from the devolution of a number of functions to these bodies, are being tackled. Alongside there has also been some progress in defining the areas of work of panchayats and cooperatives, reducing corrupt practices in elections and diffusing influence and power in Panchayati Raj bodies.

Agricultural Production

The most important development undertaken by Panchayati Raj agencies has been the formulation of measures to increase agricultural production and implementation of schemes for that purpose decided by the State Government. Panchayati Raj institutions are now in charge of maintaining minor local irrigation works as also distributing fertilisers, seeds, implements and other aids to efficient farming. Through the extension staff allocated to them, panchayat samitis execute programmes for soil conservation and for mobilising and utilising idle rural manpower resources, undertake construction, repair and maintenance of village roads, and also deal with compulsory primary education, rural water supply and community welfare. By and large, in respect of all work traditionally associated with village administration (except collection of land revenue and police and judicial work) and all work pertaining to rural development under the five-year Plan, the village panchayat or the panchayat samiti is now directly or indirectly the agent of the government. The zilla parishad's special responsibilities are secondary education, district roads and communications and co-ordination of the programmes and activities of the panchayat samitis in the district.

New Responsibilities

In the formulation and execution of village production plans, coordinated effort between the village panchayat, the village cooperative and the extension staff is needed. At the same time, both drawing up realistic and effective village plans and implementing them requires the maximum cooperation of the village population. Panchayati Raj institutions thus automatically become the agencies for enlisting and mobilising public cooperation for village programmes. The emergency has imposed on the panchayats the responsibility to organise the village volunteer force and the village labour bank. The cumulative effect, if the programmes are well coordinated and implemented, would be to increase agricultural production, build up community

assets, and provide gainful employment to idle or semi-employed sections of the village population.

Besides agricultural production, two other important programmes entrusted in Andhra to Panchayati Raj institutions are the extension of compulsory primary education to cover children in the age group 6-11 in the next three years and rural water supply. The Emergency had led to the retrenchment of about 1,600 primary school teachers intended for rural schools, thereby slowing down the tempo of enrolment in primary schools. But with the partial restoration of the cut in the allocations for education, enrolment might catch up again. As for the rural water supply scheme, Rs 6 crores are proposed to be spent during the remaining period of the Third Plan, to provide safe drinking water in every single village in the State.

Not all the 15,000 panchayats in the State display the requisite enthusiasm, competence and efficiency. But their effectiveness can be assessed broadly and indirectly from the enrolment in the village volunteer force in different districts, which has now reached a total of 15 lakhs for the whole State. In areas where the membership of V V F is large it is by and large an indicator of the hard and enthusiastic work put in by the village panchayats. Another test of the efficiency of panchayats is the collection of local taxes. It is estimated that in about 5,000 out of the 15,000 panchayats, the collection has been cent per cent, while in more than half of the remaining 10,000 panchayats collections amount to 50-75 per cent.

New Proposals

To encourage healthy competition among village panchayats and samitis, the State Government has instituted prizes for the best panchayat and panchayat samiti in each district and for the best samiti in Telangana and Andhra areas, respectively. While it has been questioned whether the criteria prescribed for determining the prize-winning panchayat or samiti are satisfactory or whether the judging is done impartially, the scheme is in itself a good idea.

The problem of coordination between the official executives in panchayat samitis and the elected presidents is being tackled. A more intractable problem has been that Block Development Officers, Zilla Parishad Secretaries and other officials are "borrowed" from different State Government departments and do not owe any special loyalty to Panchayat Raj institutions. Then again, the village level workers, the lynch-pin of the Panchayati Raj scheme, have no avenues of promotion or advancement and many of them after working for years in the same capacity lose their initiative and enthusiasm. The State Government has now decided to set up a Panchayati Raj service, which would provide the administrative and technical personnel for the scheme at different levels and thus bring into existence a cadre of officials — V L Ws, B D Os, Zilla Parishad Secretaries and extension officers — who would owe undivided loyalty to the ideals and objectives of democratic district administration, while enjoying the advantages and privileges of Government service.

Combating Corruption

The most complex problems thrown up by the Panchayati Raj scheme relate to corruption and the political ambitions of those seeking elective offices as panchayat samiti and zilla parishad presidents and vice-presidents, and the caste and sectarian influences that are brought into play in the election to these offices. These are a consequence of the influence, patronage and prestige associated with the office of the sarpanch, the samiti president or the zilla parishad chairman. To reduce the influence of politicians on samitis, members of Parliament and the State Legislature have been disqualified from contesting elective positions in the samitis and parishads. They remain members, of course, but will have no voting rights. This rule will come into operation in July 1964 when new panchayats will be elected. Another proposed innovation is the statutory provision for the establishment of a grama sabha or a general body of voters in every village which would meet at least twice every year. A third proposal is the introduction of the secret ballot system for elections to panchayats. A proposal is also under consideration for the award of cash prizes to panchayats whose members are elected unanimously and to samitis which unanimously elect office-bearers.

While these steps may mitigate the evils of casteism and political factionalism and concentration of influence in the hands of a few, the real remedy lies in the development of democratic consciousness among the village voters — which, however, will take time. The Congress party, which has hitherto been opposed to panchayat elections being contested on a party basis, is gradually changing its stand.

Panchayat Finances

Two other aspects of the working of Panchayati Raj in the State may be briefly mentioned. The first is the proposal to reorganise samiti blocks by reducing their number so that expenditure on staff would be reduced. Whether bigger blocks would, besides reducing cost, increase efficiency remains to be seen. The proposal involves, however, an increase in the number of village level workers in each block while reducing the number of extension officers. The second is the prospect of Panchayati Raj institutions coming into more funds as a result of the recommendations of the Santhanam Committee on panchayat finances. At least one of the committee's recommendations — the establishment of a Panchayati Raj Financial Corporation, from which panchayat bodies can secure loans for executing some programmes for which they do not have adequate resources — is likely to be accepted by the State Government.

A comprehensive Panchayats Bill to integrate the panchayat systems in Andhra and Telangana is scheduled to be passed during the November session of the State Legislature. In addition to bringing the two systems on a par, it demarcates the functions and powers of village panchayats, allocates financial resources, provides for the appointment of executive officers to panchayats and, on the whole, gives them a distinct status as units of self-government at the village level.

Immigration into Assam

P C Goswami

Among all the States, Assam had the highest rate of increase of population during the decade 1951-61. This is significant, because a large part of the increase was accounted for by immigration from other parts of India and from East Pakistan.

The infiltration of Muslims from East Pakistan into Assam has been a live political issue since independence. An attempt is made below to estimate, from 1961 census data, the extent of such infiltration during the last decade.

ASSAM shows the highest percentage increase of population among all the States during the 1951-61 decade. The 1961 census shows that during this decade the increase of population in Assam was 34.45 per cent compared to the All-India increase of 21.50 per cent. The rate of increase in Assam may be compared with that in other States: Andhra Pradesh 15.65 per cent, Bihar 19.78 per cent, Gujarat 26.88 per cent, Jammu and Kashmir 9.44 per cent, Kerala 24.76 per cent, Madhya Pradesh 24.17 per cent, Madras 11.85 per cent, Maharashtra 23.60 per cent, Mysore 21.39 per cent, Orissa 19.62 per cent, Punjab 25.86 per cent, Rajasthan 26.20 per cent, Uttar Pradesh 16.66 per cent and West Bengal 32.79 per cent. Among the Union Territories, the highest increase of population is shown by Andaman and Nicobar Islands at 105.19 per cent, followed by Tripura 78.71 per cent, Delhi 52.44 per cent, Manipur 35.04 per cent.

It is thus clear that the rate of increase of population is not similar in all regions of India. In regions into which there might have been an inflow of population from other States of India or from East Bengal, the rate of increase of population has been the highest. Thus Assam, West Bengal, Andaman & Nicobar Islands, Tripura, Delhi and Manipur recorded increases of over 30 per cent. Gujarat, Kerala, Madhya Pradesh, Maharashtra, Mysore, Punjab and Rajasthan fall in the medium group in which the increase of population is above 20 per cent but below 30 per cent. There might have been some amount of immigration into these States, though nothing definite can be said. In the other States the increase of population is less than 20 per cent. From these States there is definitely some outflow of population to other places, especially from States like Andhra Pradesh, Madras and Uttar Pradesh. The case of Jammu and Kashmir is different as there was no regular Census in this State in 1951.

Even before 1951-1961 the growth of population in Assam was much higher than in other States as will be seen from Table 1. In the decades 1901-1911, 1911-1921 and 1951-1961 the rate of increase in Assam was higher than the All-India average by more than 10 per cent. This cannot be explained as being due to a lower death rate or a higher birth rate in Assam.

Taking the six decades from 1901 to 1961, the population of Assam increased by 220 per cent from 37.1 lakhs to 118.7 lakhs. In contrast, the population of India (including Assam) increased by 88.9 per cent. In 1901 the population of India was 23.6 crores; it increased to 43.9 crores by 1961. If Assam's population had grown at the all-India rate since 1901 it would have been 66.1 lakhs in 1961. Thus nearly 52.6 lakhs or about 44 per cent of the total population of the State have come from other parts of undivided India after 1901.

Breakdown of Immigrants

The very large increase in population of Assam during the last 60 years is mainly due to the inflow of:

(1) tea garden labourers;

(2) Muslim settlers from East Bengal;

(3) Nepalis from Nepal or Terai-Darjeeling;

(4) Hindu refugees from East Bengal after partition; and,

(5) other persons from outside Assam for pursuing various professions and trades in this State.

The inflow of tea garden labourers into Assam began during the last century, after the formation of Assam Company in 1837, and was very rapid after 1860. It considerably slowed down after 1921 and practically ceased after 1937. The inflow of Muslim settlers from East Bengal began after 1911. It was accelerated after 1931 and continued till the time of independence in 1947. The process formally came to a close with the partition. But two or three years thereafter economic conditions in East Bengal again compelled many Muslims from the rural areas of East Pakistan to come to India in search of livelihood. As these people are very hard-working they could easily find jobs as agricultural labourers in the fields of their co-religionists and others and also as casual labourers in the urban areas. The Nepalis came in large numbers to Assam before 1941, but the flow in recent years has not been considerable. Following partition, Hindu refugees in thousands began to evacuate East Bengal. They mainly came to the neighbouring States of West Bengal, Assam and Tripura. The inflow of Hindu refugees still continued. The immigration of job-seekers, engineers, doctors, tradesmen, contractors, artisans and labourers into Assam is a comparatively new phenomenon. Due to the increasing tempo of development work in Assam, the inflow of this category of persons has been increasing rapidly during the last few years. Most of these people have not yet

Table 1: Rate of Growth of Population

(Per cent)

Decades	All-India	Assam
1901-1911	5.73	16.73
1911-1921	0.31	19.01
1921-1931	11.01	19.44
1931-1941	14.22	20.08
1941-1951	13.31	19.28
1951-1961	21.50	34.45

Source: Census of India, 1951 and 1961.

taken up permanent residence in Assam.

The increase of population in different districts of Assam since 1901 is given in Table 2. The figures for hill districts should, however, be taken with some reservation because of the possibility of under-enumeration in earlier censuses in inaccessible areas like Mizo Hills or North Cachar and Mikir Hills. Districts where the increase of population is more than 21.5 per cent during 1951-1961 can be considered to have experienced an abnormal rate of growth. In Assam all the districts would fall in this category although the districts of Cachar, Sibsagar, Khasi and Jainta Hills and Garo Hills have recorded comparatively smaller rates of increase.

The larger increase in the two hill districts might be the result of under-enumeration in the 1951 Census. The small increase in Cachar district may be due to migration of a large number of refugees who came to the district between 1947 and 1951 from Sylhat and were therefore enumerated in the 1951 Census in the district to other parts of the country. There might also have been some under-enumeration of Pakistani nationals residing in the district in the 1961 Census.

As has been pointed out earlier, a large proportion of the increase in population of Assam during 1951-1961 is due to the immigration of (1) Hindu refugees from East Bengal; (2) Muslim settlers from East Bengal and; (3) labourers, tradesmen, contractors, etc, from other parts of India. It is difficult to estimate the exact number of persons falling within each of these three categories. Had there been some question in the Census like: "Where were you enumerated in the last Census?" and it had been possible to get correct answers to this question, it would have been possible to know the total number and composition of immigrants since 1951.

From 1951 to 1961, Assam's population increased from 88.3 lakhs to 118.7 lakhs, an increase of 30.4 lakhs in 10 years. If All-India average rate of growth (i e 21.5 per cent) were applied to Assam, the population of the State would have been only 106.8 lakhs by 1961. This leaves nearly 11.9 lakh (or 12 lakh) persons who might be described as constituting an abnormal increase of population in Assam. Allowing for under-enumeration of about a lakh or so in 1951 Census, the balance of nearly 11 lakhs must have been added through immigration. As stated above, such immigration might come from three sources. Of these, the third (i e labourers, tradesmen, contractors, etc) who would normally settle down in urban areas would not exceed more than 50,000 or so. Considering that proportion of urban population in the total population of Assam is lower than all-India average, this cannot be described as an under-estimate. Thus the balance of about 10.5 lakh persons must be either Hindu refugees or Muslim infiltrators.

The Refugee Rehabilitation Department might be able to give some idea about the number of Hindu refugees. If their estimate is correct, the balance would naturally be Muslim immigrants. Some estimate of these two types of immigrants may be made by comparing the religious composition of the population in 1951 and 1961 as given in Table 3. If the normal rate of growth of population in Assam is taken as 21.5 per cent on the basis of All-India growth-rate, the different religious groups of Assam would have numbered as given in Table 4 in 1961.

The large increase in population of Christians may be due to conversion of tribals. The decrease of population under "others" also indicates this. Normally persons falling under "others" should have shown a higher rate of increase as most of the under-enumeration in the 1951 (or earlier) Census occured in the tribal areas, the inhabitants of which constitute the main portion of the population grouped under "others". The larger increase under Buddhists might also be due to conversion of some Hindus and other religious groups to Buddhism. Under-enumeration of Buddhists, most of whom live in the interior, may be another factor. Although

Table 2: Increase in Population of Different Districts of Assam
(Per cent)

		1901-1911	1911-1921	1921-1931	1931-1941	1941-1951	1951-1961	1901-1961
(1)	Cachar	13.21	5.32	6.94	11.38	24.66	23 5	119.0
(2)	Goalpara	29.97	26.92	15.76	14.83	9.25	39.5	234.0
(3)	Kamrup	13.33	14.20	27.92	29.43	17.89	38.4	250.0
(4)	Darrang	11.89	27.05	22.55	25.99	24.03	39.6	289.0
(5)	Nowgong	15.84	31.94	41.35	15.37	36.65	36.5	365.0
(6)	Sibsagar	15.57	19.06	13.38	11.48	16.51	24.4	152.0
(7)	Lakhimpur	26.39	30.42	23.49	23.66	20.88	38.8	341.0
Assam Plains		17.59	20.02	19.85	18.77	20.24	34.5	226.7
(8)	United K & J Hills	16.23	3.49	19.18	14.60	9 44	27.1	119.0
(9)	Garo Hills	14.94	12.71	6.57	17.11	8.28	26.9	107.0
(10)	United Nikir and North Cachar Hills	33.11	5 92	13.60	306.17	24.02	69.1	585 0
(11)	Mizo District	10.64	7.90	26.42	22.81	28.42	35 6	323.0
Total Hill Districts		10.98	11.84	17.21	30.24	12 46	33.9	183.6
TOTAL ASSAM		16.73	19.01	19.54	20.07	19.28	34.45	220.0

Source: Census of India, 1951 and 1961.

Table 3: Distribution of Population of Assam by Religion

Religion	1951 No (in thousands)	1951 Per cent	1961 No (in thousands)	1961 Per cent	Increase over 1951 No (in thousands)	Increase over 1951 Per cent
(1) Hindus	58,86.1	66.5	78,84.9	66.41	19,98.8	33.96
(2) Muslims	19,95.9	22.60	27,65.5	23.29	7,69.6	38.56
(3) Christians	4,87.3	5.52	7,64.6	6.44	2,77.3	56.91
(4) Budhists	22.6	0.26	35.5	0.31	13.9	61.50
(5) Sikhs	3.9	0.04	9.7	0.08	5.8	148.72
(6) Jains	4.2	0.05	9.5	0.08	5.3	126.19
(7) Others	4,30.7	4.88	4,02.1	3.39	(–)28.6	(–) 0.07
TOTAL	88,30.7	100.00	118,72.7	100.00	30,42.0	34.45

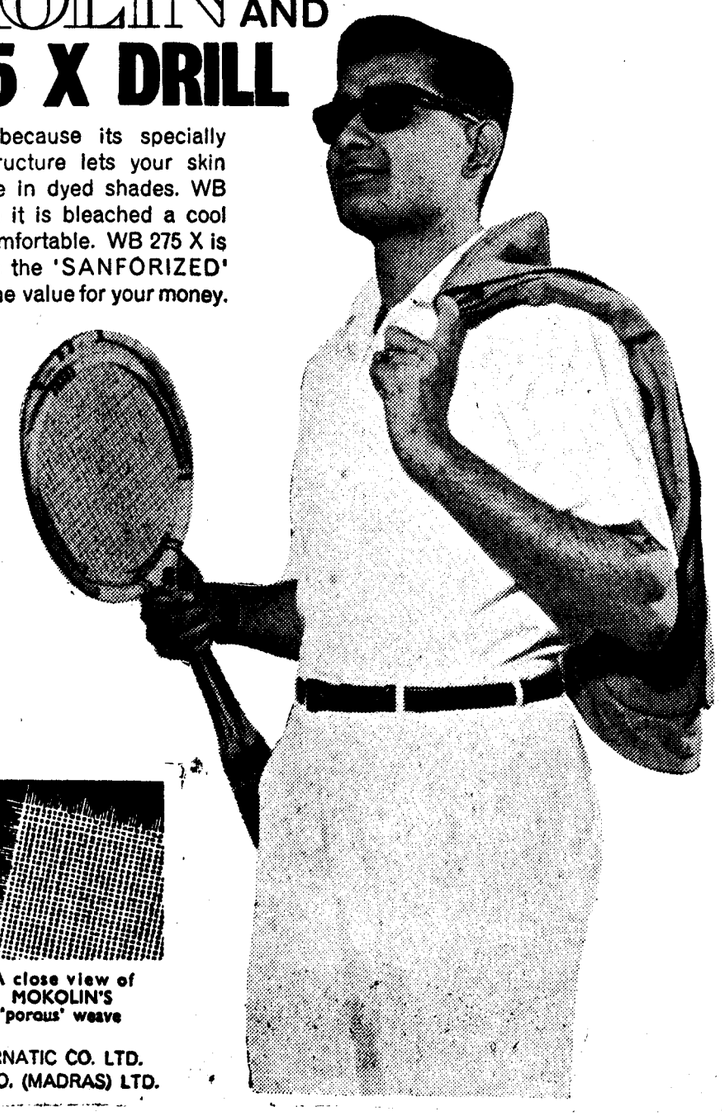
Source: "Statistical Abstract of Assam", 1958, p 4-5, *Eastern Economist*, Vol 40, No 21, p 62.

Table 4: Normal Growth of Population by Religious Group
(Figures in thousands)

Religions	1951 Population	Plus 21.5% Increase Thereon	Total
(1) Hindus	58,86.1	12,65.5	71,51.6
(2) Muslims	19,95.9	4,29.1	24,25.0
(3) Christians	4,87.3	1,04.7	5,92.0
(4) Buddhists	22.6	4.9	27.5
(5) Sikhs	3.9	0.8	4.7
(6) Jains	4.2	0.9	5.1
(7) Others	4,30.7	92.7	5,23.4

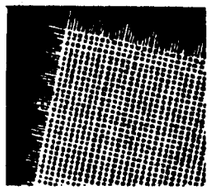
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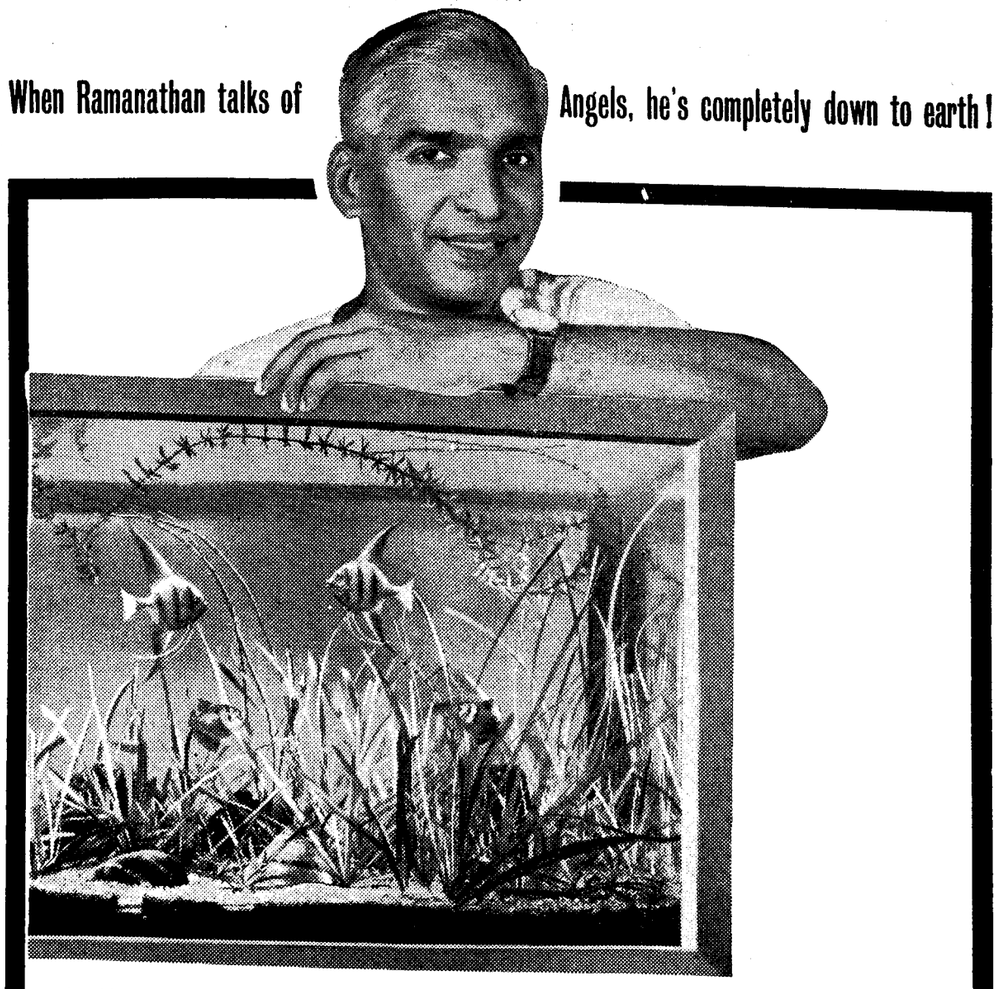
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the percentage increase in these two cases is very high, the total number of persons involved is very small, especially in case of Buddhists. Moreover, taken together Christians and Buddhists show an increase of only 27.9 per cent. Considering possible under-enumeration of the people of these communities in the previous census, this rate of growth cannot be taken as abnormal. There is, therefore, very little chance of new settlers belonging to these communities having come to Assam during 1951-61.

The excess increase beyond 21.5 per cent in case of Hindus, Muslims, Sikhs and Jains cannot be explained as being due to conversion or under-enumeration in the previous census; it can be considered only as net immigration from other places. The figures in Table 5 should be taken as the minimum, because the assumed natural rate of increase at 21.5 per cent for 1951-61 may be somewhat higher than the actual rate. The all-India growth rate of 21.5 per cent is based on population growth as a result of both natural and unnatural (e g net immigration) causes. During 1959, the registered birth and death rates in Assam was 8 and 3.5 per thousand, respectively, compared to the all-India rates of 23.0 and 9.9. (See "Statistical Abstract of India", 1961, p 592-93). This gives a rough survival rate (or natural rate of increase) for a decade at 4.5 per cent for Assam and 13.1 per cent for all-India. Such ridiculously low birth and death rates for Assam which are lower than the rates in highly developed countries like the United Kingdom cannot be relied upon. Nevertheless, it may still be argued that the birth rate in Assam is relatively low compared to many other parts of India due to the smaller number of females (876 per 1,000 males) and the higher age of marriage both for males and females. There is, however, no reliable evidence to indicate that the incidence of disease (like malaria, cholera, small pox) is lower in Assam than in the rest of the country.

As a large number of Sikhs and Jains come to Assam, leaving their wives and families in their native state, the natural rate of increase for these two groups would be much lower. We would, therefore, suggest the following as the natural rates of increase for the different communities: Hindus 17½ per cent, Muslims 17½ per cent, Sikhs 10 per cent, Jains 10 per cent, Buddhists and others 27½ per cent. This would give the figures of net immigration of these communities as shown in Table 6.

Thus it would appear that nearly 14 lakh persons have come to Assam after 1951 from other places. Assuming that all the immigrant Sikhs, Jains and Christians and about 136,000 Hindus as coming from other parts of India, the total of immigrants from other States of India would be nearly 150,000. Most of such immigrants will reside in urban areas. There was an increase of nearly 5 lakhs in the urban population of the State between 1951 and 1961. If an increase of about 2 lakhs is considered to be "normal", the remaining 3 lakhs would be immigrants into the urban areas.

There is little possibility of Muslims from other States of India coming to Assam. Thus it would appear that nearly 8.3 lakh (969,000 less 136,000) Hindu refugees and 4.2 lakhs of Muslim immigrants have come to Assam from East Pakistan since 1951. The low growth rate of population in some border districts of East Bengal compared to the growth rate in West Bengal or Assam also suggest such an outflow from East Pakistan. The total number of Hindu refugees from East Bengal in India was officially estimated at nearly 41 lakhs in 1961. Of this at least 50 per cent must have come to India after 1951. Hence our figure of Hindu refugees in Assam at 8.2 lakhs cannot be taken as an over-estimation. Similarly the figure of 4.2 lakhs of Muslim immigrants from East Bengal cannot be considered too high. In fact, if some Pakistani nationals did not report to the Census authorities in 1961 due to the agitation at that time against Pakistani infiltrators in Cachar and other districts, the number of immigrants under this category would appear to be higher still. Similarly, if it is true, as Pakistan alleges, that many Indian Muslims who were enumerated in the 1951 census in India left India for Pakistan after 1951, the number of new infiltrators would be higher still. The figures of Pakistani Muslim infiltrators into Assam since 1951 can be reasonably put between 4 and 4½ lakhs.

Hindu refugees would generally prefer to settle down in or around the urban areas. Some of them would, however, be compelled to go to rural areas. Taking the number of Hindu refugees residing in and around the urban areas at 2.5 lakhs, it may be estimated that about 6 lakh Hindu refugees have gone to the rural areas. Most of the Muslim immigrants from East Pakistan would, however, prefer settlement in rural areas. If it were possible to compare by religion and by language the population from village to village as revealed by the

Table 5: 'Abnormal' Growth in Population of Certain Communities, 1951-61

(*Figures in thousands*)

Hindus	78,84.9	less	71,51.6	=	7,33.3
Muslims	27,65.5	less	24,25.0	=	3,40.5
Sikhs	9.7	less	4.7	=	5.0
Jains	9.5	less	5.1	=	4.4
TOTAL					10,83.2

Table 6: Immigration into Assam

(*Figures in thousands*)

	Increase in Population between 1951 and 1961	Less	Increase According to above Calculation	Net Immigration
Hindus	19,98.8	less	10,30.0	9,68.8
Muslims	7,69.6	less	3,49.3	4,20.3
Sikhs	5.8	less	0.4	5.4
Jains	5.3	less	0.4	4.9
Christians, Buddhists & others	2,62.6	less	2,58.7	3.9
TOTAL	30,42.1		16,38.8	14,03.3

1951 and 1961 censuses from the primary census sheets some idea could be had about the inflow of persons from outside Assam into rural areas of the State. Ordinarily, such immigration might appear peculiar because the general tendency is to migrate from rural to urban areas in search of jobs and livelihood. But in Assam as a large number of persons with agricultural and rural backgrounds have come from outside the State, particularly East Bengal, the rural areas have had to accommodate the newcomers. Further, because of the slow pace of industrialisation and urbanisation in Assam, where only 7.5 per cent of the population were in the urban areas in 1961, the pressure of immigration will naturally be keenly felt by the rural areas.

The Agro-Economic Research Centre for North-East India collected some data on immigrants in the course of a village survey. The data for two villages are presented here. Tables 7 and 8 show the immigration into village X and Y, respectively, in different years since 1947.

Village X is in the Nowgong district, near the district headquarters. Nowgong has been the main Centre of attraction for both Hindu refugees and Muslim immigrants of East Bengal during the last half a century. The Muslim immigrants have also settled in the Goalpara district, Barpeta sub-division of the Kamrup district and the Mangaldai sub-division of Darrang district. In recent years the tempo of such immigration has increased also in the Tezpur sub-division of Darrang district and the North Lakhimpur sub-division of the Lakhimpur district. Hindu refugees from East Bengal have settled down mainly in Cachar district and near the urban centres of all the plains districts and also at Shillong in the Khasi Hills. Village X indicates the immigration of Hindu refugees.

Village Y is in the North Lakhimpur sub-division, in a somewhat inaccessible area which was connected with the sub-divisional headquarter only in recent years after the opening of a road to NEFA. This village indicates the settlement of Muslim immigrants and garden labour families and Nepalis.

A word of caution is necessary. These two villages were deliberately

Table 7 : Village X, Nowgong, Assam

Distribution of Immigrant Households According to Community and Year of Immigration

Year of Investigation : 1962

(Household and Population Figures refer to the year of the Survey)

Years of Settlement in the Village	Assamese Hindu	Bengali Hindu	Immigrant Muslim	Others	Total
(1) Original Settlers	21 (165)				21 (165)
(2) Before 1947		7 (58)	51 (350)	2 (8)	60 (416)
(3) Between 1947 and 1951		35 (234)	4 (26)		39 (260)
(4) Between 1952 and 1755		32 (192)	5 (42)		37 (234)
(5) 1956 (after 1st-point survey)		12 (76)	2 (16)		14 (92)
(6) 1957		13 (98)	3 (14)		16 (112)
(7) 1958		16 (100)	−2 (8)		18 (108)
(8) 1959		10 (60)	11 (59)		21 (119)
(9) 1960	2 (12)	10 (67)	6 (48)		18 (127)
(10) 1961		23 (110)	3 (11)		26 (121)
(11) 1962		4 (15)	5 (18)		9 (33)
TOTAL	23 (177)	162 (1010)	92 (592)	2 (8)	279 (1797)

Table 8 : Village Y, North Lakhimpur, Assam

Distribution of Immigrant Households According to Community and Year of Immigration

Year of Investigation : 1963

(Household and Population figures refer to the year of the Survey)

Years of Settlement in the Village	Ex-Tea garden Labour								
	Assamese Hindu	Munda	Urang	Gown	Hindustani	Immigrant Muslim	Nepali	Bengali Hindu	Total
(1) Original Settlers	2 (12)								2 (12)
(2) Before 1947	2 (11)	5 (18)	9 (51)	1 (2)	1 (9)	14 (77)	6 (27)		38 (195)
(3) Between 1947 and 51	1 (4)						(34) 11 (69)	(24)	(56) 12 (73)
(4) Between 1952 and 55									
(5) 1957						6 (29)	1 (5)		7 (34)
(6) 1958	1 (4)	1 (6)	1 (5)			1 (6)	1 (6)		5 (27)
(7) 1959	1 (3)							1 (5)	1 (5)
(8) 1960							1 (4)		2 (7)
(9) 1961				1 (2)	1 (2)	1 (2)	1 (7)		4 (13)
TOTAL	7 (34)	6 (24)	10 (56)	2 (4)	2 (11)	1 (5) 34 (188)	10 (49)	1 (5)	1 (5) 72 (371)

Note : Figures in the brackets indicate number of persons.

chosen in areas where there is heavy immigration and so the results of the survey cannot be applied to rural Assam as a whole. If a large number of villages were selected in the whole of Assam, some correct idea about the general situation in the State might be had. But any such survey is likely to make the villagers suspicious and because of the political implications of revealing oneself as an immigrant it might be difficult to get correct answers from the respondents. In our present survey the question of the year of immigration to the village was asked very casually among many other questions without placing any stress on it. Moreover, our investigators had stayed in the village for two to three months and hence a friendly relation had developed between the villagers and our investigators.

In village X, out of 279 households in 1962, only 81 or only 28.0 per cent were in the village before 1947. Compared to this, in village Y out of 72 households in 1963, 40 households or nearly 56 per cent were in the village from pre-independence days.

From 1947 to 1955, i e during 9 years, the 76 households immigrated into village X and 19 households into village Y. This gives an annual rate of 9.4 households for village X and 2.1 households for village Y. Compared to total number of households in each of these two villages, the rate of inflow is almost similar. The pace of immigration has remained almost constant in village Y even after 1955, while it has increased considerably in village X. From 1956 to 1961, 113 households came to the village X, giving an annual inflow of 19 households in these 6 years.

The community-wise break-down will show that out of 162 Bengali Hindu households in village X, only 7 households were in the village prior to independence. The inflow of Hindu refugees was considerable upto 1961. In 1961 it was more than doubled. This might be due to the language disturbance in 1960, which led many Bengali Hindu households to flee to areas where there were already a considerable numbr of families of their own community. There is practically no inflow of Hindu refugees into village Y. This may prove our general contention that Hindu refugees have settled mainly in the urban areas. Out of 92 immigrant Muslim households in village X, only 51 were in the village in pre-independence days. In village Y, out of the 34 Muslim immigrant households, only 14 belonged to the village in pre-independence days. It is interesting to note that the inflow of Muslim immigrants into both the villages still continues.

The figures for Assamese Hindus are revealing. There is practically no new Assamese Hindu settlement in village X. This might be due to the predominantly immigrant character of this village. In village Y, out of 7 Assamese Hindu households 3 came to the village after 1951. In this village almost all the ex-tea garden households and 60 per cent of the Nepali households belonged to pre-1947 days. In both villages, the number of households who have left the village prior to the year of the survey is not known. It may be true that some of the pre-1947 households, which will be mainly Assamese Hindu or ex-Tea garden labour, have left the village due to pressure from immigrants and have now settled down elsewhere. Questions were asked to find out the places from where the immigrants had come to the two villages. Tables 9 and 10 give the information collected.

As stated above, due to the political considerations involved the information given in Tables 9 and 10 may not be accurate. Nevertheless, it is revealing that a large number of the households come from districts other than the district in which the village is situated. Most of the Muslim immigrants in village Y stated that they had come from Nowgong district, although it is not possible to verify this. Most of the Hindu immigrants stated that they had come from East Pakistan. But just as the Muslim immigrants may state untruthfully that they were from other parts of India, Hindu immigrants may be tempted to say that they were from East Pakistan.

The foregoing discussion shows that the large inflow of population into Assam from other parts of India and from East Pakistan still continues. The pressure of this inflow has been keenly felt in the rural areas of the State. We have not considered the advantages or disadvantages to Assam from this inflow of persons. The political, economic and sociological questions raised would need separate consideration.

Table 9 : Places from Where the Immigrant Households Have Come to Village X

Places from Where Emigrated	Assamese Hindu	Bengali Hindu	Muslim	Others
Within the district	2	20	41	—
Within the State	—	1	—	—
From different States of India	—	98	—	2
From East Pakistan	—	43	—	—
TOTAL	2	162	41	2

Notes : (1) No information could be gathered about 51 Muslim households.
(2) 21 original households are excluded.
(3) One Assamese household has emigrated.

Table 10 : Places from Where the Immigrant Households Have Come to Village Y

Places from Where Emigrated	Ex-Tea Garden Labourers				Assamese Muslim	Nepali	Bengali	Hindustani
	Urang	Munda	Gour					
Within the District	10	6	3	5	12	4	—	1
Within the State	—	—	—	—	21	6	—	—
From Other States	—	—	—	—	—	—	1	1
TOTAL	10	6	3	5	33	10	1	2

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BUY NATIONAL DEFENCE CERTIFICATES

U S Balance of Payments

Rajendra Kumar

The outflow of long-term capital from the U S, both on private and Government accounts, has a double function. First, it is a counterpart to the sur plus on the current balance and, second, it relieves the shortage of international liquidity, the U S dollar being the major of the two key currencies for world trade.

An analysis of the components of the outflow of long-term capital from the U S indicates that the net outflow is not sufficient to adequately fulfil the former function; and, in order to fulfil the latter function, U S deficits would have to be substantially larger than at present.

IN studying a country's balance of payments, it has become the practice to focus attention on the *basic* balance, especially so in respect of a country adhering to Article VIII of the International Monetary Fund's Articles of Agreement—that is, a country which permits unrestricted convertibility of its currency for financing current international transactions. The United States is one of 24 such countries. Moreover, the United States, along with ten other of these 24 countries, has gone a step further in permitting free movements of banking funds. In the case of these countries, therefore, for judging their balance of payments health, one must refer to the basic balance. The basic balance covers all payments arising from current international transactions and from *long-term* capital transactions. International transfers of short-term capital are left out of the basic balance of payments picture because these are erratic and tend only to vitiate the real balance. Table 1 presents a re-grouping* of the items in U S balance of payments. The financing items are shown separately in Table 2.

Table 1 estimates the foreign exchange pressures resulting from U S international transactions. Table 2 describes the measures adopted by the U S to absorb these pressures. Since the real adjustment of the balance of payments is achieved through correcting the basic balance (Group I in Table 1), this paper examines the items therein with a view to

* The exclusion of Group J, "Capital, private short-term", does not alone exactly yield the basic balance of payments figure, for Group H, "Errors and Unrecorded Transactions", contains a substantial element of short-term capital flows. That is why the "errors and omissions" item is not included in the current balance, unlike the usual practice; the capital element predominates in its fluctuations.

Table 1: Analysis of U S Balance of Payments, Excluding Military Grant Aid
(Million dollars)

		Calendar Years			
		1960	1961	1962	1963 I qrt
A.	**Merchandise, non-military**				
	Exports	19459	19913	20479	4998
	Imports	14723	14497	16145	—3985
	Balance	**4736**	**5416**	**4334**	**1013**
B.	**Military transactions**				
	Sales	337	402	660	183
	Expenditures	—3047	—2934	—3028	—741
	Balance	**—2712**	**—2532**	**—2368**	**—558**
C.	**Income transfers**				
	Income on investments, Private	2873	3464	3850	1005
	Government	349	380	472	118
	Remittances and pensions	—672	—705	—736	—217
	Balance	**2550**	**3139**	**3586**	**906**
D.	**Other services**				
	Sale*	3958	4152	4329	1062
	Purchase	—5434	—5436	—5791	—1447
	Balance	**—1476**	**—1284**	**—1462**	**—385**
E.	**Current Balance of Payments (A through D)**	**3097**	**4739**	**4090**	**976**
F.	**Capital, private long-term**				
	U S capital	—2544	—2609	—2766	—1013
	of which,				
	Direct investments	1694	1598	—1557	—556
	Long-term portfolio	—850	—1011	—1209	—457
	Foreign capital	430	466	271	28
	of which,				
	Direct investments	141	73	132	17
	Other long-term	289	393	139	11
	Balance	**—2114**	**—2143**	**—2495**	**—985**
G.	**Capital, Government**				
	Grants and capital outflows	—3405	—4056	—4281	—1082
	of which				
	transactions involving no immediate outflow	—2298	—2940	—3211	—856
	and Dollar payments to foreign countries and international institutions	—1107	—1116	—1070	—226
	Scheduled repayments on U S Govt loans	588	606	617	143
	Other U S Govt liabilities	26	85	614	56
	Non-scheduled receipts on Govt loans	48	668	666	25
	U S Govt non-marketable medium-term non-convertible securities	—	—	251	63
	Balance	**—2742**	**—2697**	**—2133**	**—795**
H.	**Errors and Unrecorded Transactions**	**—682**	**—905**	**—1025**	**—44**
I.	**Basic Balance of Payments (E through H)**	**—2442**	**—1006**	**—1563**	**—848**
J.	**Capital, private short-term**				
	U S capital	—1348	—1541	—507	55
	U S commercial and brokerage	—90	177	—116	—13
	Balance	**—1438**	**—1364**	**—623**	**42**
K.	**Balance of Payments (I+J)**	**—3881**	**—2370**	**—2186**	**—806**
* Including those financed by Government grants and loans; these being					
	Merchandise	1919	2237	2345	613
	Services, other	288	430	538	160

† Preliminary

Source: U S Department of Commerce, *Survey of Current Business*, June 1963.

judging if the basic deficits indeed reveal a weakness of the U S dollar in foreign exchange markets. If there is no such weakness, then the question arises if the U S basic deficits are a normal feature of the post-war adjustment of world balance of payments. The answer to this question is 'yes' and so it may be argued that the U S Government ought to allow substantially larger deficits in America's basic balance of payments. This argument assumes importance in the context of discussion on shortage of international liquidity, since the U S basic deficits are a primary source of international liquidity.

Capital Outflow : The Key

The basic deficits in the U S balance of payments are determined largely by the capital account: by the net capital outflow exceeding the currrent balance of payments surplus; this gap, but for a short-lived reduction in the first half of 1961, has continued to widen. Let us, then, discuss the capital account. The inflow of capital to offset the large payments of capital by America, both on private and Government accounts, has been very thin. The capital inflow on Government account is from scheduled debt repayments, advance repayments, and through persuading foreigners (as a balance of payments support device) to hold non-convertible U S securities. The much-publicised weakness of the U S dollar on foreign exchanges has been due entirely to the large outward flow of U S capital, equally heavy both on private and Government accounts. In order to assess the international position of the dollar, one must examine the nature of the capital outflows.

The private capital outflow has shown a steady rise both in the form of direct investments as well as portfolio capital. No doubt this is a drag on the basic balance of payments in the strict accounting sense. Nonetheless, the current balance of payments gains much as a result of the outflow of private capital; see the yearly rise in income from private investments from $ 350 million in 1960 to about $470 million in 1962-63 (Group C). Although there may be much to be said about the direction of the private capital outflow, yet a dip in its steady upward trend would be unthinkable, particularly to the U S authorities.

Not a Payments Burden

The capital outflow on Government account has been distinctly larger than that on private account. An examination of its nature would, however, reveal that U S Government capital outflow is not a payments burden as such; it does not create an exchange problem. Between two-thirds to three-fourths of the outflow (Group G, Item i(a)) is such as does not lead to an immediate payments burden, being export finance or loans tied to the source of supply. Correspondingly, more than one-tenth of American exports of goods and services was financed through Government grants and loans (see Note to Table 1). Lest the balance of payments statistics should unduly magnify the deficit in basic balance, one may question the validity of entering this entire item here, particularly when these debit entries do not signify an "immediate outflow". At the most, export finance figures could be entered here.

The other item accounting for Government capital outlow is dollar payments to foreign countries and international institutions (Group G, Item i(b)). This outflow should have a bearing on the basic payments balance only to the extent that foreign governments and international institutions decide to *convert* the dollars so obtained. In the absence of fuller details of these dollar payments one cannot judge accurately their implications for the basic balance. Only when such details are available will it be possible to assess the precise burden imposed by the U S Government's obligatory international capital transactions. Insofar as these payments refer to, say, short-term currency aid to the Canadian dollar, they only go to show the international strength of the dollar; the increase in the basic deficit is not conclusive in that case.

Case for Bigger Deficits!

To sum up, the outflow of U S capital both on private and Government accounts is doubly equilibriating: firstly, it is an essential counterpart of the U S current balance of payments surpluses (Group E); and, secondly, it relieves the shortage of international finance overseas, U S Dollar being the major of the two key currencies for world trade. An examination of the several components of U S capital outflow listed in the balance of payments statistics published by the U S Department of Commerce would reveal that the net outflow is not sufficiently equilibriating to adequately fulfil the former function; in order to fulfil the latter function, of international liquidity, U S basic payments deficits should be substantially larger than at present. Needless to say, this can be achieved in two ways: one, by reducing the deficit on the current account; and, secondly, by stepping up the supply of capital, especially to the underdeveloped countries. The remaining items of the U S balance of payments and Table II need to be discussed separately.

Table 2: Financing of the U S Balance of Payments
(*Million dollars*)

	Calendar Year			
	1960	**1961**	**1962**	**1963 I qr†**
1. Sales of non-marketable medium-term convertible securities:				**350**
(a) Dollar securities	—	—	—	**125**
(b) Foreign currency securities	—	—	—	**225**
2. Increase in short-term official and banking liabilities and in foreign holdings of marketable U S Govt bonds and notes (decrease —)	**1438**	**1764**	**653**	**287**
(a) Foreign private holders including banks and international and regional organisations (excluding I M F)	289	1083	200	376
(b) Foreign official holders	1149	681	453	—89
3. Decrease in U S monetary reserve assets (increase —)	**2442**	**606**	**1533**	**32**
(a) I M F position	741	—135	626	—46
(b) Convertible currencies	—	—116	17	—33
(c) Gold (loss +)	1702	857	890	111
4. Total financing	**3881**	**2370**	**2186**	**669***

* Excluding seasonal adjustments (—137), the balance of payments deficit is reduced to 669.

† Preliminary

Source: U S Department of Commerce, *Survey of Current Business*, June 1963.

Regulation of Corporate Affairs

R K Hazari

THE Department of Company Law Administration was organised from scratch in 1955 to improve and centralise the administration of company law which was codified and radically changed in the succeeding year. It became a full-fledged Department within the Finance Ministry when the new Companies Act came into force in April 1956. A little more than a year later, the then Finance Minister, Shri T T Krishnamachari, thought that he could do without this Department and handed it over all of a sudden one fine morning without ceremony to the Ministry of Commerce and Industry, where it remained under the direct charge of the C and I Minister till the abolition of that Ministry. It was then attached to the residuary Ministry of Industry. From there, last week, it was suddenly hitched back, minus its full departmental status and its Secretary, into the Finance Ministry, and made a division of the Department of Revenue.

Coordination Unlikely

Such transfers are, of course, a matter of administrative convenience. But the suddenness with which the latest shift has been effected is, nevertheless, a matter of public concern. For the time being, at any rate, the administration of company law has been left without any top executive direction, unless the busy Minister of Finance himself chooses to take time off to look after it. The Revenue Secretariat has its hands full with the collection of taxes and the Central Board of Revenue is itself in the process of reorganisation. There is little in common between Revenue and Company Law, except that a large part of most Central taxes are collected from joint stock companies in various forms. This element is, in any event, common ground between nearly all the economic wings of Government.

The present writer was among the first non-officials to plead for a more effective coordination of the administration of company law with various other agencies of Government dealing with the corporate sector, especially those for industrial licensing, capital issues, stock exchange regulation and tax collection. The erstwhile Department had repeatedly stressed the need for such coordination in its annual reports and occasional notes. What has been done now, however, appears to serve neither the objectives nor the mechanism of the desired coordination. The objectives can be fulfilled only when the development and regulatory policies of Government are clarified and more harmonious relations are established between the economic Ministries.

So far as the mechanism goes, Economic Affairs rather than Revenue would be the more suitable agency for company law administration. It is the many-splendoured Economic Affairs which regulates capital issues, stock exchanges, L I C and the financial corporations and it is Economic Affairs which is supposed to give a positive direction to financial activities. The administration of company law is, similarly, a regulatory, permissive and advisory activity; inspection and investigation of companies are important but secondary to its working. The Central Board of Revenue, together with its subsidiary offices, is, on the other hand, a tax-collecting, penalising and quasi-judicial authority. It is true that both Revenue and Economic Affairs are under the same Ministry but, as the public and officials are aware, protocol between departments is almost as tiresome as between ministries.

Company Law Set-Up

What about the future?

The Department of Company Law Administration was organised in three tiers: a Registrar of Companies for each State and for Delhi, a Regional Director (assisted by a solicitor, an accounts officer and a prosecutor) for each of the four regions, and a headquarters under a Secretary (assisted by a Joint Secretary) with a Company Law Advisory Commission to advise on certain specific matters.

The first tier is by now fairly well organised and reasonably efficient, with the notable exception of the office in Calcutta, where something has been done but much more remains to be done.

At the headquarters, the Department was reasonably well organised under the dominating personality of the Secretary. The top officers, however, were somewhat underemployed. The middle grades were (as elsewhere) short on initiative and sense of direction, long on memoranda. The Research and Statistics Division needed toning up while the members of the Company Law Advisory Commission, set up to mollify Parliament, had little prestige and less work. Of the two non-statutory advisory committees, only one, the Technical Advisory Committee, did useful work. The other, the Research Programmes Committee, met rarely and hardly justified the expenditure of public money and time.

Case for Autonomous Board

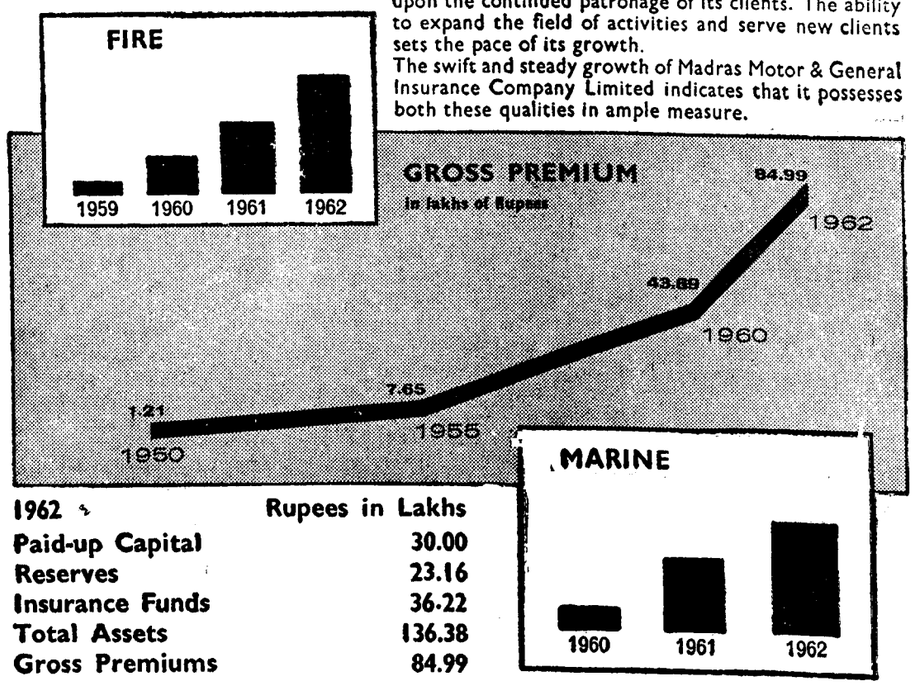
The middle tier is the weakest link in the chain. The Regional Directors have the rank of Deputy Secretaries and are on loan from either the Revenue Department or the States. In spite of some delegation of powers from headquarters, they have little to do beyond inspecting the offices of Registrars. The Regional Directorates were set up originally to guide the Registrars and to assist and advise companies. The need for this service has practically disappeared. The Directors exist only to lend their authority to the advice rendered by their solicitors and accounts officers.

This background is useful in the light of press reports that the Finance Ministry contemplates the setting up of a Corporate Sector Board to handle various company matters. The Bhabha Committee had, in 1951, suggested the setting up of a statutory commission for this purpose but Government opted for a department instead, on the ground that the administration of company law was too closely linked with economic policy to be handed over to an independent body. This argument was reiterated last year in Parliament. What precisely the Ministry proposes now is not clear as yet. There is, as experience shows, no material difference between a department and a separate board or commission, whether statutory or non-statutory. The choice is really between an executive authority vested with full powers and a purely advisory body attached to a department. A half-way authority merely multiplies the links in the chain, delays decisions and spreads uncertainty.

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MADRAS MOTOR & GENERAL INSURANCE COMPANY LIMITED

The stability of a general insurance company depends upon the continued patronage of its clients. The ability to expand the field of activities and serve new clients sets the pace of its growth.
The swift and steady growth of Madras Motor & General Insurance Company Limited indicates that it possesses both these qualities in ample measure.



1962	Rupees in Lakhs
Paid-up Capital	30.00
Reserves	23.16
Insurance Funds	36.22
Total Assets	136.38
Gross Premiums	84.99

MADRAS MOTOR & GENERAL INSURANCE COMPANY LIMITED
Registered Office: 52 Peters Road, Royapettah, Madras-14.
Post Box No. 671-Telephone 86551 (3 lines) (Member of TVS Group)
Branches: Bangalore-Bombay-Calcutta-Coimbatore-Madurai
Nellore-Salem-Secunderabad-Tiruchirapalli-Tirunelveli-Vellore
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If Government is really serious about a Corporate Sector Board, the ideal solution would be to have an autonomous executive board consisting of *full time* members, with an official chairman acting as ex-officio Secretary to the Ministry (not the reverse), and four other members, each with a separate portfolio:

(i) company law;

(ii) stock exchanges and capital issues;

(iii) coordination of corporate regulation with the working of LIC and the financial institutions; and,

(iv) operational research into corporate matters.

The members should have joint and several responsibility for all policies and their implementation. At least two members should be non-official experts, but must work full-time on a three or five year non-renewable contract to avoid conflict of interest.

The Board must enjoy a status similar to that of the Reserve Bank, i e, it must have complete executive autonomy subject to the power of Government to issue written directives and to change the members if their views are fundamentally contrary to official policy.

Some press reports indicate that the checking of tax evasion and exchange conrol violations may also be entrusted to this board. These are basically in the nature of policing-cum-punitive functions and are best kept outside the purview of the proposed board.

The four regional directors of company law need not be retained, but the solicitors, accounts officers and prosecutors at the regional centres can continue to advise and assist the Registrars.

Around Bombay Markets

Dalal Street Scales New Peak

Thursday, Morning

DALAL STREET looked somewhat tired at the end of the previous week but it was on the move again after a brief pause and it did not seem to encounter any difficulty in pushing its way into new high ground. The strength in shipping and sugar shares was an outstanding feature of last week's trading. Shipping shares have been receiving increasing attention of late in the growing belief that the industry has turned the corner. The buying in sugar shares appeared to have been inspired by the High Court's ruling declaring Section 28 of the Maharashtra Agricultural Land (Ceiling on Holding) Act *ultra vires* of the Constitution and hence void.

The market was at its best on Wednesday and kerb dealings late in the evening gave one the impression that the market was having a special session following the Reserve Bank of India's announcement of its liberal and positive credit policy. Besides raising the borrowing quotas of the bank and reducing their cost of borrowing, though only marginally, the Reserve Bank has completely removed the control on minimum margin at 40 per cent on bank advances against shares. The liberalisation of credit is welcome and the stock market's reaction cannot be dismissed as purely impulsive. The concession in respect of advances against shares is taken as an indication of the Finance Minister's anxiety to tone up the investment market.

The stock exchange community seems convinced that Shri Krishnamachari is determined to put new life into the capital market and that he will not hesitate to modify the fiscal policy should that be considered necessary for putting the capital market into good shape. If the Finance Minister can boost the industrial tempo, he will not perhaps need to bother about the stock market. For, the political uncertainty apart, the sharp setback in equity prices from the 1962 high levels reflected in no small measure the slackness in the economy and the squeeze on corporate profits and dividends. The corporate news is still of a mixed nature but the market psychology has changed and the magic of fluctuations has already produced an impressive rise in equity prices. The major trend is no longer in doubt. The only question is how it will progress week after week. The market will have to undergo technical adjustments from time to time which could be quite painful at times. When and how exactly technical adjustment might come about is always difficult to predict.

Oilseeds

Subdued Despite Incentives

THE oilseeds market has continued to display a subdued tendency despite increased incentives for exports of vegetable oils in the form of larger imports of copra, palm oil, chemicals and machinery. It is not that the incentives have fallen short of the market's general expectations. Nor is it that the revised incentives are unlikely to have any significant bearing on the export prospect. The market is subdued at present mainly because a few prominent speculators have built up a heavy "short" interest in groundnut futures on the argument that the scope for a rise in the January contract is limited if the ceiling of Rs 236 is to be kept unchanged for the whole season. The seasonal factor is also against a rise for the time being; prices generally tend to ease at the harvest time. And the new crop too is believed to be larger than in the previous season.

Groundnut January which had been up to Rs 219.62 on 21st October were sold down to Rs 213.62 on the 29th and Wednesday's closing was not much higher at Rs 214.87 (per 250 kgs). Speculative interest centred on groundnut. Turnover in castor, linseed and cottonseed was very poor and price movements were confined within narrow limits. Castor March moved between Rs 166 and Rs 164.75, linseed March between Rs 36.31 and Rs 35.94 (per 50 kgs) and cottonseed January between Rs 98.50 and Rs 96. Groundnut futures continue to set the tune for the rest of the market.

Export Prospects

The current bearish phase in groundnut might not last long be-

cause of the promising export outlook for groundnut extraction as well as groundnut oil. Last week alone, exporters sold about 2,000 tons of groundnut to the U K and the Far East and chances of very sizeable business through the State Trading Corporation in the near future are rated high. Very good business was reported in groundnut extractions. East Germany figured as a prominent buyer and Japan also took fair quantities. The latest U K quotations for groundnut extractions were placed around £ 35-15 per ton for November shipment, £ 35-15 for December, £ 35-5 for January and £ 34-15 for Jan/Feb/March. Export business in groundnut oil has become a virtual monopoly of four leading vanaspati and soap manufacturers and this trend is bound to persist so long as the incentive consists mainly of copra and palm oil imports. Few shippers can hope to compete with the prominent soap manufacturers because of the influence they have on the course of copra and palm oil prices and on the premium that their import licences command.

While business in linseed cake continues to be restricted, the U K and the Continent were reported to have purchased sizeable quantities of decorticated cottonseed cake at £ 32-5 per ton, November-December-January shipment. Export houses did not mention any business in linseed oil and fresh business in castor oil was also limited. The outlook for castor oil is considered to be quite promising though very few shippers expect revival of U S buying. Next to Brazil, India is the largest producer of castor oil. The U S which had always been an important buyer of Indian castor oil has taken very little oil from India in the past two years or so. The loss of the U S market at a time when the country is making a desperate effort to earn foreign exchange anyhow is a matter of serious concern. That the fall in U S off-take has been virtually offset by increased buying by Communist countries is poor consolation. Hardly any worthwhile organised effort has been made to exploit the export potentialities of castor oil. And what is more, unlike other oilseeds, it is relatively easy to step up the production of castorseed.

Cotton

Subdued Tendency

OCTOBER is coming to an end but new crop arrivals are still restricted. The crop is not poor (judged by the normal performance of course, for production is still far short of the Plan target) but it is late by about a month. Delayed arrivals have not caused any excitement in the market because of the satisfactory carryover from the previous season and reasonably large stocks with the mills. In October last, most varieties of cotton were quoted well above the ceiling because of the record low carryover, but at present cotton prices are quoted about Rs 75 to Rs 125 per candy below the ceiling. Mills are still inclined to keep off the market in the hope of obtaining their supplies more cheaply when the crop movement gets into swing. And with buyers reserved, spot cotton prices have continued to show a subdued tendency. Excepting C02, cotton prices were further down by about Rs 10 to Rs 15 per candy last week. After a brief show of strength cotton futures suffered a further setback but staged a moderate rally near the week-end. The March contract which had recovered from Rs 702.50 to Rs 707.25 declined to a new low of Rs 692.50 but was up again at Rs 699.25 at the week-end. The week-end recovery was due both to short covering based on technical considerations and renewed bull support following reports that India was unlikely to get additional U S cotton under P L 480 during the current year. Sentiment near the week-end was also influenced by New Delhi's reported decision permitting cotton textile mills to expand their spindleage and loomage. Increased spindleage implies larger consumption of cotton.

It is difficult to say how the cotton market will behave in the near future. It is not merely that it is still not possible to assess the size of the crop. The Government's proposal for creating a buffer stock has made the outlook very uncertain. It is surprising that the Government should be thinking very seriously about building up a buffer stock when domestic supply has to be augmented with imports in order to meet the industry's normal requirements. And what is more, import prospects are by no means very encouraging. In the demand and supply position obtaining at present, buying for the buffer stocks will only help to boost cotton prices which are already quoted above world parity. New Delhi will do better to concentrate its attention on how best to step up cotton production instead of toying with the idea of a buffer stock if it cannot make arrangement for securing large supplies of cotton from the U S under P L 480. Export business in Bengal Deshi is making very slow progress. The Japanese buyers seem to be in no great hurry to enter into large commitments. Total sales to-date are estimated around 65,000 bales.

Khatau Makanji

DESPITE an increase in sales from Rs 5.83 crores to Rs 6.49 crores, Khatau Makanji Spg and Wvg Co's net profit for the year ended June 30, 1963, after providing for depreciation at Rs 19.51 lakhs, taxation at Rs 45.95 lakhs and Development rabate reserve at Rs 2.84 lakhs, amounted to only Rs 18.04 lakhs as against Rs 24.49 lakhs in the previous year. The Directors have transferred Rs 11.25 lakhs to General Reserve and Rs 7 lakhs to a Special Reserve under the provisions of the SPT Act. The preference and ordinary dividends amounting to Rs 1.56 lakhs and Rs 9.58 lakhs respectively have been paid from the General Reserve and are the same as in the last year. But the rate of ordinary dividend is reduced from Rs 16 to Rs 8 per share since the ordinary capital was doubled last year by the issue of bonus shares.

The Company has put into commission 3,064 additional spindles out of 13,241 for which it is licenced. Ex-mill selling prices of yarn for counts 40s and below have been enhanced from February 1963 while those for higher counts have been reduced. The Directors fear a shortage in the supply of long-staple cotton and hope that the authorities would make supplies available to those units which need it for the manufacture of superfine fabrics. The Company is making satisfactory progress in exports.

Business Notes

Bombay Burmah

THE operations of Bombay Burmah Trading Corporation for the centenary year ended May 31, 1963 have turned out to be highly favourable. The gross trading receipts are up by Rs 14.80 lakhs at Rs 592.79 lakhs. The dividends from subsidiaries are also higher by Rs 7.31 lakhs at Rs 28.97 lakhs. Sundry receipts also show an improvement from Rs 29,000 to Rs 17.55 lakhs of which Rs 16.26 lakhs have been realised from disposal of surplus assets and properties. Although income from boat-building and repair work in Rangoon declined, larger receipts from tea, coffee, manufactured goods and timber and higher miscellaneous income enabled the company to make good the setback of the previous year. Gross profits have risen from Rs 142.59 lakhs to Rs 158.20 lakhs notwithstanding higher expenses on stores and spares, salaries and wages, transport, etc. Tax liability has gone up from Rs 49.50 lakhs to Rs 60.60 lakhs, but Rs 13.30 lakhs, representing tax on bonus issue, are met from the General Reserve and the balance of Rs 47.30 lakhs is charged to the year's profit. Net profit has also improved from Rs 51.58 lakhs to Rs 66.63 lakhs. Allocations include transfer to General Reserve Rs 21.50 lakhs (Rs 16.10 lakhs) and contribution to National Defence Fund of Rs 4.95 lakhs. As against Rs 44.14 lakhs last year, the total dividend distribution this year amounts to Rs 53.50 lakhs at Rs 5 per fully-paid share and Rs 4 per partly-paid share, (including Rs 8.56 lakhs as centenary dividend at 80 nP per share.)

The Directors state that the activities of the Company's Wallace Bay branch were adversely affected by bad weather which hampered forest working and impeded rafting and shipping operations. Nevertheless, production showed an increase and higher sales were recorded. South Indian tea estates of the Company showed higher output and gross revenue returns. The Namhsan Tea Factory in Burma was closed on May 31 last year and most of the tea stocks have been sold. Boat building activities at the Rangoon Dockyard were also closed from the same time.

The progress of the Company's concrete products plant in Burma was disappointing in the earlier months but has shown improvement in the later months. The asbestos cement plant gave satisfactory results, production and sales of asbestos cement expanding steadily. These two ventures have increased the profitability of the Burma branch's activities.

Tanganyika's tea production was substantially higher during the year though the estates are still being developed. Timber operations in North Borneo were affected by adverse weather conditions. Thai Tapioca in which the Company has a holding interest has suffered losses, the production of starch having been affected considerably by the inadequate supply of tapioca roots. Rubber production of the Company's subsidiary at Java was lower and higher sales returns were offset by increased production costs. The Company's new enterprise, Formica India, has made progress in its first stage of development.

Mysore Spinning

MYSORE Spg and Mfg Co's gross profit for the year ended February 28, 1963 has come down from Rs 12.50 lakhs to Rs 9.09 lakhs and the net profit from Rs 4.32 lakhs to Rs 2.04 lakhs. The development rebate reserve has absorbed Rs 3.09 lakhs as against Rs 1.12 lakhs in the previous year. On account of lower profit and higher provision for development rebate, the surplus has turned out to be inadequate for payment of dividend on equity shares. Preference dividend has, however, been recommended at 4½ per cent.

The Directors propose to issue bonus shares in the ratio of 1:8 by capitalising the share premium account balance (Rs 1.44 lakhs) and a portion of the General Reserve to the extent of Rs 5.99 lakhs (out of a total reserve of Rs 30.40 lakhs). The Company's object in making the bonus issue is to bring the equity capital of the Company which is now Rs 59 lakhs in line with the net block which has exceeded Rs 1 crore.

The Company's revenues were hit considerably by several adverse factors such as dislocation in the operation of the processing and finishing machinery and accumulation of cloth in process. Sales dropped from Rs 1.95 crores to Rs 1.82 crores. No provision for taxation has been made, there being no assessable income after setting off depreciation and development rebate. The Company is availing of a medium term loan of Rs 50 lakhs from the State Bank to meet a part of the capital expenditure estimated at Rs 80 lakhs for expansion and modernisation of the Mills.

Hindustan Machine Tools

THE Third Plan described machine tools as a "field of high priority", but cautioned that "there are physical limitations to a bigger set-up of production (than that envisaged in the Plan) in this field arising from the large demand for technical labour and the wide diversity in the categories of machine tool required". These fears seem to have been borne out since it is now conceded by the Government that the production of machine tools in the last year of the Plan would fall short of the target of Rs 30 crores by at least Rs 5 crores.

Of the target of Rs 30 crores, the share of the public sector was Rs 16 crores and that of the private sector Rs 14 crores. Within the public sector, Hindustan Machine Tools' share was Rs 10 crores and the rest was divided among Praga Tools (Rs 2 crores) and the heavy machine tool plants at Ranchi (Rs 3 crores) and Ambernath (Rs 1 crore). The private sector's allotment of Rs 14 crores was divided among some 55 private producers. It is now expected that the combined output of the private sector and public sector, minus the HMT, will not approach even 50 per cent of their target of Rs 20 crores. HMT, on the other hand, will exceed its target of Rs 10 crores by 60 per cent, producing machine tools worth Rs 16 crores in 1965-66.

Obviously, this striking disparity between the performance of the HMT and the other producers cannot be explained either in terms of the relative efficiency of the public and private sectors, nor in terms of shortage

of technical personnel or other "physical limitations". The fault is not in our stars. The decisive factor without doubt is the quality of management. The record of the HMT has more than entitled it to claim that the inauguration of its third plant at Pinjore, in Punjab, by the Prime Minister last week is a "monument to vision, courage and dynamism".

The HMT now has five machine tool factories in commission or under construction, each with a capacity of Rs 5 crores per annum, and one watch factory with a capacity of Rs 3 crores. The two machine tool factories, at Bangalore, are now in full production and the Pinjore factory is the third. The fourth plant at Kalamassery, in Kerala, is scheduled to go into production by the end of 1964 and the fifth at Sanatnagar, in Andhra, early in 1965. This rate of expansion of one new plant every year is expected to be maintained in the Fourth Plan when five new units will go into production, one in each year of the Plan. By 1970-71 the HMT will have a total capacity of Rs 50 crores and will meet about 50 per cent of the total demand for machine tools.

Baroda Rayon

BARODA Rayon Corporation's rayon plant at Udhna is now stated to be working smoothly with a productive capacity of 8 tons a day on a hundred denier basis against an installed capacity of 6¼ tons. The Company has permission to sell 50 per cent of its output in the open market and there is no price control over its 50 and 60 deniers production. Further, the Company has plans to install 8 additional frames to attain an increase in its capacity by 1¼ tons per day on a hundred denier basis. These reports have revived activity in the Company's shares which have now moved up from a discount to a premium. Meantime, the question of rayon prices is pending with the Tariff Commission. Further enthusiasm in these shares would now largely depend on the prospects of the current year's working results.

Tata Chemicals

TATA Chemicals has produced excellent results during the year ended June 30, 1963 and stepped up the dividend from 6½ per cent to 10 per cent. The turnover has increased by about 35 per cent from Rs 5.31 crores to Rs 7.15 crores and the profit (before providing for depreciation, taxation, and development rebate reserve) by about 154 per cent from Rs 52.69 lakhs to Rs 134.06 lakhs. Provisions for depreciation, taxation and development rebate reserve have absorbed Rs 44.18 lakhs (Rs 35.75 lakhs), Rs 10.48 lakhs (nil) and Rs 41 lakhs (nil) respectively. Even after larger provisions, the net profit has risen by 127 per cent from Rs 16.94 lakhs to Rs 38.48 lakhs. Out of the available surplus of Rs 38.53 lakhs, Rs 3.94 lakhs have been transferred to General Reserve and Rs 34.55 lakhs to Dividend Reserve, and from the Dividend Reserve, the Directors have recommended the payment of a preference dividend of Rs 4.28 lakhs at Rs 7.14 per cent and an ordinary dividend of Rs 30.24 lakhs at Re 1 per share of Rs 10, subject to tax. Last year's ordinary dividend amounted to Rs 16.65 lakhs at 65 nP per share.

West Coast Paper

WEST Coast Paper Mills has stepped up the equity dividend from Rs 8 to Rs 11 per share for the year ended June 30, 1963, the gross profits having risen from Rs 92.27 lakhs to Rs 109.87 lakhs and the net profit from Rs 28.16 lakhs to Rs 39.74 lakhs. The Company has provided Rs 10 lakhs for taxation against nil last year. A part of the profits will be exempt from taxes. The equity dividend will absorb Rs 16.50 lakhs (Rs 12 lakhs) and preference dividend Rs 7.02 lakhs. Production was also higher at 27,252 metric tonnes compared with 25,771 metric tonnes in the previous year. The Directors state that the outlook for the current year is encouraging.

American Refrigerator

THE turnover of American Refrigerator for the year ended April 30, 1963 did not come up to expectations and was lower at Rs 85.31 lakhs compared with Rs 85.98 lakhs in the previous year. The net profit suffered a setback from Rs 5.04 lakhs to Rs 4.24 lakhs. The drop in sales and profits is attributed by the Directors to cut in foreign exchange and power shedding. The Directors hope for better results during the current year.

After allocation for taxes and to the development rebate reserve, there was a balance of only Rs 74,436, but by transferring Rs 30,000 from the General Reserve, a dividend of 5 per cent subject to tax has been recommended by the Directors. The Dividend absorbs Rs 1.03 lakhs and leaves a balance of Rs 1,442 for the next account.

Oriental Power Cables

ORIENTAL Power Cables expects to complete erection of its plant by March 1964 under the supervision of its foreign collaborators. This is revealed in the Company's Second Annual Report for the year ended May 31, 1963. The Directors state in their report that licences for the import of plant and machinery of the value of Rs 91 lakhs have been received and further licences for the import of raw materials have been applied for. The Company will avail of a loan of Rs 85 lakhs from IFC and further credit facilities for working capital from its bankers.

The Accounts for the year show a loss of Rs 19,212 after transferring Rs 5.80 lakhs to Expenditure during Construction Account. The total loss as at the end of the year amounts to Rs 32,185.

Hindustan Lever

THE Directors of Hindustan Lever have announced their decision to pay an interim dividend for 1963 at 60 nP per share subject to tax. The dividend is payable on November 12 to those shareholders whose names stand in the Register on November 5. On this basis, even with the SPT incidence, the Company is likely to repeat last year's dividend of Rs 1.20 per share.

Money Market

Thursday, Morning.

THE inter-bank call money rate which remained unchanged at 2½ per cent for over a fortnight slipped to 2 per cent towards the end of last week and has remained there till now. The easiness is not due to more funds in the market, but is the result of a perceptible fall in the demand for funds as will be obvious from the following facts. First, call money advances of scheduled banks have declined from a peak level of Rs 61 crores on October 4 to Rs 57 crores on October 18, and this tendency may have persisted even later since funds of scheduled banks were no higher on balance on October 18 than in previous weeks. Aggregate deposits as on October 18 had gone up by only Rs 1.77 crores over the previous week but bank credit, on the other hand, had expanded by Rs 4.85 crores. Again, while the scheduled banks had withdrawn Rs 11.96 crores from their balances with the Reserve Bank, they had augmented their investments in securities by Rs 10.64 crores. Thus their net resources position was not more liquid so as to swell the supply of funds in the call loan market.

Second, the scheduled banks have diverted their surplus funds towards advances and investments in securities which, as noted above, have moved up by more than the inflow of funds. The diversion of funds is also reflected in the larger sales of intermediate treasury bills amounting to Rs 6.59 crores during October 23 to 26, compared with Rs 3.81 crores in the previous period and in the slight fall in the discount rate from 2.320 to 2.318 per cent on treasury bill tenders during this week.

Third, the Calcutta call loan market which was active at a higher rate during the early part of last week, and was absorbing funds from Bombay, was closed for the latter part of last week, and has been very depressed during the current week, the call money rate going so cheap as ¾ per cent.

Will the demand for short-term money pick up and the interest rate move up ? Hardly likely, in the near future. It is to be conceded that bank credit which was at its lowest at Rs 1450 crores on September 20, is expanding every week and by October 18, had gone up by Rs 20.50 crores, although aggregate deposits had improved during the period only by about Rs 86 crores. But at the same time, further demand for credit is yet to pick up, the crop movements having just commenced. It will be some weeks before the tempo of demand catches up and makes its influence felt on the money market. Further, the Reserve Bank has on the eve of the current busy season announced a liberalisation of credit policy with a view to enable the banks to borrow more funds at lower overall cost. This will doubtless add to the loanable resources of the banks which are already fairly comfortably off with larger deposits and larger return flow of funds. In the circumstances, it would appear that the call loan market will be reasonably free from pressures and will be inclined to rule easy.

The Reserve Bank's Statement for the week ended October 25, also reflects the more comfortable position of the scheduled banks. Scheduled banks' deposits with the Reserve Bank have gone up by Rs 36.58 crores during the week accounting for most of the rise in the total deposits of the Bank by Rs 37.59 crores and their borrowings from the Reserve Bank are down, though marginally, by Rs 36 lakhs.

There is a contraction in Notes in Circulation by Rs 9.95 crores against an increase of Rs 4.25 crores in the previous week. Notes in the Banking Department have also come down by Rs 4.81 crores with the result that the total Note Issue has contracted by Rs 14.77 crores. As a sequel, rupee securities in the Issue Department have been withdrawn to the extent of Rs 15 crores. Deposits of Central and State Governments have increased by a net amount of Rs 2.86 crores while their borrowings stand reduced by Rs 19.83 crores. The reduction in active notes, increase in deposits of scheduled banks and fall in advances to Governments, etc, have found reflection in a rise of Rs 67.34 crores in the Bank's investments. Foreign Balances have improved by Rs 1.94 crores.

The securities market had a quiet week with a restricted turnover. The 3 per cent conversion loan had sellers throughout. Gold Bonds continued in enquiry. Long-dated loans have remained practically unchanged. Short-dateds had buyers at quoted or slightly better rates.

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CURRENT STATISTICS

BANKING RETURNS

(*Rs crores*)

Reserve Bank	Oct 25	Oct 18	Sep 27	Oct 26 '62
1 Note circulation	2251.38	2261.33	2192.31	2049.22
2 Rupee coin	120.65	120.42	125.36	122.82
3 Deposits				
(a) Central Govt	47.97	48.90	64.30	51.01
(b) Other Govts	14.80	11.01	6.08	9.85
(c) Banks	120.57	83.89	87.94	80.70
(d) Others	161.13	163.06	159.43	161.05
4 Foreign securities	92.46	92.46	89.46	88.08
5 Balance abroad	9.94	8.00	7.62	4.49
6 Rupee securities	1939.31	1954.31	1892.31	1738.29
7 Investments	236.79	173.00	195.71	143.25
8 Loans and advances to Govts	63.48	83.31	60.58	43.59
9 Other loans and advances	138.79	146.68	142.45	153.59
Scheduled Banks	**Oct 18**	**Oct 11**	**Sep 20**	**Oct 19 '62**
1 Aggregate				
Deposits (net)	2216.07	2214.31	2208.21	2060.19
Demand (net)	962.80	963.78	966.48	814.18
Time (net)	1253.27	1250.52	1241.73	1246.01
2 Cash in hand	56.98	57.93	51.19	52.30
3 Balance with Reserve Bank	75.20	87.16	83.92	85.73
4 (2)+(3) as % of (1)	5.96	6.55	6.12	6.70
5 Borrowings from Reserve Bank	1.94	1.93	1.59	1.53
(a) Against usance bills and/or promissory notes	—	—	—	0.90
(b) Others	1.94	1.93	1.59	0.63
6 Advances	1246.51	1240.81	1233.96	1168.65
(a) State Bank	236.60	235.44	236.41	251.66
(b) Others	1009.91	1005.37	1997.55	916.99
7 Bills discounted				
(a) Inland	173.10	174.65	164.45	156.75
(b) Foreign	56.39	55.70	52.25	49.32
(c) Total	229.49	230.35	216.70	206.07
(i) State Bank	14.95	15.55	15.18	12.81
(ii) Others	214.54	214.80	200.52	193.26
8 (6)+(7) as % of (1)	66.60	66.44	65.69	66.73
9 Investment in Govt securities	769.09	758.45	772.65	696.83
10 (9) as % of (1)	34.71	34.25	34.99	33.82

Bombay Money Rates

(*Per cent per annum*)

	Oct 18	Oct 11	Sep 20	Oct 19 '62
Call money from Banks	2.50	2.29	2.32	3.05
Deposits				
Seven days	3.00	3.00	3.00	3.00
Three months	—	—	—	—
Six months	3.75	3.75	3.75	3.75

INDEX NUMBER OF WHOLESALE PRICES

(*Base* : 1952-53 = 100)

Group and Sub-Group	WEEK ENDING			
	14.9.63	7.9.63	17.8.63	15.9.62
Food Articles	**140.0**	**139.8**	**137.4**	**130.8**
Cereals	117.2	116.5	115.2	109.4
Pulses	110.9	109.6	107.4	110.7
Fruits & Vegetables	134.3	144.1	141.6	129.3
Milk & Ghee	125.8	127.5	127.7	130.0
Edible Oils	154.5	154.6	151.3	158.1
Fish, Eggs & Meat	156.1	153.7	150.8	157.9
Sugar & Gur	220.9	216.5	201.0	153.4
Others	182.1	181.8	183.5	175.2
Liquor & Tobacco	**118.3**	**118.3**	**119.6**	**99.9**
Tobacco	115.3	115.3	116.7	96.3
Fuel, Power, Light & Lubricants	**137.0**	**137.0**	**137.0**	**124.2**
Industrial Raw Materials	**142.2**	**142.3**	**138.4**	**139.4**
Fibres	133.8	134.1	132.2	129.7
Oilseeds	161.6	161.4	153.2	158.9
Minerals	91.5	91.5	93.4	93.4
Others	125.0	125.0	125.0	124.2
Manufactures	**131.3**	**131.2**	**131.0**	**129.7**
Intermediate Products	**140.0**	**140.0**	**138.6**	**143.0**
Finished Products	**129.9**	**129.8**	**129.7**	**127.5**
Textiles	128.1	128.0	128.1	126.5
Cotton	135.8	135.4	135.1	129.4
Jute	100.8	101.3	102.5	114.9
Woollen	156.6	156.6	156.6	141.3
Silk & Rayon	140.5	141.1	140.7	133.4
Metal Products	163.7	163.7	163.7	161.0
Chemicals	117.2	117.4	117.4	116.2
Oil Cakes	166.3	163.5	160.7	163.2
Machinery & Transport Equipment	123.9	123.9	123.9	117.4
Others	128.6	128.6	128.6	125.3
All Commodities	**137.3**	**137.2**	**135.3**	**131.0**

JUTE

Production, Stocks and Despatches of Gunnies

('000 *Metric Tons*)

	June '63	May '63	July '62-June '63	July '61-June '62
Production				
Hessian	41.5	43.7	514.9	414.3
Sacking	40.0	42.4	531.8	508.5
Others	18.8	18.8	171.5	146.2
Total	100.3	104.9	1218.2	1069.0
Equivalent consumption in lakh bales	5.68	6.06	69.55	60.41
Stocks				
Hessian	32.3	32.4	—	—
Sacking	47.3	45.7	—	—
Others	16.6	18.0	—	—
Total	96.2	96.1	—	—
Despatches *				
Hessian	41.8	40.9	511.5	419.8
Sacking	37.9	42.0	519.2	505.9
Others	19.3	17.0	164.5	133.7
Total	99.0	99.9	1195.2	1059.4

IJMA Purchases of Raw Jute

('000 *Bales*)

From India	1,95	3,48	67,71	75,93
From Pakistan	30	8	2,36	3,48

* Includes despatches for exports and internal consumption.

Source : Indian Jute Mills Association, Calcutta.

CALCUTTA TEA AUCTIONS

Leaf

Districts	Sale no 17, Sep 23 & 25, 1963			Up to and including Sale no 17, Sep 25, 1963			Sale no 16, Sep 24 & 25, 1962			Up to and including Sale no 16, Sep 25, 1962		
	Packages ('000)	Qty (Lakh kilos)	Average price per kg (Rs)	Packages ('000)	Qty (Lakh kilos)	Average price per kg (Rs)	Packages ('000)	Qty (Lakh kilos)	Average price per kg (Rs)	Packages ('000)	Qty (Lakh kilos)	Average price per kg (Rs)
Assam	37.5	18.2	5.68	278.9	136.3	6.47	24.1	11.9	5.84	236.3	139.4	6.32
Cachar	6.1	2.8	4.59	62.1	29.5	4.63	5.4	2.6	4.04	50.1	24.3	4.02
Darjeeling	6.1	2.6	6.38	105.6	45.2	7.67	8.0	3.4	6.59	114.2	47.9	7.84
Dooars	11.4	5.3	4.77	184.1	88.7	4.93	22.1	10.4	4.60	213.1	104.2	4.59
Terai	3.1	1.4	4.81	35.3	17.2	4.96	4.6	2.2	4.53	40.3	19.5	4.50
Tripura	0.9	0.4	4.43	11.5	5.1	4.45	0.8	0.3	3.94	9.0	4.1	3.87
TOTAL	65.0	30.7	5.43	677.6	322.1	5.93	65.2	30.9	5.24	713.4	339.6	5.76

Dust

Districts	Sale no 17, Sep 26, 1963			Up to and including Sale no 17, Sep 26, 1963			Sale no 16, Sep 26, 1962			Up to and including Sale no 16, Sep 26, 1962		
	Packages ('000)	Qty (Lakh kilos)	Average price per kg (Rs)	Packages ('000)	Qty (Lakh kilos)	Average price per kg (Rs)	Packages ('000)	Qty (Lakh kilos)	Average price per kg (Rs)	Packages ('000)	Qty (Lakh kilos)	Average price per kg (Rs)
Assam	17.2	7.0	5.0	161.6	64.1	5.27	16.0	6.5	5.21	184.4	73.4	5.25
Cachar	3.8	1.4	4.67	21.8	8.1	4.59	2.9	1.1	4.20	19.4	7.3	3.86
Darjeeling	0.3	0.1	4.71	4.3	1.7	5.17	0.3	0.1	4.40	3.6	1.4	4.78
Dooars	7.0	2.6	4.66	104.5	40.3	4.74	7.8	2.9	4.72	97.2	37.2	4.13
Terai	0.2	—	4.61	5.7	2.1	4.46	0.6	0.2	4.50	4.5	1.7	3.71
Tripura	—	—	4.33	1.5	0.5	4.27	0.1	—	3.64	1.3	0.5	3.28
TOTAL	28.6	11.2	4.88	299.4	116.8	5.02	27.8	10.9	4.95	310.4	131.6	4.79

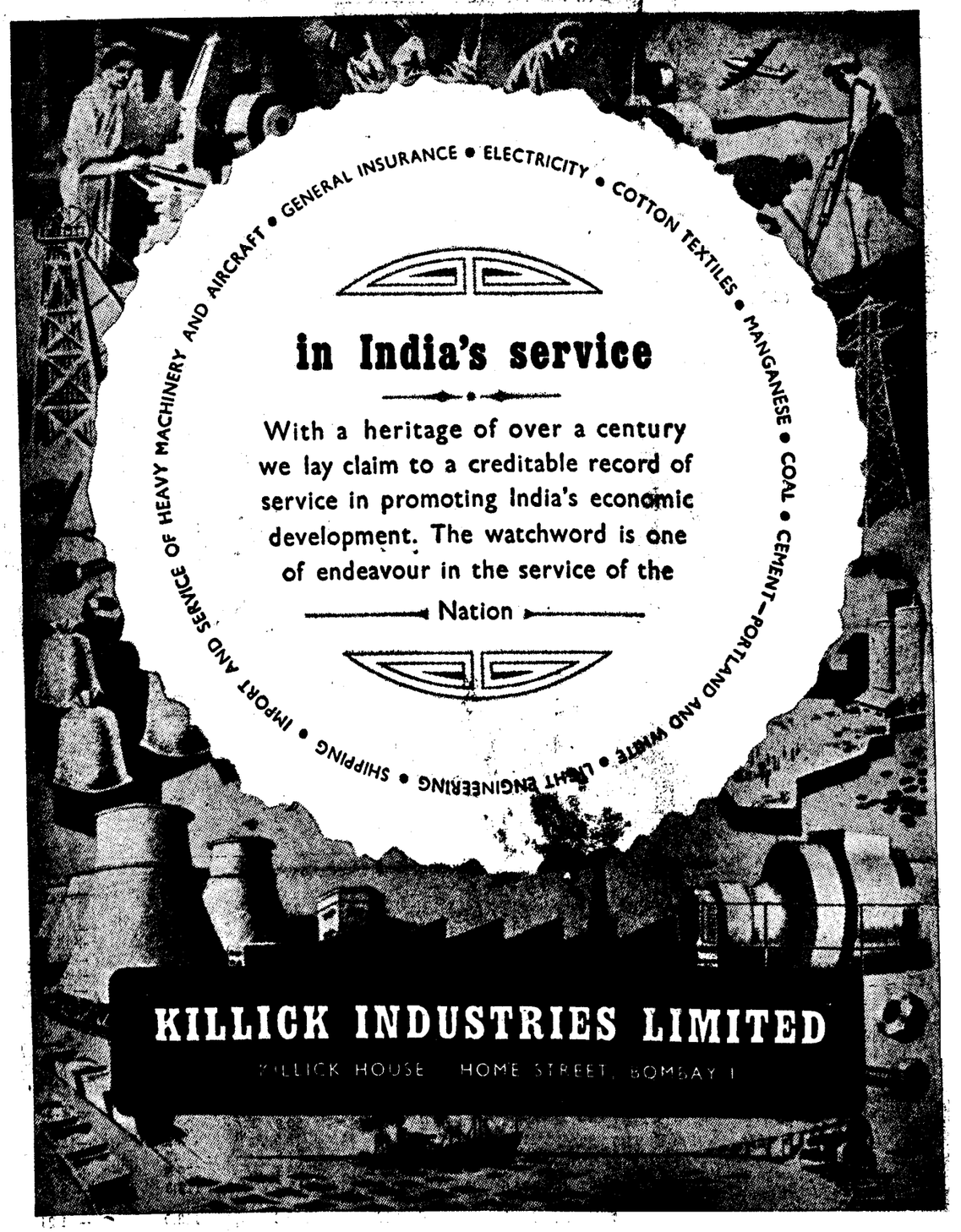
Source : Department of Commercial Intelligence Calcutta.

RAILWAY WAGONS LOADED
(In Terms of '000 4-Wheelers)

Aggregate from April 1 to August 31, 1963

	Broad Gauge			Metre Gauge		
	1962-63	1963-64	Increase (+) or decrease (—) percentage	1962-63	1963-64	Increase (+) or decrease (—) percentage
Revenue-Earning Traffic						
Coal and coke for public	639.0	735.7	+15.1	111.1	129.5	+16.6
Grains and pulses	176.1	206.6	+17.3	159.0	170.3	+ 7.11
Oilseeds	23.5	24.8	+ 5.32	25.0	26.7	+ 6.68
Raw cotton	9.2	9.0	— 2.63	8.5	7.4	—13.1
Cotton manufactured	4.5	3.9	—13.7	1.1	1.3	+23.1
Raw Jute	25.8	16.9	—34.6	26.4	17.5	—33.7
Jute manufactured	2.5	2.9	+16.2	2.5	1.6	—27.3
Sugar	30.4	28.4	— 6.57	34.2	33.1	— 3.14
Sugarcane	11.7	0.2	—98.7	72.0	1.8	—97.5
Cement	78.5	90.2	+16.3	73.6	72.2	— 1.11
Iron and steel						
Pig iron	16.6	21.7	+30.8	3.4	2.3	—31.7
Others	137.5	167.0	+21.4	29.7	29.1	— 1.89
Tea	4.3	4.5	+ 3.62	7.4	6.9	— 7.83
Metallic ores						
Manganese ore	26.0	19.8	—23.6	6.4	4.4	—31.3
Iron ore	239.4	286.7	+19.6	28.3	28.5	+ 0.89
Others	11.8	12.8	+ 8.55	10.5	8.9	—15.5
Limestone and dolomite	110.6	106.8	— 3.37	32.3	29.3	— 9.30
Miscellaneous full wagons	674.0	754.1	+11.9	524.3	572.6	+ 9.22
Miscellaneous smalls	138.3	134.6	— 2.62	115.4	110.8	— 3.98
Non-Revenue Traffic						
Coal for home line	118.3	128.5	+ 8.67	115.3	113.9	— 1.21
Coal for other Govt, railways and manufacturing units	206.8	221.6	+ 7.12	9.6	16.5	+72.0
Other stores	82.8	107.3	+29.5	62.8	91.0	+44.9
TOTAL	2757.6	3084.0	+11.4	1458.8	1478.5	+ 1.21

Source : Ministry of Railways (Railway Boards), Government of India.



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To Make Planning Effective

THE mid-term appraisal of the Third Plan by the National Development Council represents the consensus of opinion and the largest measure of agreement among the States and the Centre. That the National Development Council, like the Planning Commission, is a non-statutory or extra-constitutional body does not detract from its importance or significance. This makes it all the more revealing and unpardonable that this august body should meet and decide upon issues which concern the whole of India on the basis of information which is not available to the public. How can its deliberations in these circumstances command the attention and respect that they undoubtedly deserve ?

Though the Planning Commission's mid-term appraisal has not seen the light of day yet, it is no secret that the Third Plan made a poor beginning and appears to have slumped, instead of gaining in momentum, since. This impression may be superficial being based on the figures of agricultural production and the latest estimate of the national income in the second year of the Plan. In both the first and the second year, agricultural production has been poor; it may or may not indicate stagnation and may be only the result of bad monsoons. This has happened in the past — a year of bad crops as 1957–58 pushed down the national income index from 127.2 to 125.9. It is not that bad in 1962–63 for which year the provisional national income estimate shows a decline of 2.1 per cent in the agricultural sector, offset by some improvement in the industrial sector and in some other sectors. The resulting 2 per cent increase in national income in the second year following an increase of only 2.5 per cent in the first year does not promise the substantial rate of growth which has been held out for the Third Plan. The situation will appear to be one of standstill which is very different from the dynamic development which the Plan is intended to achieve.

Is it that the Plan is badly conceived and that the Planning Commission does not do its job properly or is it the administration that is at fault, the implementation of the Plan being its responsibility ? Or is it that the States are not pulling their weight and are dragging down the Centre with them ? There is a general atmosphere of doubt and distrust and those who decry planning in any case and do not believe in it are having a field day. There have been some recent developments which may suggest that the Government is perhaps unwittingly playing into the hands of these detractors of planning who are out to discredit the very idea of planning and undermine it. An overhaul of the Planning Commission is certainly necessary but its purpose obviously should be to strengthen the Commission, revitalise it and make it more effective and not to play down its role or undermine its effectiveness. Slimming is not necessarily enervating but it might well be if in the process what is lopped off is not adipose but vital organs.

The Planning Commission is certainly no [illegible] surely it is not enough for it merely to lay down [illegible] out their inter-relations. It must also vigilantly watch [illegible]

ensure the coordination of its various parts while the detailed execution is carried out by the Ministries concerned.

It will be argued that coordination is a function of the Cabinet and this is a function which the Cabinet cannot possibly surrender to an outside agency. But it could certainly profitably be guided by an expert body about the lines on which coordination will produce the optimum results. That as things have developed we do not have a Cabinet Government which coordinates makes this particular function of the Planning Commission even more important. These are matters, however, which require very careful consideration at the highest expert level. And yet from the way things are developing, an outsider gets the strong impression that these problems have not received the attention that they deserve. And solutions to these problems are being left to be worked out through the push and pull within the Government.

This is suggested by the appointment of the Planning Minister as the Minister in charge of economic coordination, which has been made a separate department within the Finance Ministry. As the Planning Minister acts as a liaison between the Planning Commission and the Cabinet, it is through him that the coordination recommended by the Planning Commission should find its most effective outlet. It follows that he should be a member of the Cabinet. How can he perform that function, if he is to be attached to the Finance Ministry, or any other Ministry for that matter ?

The National Development Council, of course, will not concern itself with such problems. Agricultural stagnation which is pulling down the Plan, it will be forced to discuss in the course of the mid-term appraisal, but such a discussion at the level of wide generalities beyond which this body cannot or does not go will not take the country very far. Nor would any discussion of the income policy which is likely to crop up against the background of the Jaipur session. The solution to these problems, if they are to be at all solved, have to be integrated into the plan which only adds fresh emphasis to the need of widening the plan and strengthening the Planning Commission in order to make both more effective.

Vietnam and the Generals

THERE can be few among Vietnam's twelve million souls who can mourn the passing of Personalism, President Ngo Dinh Diem's Vietnamese version of Christian Democracy. Six days after the Independence celebrations, five days after the suicide of another Buddhist, Diem and his brother are dead, and after nine years stability South Vietnam sets out once again on the pilgrimage for political justice.

Those nine years' stability has seen many changes. Between 1954 and 1959 the warring sects were subdued, and some economic expansion undertaken. To the increase in rice output, a Five Year Plan in 1957 added some industry, both substantially supported by American aid (running at $ 800.8 million in 1962, more than half of which was military). Financial reforms last year heralded a Second Five Year Plan which aimed, despite the floods and depressed world rubber prices, to achieve Vietnamese self-sufficiency in a range of commodities by 1966. The overall economic advance was real, even if less than claimed and marred by corruption and inefficiency.

The cost of this 'orderly development' is well known. From 1954, Diem set out to eliminate all rivals (including Emperor Bao-Dai), until there remained only puppets (for example, the Social Democratic and Socialist Parties). The press was entirely subordinate to the Government, and any dissidents joined the internees of the 'political re-education centres' (currently estimated at 200,000). Based on a hierarchy of party and civil service, Diem depended directly on his two brothers: Can, who controlled the Central Delta area, and Nhu who ran the South and Central Highlands. In later days, Nhu's influence increased to the point where he in fact directed his aging brother's regime. The only real opposition left was the Vietnam Labour Party, consisting mainly of Communist guerillas who found strong support in the rice-growing Delta area, and succeeded in killing on average one Government official per day. The regime necessarily generated private opposition around the demands for more democracy and faster development, a fair deal for the South and the Budhists and less dependence on America. But the only public expression of this discontent came from the extremist Budhist sects through their injunction to devoted militants to commit suicide.

It is more likely that the suicides demonstrated to the generals the dangers of popular discontent, rather than touched their religious hearts — since all had secure positions under Diem, and the religious issue was, for Diem, entirely subordinate to the question of loyalty. The Army's fear of domestic revolt could only be increased by American pressure on Diem to liberalise his regime, culminating in the ending of US civil aid by October. The immediate pretext however was probably the September talks between North Vietnam's Ho Chi Minh and Ngo Dinh Nhu. North Vietnam, facing a terrible harvest, needs to relieve its dependence on China and find an outlet for its industrial goods — as well as find emergency food supplies. Diem, under pressure from the US, and needing to relieve his dependence on Washington, needs also to find markets for his agricultural output. Hanoi's initiative perhaps found a not unreceptive ear in Saigon — despite the fact that the continuation of the War in the South is needed to keep Diem stable. For the Army, however, any *realpolitik* manoeuvre to make the South neutral would sever the umbilical chord of its military power — the line to Washington, and leave the country at the mercy of its dictator.

The new Revolutionary Military Command is said to be dominated by a triumvirate of Generals. The new Prime Minister is likely to be as subservient to his new masters as he was as Diem's Vice President. The Generals are said to disagree on the way forward, and the vagueness of their present programme lends support to the thesis — certainly, they have not removed martial law or censorship, nor set up a civilian government and abolished the Presidency as they earlier promised (General Duong has become provisional Head of State). They will, they say, return to civilian government 'when the situation permits', and, more ominously, while they do not favour military dictatorship, they will not allow 'a disorderly democratic regime'. All legislative and executive power has been concentrated in their hands.

One of the key centres loyal to Diem, the Navy, has been so far controlled, but rumours suggest that friction between the generals has been increasing, and that the younger officers are very critical both of this disunity and the monopolisation of power by the generals Again, the new regime is dominated by Southerners and Budhists which might increase friction with the Catholics and the Centre. Who will emerge from the present struggle for power is not clear on present evidence, but the prospects are of a regime that may possibly be not much different from its predecessor.

The persistent coincidence of military coups with extensive American aid is not entirely fortuitous — the best intentions of American liberalism continually crumble on the stubborn politics of poverty. In the 'defence of the Free World', Washington has no option, but to accept regimes that contradict its rationale. The General becomes the symbol of democracy.

Weekly Notes

Financing Public Sector

IT is now conceded that surpluses from public sector undertakings are likely to fall short of Third Plan expectations. The Plan had taken credit for Rs 300 crores from this source over the five years. This amount included not merely the net profits of these undertakings, but also appropriations to their various reserves on the assumption that these funds would be used for their expansion. In 1960-61, the last year of the Second Plan, surpluses of public sector undertakings amounted to Rs 21 crores. The figure for even the first year of the Third Plan is not yet available, but information about some selected public sector undertakings for 1961-62 has been published in the October issue of the Reserve Bank of India's *Bulletin*. The data relate only to Government companies, excluding autonomous corporations set up under Central or State statutes and Central and State Government departmental undertakings.

At the end of March 1962, in all 154 Government companies were registered under the Companies Act. Of these, the R B I study excludes 9 financial and investment companies, 22 promotional/developmental organisations (like the National Small Industries Corporation) as well as 34 companies which started working after 1959-60. Of the remaining 89 companies, 26 have been omitted because their accounts were not available and another 17 because they were not "operating" companies. (A company was considered to be operating if its accounts included a profit and loss account and the entire expenditure was not charged to capital account). This reduced the field to just 46 and even out of these Hindustan Steel has been omitted because it was felt that because of its gigantic size its inclusion would vitiate the study of the other companies.

Since the study relates to a relatively small segment of the public sector, it cannot obviously yield any figures which can be set against the Plan target of surplus from public sector undertakings. Yet it may be instructive to find out the sources of finance of these companies with a view to highlighting the importance of internal resources and to compare the position in 1961-62 with that in earlier years. A very rough comparison may also be made with non-Government companies.

For the 45 Government companies studied, external sources provided 77 per cent of total funds in 1960-61 and 58 per cent in 1961-62, indicating an increase in the relative importance of internal financing. Internal resources increased from 23 per cent in 1960-61 to 42 per cent in 1961-62. Data for previous years are not given but an earlier R B I study of 50 Government companies (*Bulletin*, January 1962) showed that in 1959-60 external resources constituted no less than 93 per cent of the total funds of these companies. Since the coverage of the two studies is not identical the data are not strictly comparable, still a marked increase in the extent of self-financing by Government companies is clear.

How do these selected Government companies compare with non-Government companies? According to another Reserve Bank study of 1,333 non-Government joint stock companies (*Bulletin*, June 1963), internal resources accounted for 56 per cent of their total funds in 1961. Thus the non-Government companies were more self-sufficient than Government companies. The contrast is more striking between companies of comparable size, and also more valid since size has a bearing on the pattern of financing — external finance being relatively more important for smaller companies. The 45 Government companies had a total paid-up capital of Rs 129 crores in 1961-62. Hence it would be proper to compare them with only non-Government companies with a capital of more than Rs 1 crore, of which the R B I study covered 118. For these, external resources constituted only 35 per cent of total funds in 1961 as against 58 per cent for Government companies. Such blanket camparisons cannot be very accurate, of course, but the above figures are not entirely meaningless.

Among the different sources of external finance, borrowing was the single most important source for both Government and non-Government companies. There is, however, this significant difference: for non-Gov-

ernment companies borrowing from banks constituted 36 per cent of all external finance whereas for the Government companies it amounted to just about one per cent. For the latter, the principal source of borrowing was the Government. Loans from the Government, mostly unsecured, accounted for 36 per cent of their total external resources.

It is significant that Government companies are able to take only negligible advantage of bank finance in spite of the fact that the largest commercial bank is Government-owned. This should provoke some thought on the assumption that nationalisation of banks would be a financial bonanza for the public sector.

Arab Oil Conference

THE fourth Arab oil conference in Beirut meets at a time when the oil-producing countries have reached an *impasse* in their attempt to extract more revenue from the international oil companies. They became restive when the companies cut the posted prices of crude oil twice, in 1959 and 1960. Their receipts are directly linked to the posted prices and the effect of the two cuts in the posted prices was to reduce their revenue per barrel of crude by about 7.5 per cent. At the second Arab oil conference in 1961 the then Director of the Petroleum Department of the Saudi Arabian Government, Shiekh Abdullah Tariki, estimated that as a result of the adjustments in prices, the oil companies had deprived the producing countries of over 2,000 million dollars in two years.

In the Middle East, though the oil companies in theory pay a royalty of around 12.5 per cent of the price to the Governments, this is in practice set off against a 50 per cent tax on the oil companies' profits which are calculated on the basis of the posted prices. In Venezuela, on the other hand, the companies pay the Government both a fixed royalty (around 20 per cent) and taxes on profits on the basis of prices actually secured. It is estimated that, even with costs far lower than in Venezuela, the Middle East Governments get on an average only about 75 cents or less per barrel of crude whereas the Venezuelan Government gets more than 85 cents. One of the principal demands of the Middle East oil-producers, therefore, is that the oil companies should begin to pay royalty, "for the exploitation of an irreplaceable national asset", in addition to tax. The rate of royalty demanded is 20 per cent. This, it is believed, would raise the receipts of the producing countries by $ 340 million per year at current levels of production.

This demand was made in July last year by the Organisation of Petroleum Exporting Countries, an agency representing major oil-producing countries except the U S A and the Soviet Union. The O P E C has also demanded that

(i) the oil companies should restore the cut in the posted prices made in 1960;

(ii) marketing expenses should not be deducted by companies in calculating profits; and

(iii) the posted price should be linked to the price of manufactured goods imported by the producing countries from Europe.

The oil companies have so far refused all these demands. Since there have been no direct talks between the companies and the O P E C, the former's attitude has to be judged from the negotiations which the O P E C undertook on behalf of individual countries — Iran and Saudi Arabia — with particular oil groups — the Iran Consortium and Aramco. The only concession Iran Corporation and Aramco were prepared to offer the two countries was to reduce marketing costs for calculating profits to half a cent a barrel. Even if this concession were extended to all Middle East oil-producing countries, it would yield an additional annual revenue of only some $ 12.5 million to their Governments. Obviously this is chicken feed compared to what the O P E C has asked for.

Beholden to Oil Oligarchy

THE oil companies take their stand against the O P E C's demands on two grounds. First, they point out that though the cut in posted prices has reduced the governments' revenue per barrel, their total revenue has increased continuously, thanks to expansion of production by the companies. Second, they argue that it is ridiculous to ask for an increase in the posted prices considering that owing to a number of developments (see "Crude Oil Prices", September 21, 1963) the actual prices realised by them are substantially lower than even the present posted prices. As a result, though taxes paid by the oil companies were only 50 per cent of their notional profits (calculated on the basis of the posted prices), they amounted to a higher proportion of their real profits (based on actual prices).

Both these arguments are, of course, valid. Production of oil in the Middle East has increased from 89.5 million tons in 1950 to 282.8 million tons in 1961. This has led to a manifold increase in the Governments' revenues. It is also true that the oil companies are no longer able to get the posted prices on their sales. Notionally oil is still sold at these prices but in fact most buyers are able to get discounts on them. The oil companies have kept the rates of discount a closely-guarded secret since different discounts are allowed to different buyers. But in the face of pressure from the producing countries, the existence of discounting itself can no longer be hidden and an internal memorandum released 'accidentally' by Royal Dutch-Shell admitted, for the first time officially, the prevalence of discounts on posted prices.

But even at the discounted prices, the companies' profit margins remain exceptionally high. This, it is true, is the result of a deliberately arbitrary distribution of profits among the producing, refining and marketing activities of the integrated oil companies. Insofar as the high profits from crude production are achieved by keeping the posted prices at an arbitrary level, to impart realism to the financial results of the three activities of the oil companies it is necessary to reduce these prices. Needless to say, this would be unthinkable to the producing countries. Their concern is limited to cornering for themselves as large a proportion of the large profits on crude production.

To this end, the O P E C, which meets in Riyad soon after the Arab oil conference, has threatened that if the companies do not accept its demands, the oil-producing countries

may resort to "other means". But it is fairly obvious that they cannot push too hard for they are beholden to the international oil oligopoly for maintaining crude oil prices at levels far higher than would prevail in the absence of price fixing. And naturally this dependence is increased, not lessened, by the weakening of the world oil market as a result of the appearance of Soviet oil as well as independent suppliers who refuse to play the price fixing game.

Student Wastage

MORE than half the students fail every year in the B A, B Sc and B Com examinations. The average percentage of failures in these examinations, taking all the Indian universities together, was 53.6, 54.7 and 53.4 respectively in 1961. In the previous year also, the percentages were about the same. The percentage of failures is much lower in the post-graduate examinations and they are also lower in engineering, agriculture, veterinary science and other technical subjects — the only exception being medicine, in which the percentage of failure is pretty high, being 43.8 in 1961. Why is the percentage of failures so high in some subjects and not in others? In his convocation address to the University of Kashmir and Jammu, Professor D S Kothari drew pointed attention to the large percentage of failures which measure the magnitude of what he calls the problem of "student wastage" at the university stage. In secondary education, wastage of this type is even higher.

The wastage in our education system is of many kinds, some of which are perhaps more familiar to the public than others. One is that of the lapse into illiteracy of those who attend primary schools only for a few years and then leave off. Another is the disproportionate number of those forced to go in for art subjects and the strong literary bias in the system generally, resulting in a lack of correspondence between the types of education needed for the development of the country and the type of education imparted. It is this latter aspect of education which by and large arouses the greatest resentment, being held responsible for the distressing phenomena of the hordes of educated unemployed. Poor standard and progressive deterioration in that standard is, of course, another common cause of complaint.

Wastage measured by the high percentage of failures in university examinations in the largest group of subjects pinpoints the basic deficiency — poor teaching, inadequate proportion of teachers to students and the very uncongenial conditions under which most college students work. The latter, Professor Kothari considers to be perhaps the most important single factor in a complex of causes leading to high rates of failure in examination: "A considerable proportion of our students have inadequate facilities for home study and hardly ever find a place and time conducive to study and contemplation, free from petty worries and distractions, and undue demands for household chores. A large majority of students come from homes in which there is no background of tradition of academic work of any kind. Often they have to travel long distances from their homes to the university, with all the attendant stress and loss of time involved".

From this Professor Kothari draws the very valid conclusion:

"Without properly tackling the 'wastage problem', a general increase, say, in science admissions, would mean considerable expense without comparable gain. The output of graduates is a product of the 'intake' and the 'efficiency' of the educational process. With improved teaching, better textbooks and their easy accessibility to students, more working days, closer contacts between teachers and students and some individual attention to students, it should be possible to reduce substantially the present high rates of failures at examinations. And an added gain would be improvements in standards".

The problem presented thus has a family resemblance to that of idle capacity in industry and the priority of demand for fuller utilisation of existing capacity over creation of new capacity. The reasons for a significantly lower percentage of failures in the technical courses are partly more selective admission necessitated by the relative shortage of colleges offering such courses as compared to those teaching for arts degrees and partly the better teaching arrangements in such colleges and the better conditions of work and living for their students.

The policy of selective improvement of university education which the University Grants Commission has been pursuing by sponsoring centres of advance study is no answer to the particular problem of wastage to which Professor Kothari has drawn attention. The latter emphasises all the more the necessity of instituting many more scholarships so that deserving students from the colleges and universities where standards are so poor, may be enabled to take advantage of the centres of advance study. But what of the substandard colleges and the annual massacre of the youth?

Italian Socialists

THE phenomenal rate of growth of the Italian economy in recent years, expressed in the social transformation of the country and, particularly, the beginning of the development of the South, has concealed the accumulation of short-term problems painfully apparent in most of the other developed economies—the pressure on labour supply, inflation and strain in external payments. Early this year, these problems could be seen in the outbreak of the worst industrial unrest since 1945. The battle had been going on spasmodically for nine months before it culminated in a General Strike, involving nearly six million workers, on February 9. At the same time, economic observers have noted the intensified pressure on Italian resources, which must sooner or later lead to severe action to restrict credit and curtail the expansion of the economy — measures which will benefit from the current experience of France's war on the price front. (*The Economic Weekly*, September 28, 1963, p 1620).

While all this has been happening, the Italian Government has by no means been able to offer a solid front. The incipient factionalism within the ruling Christian Democrat Party, as well as the fragmentation of non-Communist parties, makes any simple party Government insecure. Formerly, Fanfani engineered stability through allying the Christian Democrats with the

non-Communist left, but the alliance crumbled on the twin hostilities of the Christian Democrat right and the Socialist Party left, made possible by the reshuffle of new elections. Now after four months' suspense, the Socialist Party has decided (by 57.4 per cent of the delegates voting at its recent 35th Congress) to permit Nenni to enter negotiations for the formation of a coalition Government involving the left Christian Democrats and the two small parties, the Social Democrats and the Republicans.

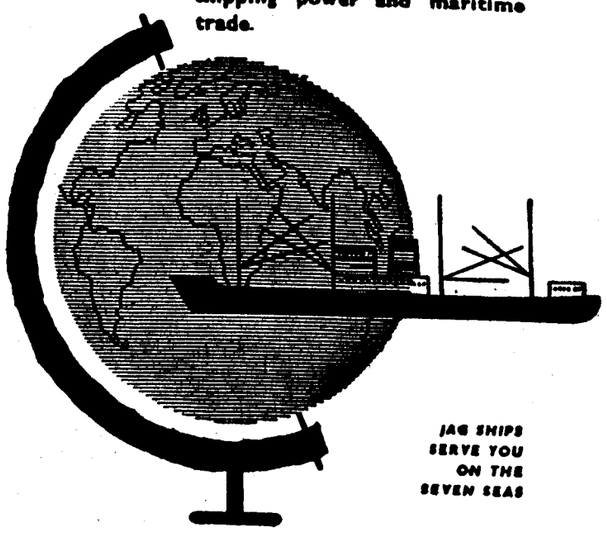
Thus the Socialist Party has made yet another move into the centre of Italian politics — wooed strongly by the left Christian Democrats, and led by the veteran Nenni. The old Communist-Socialist axis, the largest single group in Italian politics, cast a shadow over Italian Parliamentary politics, but the events of the past few years have broken it at a national level and purged Socialist Party policy. Thus, at the current Congress, despite the promptings of one of the leaders of the majority faction, Signor Lombardi, Nenni and a majority of the delegates resisted the temptation to define the precise nature of its traditional opposition to NATO. The Party, it was said, is still pacifist, but Italy must honour the obligations she has entered. This line of least resistance turns partly upon the hope that a British Labour Government will define a new British attitude to the proposed multilateral nuclear defence force.

However, Nenni has not been able to shift the Party on the question of ending local Socialist-Communist alliances, nor was he able to persuade the entire Party that collaboration with the Christian Democrats was the only way forward. An estimated 40 per cent of the Congress delegates remained unenthusiastic, although only the veteran leftist, Lelio Basso, openly opposed the move. In addition, little was said about domestic economic reforms, and in particular, the Lombardi-Giolitti anti-inflation programme and list of long-term structural changes (reforms aimed to improve the workers' position under capitalism, as Lombardi described it). In addition, specific conditions were laid down for the creation of the coalition which may prevent the Christian Democrats accepting it.

Italian politics is in a process of change. While Togliatti presents the almost Titoist position of the right-wing in International Communism, Nenni has moved over to the centre. On the other side, the Christian Democrats have also edged into the middle. Nenni's dark warning of a possible neo-Fascist revival if the Socialists do not join the Coalition need not be taken to imply that the far Right in Italian politics is reviving — after all, the present dialectical shifts in the Italian Socialist Party require a shrewd politician rather than a prophet.

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Gaps in Steel Plan

(From Our Calcutta Correspondent)

STEEL is one of the few sectors in which some work has already been initiated on Fourth Plan programmes. There is already a national plan which calls for the production of 18 million tons of mild steel by 1970-71, a million tons of alloy steel, and another 3.5 to 4 million tons of pig iron. These targets are stated to be based on the demand estimates of NCAER, M N Dastur & Co, and the U S steel team which was sent out by AID to investigate Bokaro.

It is difficult to understand how the U S team came to be bracketed with the other two since it came out with substantially lower estimates simply by cutting down Indian projections by 15 to 20 per cent. It proceeded on the theory that industrial progress over the next 15 years was going to be as halting as in the first two years of the Third Plan. The U S estimate, therefore, should be left alone.

Somebody, somewhere decided that the target of mild steel capacity should be pitched two to three million tons higher in order to get 18 million tons of production. Hence, the plan as now formulated by the steel steering group asks for setting up of two new plants in addition to Bokaro during the Fourth Plan — a context in which Goa and Visakhapatnam are being frequently mentioned at the Ministerial level.

Dastur & Co, it will be recalled, have been asked to do a preliminary technical study on Goa while Visakhapatnam has been made the responsibility of the Central Design Bureau of HSL. At the meeting held last August, the two new plants — the siting of which is in theory still an open question — were put down for 1.5 million tons each.

Are these new plants predicated upon the idea, made familiar by what Dastur, Pitambar Pant and (last but not least) W B Reddaway have been urging, that each plan should leave behind "a legacy of construction in progress" for the next? If so, the steering group has been particularly inept in presenting this idea as a capacity target distinct from the production target. The implication follows that the steering group thinks nothing particularly wrong with keeping one-seventh of the country's steel capacity idle as some sort of insurance against shortfalls. If so, why did Subramaniam insist on assuming 100 per cent production when it came to deciding steel prices last year against, be it noted, the advice of the Tariff Commission? We will let this also pass and assume that the steering group civil servants have in their own inimitable way taken over 'the legacy of construction' idea and made it stand on its head.

Implications

Leaving aside the three million tons — 1.5 million tons each from two new plants which should really be described as Fifth Plan projects —how do we get the balance of 18 million tons? The plan unfolded by (or, more truthfully, to) the steering group is as simple as this :

Units	Capacity in 1965-66 (in million tons)	Capacity in 1970-71 (in million tons)	Estimated cost (Rs crores)
TISCO	2.0	3.00	120
Bhilai	2.5	3.25	75
Rourkela	1.8	2.50	70
Durgapur	1.6	3.00	140
Indian Iron	1.0	1.90	50
Bokaro	—	4.00	600
	8.9	17.65	1055

Before proceeding further, let us make a quick check on this projection. The first objection to note is that the capacity assumed to exist in 1965-66 at Rourkela and Durgapur will be ready only many months later. But then, one might be asked, what has current capacity to do with what is to be built? The answer much depends on how the problem is viewed. Theoretically the construction activity on further expansion can be segregated from the work of bringing newly established capacity into production, but there are two practical snags. Do the plants have such large reserves of managerial resources that they can earmark separate sets of personnel for the two entirely unrelated tasks? A more important objection is that until production actually materialises from the investment already made, the resulting shortage of steel will necessitate dencit-covering imports of a very large order. The strain thrown upon the balance of payments will make it extraordinarily difficult to raise the extra resources for further expansion. In other words, the need for maintenance imports will cut into project aid. In this context, one may recall here that an *official* appraisal by the Planning Commission warns that the 1965-66 target of production is not expected to be realised until 1968-69, the third year of the Fourth Plan.

Notwithstanding the breezy declaration about massive efforts and crash programmes to reduce the import content of steel development, the fact is that no sizeable cuts are immediately possible. Published details of the Bokaro report show that 41 per cent of the costs will be in foreign exchange by Indian estimates, and almost 60 per cent according to the U S feasibility study. Our own figures are the ones to go by, but the question must be faced that maximising the indigenous content of one project is less difficult than doing it wholesale for the entire steel development programme. The simple fact of competing demands for scarce materials, services and personnel has to be taken into account.

There are engineering units which either have, or can arrange by adding balancing equipment to have the capability of producing some metallurgical equipment. The ifs and buts must be noted : mobi'ising all this capacity for steel will mean denying it for other equipment building programmes. A fabricating unit working on, say, a blast furnace shell could be doing a chemical plant instead. Even if this minor matter is overlooked, the fu'l mobilisation of existing and potentially available capacity requires a battle plan worked out in great detail to make sure that the bits and pieces fit together. Equipment manufacture is essentially fragmented as evident from the fact the plant for Bhilai came from 400 different sources in the Soviet Union. This battle plan does not exist today; all we need

have is a superabundance of committees composed more or less of the same men who are already doing duty in half a dozen other panels, working groups, task forces, teams and what have you.

These committees cannot produce the battle plan because working it out requires many mandays of hard, unremitting labour plus patience and competence. None of these three essentials have yet been provided or are even likely to be provided. In the meantime, individual manufacturers are pushing their own ideas of how each can contribute to this task. In the absence of a plan, piece-meal decisions on individual schemes will result in overlapping or even duplication. That is less objectionable than the fact that New Delhi's procedural hurdles will hold back progress on all; anything that still comes through will be the exception. There is, therefore, no getting away from a sizeable import content in all steel development programmes during the Fourth Plan.

This, in turn, means depending once again on credits. Judging from the experience in the Third Plan, the credits will come when the aid-givers choose to grant them, and not when we think we should have them to fit in neatly with our targets and time-schedules. One need hardly be surprised if aid-givers drag their feet until they can begin to see some results from the credits made available for the current expansion programmes. Since the results will be late in coming as confirmed by the Planning Commission appraisal, can we really avoid once again a long lag between the targets we set for 1970–71 and what we actually realise by that year?

A cognate issue is the financing of Bokaro. Going again by the published excerpts from the Dastur report, the foreign exchange cost of the project is Rs 227 crores incurred mainly between 1965–66 and 1969, the peak construction years of the two stages into which the project has been divided. The sum involved is not too large to arrange out of the aid that consortium countries customarily grant, the implicit assumption in all New Delhi's pronouncements being that Soviet bloc assistance will not be sought for Bokaro. But we have to rule out not only Government to Government assistance from the US but also from Britain and Germany which leaves us with a rather restricted choice. The reason is simple: as a British spokesman put it, "Durgapur must have the first claim on our help". Since Bokaro's financing will, willy nilly, overlap with that to be arranged for Fourth Plan expansion of Durgapur, this spokesman warned against reading too much into the anxious enquiries being made by plant and equipment suppliers vis-a-vis Bokaro. As he explained, even if the U K Government could be persuaded to support both, there would be a howl of protest from other British industries against putting all aid into the steel basket.

Rs 2,000 Crores for Steel !

What this official said about Britain and Durgapur applies equally to West Germany and Rourkela. Aid for Bokaro can perhaps still be arranged may be through credits from US, UK and German suppliers and out of the consortium assistance that France, Austria, Belgium, Canada, Italy and Japan provide. These six have together contributed under $ 150 million in the best year so far. In each case there will, however, be strong pressure from their domestic industries to spread aid over a wider field than just one project so that the benefits flow to a larger cross-section in the donor countries.

Take Japan for instance. Apart from its possible interest in a pig iron operation in Goa, the Japanese are being canvassed for a second shipyard, further fertiliser plants and the like. They might be persuaded to take an interest in Bokaro but not to the exclusion of other projects.

This is not intended to be a counsel of despair but to urge upon New Delhi some sense of proportion. Bokaro is, indeed, a *must* but then why weaken and jeopardise it by rigging up a super-ambitious programme of steel development which distracts attention from this key project?

Before concluding, let us do a brief totting up of the costs of the programme as now proposed by the steering group. The expansion of existing plants plus Bokaro requires Rs 1055 crores — only within the plant perimeter and excluding all offsite facilities. Add Rs 600 crores for the two new plants, Rs 120 crores for expansion of pig iron output by 2 million tonnes, Rs 300 crores for alloy steels and Rs 60 crores for ferro-alloys. These are very tentative figures and will go up substantially in several cases. The cost of Rs 1000 per ton of additional capacity in the case of expansion at new steel plants may be a serious underestimate since there is no built-in exansion potential to tap this time. But even as the figures now stand, the total direct cost on plant and equipment will be of the order of Rs 2000 crores, pre-empting one-eighth of the proposed total outlay on the Fourth Plan.

We are not done yet. There are of course, off-site facilities like water and power to finance much larger outlays required to raise extra coal, ore and limestone? What about the washeries and beneficiation plants? Take coal, for instance. For 18 million tons of ingot steel and 4 million tons of pig iron, 25 million tons of washed coals or 45 million tons of raw coking coal are required, add to which 10 million tons required by merchant coking plants. This totals to a demand of 55 million tons of coking coal against only 16 million tons produced in the current year and the target of 24 million tons set for 1965-66.

What will be the additional investment required per ton of coking coal to be raised? The figures for the current plan are Rs 20 for expansion and Rs 50 for new mines. But these are all-industry averages which is well below what more difficult mining of coking coal requires. Iron ore production will present a problem of similar magnitude since some 30 million tons of ore will be needed against the level of 12-14 million tons expected to be attained by 1965-66 for domestic use. Investment required per annual ton may be gauged from the fact that private sector development has called for outlays of about Rs 13-15 per ton against Rs 40 for public sector Kiriburu for which alone data are available.

One need not go on further since this should suffice to give an idea of the resources proposed to be pre-empted for the one, single sector of iron and steel. This is anything but responsible, realistic planning.

Capital View

Patter or Pattern?

Romesh Thapar

TO the delight of the cynics, the newspapers here carried the pictures of the Soviet cosmonauts, Valentina Tereshkova and Andrian Nikolayev, who had succeeded in looking beautifully bourgeois and respectable on the occasion of their marriage in Moscow, on the same day as the stalwarts of the Congress Party gathered in Jaipur were reported trying desparately to appear radical and revolutionary.

In a sense, the cynics have a certain justification for their reaction because increasingly it is a fact that prominent persons 'play to the galleries' and are seldom themselves. Visitors to the Jaipur session of the AICC were left wondering whether the procedures were mere patter or whether they represented the emergence of a new pattern of thinking.

Congress Socialism

Long before the stalwarts headed for Jaipur, it had become known that the Prime Minister desired that the final decisions on the content of Indian socialism be taken at the annual conference in Bhubaneshwar. This robbed the projected debate of much of its interest.

But Subramaniam, who had been entrusted by Nanda and Jagjivan Ram to draft a definition of Indian socialism for discussion, did not put his best foot forward. He produced a collection of cliches, negative and meaningless, which offended the socialists and stirred them into action.

Alternative drafts, including one by K D Malaviya, were soon circulating. Subramaniam's ideological incoherence was about to embarrass the national leadership of the party. Promptly, the tentative official draft was confined to the wastepaper basket and the Prime Minister pushed his lieutenants to produce a careful selection of words which would capture the mood of the rank-and-file.

Accustomed to coining phrases which are multi-interpretational, the secretariat produced a draft remarkable for its flabbiness. Indeed the Prime Minister, demoralised by the effort, and prodded by Malaviya, admitted the failings of the draft and agreed to circulate for discussion the alternative drafts and amendments together with the official document — a pointer to the utter ideological confusion of the ruling group.

Foreign Policy

If the Congress chieftains could not define the socialism by which they repeatedly pledge themselves, the performance on the foreign policy resolution was even more pathetic because no one, not even the Prime Minister and Krishna Menon, took the trouble to highlight the new factors in international relations and how these would influence the policies of the non-aligned.

The absence of this serious approach encourages the infantile propaganda about our 'success' in isolating China, nourishes the feeling that Pakistan's present wooing of Peking is a temporary aberration, convinces us that our position is more-or-less undamaged in Asia and Africa, and persuades us that we can go on prattling about non-alignment without a sustained internal political and economic effort aimed at self-reliance. Perhaps, in future, an intelligent alternative draft resolution should be kept ready to silence lazy pontification by the so-called experts.

Speeches at the session on the need to reorganise the base of the party, to break groupism and factionalism, to probe the various setbacks the party has suffered during the past year, and to denounce or acclaim the Kamaraj Plan, betrayed an extraordinary unawareness of the real nature of the ailment which afflicts the Congress. Until the members of the AICC confront boldly the organisational challenges, they will be unable to understand what ails the party.

To argue, as the leaders did, that the Congress has no right and left wings, (only 'groups' !), and to get the so-called radicals to claim somewhat defensively that the party provides an umbrella for all (*sic!*), underlines the opportunism at the highest levels which is sought to be passed off as profound political understanding.

Of course, it may well be that the very nature of the Congress Party today prevents it from moving into a socialist age which demands clarity of objectives, the capacity to get rid of those practices which hinder a break-through and the courage publicly to test and reconstruct political and economic concepts in the light of experience both here and abroad. Visitors to the Jaipur session returned with the impression that the ruling party is now heavily infiltrated by men whose sole purpose has become to use the machine to advance themselves into positions of profit and patronage. Socialist patter helps to screen the reality.

The Barometer

Clearly, that barometer of thinking in the business world, the stock market, has come to the same conclusion. Speculative shares, which collapse with every report of a Chinese or Pakistani military build-up, continued to soar as the Congress big-wigs spoke of the egalitarian socialist society they were determined to build. And when the Prime Minister announced that decisions on the definition of Indian socialism would be taken in January at Bhubaneshwar, the little tension that remained also ended.

Returning from Jaipur, the Prime Minister can no longer delay the business of reorganising his Cabinet. Parliament is due to reassemble on November 18 — and it will take a dim view if the country is still saddled with the present lame duck government. No expert is required to tell us that we have been without a *functioning* government since the first announcement of the Kamaraj Plan at the beginning of August — that is, if TTK's activity in the Finance Ministry is seen as an inevitable 'scavenger' operation.

The task is to organise a Cabinet which exercises collective responsibility, something which has been non-existent for many years. Until this is achieved, there will be the usual danger of ministers, no matter how like-minded they might be, working independently of each other and often against each other. We can claim much practical experience in this rather specialised field !

Activisation

It would be logical to expect the Congress Party to activate itself during the coming months. The socialists within the party intend to press forward with (what they call) 'the victory' registered at Jaipur. At Bhubaneshwar, they hope to muster in full strength to force through a coherent socialist programme. And, for once, they have a leadership which can command some national attention. This socialist thrust is bound to be countered by the numerous anti-socialists within the party who were caught napping at Jaipur.

Then again, battle of the 'wings' or 'groups' or 'factions' or 'individuals', 'right' or 'left', 'radical' or 'conservative', 'pro-Nehruist' or 'anti-Nehruist', 'pseudo-Nehruist' or 'neo-Nehruist', will bear heavily on the ideological discussions now joined within the Praja-Socialist and Communist parties. This is all to the good, for we cannot continue as we are.

Some such vague reaction also comes in the wake of Gulzarilal Nanda's decision to set up an anti-corruption committee. Interesting, but will he ever be able to give the committee an effective composition ? Will he mobilise the talents of all those chief ministers and ministers, at the Centre and in the States, whose sons are comfortably settled in business ? Or will he settle for those chief ministers and ministers who have made their own fortunes and are satiated ? If he decides against these categories, where will he find the 'heavy-weights' to undertake risky and dangerous anti-corruption operations ?

The rot has gone so deep that only a committee comprising of the most fearless, and fully empowered to take action, could hope to be effective. But such a committee will never be created if the Congress leadership refuses to look beyond its periphery. Will Nanda see this point ? He can, because he has no past to hide. An excellent opportunity — and, perhaps, the last.

Nepal Visit

With the Prime Minister, visibly ageing and unable to break away from the pressure of internal problems, President Radhakrishnan finds his quota of foreign travelling on the increase. His visit to Nepal is intended to repair the damage of several years of confused diplomacy. From what can be gathered, our mission in Kathmandu badly needs a face lift and a brain-wash. And a start has to be made from scratch, for surprisingly enough postings to the mission continue to be regarded as a kind of punishment of two years' duration.

As for those who administer Indian aid in this Himalayan Kingdom, they seem to model themselves on the 'ugly American' image of a decade ago and are nearly as incompetent. Projects are still hopelessly behind schedule, despite the speed-up ordered by Lal Bahadur Shastri during his last visit.

We have yet to realise that the problems of the ten million inhabitants of Nepal are, in a sense, our problems and should receive top priority. Perhaps, President Radhakrishnan will have something to say about all this on his return.

Another 'Review'

In the meantime, however, the Ministry for External Affairs has at last stirred itself to produce a fortnightly journal, *Indian and Foreign Review*, which will speak for us. What distinguishes it is its lack of distinction. It looks terribly like *The Peking Review*, is printed indifferently on airmail paper with lay-outs which recall the expertise of the last century, and collects a number of articles which contain little that is pertinent or original. Another wasted effort. All patter, no pattern.

Tongue-Twister : Whoever coined the word *Shiksha* for the joint air exercises ? Those poor crews from abroad are having one helluva time getting that word out of their mouths. And when it comes out, it is much misunderstood ! *Shuks !*

DON'T

underestimate the enemy

Chinese troops are still massed on our Northern Border. Be Vigilant.

YOUR DISCIPLINE IS INDIA'S STRENGTH

DA63/F 18

Letter from Japan

Foreign Policy Feelers

DURING the last two years Japan has been unusually peaceful. The standard of living has gradually risen so that the index is now at least 5 per cent higher than at the corresponding period last year and the economy is still rapidly expanding. Prime Minister Hayato Ikeda recently claimed that the GNP has increased to 21 billion Yen from 12½ billion Yen in 1959 and foreign trade from 7,500 million Yen to 10,600 million Yen. This is roughly twice the rate of expansion of total world trade. Over a million new jobs have been found and employment opportunities are still increasing. In fact, the difficulty that industrialists are finding in recruiting workers continues to bother the Keidanren, the Federation of Japanese Industries.

No Outstanding Issues

On the political front there have been no outstanding issues which have deeply disturbed the population at large such as the demonstrations two years ago. The Liberal Democratic Party will probably dissolve the Diet next month with confidence that they will be re-elected with the same majority as at present. The Socialist Party is much more clearly wedded to the theory of the Welfare State, and the open discrediting of the Communist Party at the Gensuikyo anti-atomic bomb meetings at Hiroshima has tended to strengthen the present middle-of-the-road leadership. The recent International Sports Meet, which was held at exactly the same time as the Olympic Games will be held next year, have proved very successful in an organisational sense with no major difficulties other than the relatively poor showing of the Japanese athletes themselves. This has tended to strengthen the confident attitude of the Government.

The increased government confidence, it appears, is going to result in a more forthright attitude on the part of the Liberal Democratic Party towards expressing its real feelings. On the home front there is likely to be increasing control of education with a higher degree of centralisation. Text-books are to be approved by the Central Ministry. Economically, greater pressure is to be exerted on certain large enterprises to lower prices with increased productivity. There will also be greater control over the retail prices of food, especially vegetables and meat.

But the most significant changes are likely to be in the field of foreign policy. During the last year Japan has refused to sign the agreement between Canada and the United States and herself, perpetuating the inferior status of Japan in North Pacific fishing. Japan has demanded that a definite policy must first of all be laid down for the fisheries as a whole after which discussions can be carried on an equal basis. But it is in the field of Japanese-Chinese relations that the greatest interest is likely to be aroused. As your correspondent mentioned in a previous article, each political party in Japan is divided into a pro-Chinese and a pro-American or pro-Russian group and individual members' attitudes towards closer relations with China are often totally unconnected with the political ideology of the party.

'Unofficial' Contacts with China

During the last five years there have been four prominent members of the Liberal Democratic party — Matsumura, Takenosuke, Ishibashi and Okazaki — who have unofficially visited red China and been received by Chou En-lai. A report on the earlier mission of Takenosuke was published in this journal. At the beginning of these visits, the ruling clique of the Liberal Democratic Party publicly and ostentatiously dissociated itself from anything these important businessmen were doing and re-asserted that Government to Government trade with China was quite impossible but that if private arrangements were entered into by individuals that was another matter. Last year a contract was entered into with China by which a valuable vinylon machinery manufacturing plant was to be set up in China on credit. Although nominally a private arrangement, it became clear that the credit terms and negotiations had the blessing of the Government.

Recently Ishibashi, a Diet member and important industrialist, visited Prime Minister Ikeda to obtain his blessing for re-election. When he was asked by a reporter whether he was not too old for re-election he stated that his dream was to create a treaty of alliance and friendship between the United States, the USSR, Communist China and Japan and that his Diet membership was necessary to bring this about. To many Japanese conservatives this does not appear impossible. From this point of view the recent Test Ban treaty between the USSR and USA appears a glorious star in the sky giving greater initiative to such a country as Japan in bringing the Chinese into the picture.

Assets and Liabilities

Outwardly the foreign policy appears the same as last year. The speech by the Japanese Ambassador to the United Nations on the admission of Communist China was an extremely forthright condemnation of China's militant policy and extended unequivocal support to the Nationalist regime in Taiwan. Yet Prime Minister Ikeda has come back from his Southeast Asian trip to the Philippines, Indonesia, Australia and New Zealand full of determination to take a more active role in world affairs. Japan is in a very peculiar position in Asia, quite unlike any other country. Some of its peculiar features are :

(1) very small expenditure on defence, although this will rise rapidly in the next few years;

(2) an economic potential which is rapidly expanding and a pattern of export trade tied very closely to countries of the west; there are fewer and fewer things which Japan requires in the way of imports from other Southeast Asian countries;

(3) eight-hundred years of continuous contact with its big Chinese neighbour without being absorbed or being invaded; and

(4) special relations with the USA through becoming its protege after being invaded and defeated: and special relations with the USSR during the last 80 years as an enemy and as an ally.

These points are all on the positive side. On the negative side is the undeniable suspicion in which Japanese are held over most of the world because of the ill-advised foreign policies they have pursued in the past. To go back no further than the beginnings of the Chinese revolution, the Japanese foreign office tried simultaneously to support both Yang Shih Kai and Sun Yat Sen only to finally support the former just as he was defeated. In the famous unequal treaties with China, instead of supporting Chinese nationalism and thus achieving prestige as an Asian liberator, she threw herself in with the western powers and got the worst of the bargain. In retrospect also one can see that the "Manchurian incident" and the bombing of Pearl Harbour could not possibly have been successful in the long run backed as it was only by military power without the necessary cunning to go with it. Only in the administration of Formosa can one say that Japanese plans beyond her own borders were successful.

Past Mistakes

Since the signing of the San Francisco Treaty, Japan's foreign relations have been almost entirely confined to negotiating good terms of trade with the United States and trying to recover her territories from the USSR and the USA. Apart from these activities her foreign po'icy has been marked by a total absence of any sort of political or moral continuity. The *Karel Dorman* incident in which a Dutch aircraft carrier was denied refuelling facilities in Japan after permission had been officially granted for fear of pressure from Indonesia is a case in point. The demands for compensation for Chinese civilians murdered by the Japanese military in Singapore is another case. The discussion eventual'y hinged on the legal argument that Britain had rejected liability on behalf of her colony. But it would have been more realistic for Japan to have immediately accepted responsibi'ity, leaving details to be worked out later. With such a record of foreign policy, it is only to be expected that if Ikeda hopes to develop an image of a world statesman he would pin his policy on one of the four assets of Japan mentioned above while playing down the negative images created by Japan in Southeast Asia.

It is extremely difficult for the Japanese to understand the image of themselves in Asia, for they tend to think of Asia as essentially non-Japanese and non-western and therefore not very important. Since the Japanese themselves have had an occupying American army on their shores for many years without any major resentment, except among a few on the extreme left and right, they find it difficult to believe that other Asian countries do not have the same attitude towards the Japanese army.

A case in point is a pamphlet to which I have recently had access called "The Recent Situation in West Irian" published privately by a non-government Japanese group, mainly consisting of business firms having connections with New Guinea. It advocates independence or U N guardianship for New Guinea on the ground that the area is not Indonesian in culture, language, etc. But this pamphlet also advocates free settlement of Japanese in New Guinea on the ground that the natives of New Guinea had been taught how to get salt, how to fish, how to plant vegetables and even how to count by the Japanese. No mention is made of the countless cruelties that the Japanese soldiers perpetrated on the natives on the ground that they were an inferior race.

Japanese are really astounded to hear that Southeast Asians still remember the doings of their soldiers during the war. One cannot but feel that Ikeda is likely to under-estimate the strength of this feeling if he becomes involved in any important issue to which he has committed himself. Singapore is unlikely to remain an isolated case.

However, from the opposite point of view, it cannot be denied that Japan has certain major assets in foreign policy in the sense of economic and cultural connections. These are strongest between China and Japan and between the USA and Japan and they are weakest in Southeast Asia. Yet it appears that it is in the troubled waters of Southeast Asia that Ikeda is first going to plunge. The mishandling of the Singapore incident and the easy way in which debtor Indonesia manages to use Japan does not give rise to any great confidence about his success.

Only in relation to China does it appear that a foreign policy realignment of Japan is likely to be successful and if Japan were to succeed in bringing China into the circle of nations who have signed the Test Ban Treaty in exchange for some practical concession in international trade, this would be a diplomatic triumph of the first order. Japan could give such a concession without losing face in a way that Russia or the United States would not be able to do.

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Letter from South

Whither the D M K ?

THE D M K Duce, C N Annadorai, gave away more than he imagined when he outlined the reasons for surrendering the secessionist plan of his party, which was officially proclaimed its *raison d'etre*. He wrote:

"The problem before us is: How are we to accommodate the theory of self-government within the framework of the anti-secession Constitutional amendment?

"I will straightaway concede that it is impossible for any party to reject or refuse respect to the anti-secession Constitutional amendment. It is, therefore, improper to suggest to the D M K to challenge the law.. If, on the other hand, it decides to challenge the law, *ipso facto* it would mean the end of the Kazhagam as a political entity. The moment it violates the anti-secession measure it would cease to exist... I have not become the General Secretary of the party to preside over its liquidation. So the Kazhagam's constitution would be so altered as to bring it in conformity with the law".

In this statement *Anna* (elder brother) as his followers, the *Thambis* (younger brothers), call him, frankly admitted what almost everybody had known all along. The Dravida Nad slogan had not been meant seriously, embracing as it did not only Tamilnad but Kerala, Andhra and Karnataka, in the last three of which States the D M K did not enjoy more than an utterly peripheral influence. The slogan expressed the combination of the Tamil chauvinism of sections of the Tamil middle class and the desire for dignity and status of the semi-submerged non-Brahmin strata.

Motive and Mentor

Nor is this all. The parent body of the D M K — the Dravida Kazhagam (D K) with its eccentric leader, Periyar Ramaswami Naicker — had also stressed secession. *Anna* and his *Thambis* had broken away mainly because Periyar was not willing to countenance his followers participating in such forms of politics as elections, running municipalities, trying to form governments and the like. Secession was not the reason for the schism; the desire for political power was. *Anna* had set his sights on the Chief Ministership of Tamilnad. In making his decision, his guide and mentor was Rajaji.

In dropping completely the secessionist slogan the motivation and the mentor are the same. In order to exist no party and its leadership can afford to give up the reason for its existence. If a demand is popular and if it reaches out to embrace a good third of India, facing a ban and incurring official displeasure would not be overwhelming deterrents. *Anna* and Rajaji have always been short-term realists, if we wish to avoid using a stronger term. Hence the evolution of the D M K now officially into the chief constitutional opposition to the Congress in Tamilnad with the glittering prize of Ministry-making as the perspective for the Fourth General Elections.

What Next?

Of course, the aim officially now is the formation of a closer Dravida Union of Tamilnad, Andhra, Kerala and Karnataka with as large powers as possible within the framework of the sovereignty of the Constitution. When asked how this differed from the Dakshina Pradesh proposal suggested by Rajaji, *Anna* said that Rajaji was for a unitary arrangement while the Dravida Union would have a federal structure. Nobody is particularly bothered about these nuances of meaning, once secession is officially off.

The crucial question is where *Anna* and Rajaji intend taking the D M K next. Anti-Hindi agitation and ceremonial burning of the articles of the Constitution relating to language are the immediate ceremonies to be gone through. These cannot be indefinitely indulged in nor can they represent any point of departure. Rajaji has always been clear about where he wants the D M K — as the Tamilnad branch of the Swatantra Party. This has been his strategy on an all-India scale: the Raja of Ramgarh's party in Bihar and the Ganatantra Parishad in Orissa were neatly swallowed.

The D M K may tread more slowly and Rajaji may be more wary but without its conversion into the local unit of the Swatantra, neither has much of a future in Tamilnad. It seems to be a feature of Indian politics that parties with a strong regional bias and popularity inevitably tend towards some all-India form as the next stage of evolution. One can hazard the generalisation that while regionalism will be a power for a very long time, regional parties will have a much shorter span of life.

Leftism Not to be Given Up

The D M K, unlike the Ganatantra Parishad or the Ramgarh party, has had about it the aura of radicalism. Only the other day *Anna* again insisted that friendship with Rajaji did not mean that his party would not work as a leftist force. Such statements are a reflection of the fact that, chauvinism apart, much of the mass influence of the D M K has been the result of its leftist demagogy and its identity as a champion of the down-trodden.

Insofar as the Congress has been the Establishment for full fifteen years it has been easy to equate radicalism with anti-Congressism—especially in view of the record of Congress rule. With the emergence of a conscious organised Right and with the beginnings of open polarisation in the Congress such an equation will not be easy to justify. With the Communist Party evolving to a position of the advocate of democratic unity on the basis of a democratic programme, not too dissimilar from what the Congress seems once again to be drifting towards — and which has the sanction of the national movement — it will be still more difficult for the D M K to pretend to a pose of leftism, ally with the Swatantra and justify all this in the name of the need to overthrow the Congress.

The D M K rank-and-file and its mass following are already restive and they are likely to grow more so in the near future. They are beginning to see where chauvinism and indiscriminate anti-Congressism,

combined with the powerlust of their leaders, is leading their party — into the parlour of the open representatives of the power of cash and land. Some time ago E V K Sampath led a good and thinking section of the D M K out of the party because of the leadership's consistent gravitation towards the Right. This process may get fresh impetus if *Anna* is persistently asked to explain why he is ready to give up secession to preserve the party but why he is not prepared to give up Rajaji despite the fatal effect this is having on the party's image and reputation. Polarisation appears to be setting in in all parties that have not made total commitments to an ideology and a definite programme. Why should the D M K be immune?

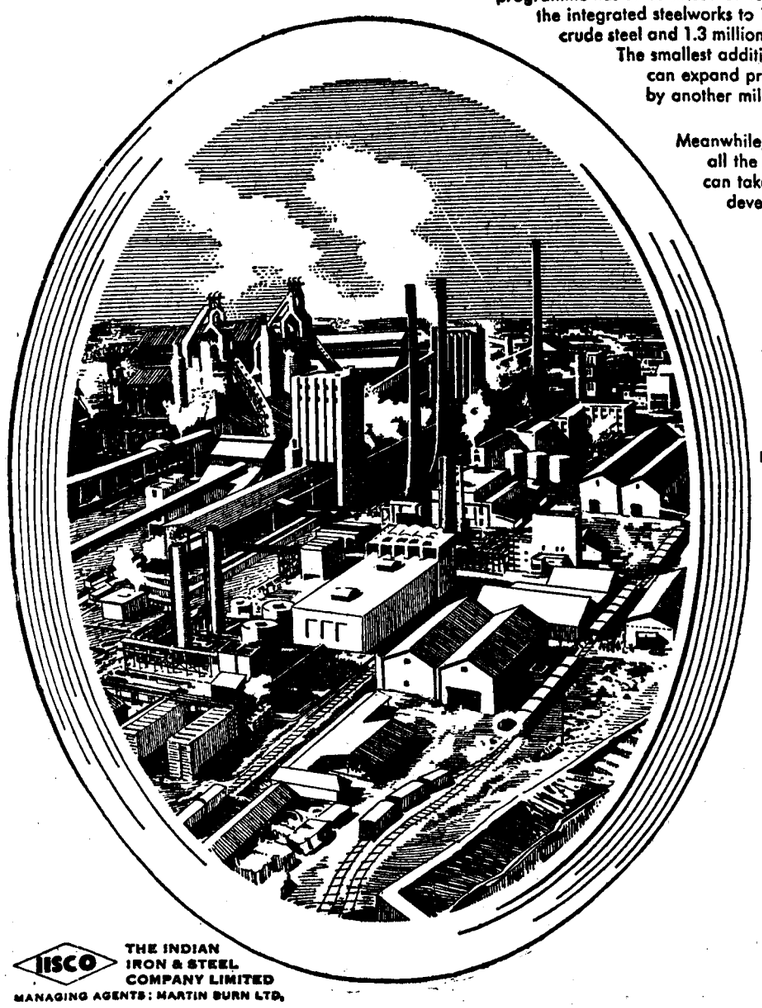
Thus the dropping of the secession clause is neither to be welcomed nor derided as hypocritical. Such attitudes are irrelevant. It is much more in the nature of a signal. *Anna* has again decided to succumb to Rajaji, but not necessarily all his *Thambis* or their followers.

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Kamaraj Plan and After

Asit Bhattacharya

If the Congress is to be a party of big business for big business, let it be so and say so openly and clearly. If it is to be a party of the poor and for the poor it should seriously get down to organising the rural poor and industrial labour and the urban youth to fulfil ends that matter to these sections of the people.

What is ruinous is double-talk and half-measures, good intentions expressed as vague generalities, and exhortations to the people to do something which is never stated in objective terms. If the Congress pursues its old path, it is going to be deserted by both the rich and the poor in a not very distant future.

Post-independence India has been built on a series of compromises in which the poor have been consistently on the losing side. The foundations of this manifold compromise are now being challenged by the extremists of left and right, both internal and external. It is time the Congress party restates its purpose and chooses between friends and foes.

THE Kamaraj plan is undoubtedly accentuating the difficulties it was meant to liquidate. It has exposed the inner weaknesses of the Congress party to public view and brought the factious fights usually conducted behind the scenes out in maidan meetings. This was, of course, expected by all who did not choose to wear blinkers. For the factions in the Congress are real and cannot be wished away.

The 'Great' Renunciation

The only merit that one can now see for the Kamaraj plan is that it *was* simple and dramatic, meant to impress simple people dramatically. People were expected to realise with a shock that their image of the Congress was all wrong. Only yesterday, men saw in the Congress just a group of old people clinging to power for God knows what purpose, getting used to privileges and soft life, securing jobs and contracts for relations and favourites. And they were found busy quarreling with other old people who in their turn wanted to enjoy the coveted privileges themselves. And suddenly with this magic plan people were expected to see with their eyes wide open that the same people renounce, yes, actually renounce, everything in an outburst of Gandhian fervour and go into the wilderness to... to restore the image of the party before the public! Was it expected that the ministerial renunciation, and journey into the unknown in a third class railway carriage without bearers and officials in attendance, would change the image of the party from the slimy, stinking cesspool of the present and restore it to its pristine purity? If not, what? What was the purpose of it all? What was the good aimed at by replacing a few old familiar faces in New Delhi and various State capitals by another bunch of old familiar faces in New Delhi and various State capitals? Desperate situations no doubt call forth desperate remedies but what if these are desperate but not remedies at all? For how is the basic malaise from which the Congress party suffers, and has been suffering certainly since independence, a malaise which showed itself when it first tasted power in 1937, been touched by this forced spate of renunciation and reluctant acceptance of party work by a few at the top? What is, by the way, the work of the Congress party as a Party? What is its role now?

Between 1937 and 1947

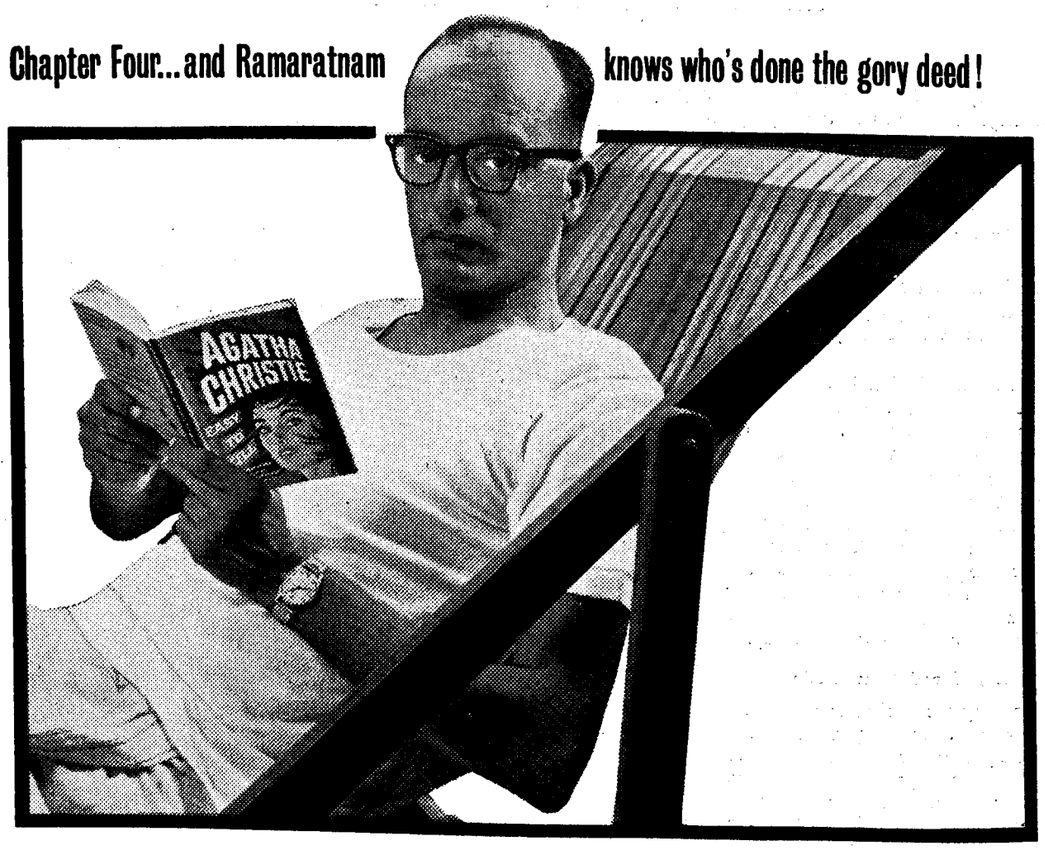
If Pandit Nehru searches among his papers, he will find a letter he had written to Mahatma Gandhi a few months after the Congress came to power in 1937 in seven of the eleven provinces of what was then British India. In that letter, he had mentioned the speedy disillusionment of the people, the alliance of the Congress ministers with the industrialists, their unconcern for youth and hostility towards labour. He had written of his own bewilderment at the use of the police by the Congress ministries at the slightest provocation given by students or labour. He had even resented such outrages. That was just after 1937.

What has happened since then? The Congress resolved in favour of "Kisan Mazdoor Raj" in 1940 and went into wilderness. The years of war intervened, and the British Raj with its characteristic concern for the future self-government of India withdrew the Congress leaders behind prison bars. The war raged around the frontiers of India, while the country was strangled by inflation, scarcity and profiteering and all-round corruption. The Congress leaders carried on their protests against the war, safely locked in their prisons. After the war and a year of Muslim-League terror, came partition and independence in that order of priority. The erstwhile prisoners of the Raj were installed in power by an act of the British Parliament to rule over an India ravaged by years of scarcity and famine, her middle classes ruined by spiralling inflation, her channels of trade chocked and distorted by hoarding, her small artisans forced out of occupation by the lack of necessary raw materials, and with an administration corrupted by inflation on the one hand and unchallenged use of arbitrary power on the other. And to top it all, the country was passing through the most cruel civil war known in human history. Refugees in millions from East and West Pakistan were pouring in with completely different sets of problems.

Congress Has Not Even Tried

We all know how far these problems have been solved. No doubt, the combined load of these problems has been crushing, many of the problems being rooted in our history. There could be no easy solutions for many of them. If the Congress had gone down in tackling these manifest social evils and economic maladies, we could have had no other criticisms to offer except that failures are human. What has made the country bitter is not that the Congress party has failed to solve almost all the problems facing the

Chapter Four...and Ramaratnam knows who's done the gory deed!



You or I would suspect the moustachioed foreigner who appears on Page Five. Or the elderly spinster who keeps cats. We would reserve opinion on the cheerful undergraduate. And our hearts would go out to the beautiful, blonde wife of the violently departed. We would, of course, be wrong. Not so K. S. Ramaratnam, Selection Grade Clerk with Burmah-Shell, Madras, and armchair detective. By Chapter Four, he'd have guessed that the ravishing widow murdered her spouse to marry the bright young undergraduate. And by book's end, he would be proved right.

'A MATTER OF COMMON SENSE'

Ramaratnam works in Supplies section. The section plans for and arranges supplies of bulk and packed products to main installations and Depots to meet the day to day demand. Demand fluctuates and his section must anticipate...divert a supply, tide over a gap in stock and flex to suit any change. 'It's a matter of common sense,' says Ramaratnam, 'applied to data and trends.'

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country since independence but the fact that the Congress party has not tried to solve these problems though it is pledged to do so. The Congress party has systematically refused to tackle these large national problems at their roots. Rather than do so, it has sat tight on them doling out half measures and platitudes, weeding out fervour and chilling enthusiasm. The Congress leadership has generated general apathy by making promises and refusing to carry them out. Facts speak louder and harsher than words. Inflation goes on unabated. Hoarding and profiteering continue. Planning seems to affect the planners alone. Unemployment of the educated in a largely uneducated country is still rife. This peculiar legacy of the Raj, a queer but sure mark of under-development, is still there to remind us how little we have travelled towards economic recovery. While Nehru preaches to the students to march with the progressing world, the world in which the students actually live and suffer does not march forward at all. The stale world grows even more stale. Charges of corruption are levelled at the administration from all sides. Senior members of the civil service are systematically employed as company representatives or 'contact men' in New Delhi and are often installed in the diplomatic enclave! And yet at the same time the Congress party has kept on talking *ad nauseum* of establishing socialism or rather socialistic pattern, of welfare state, of social justice, of equal opportunities for all and all the other catch-words learned by rote from the Fabian bible.

Talk and Action: the Gap

For all these years the Congress party has been talking in two voices or rather has been talking in one way and acting in quite another. It has been talking for the poor and acting for the rich. As a result, now that the threat of revolution, so large in the years after independence, is removed, the rich are annoyed with its talk and the poor are dispirited by its performance. Everybody seems to recognise the Congress party for what the opposition says it is.

The rich and the vested interests, the mill owners and merchant princes of Bombay-Ahmedabad-Sholapur, and Calcutta-Asansole-Jamshedpur triangles, the sugar barons and Thakur sahibs of U P, the well-to-do land-owners of Godavari and Kistna deltas owning rich tobacco lands, the maharajas and rajas of various shapes and sizes of Rajasthan and Kathiawar peninsula, are therefore veering round to Swatantra. They at least do not talk socialism! And in the medley of confusion created by the Congress party, various opposition parties, who have everything to gain and nothing to lose, are capitalising on the distress of the middle classes, and of the rural people and twisting their just grievances precisely against those elements in Indian politics which can, if tried seriously, lift the country out of the morass in which it finds itself. Religious obscurantism comes in handy and social backwardness is always their ally. So, planning is reviled, and socialism is discredited because the Congress party has planned and talked of socialism. So much for the achievements of the Congress party!

Kamaraj Plan No Answer

Kamaraj Plan can hardly be expected to stop this rot. It is time the Congress party states clearly what it wants, who are its allies and who are not. We all witnessed how much latent energy lies dormant among the people of this country when the people responded with tremendous vigour to the declaration of Emergency in the face of the Chinese threat in 1962. If the Congress party has a programme, it should announce it and go straight to the people. It should, if it means business, try to mobilize labour and the rural poor, and also the urban youth to implement this minimum programe which should have a direct and positive meaning for the people concerned. If it is incapable of evolving such a programme, well, the Medes and Persians are at the gate and the *Swatantra* leaders are not hibernating for nothing in air-conditioned comfort. It matters little whether one discredited Congress politician is replaced by another discredited Congress politician in any seat of power. What is required is a definite and objective programme for the country. It is yet to be seen if the Congress party has enough life or zest left in it to evolve such a programme or even to think of it. It thinks in terms of personalities and has now hatched this plan to keep the public engaged in political histrionics for some time to come. However, if it leads to some polarisation of forces, now concealed under cover of platitudes and inanities, even that is welcome.

For Whom Does Congress Stand?

For, the moment the Congress party sets to work, this polarisation of forces is bound to take more and more clear cut shape. The present nature of factions in the Congress, its divisions between ministerialists and organization-men, simply reveal that the party has long lost its principles and buried its objectives whatever they might have been once. Now if it sets an objective before itself and really works for its fulfilment, those who care for its objectives will be with it and those who do not will part company. That is as it should be. At present, the amorphous and non-descript mass of humdrum politicians of the Congress party, promising everything to everybody, and believing in nothing but the *status quo*, can only perpetuate the confusion, the lack of faith and the loss of purpose which characterise the Indian milieu to-day. If the Congress is to be a party of big business for big business, let it be so and say so openly and clearly. If it is to be a party of the poor and for the poor, it should seriously get to organising the rural poor and industrial labour and certainly the urban youth, to fulfil ends that matter to these sections of the people. What is ruinous is double-talk and half-measures, good intentions expressed in terms of vague generalities, and exhortations to the people to do something that is never stated in objective terms. If the Congress party pursues its old beaten track it is going to be deserted by both the rich and the poor in a not very distant future. Post-independence India has been built on a series of compromises in which the poor have been consistently on the losing side. The foundations of this manifold compromise are now being challenged by the extremists of left and right both internal and external. It is time the Congress party restates its purpose and chooses between friends and foes.

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Myths Concerning World "B"

Ignacy Sachs

IF the million-year-long existence of the human species were to be represented in the scale of a single life-span, say that of an 80-year-old man, it would then follow that what is called the "Neolithic revolution", to which we owe agriculture and cattle raising, pottery, weaving and metallurgy, took place in the year before last, the industrial revolution happened the other week, and the Russian October Revolution took place only yesterday.

In the same scale, the process of the outpacing and outdistancing of the economically underdeveloped countries, world "B", by world "A, i e the highly developed countries, was a matter of the past week whereas the attempts of the former to catch up with the latter have begun only today, under the influence of the Russian October Revolution and the example set by socialist industrialisation.

200 Years Ago

Although it is very difficult to estimate in retrospect the national incomes of different countries, there are, nevertheless, grounds to hold the view that the per capita income in the countries of Northeast Europe 200 years ago was little more than in the Southeast Asia of the present day.

The relative superiority of the living standards of the average citizen of Western Europe over those of the average citizen of Southeast Asia in mid-19th century can be estimated as being between 1|3 and 1|2, particularly so when due allowance is made for the climatic differences which make the requirements for a subsistence level in respect of food, clothing and accommodation slightly lower in a tropical climate than in a temperate one. Needless to say, we must not forget that our average citizen personifies a prince and a pauper in one, representing as he does all strata of the society. It is very probable that an Indian maharaja of two hundred years ago was considerably wealthier than his contemporary German prince; on the other hand, even the talents of Daniel Defoe or Charles Dickens would have proven inadequate had they been employed to describe the wretched state of poverty into which the Bengali craftsmen were driven by English competition.

Estimates concerning the 19th century are much more comprehensive and meticulous even though they are still quite debatable.

The one hundred years of development, coupled with a growth rate of 1.5 per cent in North America and a bare 4|10 of one per cent in Southeast Asia, resulted in a rapidly growing distance between these two regions; according to calculations made by the Dutch economist Zimmerman, the index of this distance was 8.5 in 1860, and by 1959 it had risen to 29. Thus, even though we do not have precise figures, the dynamics of the process of differentiation between worlds "A" and "B" and its location in time become clear enough: the two hundred years of a not-too-rapid development on the one hand, and stagnation or an infinitesimal growth on the other, plus the terrific impact of compound interest, produced the present situation.

Double Error

The assertion that at the time of the French Revolution Europe did not greatly differ from the rest of the world so far as the mean national income per capita of population was concerned disproves certain deep-rooted views held by non-specialists.

Most probably such views have stemmed from the fact that despite our will we tend to assume the present-day situation as the point of reference in our historical contemplations, i e in our reasoning we are guided by the illusion that the rates of growth would be uniform all over the world and so the relative differences would remain unchanged. While reasoning along these lines we commit a double error. On the one hand, we embellish the not-too-distant past of Europe, and, on the other, we are taken in by many myths concerning world "B", myths that have been the ideological superstructure of colonialism.

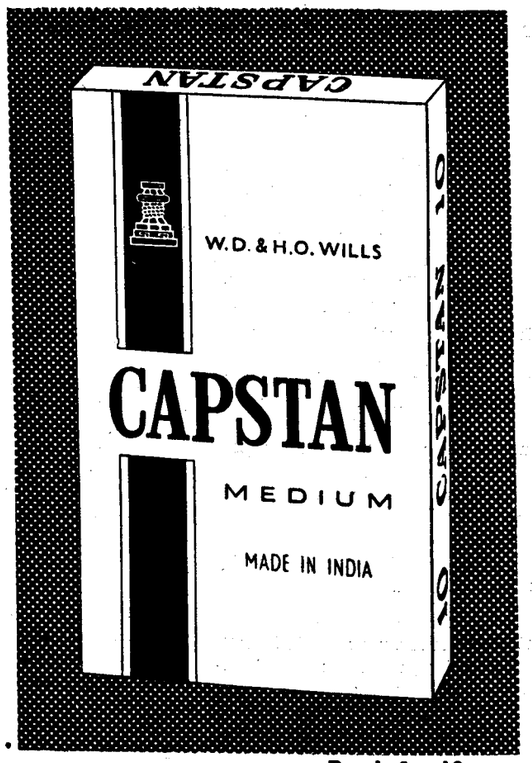
Thus, dazzled by the lustre and splendour of cultural monuments, by the descriptions of the affluence of European courts and burghers' homes, we tend to overlook the poverty of peasants. And yet, in the latter half of the 18th century, even the countries of Western Europe were predominantly peasant countries. It is enough to take but a glance at Young's diary of his travels in France to realise that the multitude of his impressions could be applied to India as we know her today. Our historical memory is rather poor and it operates on the principle of eliminating all that is disagreeable. A hundred and fifty years ago, or one year after Napoleon's retreat from Russia, such a terrible famine struck Sweden that all mattresses were eaten in that country. Not so long ago, instances of feeding on tree bark and herb roots were not uncommon while the famine of 1846 in tiny Ireland killed a million people and forced another million to abandon the country and emigrate. At no other time in history, even colonial history, has any nation experienced so painfully the fatal consequences of monoculture—in Ireland's case potato culture. Equally hard to realise is the fact that only a hundred years ago, due to famines, epidemics and diseases, the mean life-expectancy of people in the most highly developed countries was but 35 years whereas it is now between 65 and 70 years.

False Image

On the other hand, the prolific pseudo-scientific and travel literature of the past 100-150 years did plenty to model European public opinion and imbue it with beliefs concerning the primitivism and backwardness of the peoples of Asia and Africa. Today we know that that image was false throughout and propagated with a view to justify the colonial conquests. The missionary and the colonial administrator played chaperons, screening the low trade of the soldiery and traders. Propagation of the "true" faith and the civilizational mission of the white man constituted an ideological screen behind which violence and exploitation prevailed. The feeling of a fulfilled duty towards God and progress of civilisation flattered the

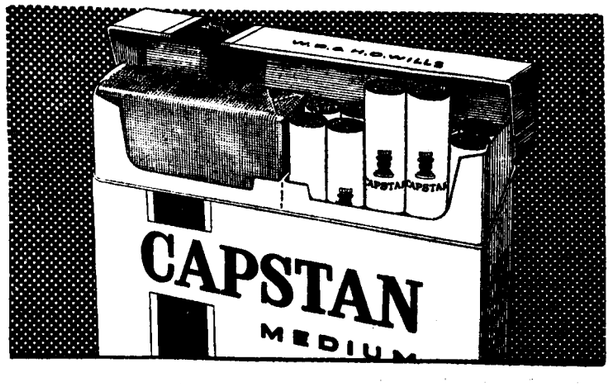
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conscience of the well-fed people inhabiting world "A". Also, the colonisers spared no effort to imbue the colonized peoples with a feeling of inferiority. It was not without reason that Sekou Toure, the President of Guinea, wrote:

> "The greatest evil wrought upon us by colonialism were the attempts to bereave us of all responsibility for managing our affairs, as also to convince us that our civilisation was simply a state of savagery; in that manner, we developed complexes which caused that we were regarded as irresponsible people without confidence in our own capabilities".

Superiority Theory Exploded

Books familiarising us with the cultural and civilizational heritage of African peoples, such as Basil Davidson's "Old Africa Rediscovered", are for us today something of a revelation. But then, a careful study of travel literature until the end of the 18th century would in all probability prove that the complex of European superiority, so notorious in the literature of the 19th and 20th centuries, was practically non-existent in those earlier times. On the contrary, the wealth and pageantry of the East excited the imagination of the poor forefathers of the citizens of world "A", and the adventurers colonising America had their peace of mind disturbed by fantastic visions of Eldorado.

To what, then, shall we attribute the subsequent change in attitude? To the ideological needs which have been discussed above and to the amplified process of differentiation between worlds "A" and "B".

We have thus located that process in the last two centuries. This dashes to the ground all theories which try to attribute the backwardness of Asia or Africa to alleged biological differences between races or to climatic factors. After all, had those factors been really decisive why should they have started working only in the last "week"?

Reciprocally Conditioned Processes

We must now point to the relation which exists between the accelerated economic growth of world "A" and stagnation, and in some cases even a marked regress, in world "B". Not having been parallel processes, they were, nevertheless, reciprocally conditioned.

The capitalist system, rising in Western Europe, subordinated to itself and took full advantage of its non-capitalist surrounding, either by way of petrifying the feudal or tribal systems in the lands it conquered or by putting to the sword all aboriginal population with a view to laying its hands on the land and resources that were then "nobody's".

Certainly, the exploitation of the non-capitalist surrounding was not the sole means of financing the European industrial revolution, but the mechanism of colonial dependency ensured that the industrial revolution either left the "B" world altogether untouched or invaded it only very belatedly, and that in spite of the fact that it had shouldered a considerable proportion of the costs of that revolution. The first historical instance of catching up rapidly has been provided by the Soviet Union. Today, this problem is faced by the entire world "B" which has in the meantime been emancipated from colonial or semi-colonial dependency.

Tables of Compound Interest

World "B" is growing impatient, and the tables of compound interest became the Bible of a sort for many economists who have been resorting to them in search of an optimistic answer. In the long run, the rate of economic growth in different countries will depend on their respective strategies of development and on objective circumstances. Brazil's development over the past decade yielded mean annual rates of development of more than 3 per cent per capita of population; a more rational selection of priorities in India resulted in a rate of only 1.5 per cent per capita annually, even though Brazil's birth rate was higher than India's. On the other hand, it must be emphasised that India's 1.5 per cent rate per capita signifies a start forward following decades of complete stagnation. The difference between the two countries must be attributed above all to objective circumstances, although it is impossible precisely to assess the influence of various "objective" and "subjective" factors. Unlike the physicist or chemist, the economist commands no possibilities of performing laboratorial experiments e g he cannot possibly apply the "Indian" model in Brazil to wait and see what happens.

At the present time, the per capita income in Western Europe, measured in comparable figures—the Rosenstein-Rodan calculations—exceeds approximately four times that in South America, six times that in the Near East, nine times that in Africa, and ten times that in Asia.

Required Growth Rates

Let us assume for a moment that the per capita income in Europe will remain at its present level. Latin America would then be able to catch up with and overtake Europe in the next fifty years provided she had a steady development rate of 3 per cent per capita of population. Attainment of the same level by the other continents within the same time would require somewhat higher rates of development, on the whole not exceeding, however, 5 per cent per capita annually. Adding an allowance of 2.5 per cent annually for the population increase, we arrive at development rates in the range betwen 5.5 and 7.5 per cent annually. These are magnitudes familiar in the development experience of the socialist countries; they are, however, far in excess of the achievements recorded to-date by world "B"—approximately 1.5 per cent per capita annually over the past decade—as also far higher than the rates suggested by certain bourgeois economists who assert, as did Arthur Lewis, for example, that a development rate of over 3 per cent per capita annually would bring on excessive tensions in Africa and Asia.

Unrealistic Hypothesis

Now, our above calculations are based on the utterly unrealistic hypothesis of complete stagnation in Western Europe whereas, on the contrary, over the past decade the latter has been developing at a faster rate than the world "B" countries. And let us keep this in mind: if the rates of growth in "B" countries were barely to catch up with those in Western Europe a situation would arise in which absolute increase in the per capita income in world "A" would be considerably greater than in world "B". Each

one per cent of per capita increase in Western Europe at present is, in absolute figures, ten times what it would be, for example, in Asia.

Again, let us assume that Western Europe will continue economic development at the rate of 3 per cent per capita annually. This seems to be a realistic or perhaps even over-optimistic assumption for the Western European economy. Let us also propose a decline of 100 years for the economy of world "B" to come abreast with that of world "A". Attainment of this goal would require the achievement by the different continents belonging to the "B" world of mean rates of per capita growth between 4.5 and 5.5 per cent, or absolute rates of growth betwen 6.5 and 7.5 per cent per capita annually, if we assumed that the mean rate of natural increase would in the same time decrease to 2 per cent annually. The required rates of growth might be even lower, proportionately to a sharper decrease in the rate of human reproduction.

Within a Century

It is with mixed feelings that we put aside the tables of compound interest. They offer no consolation whatever for the short or middle run. Nonetheless, they do not leave us without hope for the future, showing, as they did, that the distance separating world "B" from world "A" can be eliminated in the course of one century provided that the development of world "B" takes place within the framework of the socialist economic model.

If then we view the nearest future of the "B" world with pessimism, such pessimism does not flow from our conviction that the problems harassing it are impossible to solve but rather from the fact that so far adequate social conditions do not exist for the implementation on a world scale of this extremely difficult task. As J Bernal rightly put it: "One of the most inspiring discoveries of our times has been the finding that human capabilities are virtually unlimited". He further elaborates on that thought: "We now have powers at our disposal of which we had no imagination before and which offer us much greater opportunities than we dare think for they either remain unused or are mainly made use of improperly—in the service of war."

The scientific and technological revolution pushed considerably upwards the ceiling of the potential rates of growth of the world's productive forces. Blocking the road towards achievement of such rates stand the anachronistic production relations dating back to the pre-socialist period, both in the internal and international aspects.

On towards progress . . .

India Steamship Co., Ltd., has a steady record of progress . . . Since Independence, its tonnage has increased from about 85,000 D.W. tons to over 200,000 D.W. tons—more tonnage being still on order.

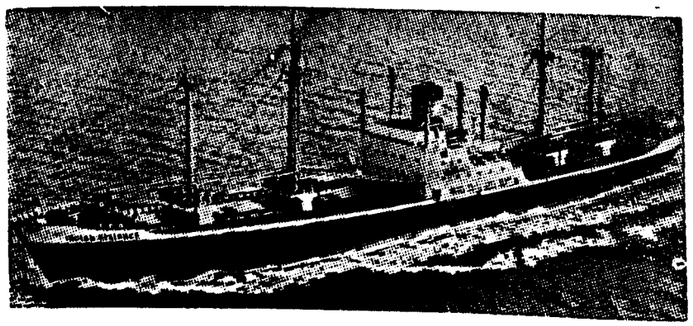
Its services are also extending to various trade routes. After initial consolidation in the India-U.K.-Continent trade—the Company entered the Indo-Soviet service to the Russian Black Sea ports in 1956 and later to Rumanian ports. In 1959 the Company forged still another link in the overseas with South America, and in 1960 it extended its service to Poland.

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Around Bombay Markets

Dalal Street Firm, But...

Thursday, Morning

THE bull reigns supreme over the stock market. Political uncertainties have been completely pushed into the background. The stock market bull no longer pays any serious attention to reports of concentration of Pakistani forces along the eastern border; nor does he feel uneasy over the unhappy situation in Kashmir. Fortunately for him, it is all quiet on the northern borders though Peking's attitude is as hostile as before. And strange as it might seem, the stock market has taken hardly any notice of the deliberations at the recent AICC session at Jaipur.

It is all because there has come about a distinct change in the mood of the market. The change is essentially psychological. Shri Krishnamachari can take credit for having created the psychology of confidence mainly through the magic of words. Relaxation of credit is about the only concrete measure that he has taken so far and its implications can be easily exaggerated. The stock market has taken it almost for granted that T T K will soon — in November perhaps—announce some fiscal concessions like the abolition of the super profits tax in order to restore the confidence of the corporate sector and give a boost to the investment market. The way some of the influential operators have been accumulating 'long' positions and sitting tight over them in spite of the spectacular rise in prices over the past few months has encouraged the view that the influential buying is really 'informed' buying. Not unlikely. That is probably the main reason why the normal process of technical adjustment has so long been delayed. The market continues to scale new peaks week after week.

Some of the prominent operators have a firm hold over the market. Occasional profit-taking continues to be quickly absorbed without producing any noticeable setback in prices. The pace of advance has, however, now slowed down considerably. Professional speculators can certainly rig up prices, without much difficulty perhaps. But they will have to struggle hard to cajole the outside public to follow the rise if the market is not allowed to take a pause for necessary technical adjustments. The rise is steep enough to make the market's technical position suspect.

Cotton

Speculation over Buffer Stock

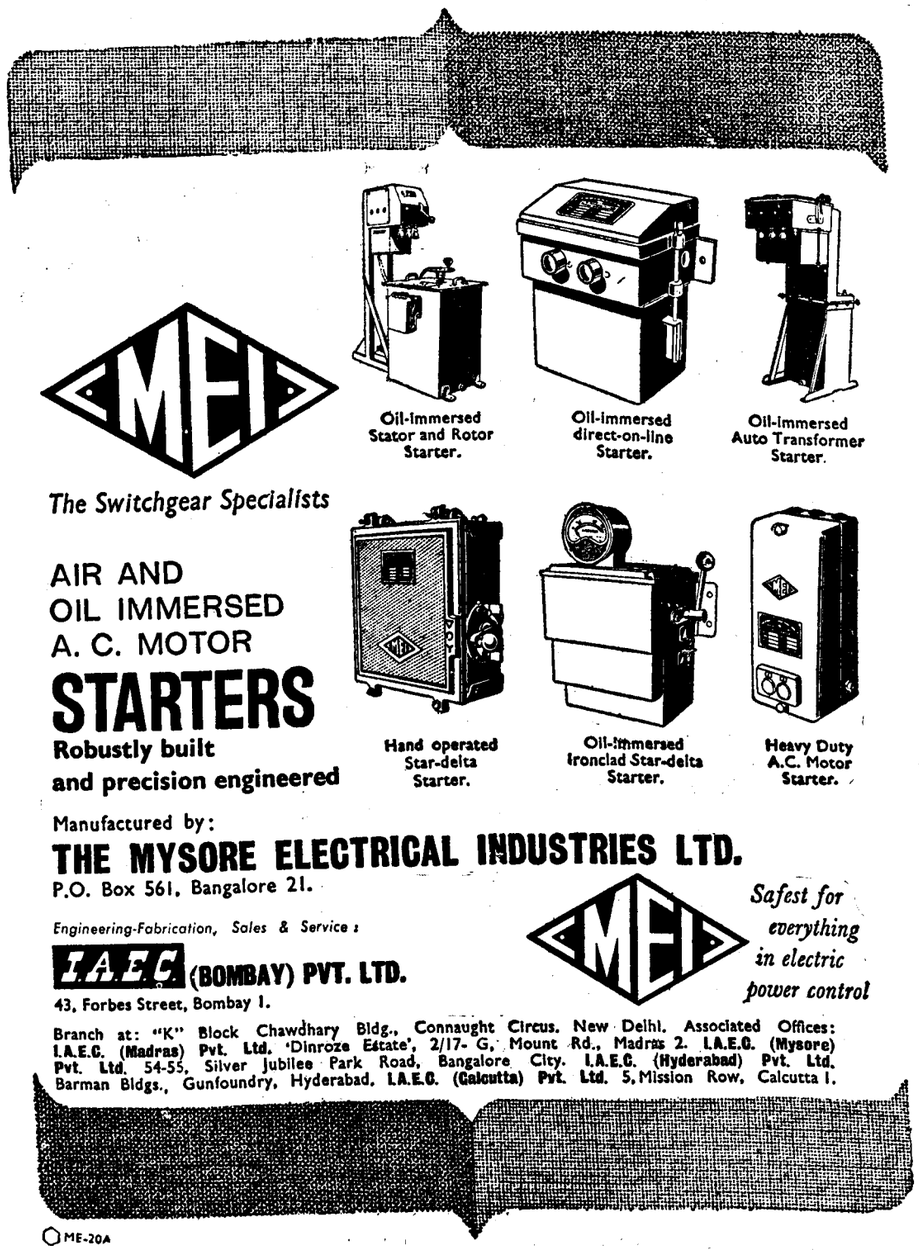
SENTIMENT in the cotton market continues to be swayed mainly by speculation over the buffer stock scheme. New Delhi has been toying with the idea of a buffer stock for quite some time; it has also had discussions with the textile industry on the subject. But the Government has yet to make up its mind on how exactly the scheme is to be implemented. Indigenous production of cotton is lagging far behind the Plan schedule and domestic supply has to be augmented with sizable imports, the foreign exchange difficulties notwithstanding, in order to meet the industry's steadily growing needs. In a situation like this, the idea of a buffer stock does not really make much sense. Since there is nothing like an excess of supply, the buffer stock scheme is to be regarded merely as a price support measure. Though there has been no authoritative pronouncement so far, Press reports emanating from New Delhi indicate that the buffer stock scheme is intended to support the market whenever cotton prices decline by more than Rs 50 to Rs 100 per candy below the statutory ceiling, that is, almost around the current levels. It might be mentioned here that the spread between the ceiling and floor prices is Rs 247 per candy.

Whether cotton prices should be supported at such high levels — higher than world parity — in order to encourage the grower to produce more cotton is a debatable point. It is extremely unlikely that the price factor alone can help boost production which depends mainly on the unpredictable weather, irrigation facilities, fertilisers, seeds, pest control measures, etc.

Regulating Authority

Latest reports from New Delhi suggest that the buffer stock agency will be set up by the Indian Cotton Mills' Federation and not by the Government. This is ridiculous. Since the buffer stock scheme is basically a price support measure, its implementation cannot be entrusted to the industry whose interests are at variance with those of the cotton growers, except in the sense that the welfare of both the cotton grower and the textile industry lies in increased production of cotton. It is one thing to take the industry into full confidence and thrash out the buffer stock scheme before putting it into operation but quite another to entrust the industry with the implementation of the scheme. Even as it is, the operation of the buffer stock scheme is beset with many difficulties and the position is likely to be further complicated if the operations are to be controlled by the Indian Cotton Mills' Federation. Buying for the buffer stock is bound to have an impact on prices and there is a danger that the operation of the buffer stock scheme by the Federation will place certain mills in a more advantageous position than others in regard to carrying out thier normal purchases.

In view of the continuing uncertainty about the buffer stock scheme, activity in the spot cotton market remains restricted. Merchants seem unwilling to enter into large commitments until they get to know how exactly the buffer stock scheme is going to be operated. Mills too have preferred to eat into their stocks to making fresh purchases, especially when the supply position is known to be reasonably comfortable. Current estimates about the new crop range between 55 lakh and 58 lakh bales. Mills have been keeping off the market for quite some time and it would be reasonable to think that their stocks which had come down from 20.35 lakh bales at the end of May to 17.88 lakh bales by the end of August must have registered a further decline in September



and October. It is therefore unlikely that mills can afford to keep off the market much longer. Spinner inquiry should pick up appreciably in coming weeks. This should impart strength to the market in spite of the increased flow of arrivals in coming weeks. The Government will be well advised to finalise the buffer stock scheme at the earliest in order to enable the trade and the industry to take a proper view of the market and plan their operations.

New Delhi's decision allowing resumption of forward dealings in 'kapas' (unginned cotton) has been welcomed and it should help growers to market their crop more smoothly. The ban on forward trading in 'kapas' had been imposed on 1st November 1962 when cotton prices pierced the ceiling because of the record low carry-over from the previous season. The forward Markets Commission is considering the possibility of bringing 'kapas' under the regulatory provisions of the Forward Contracts Act. This is as it should be. If speculation is to be permitted, it has got to be properly regulated.

Cotton consumption during the 1962-63 season ending with August is placed at 56.71 lakhs bales compared to 56.88 lakh bales in the preceding season. While consumption of Indian cotton increased from 47.09 lakhs bales to 47.90 lakh bales the off-take of foreign cotton was lower at 8.81 lakh bales against 9.79 lakh bales. Stocks with mills at the end of August comprised 15.76 lakh bales of indigenous cotton and 2.12 lakh bales of foreign cotton. The corresponding figures for the previous month were 16.96 lakh bales and 2 lakh bales.

Trading in cotton futures last week was an unexciting affair. After fluctuating irregularly between Rs 699 and Rs 694 during the earlier part of the week, cotton futures (March contract) improved to Rs 702.75 on short covering and renewed bull support based mainly on ideas of buffer stock. With the supply position being what it is — not uncomfortable of course — there is hardly any scope for a big fall in cotton prices if the Government is to implement its buffer stock scheme, especially if the market is to be supported at prices Rs 50 to Rs 100 below the ceiling rates.

Oilseeds

Firm on Export Ideas

AFTER early hesistancy the oilseeds market last week developed a distinctly steadier tendency though the net gains over the week were rather small. Groundnut January improved from Rs 214.87 to Rs 216.50, castor March from Rs 165.37 to Rs 167 and linseed March from Rs 36.12 to Rs 36.41. Cottonseed futures and groundnut expellers were, however, slightly down over the week at Rs 96 and Rs 380.75 against Rs 96.50 and Rs 387.75. The market could have presented a much firmer appearance if the leading operators who are at present dominating the scene had not been carrying heavy "short" interest in groundnut. They have continued to 'bear' the market in spite of the encouraging export performance which has imparted considerable strength to the spot material. They are powerful enough not to give in easily, but that is quite a different story.

In a way it is good that the leading speculators are bearishly inclined because it makes it easier for exporters to effect sales abroad if domestic prices remain on the low side. But speculators can do no more than influence short-term price movements. The way new crop arrivals are being absorbed by crushers, vanaspati manufacturers and shippers, the market is likely to develop a firmer tendency with time. Export houses reported fairly large business in groundnut oil last week. West Germany and Holland were mentioned as the main buyers and prices realised were around £ 100 to £ 101 per ton. Prospects of further large business are considered to be very promising. Shippers, however, complain that they are experiencing considerable difficulty in booking freight with the Karmahom Conference Lines. It would be most unfortunate if export business were to suffer for want of adequate freight. If the Karmohom Conference cannot provide all the freight shippers need at any time, the Conference must be compelled to issue immediate dispensation. This is where the deferred rebate system comes in. To get over freight difficulties, the Conference Lines should be made to do away with the deferred rebate system.

Apart from groundnut oil, considerable business is reported to have been put through in groundnut H P S recently, which, of course, is quite normal for this time of the year. Indian groundnut H P S continues to be popular with the overseas customers. The price realised by Bold variety last week was mentioned around £ 85 per tonne. Export business in groundnut extractions continues to be maintained at a satisfactory level. It is expected to pick up appreciably shorly with the revival of buying by Communist countries. Japan also continues to figure as an important buyer.

Castor oil has also been attracting increasing attention of late. The U K was said to have purchased some 500 tons last week and it paid about £ 108 per ton for Commercial grade oil. Shipments of castor oil this year are likely to exceed 35,000 tons, with the Communist countries accounting for nearly two-third of the total business. Fresh business for prompt shipment is said to be limited mainly by the scarcity of castor oil in the local market. The continuing strength in the spot material has led to some revival of speculative interest in castor futures and the March contract has risen to Rs 167.87 the highest level for the season; the latest quotation is only a litle lower at Rs 167. While linseed cake continued to be neglected, brisk business was reported in cottonseed cake. The U K and the Continent were the main buyers and they paid up to £ 32-10 per ton for decorticated cake.

Modella Woollens

MODELLA Woollens has made a substantial progress during the year ended June 30, 1963 and has stepped up the dividend from 4 per cent to 6 per cent which is payable for the whole year on the increased capital of Rs 51.67 lakhs (Rs 30.83 lakhs) although two calls of Rs 2.50 each are due to be paid only in the current year. Profits of the Company during the year, after providing higher depreciation at Rs 5.24 lakhs (Rs 2.02 lakhs) have more than doubled.

Known and trusted on every Continent of the globe, the trademark 'Sanforized' can boost the export of Indian cottons



Over 400 textile firms in 49 countries are licensed to produce fabrics bearing the trademark 'Sanforized'. It is known and trusted by millions of consumers the world over. To them and to the textile trade 'Sanforized' signifies a reliable, uniform standard of shrinkage control. This standard is rigidly enforced in India, as everywhere else, by the technical representatives of Cluett, Peabody & Co. Inc., owners of the trademark.

Cotton cloth that is labelled 'Sanforized' has the identical international standard of performance – it will not shrink out of fit. The trademark can give a tremendous boost to India's export of cotton textiles. It can help the industry to touch – perhaps exceed – the Third Plan target of 800 million yards of cloth for export and thus earn valuable foreign exchange.

Issued by Cluett, Peabody & Co., Inc. (Incorporated in the U.S.A. with limited liability) proprietors of the registered trademark 'SANFQRIZED'. The trademark proprietors use the trademark 'SANFORIZED', or permit its use by authorised registered users, only in respect of tested fabric which meets the trademark proprietors' strict requirements as to residual shrinkage.

For information: 'Sanforized' Service, 95, Marine Drive, Bombay 2.

Business Notes

Great Eastern Shipping

REPORTS of shipping companies which have so far come out have surpassed general expectations, and shareholders have been gladdened by a sudden jump in the share values. Shipping companies appear to have turned the corner and come into their own, justifying the revival of activity in their shares in recent months.

The performance of Great Eastern Shipping during the year ended June 30, 1963 is highly impressive. The gross profit has increased by about 70 per cent from Rs 74.30 lakhs to Rs 126.41 lakhs, and the net profit by more than three and a half times at Rs 57.24 lakhs (Rs 12.32 lakhs). The substantial rise in profits has been the result of larger freight and charter hire earnings which rose from 3.25 crores to Rs 4.51 crores, ie by about 39 per cent, making a new record for the Company.

The Managing Agents have earned a commission of Rs 5.07 lakhs as against Rs 1.05 lakhs in the previous year. Depreciation has absorbed Rs 64.10 lakhs (Rs 60.93 lakhs). Development rebate reserve has taken away Rs 51 lakhs (Rs 16 lakhs). The Company has no tax liability for the year on account of the substantial development rebate allowance to which it is entitled.

Out of Rs 7.29 lakhs left after various allocations, including the balance brought in from the previout account, the Directors have transferred Rs 6 lakhs (Rs 1 lakh) to General Reserve No 2 and have not declared any dividend. But they have decided to capitalise a sum of Rs 45 lakhs (utilising fully the amount of Rs 25 lakhs lying in the Capital Redemption Reserve Account and drawing Rs 20 lakhs from General Reserve No 2) and issue bonus shares subject to the consent of CCI. In the case of fully paid shares of Rs 10 each, one new share of Rs 10 will be issued for every two fully paid shares held, and in the case of partly paid shares, in which Rs 5 is paid up out of Rs 10, the amount paid-up per share will be raised to Rs 7.50 without receiving payment from the shareholders. The tax on bonus issue estimated at Rs 5.62 lakhs will be met from General Reserve No 2.

The decision to pass over the dividend and issue bonus shares has been taken by the Directors with the object of expanding the capital base of the Company to entitle them to larger borrowings and enable them to go ahead with their expansion schemes. In fact, the Company has already in hand expansion plans involving an expenditure of about Rs 1.7 crores whereby it hopes to increase the freight earnings by about Rs 1.50 crores a year beginning from 1964-65. The current year's earnings of the Company are reported to be even more favourable than the year under report and the shareholders can look forward to the future with greater optimism.

Mysore Kirloskar

MYSORE Kirloskar has done well during the year ended June 30, 1963, but has effected a cut in the dividend from 12 to 10 per cent due to higher tax provision and increase in capital. The turnover of the Company has increased from Rs 181.17 lakhs to Rs 223.20 lakhs, the gross profit from Rs 42.48 lakhs to Rs 65.08 lakhs and the net profit from Rs 10.06 lakhs to Rs 13.03 lakhs.

Taxation provision has absorbed Rs 27.40 lakhs (Rs 15.95 lakhs) and development rebate reserve Rs 6.08 lakhs (Rs 1.45 lakhs). Allocations include: General Reserve, Rs 1.05 lakhs (Rs 20,000); Replacement and Rehabilitation Reserve, Rs 2 lakhs (nil); Contingency Reserve Rs 2 lakhs (nil); Debt Redemption Reserve Rs 1.25 lakhs (Rs 2 lakhs). Managing Agents have earned a commission of Rs 4.71 lakhs as against Rs 3.15 lakhs in the previous year. Depreciation has absorbed more at Rs 13.86 lakhs (Rs 11.86 lakhs). Preference and ordinary dividend will take away Rs 6.75 lakhs (Rs 7.90 lakhs).

The Company has maintained its progress in the existing lines of manufacture, but the production if Capstan and Turret lathes has not made headway according to plans due to delay in getting imports of components. The Company is having further plans to take up manufacture of other types of lathes and machine tools.

Money Market

Thursday, Morning

INTER-BANK call money turned easier towards the end of last week from 2 to 1½ per cent. This was not, however, a sequel to the Reserve Bank's announcement of a liberal credit policy from November 1. The returns of scheduled banks as of October 25 indicated an easier trend in the weeks following. Bank credit which had been rising every week, though in varying measure, since September 20, and expanded by Rs 20.50 crores by October 18, declined by Rs 7.05 crores in the week ended October 25. Deposits which were slow to move up in the preceding weeks showed a sharp rise of Rs 17.49 crores. And banks disinvested securities to the extent of Rs 9.70 crores. Thus the liquid resources of the banks increased so considerably that they were enabled to swell their balances with Reserve Bank by Rs 38.57 crores and place on the call market Rs 59.75 crores, i e, Rs 2.96 crores more than in the previous week. Demand for credit which showed a tendency to pick up early in October tapered off by the end of the month. As a matter of fact, although November 1 is officially the beginning of the busy season, demand usually does not pick up during the month, and this feature is noticeable this year also.

The prevailing comfortable conditions in the money market are reflected in the receipt of larget tenders than usual for Treasury Bills during the current week, amounting to Rs 3.03 crores. The average rate of discount available was also lower at 2.310 as against 2.318 per cent. This apart, the intermediates sold rose to Rs 8.10 crores from Rs 6.59 crores.

Reserve Bank's statement as on November 1 shows that during the week ended, scheduled banks withdrew Rs 19.77 crores from their balances with the Reserve Bank, and their borrowings were nominally higher by Rs 29 lakhs. This

would strengthen their cash resources further.

There could not have been any keen demand for funds. The slackness in demand is apparent from a further contraction of active notes during the week by Rs 7.46 crores, although the Reserve Bank increased its notes and coins in the till by Rs 7.76 crores.

Central Government's deposits were only fractionally higher by Rs 71 lakhs, while those of the State Governments fell by Rs 7.43 crores. Governments' borrowings were up by only Rs 83 lakhs. The fall in the deposits of scheduled banks and Governments are reflected in the fall in the holdings of Treasury Bills and Investments by Rs 19.12 crores and Rs 6.69 crores respectively. Foreign balances are down by Rs. 2.63 csores while foreign securities have remained unchanged.

At the end of the slack season, it will be of interest to compare the resources position of scheduled banks with that a year ago.

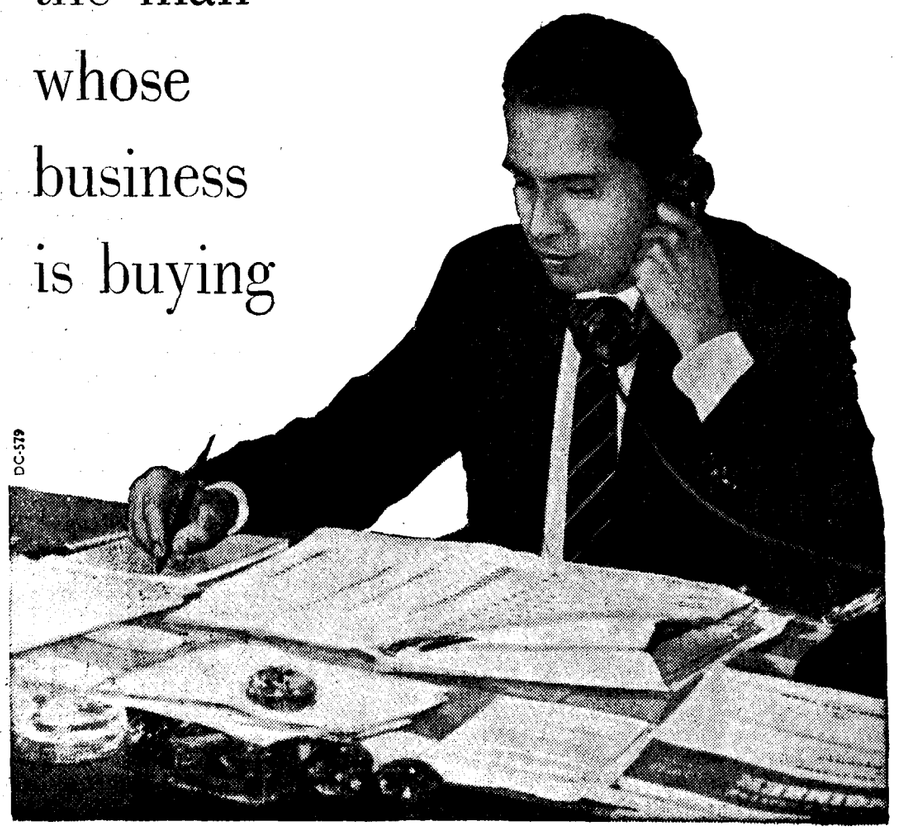
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DUNLOP

the man whose business is buying



DC-579

1874

	Oct 26, 1962	Oct 25, 1963	Incr + Decr −
	(In crores of Rupees)		
Aggregate deposits	2052	2234	+182
Bank credit	1386	1469	— 83
Borrowings from RBI	9	2	— 7
Balances with RBI	77	114	+ 37
Cash	48	56	+ 8
Investments	713	759	+ 46

The above table will show that with a substantial rise in deposits by Rs 182 crores and a contraction in advances by Rs 83 crores, the banks' resources position has so much improved during the past year as to make it possible for them to reduce their borrowings from Reserve Bank by Rs 7 crores to a very small figure and to swell their cash and balances with the Reserve Bank by Rs 45 crores and to augment their investments in Government securities by Rs 46 crores. It is therefore clear enough that the resources position of scheduled banks at the beginning of the current busy season is comparatively much better than in the last year. Besides, chances are that deposits may grow further. Banks will therefore be able to meet the additional credit needs of the ensuing busy season without strain, and more so with the additional credits to be made available to them by the Reserve Bank, and at the same time to keep down the credit deposit ratio within limits. The ratio is now relatively lower at 65.77 per cent compared with 67.53 per cent a year ago, and 77.8 per cent in March 1963.

The securities market ruled steady during the week with little change in prices. Short-dateds continued in demand. With easiness in the money market, demand may broaden a little. Now that scheduled banks' borrowing limits have increased, they will have less need to unload government securities to meet the needs of the busy season. In the circumstances, the giltedged market may be expected to maintain strength.

(In the 'Money Market' column in the issue of November 2, on page 1843, column 2, line 18, the figure '86' should read as '7.86').

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CURRENT STATISTICS

BANKING RETURNS

(*Rs crores*)

Reserve Bank	Nov 1	Oct 25	Oct 4	Nov 2, '62
1 Note circulation	2243.92	2251.38	2220.69	2063.79
2 Rupee coin	120.95	120.65	123.28	121.14
3 Deposits				
(a) Central Govt	48.68	47.97	78.29	49.95
(b) Other Govts	7.37	14.80	2.54	10.08
(c) Banks	101.10	120.57	77.92	74.13
(d) Others	163.77	161.13	165.68	160.15
4 Foreign securities	92.46	92.46	92.46	88.08
5 Balance abroad	7.31	9.94	8.60	5.54
6 Rupee securities	1939.31	1939.31	1914.31	1758.29
7 Investments	230.10	236.79	173.27	159.80
8 Loans and advances to Govts	64.22	63.48	86.50	40.53
9 Other loans and advances	138.65	138.79	144.57	151.90

Scheduled Banks	Oct 25	Oct 18	Sep 27	Oct 26, '62
1 Aggregate				
Deposits (net)	2233.56	2216.07	2215.45	2052.05
Demand (net)	974.75	962.80	968.97	805.39
Time (net)	1258.81	1253.27	1246.48	1246.67
2 Cash in hand	56.46	56.98	50.92	47.78
3 Balance with Reserve Bank	113.77	75.20	81.50	76.55
4 (2)+(3) as % of (1)	7.62	5.96	5.98	6.06
5 Borrowings from Reserve Bank	1.88	1.94	1.86	9.35
(a) Against usance bills and/or promissory notes	—	—	0.10	7.39
(b) Others	1.88	1.94	1.76	1.96
6 Advances	1237.66	1246.51	1233.15	1175.07
(a) State Bank	233.87	236.60	236.39	254.12
(b) Others	1003.79	1009.91	996.76	920.95
7 Bills discounted				
(a) Inland	173.98	173.10	168.07	159.50
(b) Foreign	57.31	56.39	50.90	51.23
(c) Total	231.29	229.49	218.97	210.73
(i) State Bank	16.65	14.95	13.88	15.18
(ii) Others	214.64	214.54	205.09	185.55
8 (6)+(7) as % of (1)	65.77	66.60	65.54	67.53
9 Investment in Govt securities	759.34	769.09	779.43	712.50
10 (9) as % of (1)	34.00	34.71	35.18	34.72

Bombay Money Rates

(*Per cent per annum*)

	Oct 25	Oct 18	Sep 27	Oct 26, '62
Call money from Banks	2.49	2.50	2.02	2.00
Deposits				
Seven days	3.00	3.00	2.95	3.00
Three months	—	—	—	—
Six months	3.75	3.75	3.75	3.75

INDEX NUMBER OF WHOLESALE PRICES

(*Base*: 1952–53=100)

Group & Sub-Group	WEEK ENDING 28-9-63	21-9-63	31-8-63	29-9-62
Food Articles	138.7	139.0	139.3	129.0
Cereals	117.6	117.6	116.1	108.6
Pulses	112.2	111.2	108.4	111.9
Fruits & Vegetables	113.6	111.6	141.5	126.8
Milk & Ghee	126.2	126.2	128.4	124.8
Edible Oils	153.1	154.2	154.7	156.8
Fish, Eggs & Meat	148.5	150.0	153.7	154.1
Sugar & Gur	217.4	220.4	212.9	156.1
Others	182.7	182.7	181.9	169.0
Liquor & Tobacco	118.7	118.7	118.2	100.0
Tobacco	115.8	115.8	115.2	96.5
Fuel, Power, Light and Lubricants	139.8	138.9	139.8	124.2
Industrial Raw Materials	140.2	140.4	141.7	140.1
Fibres	130.4	132.0	133.6	130.0
Oilseeds	164.9	160.7	160.4	160.0
Minerals	91.5	91.5	91.5	93.4
Others	121.3	121.3	125.4	124.7
Manufactures	131.1	131.1	131.0	129.2
Intermediate Products	139.3	139.2	139.8	142.9
Finished Products	129.8	129.8	128.6	126.9
Textiles	128.0	128.0	127.6	125.4
Cotton	135.9	135.9	135.5	129.1
Jute	102.0	101.3	99.8	111.4
Woollen	156.6	156.6	156.6	141.3
Silk & Rayon	136.3	137.5	140.1	133.4
Metal Products	163.7	163.7	163.7	161.0
Chemicals	117.1	117.2	117.4	116.5
Oil Cakes	165.0	165.6	164.8	164.6
Machinery & Transport equipment	123.9	123.9	123.9	117.4
Others	128.6	128.6	128.6	125.3
All Commodities	136.3	136.5	136.8	130.0

Foreign Exchange Reserves

(*Rs Lakhs*)

End of	Amount	Variations over the previous year/month
1963: Aug	257,19	— 5,04
July	262,25	— 26,75
1962: Aug	240,44	— 2,92
July	243,36	+ 2,11
1962–63	295,10	— 2,21
1961–62	297,31	— 6,30
1960–61	303,61	— 59,26
1959–60	362,87	— 16,05
1958–59	378,92	— 42,30
1957–58	421,22	—259,88
1956–57	681,10	—143,51
1951–52	786,69	—164,72

Source : Reserve Bank of India.

Production of Petroleum and Petroleum Products

('000 *Metric Tons*)

	July '63	June '63	July '62	1962 (Average)
Crude petroleum	—	123.2	92.3	85.1
Petroleum products				
Light distillates	135.1	119.1	107.0	96.8
Kerosenes	129.1	123.0	105.4	97.3
Diesels	171.5	162.5	153.3	149.3
Lubricants	2.6	3.6	1.4	2.1
Bitumens	33.6	23.8	31.5	30.7
Heavy ends	191.4	209.1	180.0	162.9
Others	8.7	9.5	11.9	10.7
Total of petroleum products	672.1	650.6	590.4	549.8

Source : Ministry of Mines and Fuel.

SMALL SAVINGS

(*Rs Lakhs*)

	July '63 R	July '63 O	June '63 R	June '63 O	May '63 R	May '63 O	July '62 R	July '62 O	1962–63 Total R	1962–63 Total O	1961–62 Total R	1961–62 Total O
Total Small Savings	34,27	969,24	29,06	957,17	29,91	951,11	29,55	880,18	361,41	944,75	341,48	872,39
National Savings Certificates												
5 years	—	53	—	54	—	55	—	77	—	59	—	86
7 years	—	1,23	—	1,27	—	1,32	—	1,73	—	1,40	—	1,89
12 years	—	42,32	—	43,87	—	45,34	—	60,15	—	48,23	—	65,52
National Plan Certificates												
12 years	8	359,14	—	361,25	—	363,29	6,25	364,38	42,08	368,16	79,81	347,96
10 years	—	15,91	—	16,01	—	16,05	—	17,13	—	16,31	—	17,91
Annuity Certificates (15 years)	2	3,81	2	3,82	2	3,83	4	3,71	50	3,83	49	3,63
Cumulative Time Deposits												
5 years	50	9,29	44	8,82	49	8,41	27	8,49	3,79	7,55	2,33	3,96
10 years	23	4,28	19	4,06	18	3,88	14	2,41	1,67	3,56	1,01	1,91
Post Office Savings Bank Deposits	21,37	350,61	18,84	346,65	19,68	346,68	21,79	342,61	242,01	351,71	241,05	347,90
Cash Certificates, Defence Savings Certificates and Defence Savings Bank Deposits	—	–42,68	—	–42,66	—	–42,64	—	–42,55	—	–42,62	—	–42,43
Treasury												
10 years Deposit (3½%)	—	18,20	—	18,93	—	19,37	—	18,20	—	20,38	—	27,50
Savings Certificates (4%)	—	60,50	—	60,57	—	60,62	—	60,51	—	60,70	—	53,35

Note : Annual figures relate to the year beginning April. R=Receipts; O=Outstandings.

Source : Accountant General, Posts and Telegraphs Department, Government of India, and Reserve Bank of India.

INDUSTRIAL FINANCE CORPORATION

Liabilities and Assets

(*Rs Lakhs*)

	Figures for the last Friday of Aug '63	July '63	Aug '62	1962-63
Liabilities				
Reserve funds	2,85	2,85	2,16	2,22
Reserve for doubtful debts	14	14	14	14
Provision for taxation	1,44	1,44	59	59
Bonds and debentures	28,24	28,24	22,24	28,24
Borrowings	27,07	26,93	20,43	24,85
(i) From R B I	10	—	6	—
(ii) From Govt	24,75	24,75	19,75	23,75
(iii) In foreign currency	2,22	2,18	62	1,10
Other liabilities	23,91	22,90	20,19	21,04
Total liabilities or assets	83,67	82,52	65,76	77,09
Assets				
Cash in hand and balances with banks	1,65	1,94	2,52	3,59
Loans and advances	59,92	59,58	49,16	55,63
Other assets	22,49	21,00	14,08	17,86

Source : Reserve Bank of India.

Coal Production and Despatches

(Monthly Averages or Calendar Months)

('000 *Metric Tons*)

		Raisings	Despatches	Stock at pit head
1963 :	June *	5,299	5,718	4,538
	May *	5,718	4,888	4,529
	April *	5,696	4,969	4,269
1962 :	June	4,835	4,360	3,840
1962		5,129	4,573	3,483
1961		4,675	4,190	3,290
1960		4,384	3,860	3,458
1959		3,984	3,522	2,729
1958		3,838	3,415	2,808
1957		3,683	3,190	3,331
1956		3,338	2,959	2,810
1955		3,236	2,789	2,685
1951		2,915	2,473	2,824

* Provisional.

Source : Coal Controller, Ministry of Mines and Fuel.

STATE FINANCE CORPORATIONS

Liabilities and Assets

(*Rs Lakhs*)

	Figures for the last Friday of Aug '63	July '63	Aug '62	1962-63
No of SFCs	15	15	15	15
Liabilities				
Capital and reserves				
(i) Paid-up capital	15,32	15,32	15,11	15,32
(ii) Reserve fund	17	17	13	13
(iii) Provision for bad and doubtful debts and other reserves	38	35	20	26
Bonds and debentures	18,48	18,48	16,48	18,29
Other liabilities	18,01	17,67	10,98	13,76
Total liabilities or assets	52,36	51,99	42,91	47,76
Assets				
Cash in hand and balances with banks	3,71	4,33	6,85	4,12
Investments in				
Government securities	4,34	4,29	4,43	4,61
Loans and advances	34,78	33,82	25,58	31,83
Debentures	22	22	13	22
Other assets	9,31	9,33	5,92	6,98

Source : Reserve Bank of India.

Joint Stock Companies

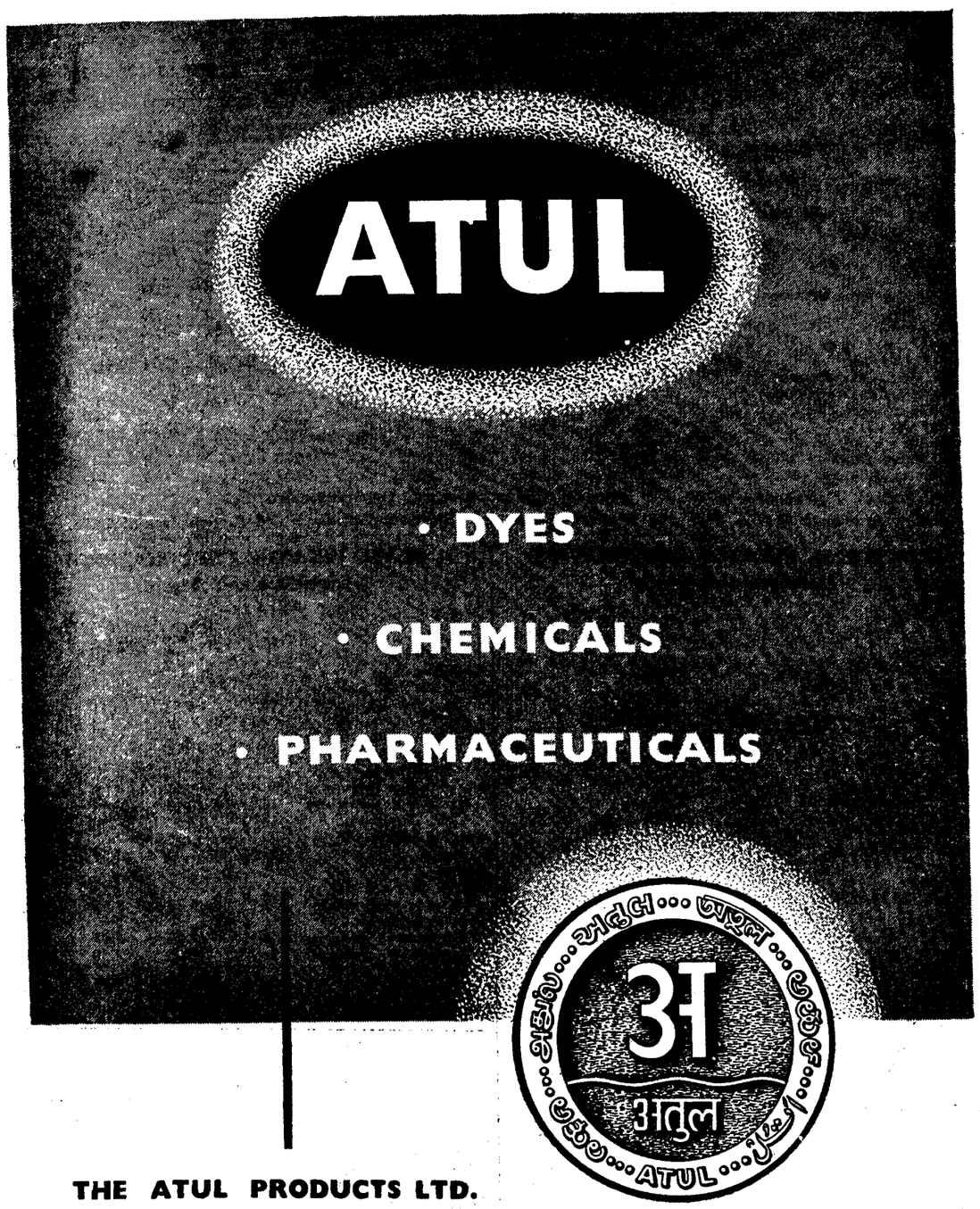
New Registrations and Liquidations

(*All Amounts in Rs Lakhs*)

	July '63	June '63	July '62	1962 (Average)
Incorporated and registered				
No of companies	89	70	127	128
Authorised capital	12,39	7,16	19,72	25,82
Ceased to work				
No of companies	70	74	67	94
Paid-up capital	7,16	26	92	55
Over-all variation in paid-up capital of all companies	+12,36	+9,16	+29,56	+15,05

Source : Department of Company Law Administration, Ministry of Commerce and Industry.

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Fruitless Appraisal

NO one in his senses would ever think that to the problem of agriculture in a vast country like ours with such wide variations in climate, rainfall and soil, tenancy and administration, there could be a unique solution. It does not follow, however, that by spreading themselves all over the field — the very diffusiveness of the statement issued shows it — the National Development Council deliberated to any purpose or achieved anything. If agriculture was to be given sufficient importance, at least Pandit Nehru's suggestion that the Chief Ministers of the States should take up this portfolio deserved consideration. But it was not even mentioned in either the reported proceedings or the official statement. The only concrete result of the meeting was the decision to set up an Agricultural Production Board at the national level, with the Minister of Food and Agriculture as Chairman and the Ministers of Planning, Agriculture, Community Development and Co-operation, and Irrigation and Power, and the member of the Planning Commission in charge of Agriculture. The composition of the Board is thus entirely Central. It may achieve something if it succeeds in coordinating the work of the various central agencies which are concerned with agriculture. But the States are not represented on it, and without the States, how far can the Centre go in the matter of agriculture?

That, however, is not the crux of the matter. It would be idle to deny that some progress has been made in agriculture over the last decade; even so, dependence on rainfall being still overwhelming, any one year's production remains susceptible to wide fluctuations. What should have concerned the National Development Council, therefore, was not the bad crop last year and the not so good crop the year before, but the unmistakeable signs that the modest upward trend observed earlier has been flattening out. Over the decade significant improvement has been achieved, the long historic spell of stagnation has been broken, but that improvement is coming to an end or slowing down, resulting in a loss of momentum and the symptoms of stagnation. What has been tried out so far has achieved in some measure the results that could be expected—agricultural extension, use of fertilisers, some changes in techniques that are possible with the cultivator's very limited resources, and so on. Not that any of these means cannot be pushed further or has reached a saturation point but the further progress that can be expected from them are now limited. The next spurt must come from a fresh impulse to growth that can be imparted to agriculture.

Where is this impulse to come from? Can it come from strengthening the motivation of the cultivator for better productivity by making his rights in land, still obscure and hemmed in by restrictions, really secure and demonstratively so? Will it come from a big push in techniques such as injection of substantial quantities of fertilisers into the soil, by covering all non-irrigated fields with pumping sets, by spraying pesticides all over, by universal introduction of improved implements, or a combination of all these?

With none of these questions does the National Development Council come to grips. Everything is touched — better coordination between programmes and the different government agencies at the State, district and block levels; special measures for food crops and commercial crops; more intensive cultivation in selected areas, presumably through the package programme which most of the States have been tardy or reluctant in taking up; better use of research, more agricultural education and training. What do they add up to? Pretty much what is being tried now, only with the exhortation that it should be pushed a little more energetically. Is it surprising that people should find all this platitudinous, purposeless and unprofitable?

The National Development Council met ostensibly to review the mid-term appraisal of the Plan and this is what its deliberations came to. Its special authority being derived from the presence of the Chief Ministers of the States, the Council probably considers it beyond its province to pass judgment on the Plan performance as a whole. Had it not been so inhibited, it could have done something useful by bringing out the deficiencies and rendered valuable service by putting its weight behind its assessment of the non-agricultural part of the Plan — the more dangerous and alarming stagnation that has overtaken its hard core — the heavy industry complex, more specifically.

For once, one must protest that agriculture is being blamed too much. This has nothing to do with the relative importance of this sector, nor is it to say that there is nothing wrong with agriculture or that its performance is as good as can be expected. The point is worth emphasising, while assessing the progress of the Plan as a whole — what else is the mid-term appraisal? —, that failure in agriculture has not by itself held up the progress of the Plan. The familiar pattern in the past of investment activity being slowed down or temporarily held in abeyance because of the danger of inflationary pressures being actuated by food shortage — rising food prices, rising wages and costs, in that order — at least that has not reappeared. What has been holding up the progress of the Plan, therefore, demands an immediate and searching scrutiny. For the mid-term failure, the weather cannot be made a scapegoat.

True, failure in the non-agricultural part of the Plan is not immediately reflected to any great extent in the so-called growth rate which is heavily weighed by the performance in agriculture and thus liable to be distorted by the vagaries of monsoon. The hard core is also the base and if the work of building up that base is slow and halting, what picture can one draw of the future? A good crop in the last two years of the Plan may still bring up the growth rate to the average of the earlier plans but, surely, that would not say much about the Plan's performance?

Japanese Elections

AN attempt on the Prime Minister's life is a common enough occurrence in Japanese political life, particularly in a time of disturbance. This time the disturbance is Japan's preparation for elections next week. The ruling Liberal-Democrats with one year left to their term of office and 289 seats, face 137 Socialists, 15 Democratic Socialists, 3 Communists and two independents. The Opposition can hope, on the basis of the last three elections, to increase their vote by three to five per cent, consolidating their hold on roughly forty per cent of the electorate, but not necessarily achieve the same result in seats. It is not clear whether the Socialists will at long last capture thirty per cent of the vote, a symbolic divide.

All parties are fielding large teams— the ruling party 350 candidates, socialists 235, and democratic socialists 61. However, as significant as the inter-party contest is the inner party struggle. Ikeda needs to ratify his position as Prime Minister not just in general terms, but also to ensure he will become Party President in next July's Party elections—a result only guaranteed if he is strengthened by the present elections. He claims at present 50 Diet seats, while his rivals, Sato and Kono, claim 49 and 35 respectively, and aim to increase their Diet following in the present election to about 60 each. The at least seven other significant groups in the Party have not so far entered the leadership struggle. The political differences between the rivals are obscure, although Sato is rated as more pro-American than Kono who in 1960, during the Security Treaty turmoil, tried to create a more east-oriented party. On the fringes of the Party, a fanatical Budhist sect that entered politics in 1955 and has met with increasing success (it now claims to be the third largest group in the Upper House), the Soka Gakkai, will no doubt be campaigning on a right-neutralist platform.

The left is scarcely more united than the right. The split between Socialists and right-wing Democratic Socialists, has not intensified the homogeneity of either party. The Socialists re-elected Sakuro Eda as General Secretary (and defeated the 'anti-main stream current') without thereby eliminating rivalry between the four major Party groups. Seuhiro Nishio in the Democratic Socialists still manages to maintain his 'main stream' predominance over his nearest rival, Tetsu Kalayama.

Last summer's Ninth Congress Against Atomic and Hydrogen Bombs (organised by Japan's Gensuikyo, an anti-bomb umbrella for many left groups) precipitated the final split between Communists and Socialists who have now set up a separate anti-bomb organisation. Communist dominance of Gensuikyo, however, is vitiated by their own severe Sino-Soviet split. In any case, Communist influence in the trade unions (Sohyo) and student movement (Zengakuren) has in recent years slowly been reduced, leaving the field open to rival factions of non-Communist Marxists, the prime instigators of the 1960 struggle against the Security Treaty.

The ruling party will attempt to divert electoral attention abroad, but the left is strongly attacking the current inflation and recession since 1962. Severe labour shortages and the resultant rising costs helped to inflate consumer prices some six to

seven per cent during 1962 — all of which suggests that Ikeda may have called the election as a preliminary to deflation and a curb on the easy money policy that has stimulated past growth. The Government has little reason to fear the purely economic charges since, although last year recorded only a 3.8 per cent increase in gross national product, (still higher than, say, British or American rates in recent years), the three years before that recorded rates of 18, 13 and 14 per cent respectively. With such a base, Japan can still fulfill its target of doubling per capita income in one decade.

Other election issues concern Japan-Korean relations, the proposed visit of US submarines to Japanese ports (a question that reopens the controversy on Japan's relationship to America), and the effects of Washington's attempt to strengthen the dollar. Japan's Finance Minister has estimated that the Kennedy tax on US investments abroad will cost Japan 350 million dollars per year — an overestimate, but one which demonstrates that this is a live political issue. The 'Buy American' campaign is likely to have more serious effects on Japan's foreign exchange position.

Ikeda can cite as evidence of Japan's progress its admission into OECD, but the left can counter-attack that this admission, entailing more liberalised trade and competition in the domestic market, must stimulate a further growth in concentration and cartelisation of business — quoting as example the recent remerger of Mitsubishi's heavy industrial interests. Inflation and the restoration of the Zaibatsu, the pre-war business empires, are the principal left targets.

Japan is likely in the election to play safe again and opt for stability —particularly since the major proportion of the electorate is still rural. But the similarities between West Germany and Japan in terms of phenomenal boom and preference for right-of-centre governments, should not obscure the difference : Japan still has a revolutionary Left, and the combined radical vote is creeping up slowly. Ikeda's bid to buy off the Left with prosperity (in imitation of the West) might be too late.

Nationalisation by Competition

IF the Life Insurance Corporation goes into general insurance business, it will not be as big a change as the nationalisation of life insurance. It may mean, however, progressive nationalisation of general insurance through the back-door. For L I C will inevitably take away the larger part of the available business in the near future. L I C subsidiaries have already taken over the major part of public sector insurance; besides, 30 per cent of all reinsurance in India has to be ceded to Indian Guarantee, one of L I C's subsidiaries. L I C, however, will have to operate in competition with private insurers.

Why L I C wants to go into general business or, for that matter, whether it will do so at all, nothing has been stated officially. If L I C is to write general business, an amendment to the L I C Act of 1956 will be required. After that, L I C would have to seek formal registration with the Controller of Insurance for underwriting fire and marine business. It is now registered only for life and miscellaneous business, though it has not undertaken any business other than life.

The immediate purpose of going into general insurance could be to check the malpractices of rebating and inflation of expenses, and to bring down the general level of premium rates. These are interrelated to some extent. Malpractices can be checked if the rates are reduced but that is not all. Malpractices arise because the market is small, the number of insurers is relatively large, and business firms do not observe ethical standards in the purchase of materials and services. The emergence of L I C as a competing insurer cannot be expected to improve business morality but it can help in dealing with the other two causes of malpractices.

At the end of 1962, there were 147 private insurers in India, of which 70 were foreign. In 1961, they had total assets of Rs 85 crores and total net premium income of Rs 47 crores. The share of Indian companies in these was Rs 73 crores and Rs 39 crores, respectively. Most of the companies had little business of more than Rs 1 crore. About 72 per cent of premium income was earned by companies registered in Maharashtra and another 17 per cent by those registered in West Bengal. The geographical distribution of insurance coverage is not given in the Insurance Year Book but it must have been confined to only a few large urban industrial centres. The first concern of L I C must be to expand the size of the market and this requires not just lower rates but also a vigorous organisational effort.

If L I C enters the field, small private insurance companies will inevitably be weeded out. This process is already under way; it would be expedited. The gains would accrue largely to the public sector, instead of being monopolised by a few insurance companies controlled by large business groups. This would be preferable both to compulsory mergers which would take a long time and further strengthen the big groups, and to outright nationalisation which is unnecessary because general, unlike life, insurance is a short term commitment which has to be renewed frequently. L I C's entry would also tend to reduce the share of foreign insurers who, at present, book about one-fourth of the total premium and yet keep the field open to them.

So far as the investment of general insurance funds is concerned, it is doubtful that a significant transfer from shares to Government securities will take place. The total size of these funds will remain small, as compared with life funds, for a long time. In 1961, general insurers invested Rs 10 crores in Indian Government and semi-Government securities and Rs 25 crores in debentures and shares. The L I C in that year had an investment of Rs 430 crores in gilt-edged and Rs 101 crores in debentures and shares. Between 1954 and 1961, the proportion of Government securities in the total assets of general insurers fell from 20 to 8 per cent while that of ordinary shares rose from 10 to 22 per cent. Private insurers would still be free to choose their investment

pattern within the limits of the Insurance Act, and L I C is, after all, not allergic to investment in shares.

There can hardly be much objection in principle to the taking up of general insurance by L I C except from the general insurers. The L I C management, however, had so far fought shy of it. Will it prove equal to the task of facing a buyers' market, in which the competition is severe and the risks, including that of adverse parliamentary comment, great?

Weekly Notes

Railways: Shortage or Surplus?

THE interim report of the World Bank team on coal transport questions some of the current notions about the likely position of demand for and supply of rail transport by the end of the Third Plan. Having adjudged that the "one single, all-embracing cause" of the transport crisis of 1960 and 1961 was the railways' failure to provide enough capacity, especially in rolling stock, ahead of demand, the team is full of foreboding for the future. It estimates that even if demand at the end of the Third Plan falls short of Plan expectations by as much as 10 per cent as a result of shortfalls in production, the planned increase in rolling stock will not be sufficient to meet the demand for rail transport. The "minimum gap" between demand and supply is placed at 20,000 wagons and 200 locomotives, and it is recommended that in the remaining years of the Third Plan at least some 4,000 wagons and 100 diesel locomotives should be added to the rolling stock over and above what is provided for in the Plan. This would not close the gap, but it would relieve the shortage expected to develop.

This prognosis contrasts sharply with that contained in the Planning Commission's mid-term appraisal which is that, because of the lower production of coal and steel, the railways are likely to have surplus capacity at the end of the Plan. The contrast is particularly interesting because the likely shortfall in the demand for rail transport expected by the Planning Commission is actually *less* than that anticipated by the World Bank team. Whereas the latter expects that demand will fall short of the Plan target by 10 per cent, the Planning Commission anticipates the shortfall to be only 6 to 8 per cent. This notwithstanding, whereas the Planning Commission predicts surplus railway capacity by the end of the Plan, the World Bank team urges higher investment in rolling stock than earlier envisaged to reduce likely shortage of capacity.

Which of these estimates is borne out by the actual position as it develops in the next two years will depend, in addition to the volume of traffic that materialises, on the pattern of goods movement, relative shifts between different modes of transport, particularly the railways and road transport, etc. It is unlikely that it has been possible for either the Planning Commission or the World Bank team to take full account of these factors. The one body which could be expected to give a more definite picture — the Committee on Transport Policy and Coordination, which is charged with recommending a long-term transport policy for the country as well as delineating the role of the different means of transport in the next five to ten years — is silent even though it has now been at work for more than four and a half years.

Irrelevance on Education

IF any one had expected that the Conference of Education Ministers, Vice-Chancellors and eminent educationists would get us nearer a clear enunciation of long-run education policy, he must be disappointed now. It was not that the approach was insufficiently comprehensive. In the course of its three-day deliberations, the Conference covered the whole gamut of problems, touching on elementary and secondary as well as university and higher education. What conclusions it arrived at is another question.

There was some repetition of familiar targets — free, compulsory universal primary education for five years by the end of the Fourth Plan — and of incontrovertible principles — bringing all girls of the relevant age group to school. There was also some discussion of loans for building programmes, which yielded a surprising spurt of recommendations. Such loans, it was suggested, should be interest-free, or charged no more than 3 per cent, with interest waived for the first year, and the period of repayment should be increased from 15 to 30 years.

In the matter of secondary and higher education, the Conference was able to set down some goals "towards which the country should work even though considerations of finance and man-power may not make it possible to implement it in all the States in the immediate future". These relate to the duration of school education, a question on which discussion has gone on for some time now. The decision was reached — apparently not without some difficulty — that secondary education should be spread over 12 years, and that the age of admission to the university should be generally 17 plus and in no case less than 16 plus.

But one is tempted to ask why so much preoccupation with the time span of education? Is it a necessary preliminary for raising standards? What matters more — whether instruction in the year prior to entrance to a degree course is given in a school or college or whether that instruction is adequate preparation for the study ahead? And, if standards are raised sufficiently, will not the age of school-leaving go up automatically, while also providing scope for precocious pupils?

No doubt, another point on which the Conference reached agreement was that the standard, at the end of the secondary stage, should be raised so as to be equivalent at least to the 'Intermediate' level of the former four-year degree course. Apparently, each State is to devise its own means of achieving this end. And that is not going to be easy so long as there is confusion even as to the purpose of secondary education. Is it to be considered as terminal or as preparatory to the university course? Opinions seem to differ. Obviously, there are and there will continue to be a vast number of students who either do not aspire or cannot afford college education. For them, the school is no doubt terminal and the education provided there should be as practical as possible. On the other hand, even if those who pass on to the university are a numerical minority, their claim for adequate preparation for the intellectual ardours ahead is not less powerful. Beyond a point, the requirements of these two groups are different. So long as this fact is not faced, there can be no appreciable advance in education.

The Conference, unfortunately, seems only to have added to the existing confusion. True, it admitted the dual purpose of secondary education — "to make the products fit for employment in agriculture, industry, trade, commerce or other vocations and also provide them with opportunities of higher education should they later so desire". But it did not see these aims as distinct and separate. Surely, the challenge cannot be met by its suggestion that except for "academic courses in humanities and sciences", the other courses should be "job oriented". With such off-hand allocation, school education would continue to be neither fish nor flesh, serving neither purpose adequately. There has to be a segregation of pupils at a stage *prior* to the end of the secondary course, and the needs of the "terminal" and "preparatory" groups met separately. Unless this is done, there is little chance of achieving the improvement of university standards, with which the U G C is so deeply — and rightly — concerned.

Split in Baath

THE pressure for Arab unity is persistent; suppressed, it creates tensions which must sooner than later erupt. The attitude to an Arab union is a key factor in the current split in the Baath Socialist Party which rules Iraq and Syria. Having pursued their breach with Nasser to the point of no reconciliation, the leaders of the Baath had to provide an alternative magnet to the Arabs, deep urge for unity. From this point of view, two results of the party's Sixth International Congress in Damascus last month deserve special attention: first, the decision to unite Syria and Iraq in a federation involving military cooperation and "complete economic union" and, second, the triumph of extreme anti-Nasser elements, led by Ali Salah El Saadi of Iraq and Amin El Hafez of Syria in the elections to the party's central politburo.

Union of Syria and Iraq as an end-goal is meaningless. Its real significance is immediate: as an earnest of the Baath path to Arab unity. The emergence of extreme anti-Nasserists in power in the party's central leadership at the Congress seemed to indicate that this path would be pursued with determination. The Congress was closely followed by a reshuffle of the Government in Syria in which El Hafez replaced Salah Bitar, the leader of the moderate section in the party. That a similar attempt would be made in Iraq was to be expected. It was, but with different results. Here the moderates led by President Abdel Salam Aref appear to have survived the attempt and the Vice-Premier and extremist leader, Ali Saadi, has been exiled to Madrid.

Differences between the Syrian and Iraqi Baathists have been known to exist for some time. Iraqi Baathists have been critical of the excessively brutal treatment of the Nasserist instigators of last July's abortive coup in Syria. President Nasser himself has reserved his attacks for the Syrian Baathists whom he has called "fascists" and "murderers" while maintaining a discreet silence about Iraqi Baath leaders. Now the success of the extremists in Syria and their failure in Iraq drives the party in the two countries farther apart and emasculates the Baathist alternative to Nasserism even before it had begun to take shape.

U N vs S Africa and Friends

TO put the latest U N General Assembly resolution calling upon members to cut off supplies of petroleum to South Africa until it granted independence to the mandated territory of South-West Africa in the correct perspective, it needs to be noted that between 1946 and 1952, the General Assembly has passed no less than 26 resolutions against the racial policies of South Africa and a number of others specifically concerning South-West Africa. At the seventeenth session of the General Assembly in 1962, 34 members, including India, moved a comprehensive resolution calling upon members to take far-reaching diplomatic and economic measures against South Africa with a view to compelling it to abandon apartheid. The operative part of the resolution, which was passed by an overwhelming majority, required member Governments to:

(i) break-off diplomatic relations with South Africa;
(ii) close their ports to all vessels flying the South African flag;
(iii) prohibit their ships from touching at South Africa ports;
(iv) boycott South African goo and prohibit export goods, including arms ar ammunition, to South Afr ca; and
(v) refuse landing and passag facilities to aircraft belon ing to South African Go ernment or companies.

Clearly, then, there already exis a U N embargo on all trade wi South Africa. A number, though nc all, of the Governments who sup ported the resolution have alread implemented it. Yet the total effe of their action on the South Africa economy has been negligible. Th reason is obvious. Those who hav taken action are those, like Indi who in any case had little or n economic and diplomatic relatio with South Africa. On the othe hand, the countries on whom Sout Africa is dependent for economi and political sustenance opposed th resolution in the General Assembl and have ignored it in practic since.

To take the latest resolution o the territory of South-West Africa principal among those who oppose it were the U S, Britain and Franc Between them, the three countrie with West Germany, account fo more than 60 per cent of all Soutl

African imports. Insofar as these countries have already expressed their opposition to the resolution, the embargo will remain ineffective and the purpose of the resolution will be defeated, irrespective of the rousing support for it among the other members. The integration of the territory of South-West Africa into South Africa has already gone far and the process is unlikely to be arrested by the General Assembly's gesture.

Plan for Spain

ON November 30, Spain's draft Development Plan will be submitted to the National Economic Council before it goes on to the Cabinet. One of the last remnants of interwar protectionism as well as political corporatism, Spain is preparing to 'take-off'. All that cheap Spanish labour that flowed into the Common Market has started returning to press for their homeland's entry into the modern world. As a result, merely to survive, the present regime has slowly shifted its role— from *dirigisme*, to a liberal but planned economy. This has meant steady reduction in controls along with stabilisation measures, expansion of private industry but more State intervention in banking. A World Bank Report (published in September) and an O E C D Report provide the ground material for preparing Spain for her debut into the Common Market. Concomitantly, familiar development problems have appeared — not the least is represented in the long and bitter struggle of the Spanish miners for a better deal, an event startlingly unfamiliar in the stagnant feudalism of falangist Spain.

The precise shape of the new pattern owes much to the inspiration of France. De Gaulle has never shared the common European distaste for Spain's dictator — indeed, the two have similarities. Again, traditionally France has had a strong cultural influence over its southern neighbour — French education is available in most major cities, and French publications are widely read. Now France has loaned Spain an estimated Fr 800 million, and launched joint projects to expand communications over the Pyrenees, create hydro-electric installations, and lay down a natural gas pipeline from the Sahara under the Mediterranean. In addition, the French President has extended substantial technical aid to help Spain develop nuclear projects, and is currently expected to support Spain's application for associate membership of the Common Market. About half the nine million tourists visiting Spain this year were French. It can thus be expected that, after French planning experts have revamped the Spanish economy, Franco will be tempted to reform his own regime on Gaullist lines.

The Plan, operative from 1964 to 1967, has not yet been published but some details have been issued by Sr Lopez Rodo, the Planning Commissioner. The target is to increase gross national product by six per cent per year, with particular emphasis on metals, chemicals, cement and paper. Public sector investment is to reach £2,000 million, and private £3,000 million. Transport, power, fishing, tourism (the target is 31 million tourists per year), housing and education are to be expanded, while productivity in agriculture is raised through more capital investment and a cut in its labour force (aimed reduction: 340,000 workers). The overall attempt, to raise Spanish productivity to general European levels, is to be achieved by 'voluntary' means — business will be bribed rather than whipped.

Whether all these grand designs are within the ability of the Spanish economy to achieve is not clear. There is little detail as yet on how it is to be paid for, although the inflow of capital frightened by revolutions elsewhere and attracted by Spain's interest rates and alleged stability is still high. Little information is available on exports, or on how Spain will reduce its dangerous dependence in external payments on tourism and receipts from emigrants. Nor has much been said on the imbalance of development in Spain's economy, although, it is rumoured, the Government intends to set up key growth industries in three major backward areas.

All this activity cannot leave the political structure untouched. The signs of change have long been there, particularly surrounding the persistent question of what happens when the old man dies. Some sections of the Church have shaken loose from the falangist regime, and show signs of infection from liberal Popes and the practice of Christian Democracy in Germany and Italy. Labour opposition to the Government trade unions, the *syndicatos*, was most dramatically demonstrated by the double strike of the Asturian miners. In some cases, to retain some labour loyalty, the *syndicatos* have been forced to retail worker pressures; in others, they have been by-passed, and *ad hoc* worker committees created to press on real issues. Despite continued ruthless suppression of all Left opposition, whether it be Liberal, Anarchist or Communist, Franco cannot but temper to the wind—particularly as the demand for a higher living standard almost always goes with the cry for democracy. How the cosy complex of business, State, Army and Church will react, will determine whether or not Spain's transition to modernity will be scarred by a resuscitation of the Republican War.

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T. D. KANSARA, General Manager

B/C/133A

THEY ALSO FIGHT WHO WORK AND SAVE

Obituary

K C Mahindra

SO big is Mahindra & Mahindra today and so extensive its activities that few care to remember that the firm was started only after the last War or that its founder had already served nearly his full term as a Calcutta box-walla! K C Mahindra joined Martin & Co (which later became Martin Burn) immediately after leaving Cambridge and was with the firm for twenty years, for the last seven of which as a junior partner. In terms of years, this is very nearly the full span of service in a commercial firm, after which one retires, loaded with honours, and one in K C's position, often with a knighthood.

To be made a junior partner in a firm like Martins while one is still in one's thirties is, of course, no mean achievement. But it was only after leaving Martins that K C's real career may be said to have begun and his public image took shape. K C left Martin & Co in 1941 to take up the post of Chairman of the India Supply Mission in Washington. At the time this Mission was making huge purchases in the United States. Soon after leaving the Mission in 1945, he started his own firm with his brother, J C, who had been with the Tatas in their sales department for steel and who was appointed the Steel Controller during the war. The firm was first called Mahindra and Mohamed, the other partner being Gulam Mohamed, who left after Partition and later became the Governor-General of Pakistan. So the name was changed to Mahindra and Mahindra.

Even to those who had seen him for the first time only in his later years K C did not look old. Slim, lithe and agile, he was a type which never really grows old. It was the nimbleness of his active mind and his controlled energy which kept him so young in spirit. That was perhaps the most abiding impression left by K C — the clarity of his mind, its neatness and his very modern outlook, the opposite of the heavy, ponderous and involved, this must make for the type of skill and the mental quality associated with the modern science of management. For K C was not a magnate in his own right nor did he hold such a position of influence at the time that the Canadian associates of Indian Aluminium should approach him to be the Chairman of the company's Board of Directors, in which capacity he brought up Indian Aluminium from an infant to its present giant stature.

There is a chapter in K C's life which is now nearly forgotten — his long and intimate association with the *Hindustan Review*, run from Patna, which in the twenties was the leading and most influential organ of the Indian intelligentsia. K C ran the *Hindustan Review* for five years from Calcutta and also wrote a biography of Sir Rajendra Nath Mookerjee, that rare character — a self-made Bengali industrialist, and maker, though not the founder, of the present Martin Burn. The book is still of interest for its insight into Bengali society and family life of an earlier generation. Those who knew only this aspect of K C's career would think that K C found journalism, as did Panikkar and G L Mehta, a very good profession — to get out of!

Mahindra & Mahindra has grown into a big complex today, its interest covering engineering, trade, publishing and advertising. Its contribution to industrial development is already outstanding, manufacture of jeeps and textile machinery being among the best known. It is extending manufacture in a number of allied fields, and whatever Mahindras take up is well planned and well executed.

K C's services to industry was not, of course, confined to his work for his own firm. In advisory capacity or as director, he served a number of undertakings, both in the private and public sectors. It is a pity, however, that placed as he was, his contribution to the planning of steel and heavy industries could not be as effective as it should have been.

Letter to Editor

Unwanted Fertilisers

I WANT to point out what I believe are several errors in your weekly note, "Unwanted Fertilisers" (August 10, 1963). First as to facts, Sindri does not produce calcium ammonium nitrate. Nangal

and Rourkela both produce calcium ammonium nitrate — Nangal about 350,000 tons per year and Rourkela about half this amount (both on a 21 per cent nitrogen basis).

When I was in India last month Mr B C Mukherji, Managing Director of Fertiliser Corporation of India, showed me clear evidence that Nangal's output was being entirely consumed by farmers, although unfortunately a major part was being shipped to Madras and Andhra Pradesh. However, Punjab consumption was also high and increasing rapidly. Stocks at Nangal were down to almost zero at that time. I do not have any information on the offtake and stock situation at Rourkela since this plant was just getting under way at that time.

The main handicap to popularising calcium ammonium nitrate is just that it is a relatively new fertiliser for India, and farmers are just beginning to get acquainted with it. Ammonium nitrate, which is the pure, undiluted form of calcium ammonium nitrate, is the largest used solid nitrogen fertiliser in U S A. But India's farmers are becoming acquainted with calcium ammonium nitrate, and eventually they will accept it as more or less equivalent to ammonium sulphate. Nevertheless, I doubt if any more CAN plants will be built, since urea and ammonium phosphate are still better nitrogen fertilisers.

From a technical and agronomic standpoint the drawback of CAN is not that Indian soils have "excessive salinity" as you state. Salinity *per se* has nothing to do with it. Ammonium nitrate itself is acidic and the diluent, calcium carbonate, is alkaline and just about balances the acidity of the ammonium nitrate so that the overall product, CAN, is approximately neutral. The main drawback of calcium ammonium nitrate, as of all nitrates, is that they are not recommended by agronomists for rice culture because in the underwater environment in a rice field nitrates are attacked and decomposed by bacteria and part of the nitrogen is lost. This is why Japan and Taiwan use very little ammonium nitrate. This drawback is not serious for wheat-growing areas, like Punjab, but it may be more serious in rice-growing areas like Orissa and Madhya Pradesh. However, there probably won't be any more CAN plants built any way.

RAYMOND EWELL
Vice-President for Research,
State University of New York
at Buffalo.

New York
October 29.

If I were Looking for a Bank

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From the London End

Chemicals Set the Pace

RECENT developments in the chemical industry seem to be typical of the general uptrend in production in the British economy as a whole. Last week, the *Board of Trade Journal* published figures relating to the chemical industry for the first half of 1963. These show that compared with the same period in 1962, the growth in production has been much more widespread.

Seasonally adjusted (1958=100)	Index of Production
2nd half of 1962	133
1963: January-February	131
March-April	137
May-June	139
July-August (provisional)	144

Earlier revivals in the chemical industry took place first at the end of 1958 when it lasted for some eighteen months, and the next in early 1962 when it lasted for only six months. During these two periods, after making allowance for seasonal factors, expansion was at the rate of about 12 per cent a year, and the present expansion seems to be at much the same annual rate. This trend of growth is very welcome after two years of over-capacity and falling prices. The table below gives details of production in the industry. These show that compared with the same period in 1962, the growth of production has been more widespread.

While production of organic chemicals and plastics materials was not greatly affected by the severe weather at the beginning of 1963, it may have been a little held back. Over the first half year as a whole, production in these two sectors was respectively 14 per cent and 12 per cent higher than a year earlier, but the annual rate of expansion achieved by mid-1963 seems to have been rather higher than this.

The figures relating to fertilizers and paints and varnishes, are also interesting. From mid-1959 to the end of 1962, the paint industry showed little change in its overall level of output. This sector was seriously affected by the severe weather at the beginning of 1963. However, after January and February, when sales were particularly low, a rapid increase took place so that the shortfall at the beginning of the year was more than made good.

As far as fertilizers are concerned, production in the first half of 1963 was 9 per cent above a year earlier, a high rate of increase following a period of some three years of little change in the overall level of production. Production in the first quarter did not show any upward trend as compared with the previous three years, but in the second quarter it reached a very high level. Production of the newer, more concentrated, types of compounds increased fast in the first half year and there was a very sharp increase of production of ammonium nitrate.

Production of inorganic chemicals was 4½ per cent higher in the first half of 1963 over the same period last year. The rate of growth in this sector since 1959 is the fastest. Other basic chemicals showed an increase of 5 per cent over a year earlier; production of industrial gases (particularly oxygen) was growing rapidly in the first half of

Table 1 : Production in the Chemical Industry

Index of Production 1958 = 100

	Per cent weight ‡	1958	1959	1960	1961	1962	1961 Jan-June	1961 July-Dec	1962 Jan-June	1962 July-Dec	1963 Jan June
Dyestuffs	**3.9**	100	125	141	138	135	144	133	136	134	138
Fertilizers	**4.2**	100	108	117	118	118	124	113	122	114	133
Other chemicals											
Organic Chemicals *	**11.0**	100	119	148	147	165	149	146	160	170	183
Inorganic Chemicals	**10.6**	100	111	122	121	124	123	120	125	124	131
Other Chemicals, Gases, Etc	**19.1**										
Explosives	**5.1**	100	107	116	116	121	119	112	122	119	129
Miscellaneous Chemicals Industries †	**5.2**										
Plastic Materials	**7.8**	100	123	147	148	167	148	147	164	169	184
Paint and Varnish	**9.3**	100	110	112	112	110	116	106	114	107	116
Pharmaceutical Preparations	**10.8**	100	113	125	138	142	143	132	146	138	**155**
Toilet Preparations	**3.4**	100	109	120	123	121	116	130	114	127	**118**
Soap, Detergents, etc	**6.4**	100	103	106	106	108	113	99	111	106	108
Vegetable and Animal Oil and Fats	**3.2**	100	108	106	106	110	109	102	112	109	**114**
Total Chemical Industry	**100.0**	100	111	123	125	130	128	121	131	129	**139**
Total Chemical Industry (Seasonally Adjusted)		100	111	123	125	130	125	124	128	133	136
Total All-U K Industrial Production (Seasonally Adjusted)		100	105	112	114	115	114	114	115	116	115

* Including Coal Tar Chemicals.
† Adhesives; Polishes; Insecticides, Disinfectants, etc.
‡ Per cent of net output (excluding amounts paid for services) in 1958.

1963 and the increases were fairly general in this group. Table 2 shows the relative importance of various sectors through their contribution to the increase in the index of production for the chemical industries, the important part played by organic chemicals and plastic materials is evident.

Table 2 : Index of Production of Chemical Industry

	Per Cent weights	Contribution to total increase in index, first half of 1963 compared with first half of 1962*
Organic chemicals and plastics materials	18.8	+4.0
Other basic chemicals and explosives	40.0	+2.8
Other sectors	41.2	+1.4
Total, chemical industries	100.0	+8.2

* Increases in the respective index numbers (table attached) multiplied by the weights.

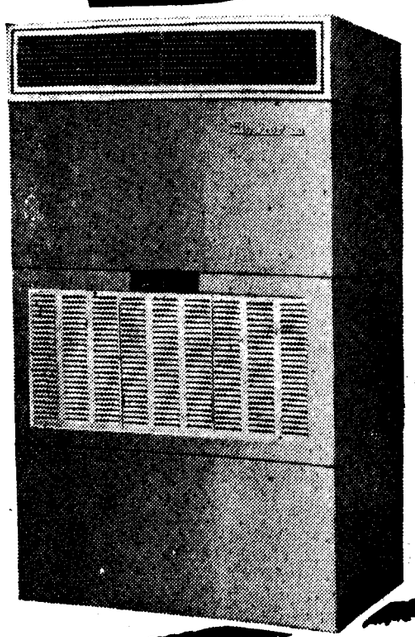
It seems more than likely that a higher rate of growth can be expected in the months ahead in the field of organic chemicals, as production of consumer goods expands, since these chemicals have outlets in such industries as cars, consumer durables and household goods.

In the field of exports, apart from organic chemicals and plastics materials, there was little overall change in the first half of 1963 as compared with a similar period in 1962. Exports of medicinal and pharmaceutical products, however, dropped, as did exports of explosives. Organic chemicals and plastics materials accounted for most of the increased trade in chemicals in 1963, exports increasing by around 20 per cent in January-June 1963, compared with January-June 1962.

Imports of chemicals showed a very sharp rise in the first six months of 1963, being 13 per cent up on the previous year as compared with the 5 per cent rise in exports. Here too, organic chemicals and plastics materials were responsible for the largest rise, being some 20 per cent above the first six months of 1962. Other chemical imports increased by 7 per cent, a considerable part of this being due to nitrogenous fertilizers, imports of which were nearly double those of a year earlier.

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Capital View

The Drift Continues

Romesh Thapar

ALL the extraordinary ramifications of our troubled twentieth century find their projection in the life of the Capital these days. The joint excercises of Indian, U. S, British and Australian air forces are under way. As 'raiding' and 'defending' planes take to the sky, the Soviet cosmonauts are being feted on the ground — and steal the headlines. Meanwhile, General Adams, Commander-in-Chief of the U S Strike Force in South and South-East Asia, is in Delhi for talks. Against this blurred background, our ambassadors in Arabia and Africa are gathered at the Ministry for External Affairs to devise non-aligned attitudes which will be consistent and relevant in the situation now unfolding.

And Prime Minister Nehru is spending anxious hours wondering how to reorganise his government. He would like to get over with the business before his birthday on Thursday the fourteenth, on the eve of the Diwali celebrations in the north, and well in time for Parliament which meets on Monday the eighteenth. But, the hope is receding. He cannot make up his mind.

The Nehru Position

In a sense, Nehru is the master architect of the labyrinthine economic, political and social structure which baffles those who try to see some order in the disorder. Significantly, despite his physical and spiritual exhaustion, he alone at the moment possesses those qualities which can bridge the gulf between the rulers and the ruled and assist a break-through to new perspectives. Yet he is, also the major obstacle to such a break-through. His inaction reduces India to impotence.

Consider the reality as Jawaharlal Nehru enters his seventy-fourth year. More than any other Indian of his time, he has devoted his energies to planting the seeds of democracy in the authoritarian hothouse that is Indian society. More than others, too, he has prevented his people from tearing down the walls of this hothouse to free the growth of democracy and permit it full luxuriance. Almost single-handed he has campaigned for secular, civilised attitudes, against communal and caste divisions. And with many others, he too, has confused and blunted those movements which sought to strike at the roots of these national aberrations. Over the years he has urged his people to espouse socialist remedies to eliminate poverty and destitution, to usher in an egalitarian, humanist society. Over the years, too, he has acted to prevent the laying of a firm foundation for such a society. This startling ambivalence in his attitudes, and consequently his total neglect of the need to support institutionally the processes of democracy, secularity and socialism, also finds full reflection in the formulation of his foreign policy. In this complex manner Jawaharlal Nehru has become not only a bulwark *for* progress but also a bulwark *against* progress. This, perhaps, explains his towering strength in the past and his pathetic weakness today.

These passing thoughts on the occasion of the Prime Minister's birthday are relevant insofar as the modern Indian who has been nourished on the thought and activity of Nehru, and who has still half his life to live, is unable to go beyond the man who in a sense moulded him. There are no organised mass movements, no dynamic institutions, no basic propulsions, to carry forward the gains of the Nehru era. A nation stands leaderless even as the leader goes through the motions of leading. This is in essence the root cause of the paralysis, the crisis, the tragedy of India in her sixteenth year of freedom.

Every day brings fresh evidence of the dangerous drift which we have been witnessing in our affairs. The Parishad agitation in Jammu, reported to have been assisted by Jan Sangh volunteers from outside the State, did not come as a surprise. That it would result in violence was also expected. Yet, for some unknown reason, the demonstrators were permitted to carry through their plan. Had the agitation taken a slightly more ugly turn, retaliatory demonstrations could have been sparked elsewhere in the State and outside. Significantly, these 'upsets' usually occur when Pakistan is on the rampage.

Democracy for Kashmir

The lesson which should be learnt from the Jammu happenings is that the Shamsuddin government has to take steps to make possible normal oppositional political activity in the State. The total lack of any outlet for the opposition generates explosive frustrations — and these can no longer be bottled up. But, and this reflects our sorry condition, nobody at the Centre is prepared to push this reform through despite the threatening postures of the corrupt political and administrative establishment in the State.

One would have presumed that Delhi would be more responsive to this persistent demand for full democracy now that the Sadiq-Mir Qasim group has made it clear to the Prime Minister that it wishes to organise a Congress Party in the State. However, we are content to fiddle with constitutional niceties, the working out of which might well consume unnecessary time and demoralise those in Jammu and Kashmir who are now ready with new programmes and new perspectives.

Meanwhile, in the Capital itself, there has been a great deal of whispering about the manner in which the Company Law Administration (CLA), one of the instruments of our socialist policies, lost its independence and was 'consumed' by the over-expanding Finance Ministry. The Cabinet was not consulted. Nor was the minister who held charge of CLA. The Finance Minister claims that the Prime Minister approved of his proposal at an after-dinner meeting, but the Prime Minister on reading the news in the daily press is believed to have expressed surprise at the inter-

pretation given to his approval by the Finance Minister. Indeed there are some who speak of this development as 'another VOA'!

The hurried decision to transfer with immediate effect the Secretary in charge of Company Law Administration, noted for his independence, to the Ministry of Works, Housing and Rehabilitation, and the Secretary's refusal to be so treated, has created the impression that the prevailing state of affairs in the higher echelons of the central secretariat is none too healthy. When will a shake-up be ordered?

Decline of the Bureaucracy

It is true that durbar politics inevitably 'soften' the independence of the bureaucracy, particularly when lucrative jobs are on display as incentives for those who are due for retirement, but the sad fact has to be recorded that this serious decline in administrative integrity is not being studied by those whose job it is to halt these practices. The Prime Minister, who was once an active proponent of the principle that bureaucrats must not remain in the Capital for longer than four years at a stretch, that they must return to their States to 'refresh' themselves, that they must not be permitted to entrench their interests in a particular ministry, has himself become unconsciously the patron of these practices.

Tame men, sophisticated only in high-level clerical work, interested only in acting as props to ministers and political big-wigs, anxious merely to safeguard their promotions, are generally coming to the top. Independent men, who exercise their minds and think of the interests of the country, are few and far between.

Small wonder then that the knowledgeable in the Capital see the creation of every new committee of senior bureaucrats as another hurdle for speedy, efficient decision-making. The lowest common denominator prevails — and prevails rigorously with the heavy authority of rules and regulations which are contradictory, capable of many interpretations, and impossible to digest. Home Minister Gulzarilal Nanda plans to arrest this rot, but will he realise that the time for tinkering is past?

International Challenges

The drift in our foreign policy is naturally reflected in our activities abroad. The conference of our ambassadors accredited to Arab and African States, now in session in Delhi, is a follow up to the conference of our diplomats from Asia held earlier, but we still seem to be obsessed by objectives which are in essence negative. We have yet to understand that the only way to re-establish our influence among nations of Asia, Arabia and Africa is to give positive, constructive content to our non-aligned foreign policy, only then can China's challenge be met diplomatically, and without creating suspicions that we are trying to make the non-aligned world a party to the 'cold war' in the Himalayas.

Increasingly, in this context, the Ministry for External Affairs feels the need for leadership. Since the departure of Krishna Menon, and the Prime Minister's involvement in internal politics, the Ministry has managed somehow to jog along. The international situation cannot be tackled in fragmentary fashion by an overworked Prime Minister. Someone has to take over this job, and, naturally, the sooner the better. Conferences of ambassadors are no substitute for day to day handling of the complicated issues which are now demanding attention all over the world.

Yes, the drift continues. And I will not end this column with the pious hope that Parliament, assembling on November 18, will take serious note of this situation!

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Prospect for a Labour Government

(From a London Correspondent)

TRIUMPH for Home, disaster for his party. That was the snap verdict of British commentators on last week's two eagerly-awaited by-elections. Was it justified?

Taken in isolation (which is how commentators here are astonishingly apt to take by-election results) the figures looked plain enough. Luton, a prosperous car-manufacturing town with full employment and fuller pay-packets, offered the perfect example of the "you-never-had-it-so-good" philosophy which swept the Tories to victory in 1959. Would the formula work again? The voters' answer was decisive: the Labour Party candidate got 48 per cent of the votes, as against 45 per cent in 1959; the Conservative share of the poll fell dramatically from 55 per cent to 40, most of their missing votes having presumably gone to the Liberals who had not fought in 1959 and who now picked up 11 per cent of the poll. Labour had expected to gain the seat, but never by this margin. Repeated throughout the country, a swing of this size would produce a Labour majority in Parliament of some 200 seats.

Comfort for Tories

The Kinross result, announced the following day, offered some comfort to the Tories. Sir Alec Douglas-Home had a very comfortable majority. True, the Conservative proportion of the poll fell by 11 per cent, but considering that a popular local Liberal candidate was standing where no Liberal had stood in 1959, that was not too bad. The majority, over 9,000 in an electorate of 32,000, was well above Conservative predictions; and the size of the poll — 76 per cent of the electorate voted, against 71 per cent in the general election—demonstrated that the new Prime Minister had made a considerable personal impact.

That, roughly, summarises the general reaction here (and, one imagines, the reaction transmitted to India) — and absurdly unsophisticated it was. The science of psephology — electoral statistics — here is by now highly developed, and widely accepted; which is to say that it is highly and widely misused. This counting of percentages and swings is essentially a static thing, a freezing of the electorate in a moment of time. And Britain happens to be, politically and economically, in a particularly fluid state.

We have just got a new Prime Minister; and even the good fortune of daily by-election reports has not been enough *so far* to eliminate the image of the weak-chinned 14th earl which is how he at first appeared to the British public. The fact is, though his opponents preferred to overlook it, that the 14th earl had been holding one of the highest offices in the state long before he became prime minister; and neither his international equivalents, nor those who served under him, found him weak-chinned in anything but appearance. One need not like Home's policies to feel sure that he has a chance of establishing himself as a strong public figure in the next few months. In any event, he is bound to establish *some* image. This factor is electorally significant. It seems unwise to project forward by-election results which inevitably can take no account of it unless by coincidence.

Conversely, it is arguable that Home's personal success in the by-election has been overstated. The high poll may well reflect mainly the determination of local and central party leaders to ensure that the new Prime Minister should enter the Commons trailing clouds of electoral support. A by-election flop would have been disastrous for him. In remote, under-populated and feudal Kinross — North Scotland is the British equivalent of Rajasthan—the Conservatives have the organisation, influence and, above all, the cars to bring in distant voters as their opponents have not. In this utterly secure Tory seat, there was no incentive in 1959 to go all out for victory. This time there was.

Labour's Chances

Home apart, there are other factors which make it hazardous to extrapolate from Luton (no one suggests that Kinross is typical of the country at large) to a Labour Party triumph at the next general election. For one, Luton is not really typical. It is peculiarly dependent on one industry, motor manufacture, which is both peculiarly well-paid and peculiarly prone to ups and downs. Luton was having it very good indeed in 1959. Its prosperity has not always been secure since. Perhaps having got its washing-machines and cars, it wants planned securities to keep them? One might argue that it is in a sense five years ahead of the rest of the country, and that if the Tories can contrive another pre-election boom the old formula will work elsewhere: it is about time, incidentally, for the summer's growing strength of the British economy to be reflected in the opinion poll figures, and it is being.

Alternatively one might argue — this seems more probable — that "you never had it so good" is indeed faltering as an electoral appeal because the parameters of electoral politics are changing. The Labour Party, for the first time since 1945, is succeeding in presenting itself as the modern party, looking at 1970 instead of 1935. It has virtually abandoned the emphasis on nationalisation, thereby destroying the second half of the appeal of Tory prosperity — "don't let Labour ruin it"— not because it has abandoned public ownership but because it presents this as subsidiary to expansion. For fifteen years Labour has been seen as the party of restriction; now it is the party of growth. Simultaneously it has managed to focus political attention on precisely those social goods in which the Tory record is least attractive such as housing and education. (Actually, the Tories have not done too badly but they could have done a great deal better). We are now seeing—for the first time in years — public awareness that private prosperity is good but that it is not enough. This of course does not mean that Labour will necessarily gain from changing the direction of public attention: The Conservatives may be able to suggest that they

are better fitted to carry the country into the future.

Good Bet, but No More

Add to all this the well-known fact that by-elections in Britain are no automatic guide to a general election. Discontented supporters of the Government know that they can register a protest vote without bringing it down, for instance by voting Liberal. As the general election approaches one would expect to see an erosion of Liberal support, mostly in favour of the Conservative party. Nation-wide opinion polls suggest that the Labour Party is not more than 10 points ahead of the Tories; and, owing to the huge 'wasted' Labour majorities in certain constituencies, it is generally accepted that it requires a one or two point lead in the total vote to win a parliamentary majority. A 10-point lead would ensure a handsome Labour victory — tomorrow; but the election may be as much as 11 months away, and larger leads have vanished in the past in that space of time. Against this, Liberal support—much of which might go to strengthen the Conservatives — seems to be already down to what one might expect at a general election, around 10 per cent. There cannot be much more for the Conservatives to pick up there. And of course the powerful simple sentiment of "time for a change" is working for Mr Harold Wilson.

To sum up: after the by-elections as before, a Labour Government in Britain in 1964 is a good bet, but no more.



Book Review

World Monetary Reform

Plans for the Reform of the International Monetary System, by Fritz Machlup; Princeton University, Princeton, N J, U S A, 1962. Pages 67, price not stated

DISCUSSION of the problems of international liquidity was most active between 1958 and 1961. A number of plans for the reform or reorganisation of the international monetary system were put forward during this period. By the time the Vienna meeting of the International Monetary Fund was held in September 1961, however, it was quite clear that those in favour of moderate adjustments in the existing system had triumphed over those who believed that a more radical transformation of the system was necessary. It was agreed at that time that arrangements to enable the Fund to make use of its borrowing powers to supplement its resources in times of need would be sufficient to deal with whatever problems of shortage of international liquidity the world might face. Even the moderate proposal that the Fund should have *automatic* borrowing rights was turned down and the Paris Club was formed as a group of lenders who would have to agree on the need for borrowing by the Fund for the specific purpose it had in mind before the additional resources would be made available to it.

However, the formation of the Paris Club did imply a step forward in arrangements to ensure that the international monetary system did not break down as a result of speculative pressures on the major currencies which have accepted convertibility responsibilities under Article VIII of the Fund. Subsequently, a series of swap arrangements between the United States, on the one hand, and other major industrial countries and the Bank for International Settlements, on the other, added to the resources available to the countries concerned to defend their currencies in exchange markets. International liquidity has been considerably strengthened as a result of these arrangements.

In spite of these developments, interest in proposals to reform the international monetary system has remained strong. This was reflected at the last meeting of the International Monetary Fund in Washington when it was decided to set up a committee to study the adequacy of existing arrangements for financing national balance of payments deficits. Similar studies are also being carried out by the Paris Club as a group. It is possible that definite proposals for reform or reorganisation will emerge from these studies before International Monetary Fund's next meeting in Tokyo in September 1964.

Plans in Proper Perspective

Professor Fritz Machlup's study is, therefore, of special interest at this time. The book has been written largely with a pedagogic purpose in mind, as the author explains in his Preface. This adds to the value of the book. So many plans have been put forward and the discussion of these plans has tended to focus attention on their contradictory features so much that a book of this kind which puts the various plans in a proper perspective was long overdue. That such a book should have been written by one who has made his own independent contribution to the subject and is thoroughly familiar with every detail of the system under discussion makes the book particularly valuable.

It can be said without hesitation that though the book has in mind primarily the student, its pedagogic purpose could be construed to include all those who take interest in the subject. The arrangement of the material is so logical and the exposition so clear that even those who have devoted considerable attention to the issues involved will get a better grasp of the complex problem denoted by comprehensive label of international liquidity.

Professor Machlup begins with a brief description of the international monetary system. He then distinguishes between three different problems that arise under the existing system, each having two aspects. Finally, he turns to an examination of a selection of plans, this chapter forming, of course, the core of his book. It is his excellent classification of the various proposals that makes this discussion particularly useful. This helps the reader to understand exactly where each particular proposal fits into the system or rather which features of the existing system the different plans propose to strengthen or modify in preference to others. It is equally important, of course, to know how exactly particular proposals in each class aim to modify a particular feature of the existing system.

The simplest proposals are concerned with the extension of the existing gold exchange standard either with increase in dollar and sterling reserves or with the adoption of additional key currencies. Most writers recognise, however, that such an extension would leave certain problems unsolved. They, therefore, go on to propose specific methods of dealing with these problems as and when they arise. Mutual assistance of different types among central banks figures among these methods, though there is varying emphasis on safeguards against misuse of the facilities provided in this way, with differences about what exactly constitutes such misuse.

The more radical proposals are grouped together by Professor Machlup under proposals for "Centralisation of Monetary Reserves and Reserve Creation". These proposals are classified into those providing for overdraft facilities to deficit countries, those calling for autonomous reserve creation by the world central bank, and those linking such reserve creation with finance of aid to underdeveloped countries. The Keynes, Triffin and Stamp plans are the three major examples of these three types of proposals. The proposals of A C L Day, submitted to and endorsed by the Radcliffe Committee, and the four schemes presented by Sir Roy Harrod as alternatives to his cherised scheme for an increase in the price are also discussed here. An increase in the price of gold and freely flexible exchange rates are

the remaining two classes of proposals examined by Professor Machlup.

No "Best"

It is practical to recognise, as Professor Machlup does, that there can be no "best" plan. The author makes clear, however, his view that a basic reform of the system will have to be undertaken at an early date, since the stop-gap arrangements represented by the Paris Club cannot provide a real solution to the problem, though they may help to tide over the worst for the time being.

Professor Machlup does not take a definite stand in favour of one or the other approach to the problem of international liquidity. To have done so would have been inconsistent with the object of the book. By clarifying the various proposals and putting them in a proper setting, however, Professor Machlup has done a definite service in this excellent little book. While he could hardly expect to do full justice to the various plans within the space of 67 pages, he has succeeded admirably in providing an introduction to them and in setting out their relationships to one another and to the characteristic features of the present international monetary system.

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Higher Education in India

In the Light of the Robbins Report

A K Dasgupta

Already there is in this country a tendency to judge the progress of higher education in terms of the number of universities set up and the number of students coming out with degrees.

In recent years multiplication of Universities has gone beyond all proportions — a trend which must be viewed with alarm.

The Robbins report may give a fillip to this trend.

That would be disastrous, for finance forhigher education is severely limited and so is the availability of suitable teachers. Whatever resources we have must not be too thinly spread. Our universities, barring the older ones which have over the years established a tradition of learning and research in many fields, should, therefore, specialise in a limited number of subjects.

There seems to be a certain recognition of this principle, implicit at any rate, in the University Grants Commission's decision to choose a few universities as 'advanced centres' in respect of particular branches of study. This is a move in the right direction.

THE long looked-for Robbins Report on Higher Education is out. The terms of reference of the committee were:

"To review the pattern of full time higher education in Great Britain and in the light of national needs and resources to advise Her Majesty's Government on what principles its long-term development should be based. In particular, to advise, in the light of these principles, whether there should be any change in that pattern, whether any new types of institutions are desirable and whether any modification should be made in the present arrangements for planning and coordinating the development of the various types of institution."

The Committee worked for two and a half years, held 111 meetings, interviewed over 100 witnesses and considered more than 400 memoranda of evidence. And yet Lord Robbins, its Chairman said in a Press interview that the Report was a "rush job", — that the Committee had done in two and a half years what he really believed could not be done thoroughly in less than five.

Profound Impact Likely

The Report has had an enormously enthusiastic reception. The Government has welcomed it, the Ministers have commended it as "the most important social document to be produced since the Beveridge Report", and the Prime Minister wrote personally to thank Lord Robbins and his colleagues for the work they have done.

Undoubtedly the Robbins Report will have far-reaching effect on the volume and pattern of University education in Arts, Sciences and Technology in Great Britain if a good part of the 178 recommendations that it has offered is implemented, as of course it will be. The Committee, as Lord Robbins puts it, was inspired by a sense of urgency created by the prospect of an educational crisis that the country was facing — the demand for higher education running too far ahead of the provision for it. The Committee thus recommends the establishment of 28 new Universities so as to accommodate on the whole, an estimated 560,000 students coming up for enrolment in Universities by 1980-81, as compared with 260,000 in 1962-63.

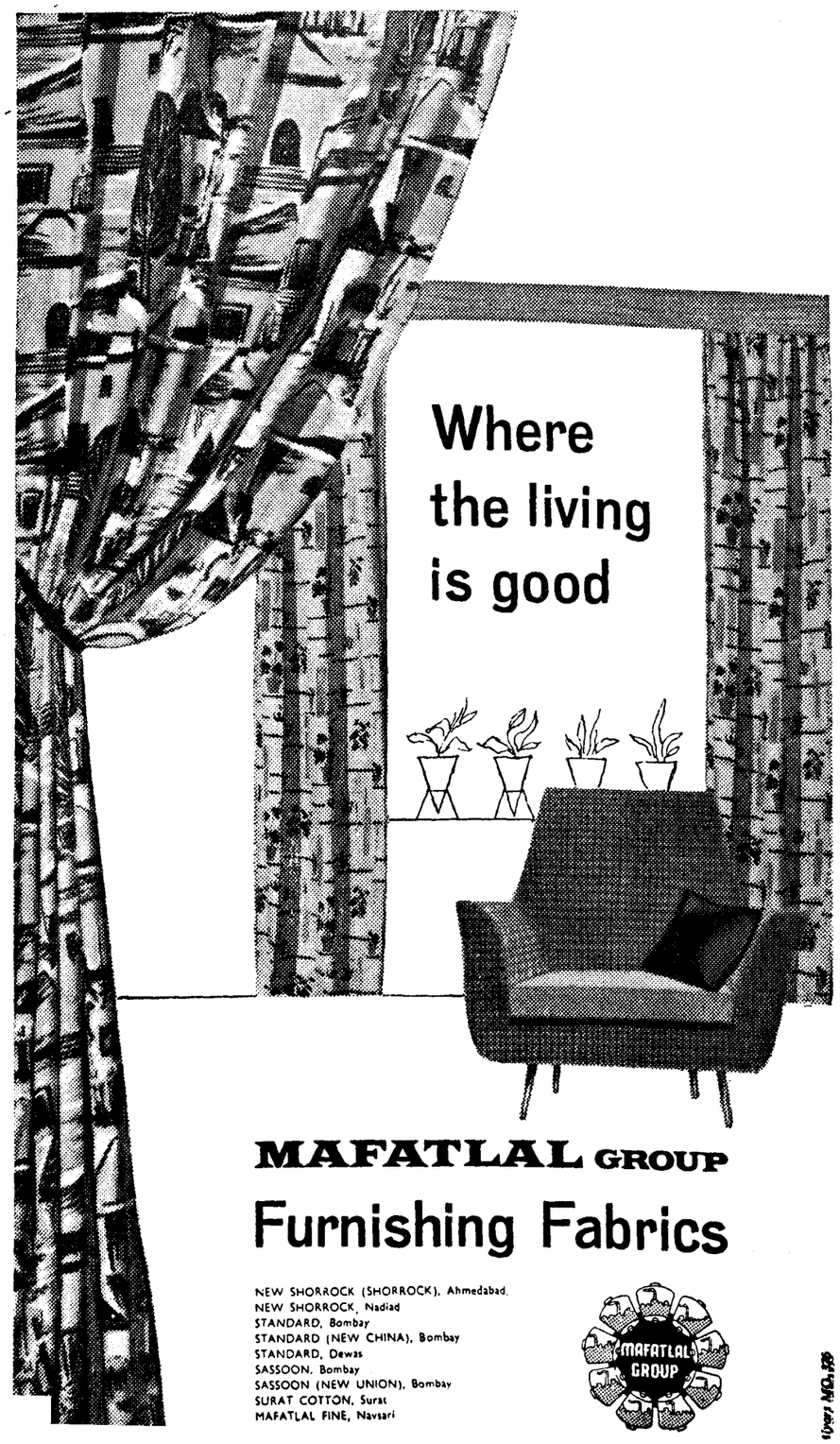
Relevance to India

The purpose of this note is neither to commend nor to criticise the Robbins Report on its own ground. Who am I to do that? The note rather is concerned with our own country. I am indeed alarmed at the possible repercussion that the Report may have on the thinking of educationists in India, as it will be publicised there. Already there is a tendency in India to judge the progress of higher education in terms of the number of Universities set up and the number of students coming out with an MA or MSc degree. In recent years, particularly since the establishment of the University Grants Commission, multiplication of Universities in India has gone beyond all proportions — a trend which some of us have viewed with considerable alarm. The Robbins Report may give a fillip to that trend. If the need for Universities is to be assessed by the number of places that candidates coming from secondary schools demand — and this is the measuring stick of the Robbins Committee — then the expansionist scheme of the University Grants Commission, such as is being operated in India would surely claim justification. The major Universities in India are surely overcrowded, and if all potential candidates for University education are to be accommodated surely there is room for more Universities.

In a country like England, where a certain minimum standard of intellectual equipment can be assumed in prospective candidates for University education and a certain minimum of intellectual opportunities are guaranteed in the University centres, *demand* for places may well be permitted to set the criterion of *provision* of places. Indeed the broad motivation of the Robbins Committee is, as it underlines in its report, "the undoubted gain of young people being brought into contact with leaders of thought and of knowing themselves to be members of an institution in which the highest standards of intellectual excellence are honoured".

Case for Specialisation

A large claim indeed, but one which perhaps is justified in terms



of the standards exhibited by British Universities, especially Oxford and Cambridge. But, if truth is to be said, not many of the existing Universities in India, can have pretensions to a standard appropriate to the claim urged in the Robbins Report. One who has experience of selection committees in our Universities must know how difficult it is to staff even the major universities in the country; it is not lack of will alone (although it does have its part) that is responsible for bad appointments in our Universities. There are people even in England to express misgivings at the expansionist move suggested in the Robbins Report. The London *Times* was quick to point to the possible danger of setting "demand for places" as the criterion of expansion of universities. "The change of scale, the influx of students of questionable bent, the thinner spread of first rate teachers are bound to influence profoundly the nature and quality of British Universities." (Editorial on the Robbins Report, October 24, 1963). If such be the fear concerning the application of the Robbins criterion in Great Britain, how much more must it be when the criterion is sought to be applied in India.

In a paper entitled "Teaching of Economics" which was published in *The Economic Weekly* (Annual Number, February 4, 1961) I took courage to suggest that, considering the scarcity of dependable teachers in the country, postgraduate teaching in economics should be confined to no more than about half-a-dozen Universities. And I thought the position was very much the same in other fields of study, too. Indeed I have for long held the view that in the present state of higher education in India, we should have our Universities — barring the older ones, such as Calcutta, Bombay, Madras and Allahabad, which have over the years established a tradition of learning and research in many fields — specialising in a limited number of subjects, subsidiary fields of study being kept at the under-graduate level. Which fields of study each university will take up for specialisation will depend upon its cultural and environmental setting. While it may be difficult to persuade the already established Universities to cut down the scope of their operation, one cannot plead too strongly for consideration of this principle when it comes to the establishment of a new University or the opening up of new departments in an existing University.

Choosing the 'Advanced Centres'

Finance is severely limited due to the poverty of the country and so is the availability of suitable teachers for running higher centres of learning and research. Whatever talents we have must not, therefore, be too thinly spread; there is such a thing as "external economy" of concentration, and it applies to intellectual pursuits as much as it does to production of material commodities.

There seems to be a certain recognition of this principle — implicit at any rate — in the University Grants Commission's decision to choose a few Universities as "advanced centres" in respect of particular branches of study. The move is in the right direction. And if these centres attract not merely superior teachers but also the better type of students, all is well. If, however, the choice of a centre is based on the quality of the existing staff in a particular department and ignores the quality of students who are to benefit from the centre — and this may well happen—a mal-adjustment is created, and the society fails to get the maximum return out of the scheme. One remedy against a possible mal-adjustment of this kind is to introduce a generous system of scholarships to draw deserving students to the favoured centres; this indeed is an inevitable supplement to the discriminatory allocation of funds that our scheme involves. But grant of stipends or scholarships may not always overcome the inertia of our students and guardians; geographical distance may prove to be too much of a barrier.

Special Cadre of University Teachers

In their choice of advanced centres the U G C should, therefore, apply an additional criterion — namely the quality of local scholars that might benefit from the centre. For historical reasons or on account of perversity of selection arising out of regionalism and casteism, a centre which has a large supply of able and promising students may be found not to have an efficient staff. One must not on that ground ignore the claim of such a centre for recognition as an advanced centre. Rather contrary. In the matter of recognition of centres I would indeed go more by the quality of students attending lectures and carrying on research than by the efficiency of the staff at a particular moment. Teachers can be made mobile more easily than students, if only because the number involved in the latter is very much larger. Why should not the U G C create a special cadre of University Professors and Readers — called U G C Professors and Readers — whom they can send over to various chosen centres, if such centres cannot be relied upon to make good appointments? The recruitment may be made on an All-India basis on the lines of the old Indian Education Service, and the posts made transferable. I would commend this proposal for consideration of the U G C.

U G C Needs Changing

The U G C has indeed a big task before it, for the future of our country will depend very much upon what lead it gives to the country's higher education. Unfortunately, as it is constituted at the moment, it cannot possibly bear the responsibility that rests on it. Barring the Chairman, the members of the Commission are all honorary, having full time work as Vice-Chancellors in their respective Universities. The staff of the Secretary is also inadequate; the Development Officers, on whom rests the main burden of assessing the requirements of the various Universities (their number must be by now about sixty!), are over-worked and cannot be blamed if they take matters casually. The area of operation has expanded enormously since the Commission was first instituted, and yet we have practically the same constitution ruling it. It is time that the Government put the Commission on a firm basis, with at least half-a dozen full-time members, besides the full-time Chairman who is already there.

If in this matter I am going *beyond* the Robbins Report (The Robbins Committee recommends one full-time Chairman, two full-time Deputy Chairmen and about 20

part-time members for the University Grants Commission which it proposes in place of the existing University Grants Committee) rather than stopping short of it, as I have in regard to its main approach, it is because of the greater complications that we have in our country which require more control and direction in the field of education than Great Britain would ever need. I would indeed have a status for the University Grants Commission analogous to that of the Union Public Service Commission, with genuine educationists, having experience of Universities, recruited for Membership.

What Our Universities *Can* Learn

While the general approach of the Robbins Report on higher education does not seem to me to be appropriate to Indian conditions, there are many particular recommendations in the Report which I could commend for consideration of our University authorities. I would, for example, urge, following the Robbins Report, that the staff-student ratio should be improved in our Universities, that while salaries might remain what they are, the promotion prospects of teachers should be enlarged through the introduction of a certain flexibility in cadres in a particular department, that greater attraction should be provided to our teachers by way of sabbatical leave, adequate secretarial and technical help, adequate accommodation, library facilities, scientific equipment etc, that use should be made of research students for informal teaching and the conduct of discussion groups, that "in appointing and promoting staff more weight than at present should be given to qualities other than research, in particular to teaching ability" (I would specially add, the general academic career of a candidate) and, above anything, that "the administrative burden on Vice-Chancellors should be reduced, so that they might pay more attention to educational policies as such". These are all stimulating features indeed of the Robbins Report which our Universities would do well to recognise.

I do appreciate, as much as anybody else, the place of higher education, including technological education, in the scheme of development of our country. And if I am a little nervous about the manner in which our universities are multiplying, it is because I am afraid that the influx of mediocrities in our centres of higher education is already making discrimination difficult and impairing the prospects of the genuine scholar. Here indeed is a case where "diseconomies" of scale may result not just in diminishing marginal return but in diminishing aggregate return.

Planning from Below

All this does not mean that those who fail to enter the University would be left in the lurch. Far from that. Planning of education does not mean only the setting up of Universities or Higher Technical Institutes. There are various other fields of training which can fill the gap between the Higher Secondary stage and the University. In the context of our country one would like to see very much greater extension of polytechnics for training in management and secretarial work, engineering and technological schools of various types for turning out skilled operatives — centres of vocational training, whose place in our economy should be of the highest importance. "Planning from below," is what is often urged by our social thinkers. Nowhere is the dictum more appropriate than in the field of education.



Growth Components of Population Change in an Open Economy

Riad B Tabbarah

In a closed economy, defining the components of population change — births and deaths, i e, natural increase — is a relatively simple matter. But in an open economy, where migration may well play a part in population growth comparable to that of natural increase, serious definitional problems arise and it becomes essential to clearly understand the respective meanings of the two contributing factors.

An attempt is made below to show that there are two sets of concepts of migration and natural increase, to demonstrate that the difference between them is not only conceptual but may also be of statistical significance, and to indicate their respective scopes of applicability.

[The views expressed are those of the author and not of the United Nations.]

IT is strange that one of the most neglected topics in population literature is the definition of the growth components of population change, namely, migration and natural increase[1]. Why so basic a topic has been so little discussed is somewhat difficult to understand. It seems to be due to the fact that demographers have generally left the field of conceptual analysis to the population theorists while the latter group has tended to set its models and theories in the framework of closed economies (e g, the world) where migration is theoretically absent, or in the framework of large geographic areas (e g, one or more national entities) where the contribution of migration to population change is usually so minor that it may be neglected altogether. In a closed economy, defining the components of population change — births and deaths, i e, natural increase — is a relatively simple matter. But in an open economy, where migration may very well play a part in population growth comparable to that of natural increase, not only do serious definitional problems arise, but as we shall see, it becomes essential to clearly understand the respective meanings of these two contributing factors.

The aim of this note is to show that there are two sets of concepts of migration and natural increase, to demonstrate that the difference between them is not only conceptual but may also be of statistical significance, and to indicate briefly their respective scopes of applicability.

Two Different Concepts

In a closed economy, recorded births and deaths between the year Y_1 and Y_{n+1} are to the population living in the area in the year Y_1. In an open economy, where in and outmigration take place, recorded births and deaths are to only a part of the initial population of the year Y_1. Births and deaths to that part that outmigrated during the n succeeding years that occurred outside the area are accredited to a different area. On the other hand, the births and deaths to the immigrants that occurred after their immigration to the area become part of its vital statistics. It follows, therefore, that recorded natural increase in a closed economy is conceptually different from recorded natural increase in an open economy.

If this conceptual difference is to be eliminated, it is essential to find a measure of natural increase in an open economy that would reflect births and deaths to the initial population living in the area in the year Y_1, irrespective of the place where these births and deaths occurred. Let us, therefore, suppose that birth and death rates of this initial population are known, or can be closely approximated, for the n years in question. If such theoretical birth and death rates are applied to the initial population the result will naturally exclude births and deaths to the immigrants and include those occurring among the outmigrants. They will, in other words, reflect the natural increase of the initial population exclusively.

In an open economy, therefore, there are two different concepts of natural increase. The first, which is obtained from recorded births and deaths in the given area, we shall call "area-based". The second, which is obtained from the theoretical birth and death rates of the initial population, we shall call "population-based". Furthermore, because net migration is the difference between the given population change and natural increase, a different concept of migration corresponds to each of the two concepts of natural increase in the open economy.

Algebraic Formulation

In order to understand clearly the difference, and the relationship, between that two sets of concepts of natural increase and migration in an open economy, a few algebraic equations may be formulated. As was first explained, population-based natural increase (Np), is defined as the natural increase of the population living in the area at the year Y_1, irrespective of the place of occurrence, i e the natural increase of the base population (Nb). Area-based natural increase (Na), on the other hand, refers to the difference between the births and deaths that took place *within* the given area. It consists, therefore, of the natural increase of the base population (Nb) less that of the outmigrants (No) plus that of the inmigrants (Ni). Thus, by definition:

(1) : $Np = Nb$

(2) : $Na = Nb - No + Ni$

Therefore:

(3) : $Na = Np - No + Ni$

Since the two corresponding concepts of migration may be obtained as the difference between the given population change (Dp) and each of the two concepts of natural increase, we may write:

(4) : $Mp = Dp - Np$ and

(5) : Ma = Dp — Na
ow, from (4) and (5):
(6) : Na = Np + Mp — Ma
nd from (3) and (6):
(7) : Ma = Mp + No — Ni

What equations (3) and (7) tell s is this: Area-based natural increase is equal to population-based atural increase *plus* the natural increase of the inmigrants *minus* the atural increase of the outmigrants. rea-based net migration, on the ther hand, is equal to population ased net migration *minus* the natual increase of the inmigrants *plus* he natural increase of the outmigants. Consequently, in order that Na = Np and Ma = Mp, the following condition should hold true:

(8) : No = Ni

Thus, unless the natural increase of the inmigrants is exactly equal to that of the outmigrants a statistical discrepancy, in addition to the conceptual difference, will exist between the two sets of concepts.

Statistical Significance

To the earnest statistician, this conceptual difference would be irrelevant if the resulting statistical difference is always negligible. It is the opinion of the writer that, in general, where population movements are substantial, and particularly where migration is of the "economic" type, the statistical difference may not be negligible for most purposes. This statistical discrepancy between the two sets of concepts, as was just noted, is equal to the difference between the natural increase of the inmigrants and that of the outmigrants. If, for instance, the number of outmigrants is substantially larger than that of the inmigrants (or vice-versa), the rate of natural increase of both groups being the same, the discrepancy between the two magnitudes of natural increase will also be substantial and the statistical discrepancy between the two concepts may prove to be significant. If, on the other hand, the number of outmigrants is of the same order as that of the inmigrants, but the age composition of one group is distinctly different from that of the other, a significant difference between the respective magnitudes of natural increase may be found, and again, the statistical discrepancy between the two sets of concepts may well prove to be far from negligible. When dealing with economic migration (e g, the different states in the United States), the discrepancy is usually of a high order. Outmigration areas, for example, may not only have a substantial amount of net outmigration (in either sense) but it is generally accepted that the bulk of the outmigrants are young while the bulk of the inmigrants are old. In such instances the difference between the natural increase of the outmigrants and the natural increase of the inmigrants is not only due to the fact that more people outmigrate, but also to the fact that those who outmigrate have a much higher rate of natural increase. Consequently, the statistical discrepancy between the two sets of concepts should in this instance be relatively larger than in the two previous situations.

Alternative Estimates

Demographers undertaking to estimate natural increase and migration between two censuses are, therefore, faced with two different sets of concepts that may lead to alternative estimates of each of the two growth components of population change. The important question to be answered here is which set of estimates is more appropriate to make.

Needless to say, the answer to this question depends on the *purpose* of the estimates. This is most obvious with regard to migration. Area-based net migration, as we have already seen, shows the difference between the number of persons who left the area, and those who entered it. It is, therefore, of special interest to customs and migration officers, tourist agencies, and all persons or groups interested in the net number of people crossing the area's boundaries over a given period of time. Population-based migration, on the other hand, is equal to area-based migration (i e to the difference between the inmigrants and the outmigrants) *plus* the natural increase of the inmigrants *minus* the natural increase of the outmigrants. It measures, therefore, the difference between the positive contribution of the inmigrants including their natural increase and the negative contribution of the outmigrants including their natural increase. It reflects, in other words, the total gain or loss in population caused by the fact that migration took place over the given period[2]. It is, therefore, of special interest to social and economic planners and to all groups of persons interested in social and economic development.

As an illustration, let us assume that the authorities in East Berlin wanted to know the effect of sealing the city's boundaries (assuming that they are tightly sealed on all sides) on the growth of the city's population over the next five years. In order to do this a knowledge of migration over the past five years may be required. The question to be answered by the East Berlin demographer is, therefore, what would have been the gain (or loss) to total population in the city (aside from natural increase) if its boundaries were tightly sealed five years before they actually were? It may easily be assumed, erroneously of course, that the answer may be obtained by estimating the net difference between those who left the city and those who entered it over the five years in question — that is, by obtaining area-based, migration. The reader may now easily see the fallacy of this method. If the boundaries were tightly sealed, the city's population would have *gained* not only those who actually left and remained alive to the end of the period, but also their offspring. Because we assume here that the city's boundaries would have been closed to population movements *in both* directions, the city would have, on the other hand, *lost* the inmigrants who remained alive and their off spring. What is to be estimated in this instance is obviously population-based, not area-based, migration.

Theory and Practice

A "component method" often used by demographers to estimate natural increase and net migration between two censuses results in a third and different set of estimates of these components. This method uses *theoretical* death rates (from life tables or census survival ratios) and *recorded* births to estimate natural increase. Consequently, the final result describes neither one of the two concepts previously explained. In fact, this method has no conceptual grounds on which to rest. It may, nevertheless, be defended on the ground that it uses the most reliable data available to estimate population-based (or area-based) natural increase and migration. Practical considerations, however, should not be allowed to obscure the theoretical foundations lest they result in neglecting the development of data that would satisfy the more appropriate methods. It must be noted, that, in some instances, demographers have discussed possible differences between the results obtained by using recorded and theoretical birth and death rates[3]. The author, however, has been unable to find a clear analysis of the two concepts and their relationship nor, consequently, a statement concerning their respective scopes of applicability. In fact, in several instances, the definitions given of natural increase and migration are found to be at variance with the method used to estimate them.[4]

Notes

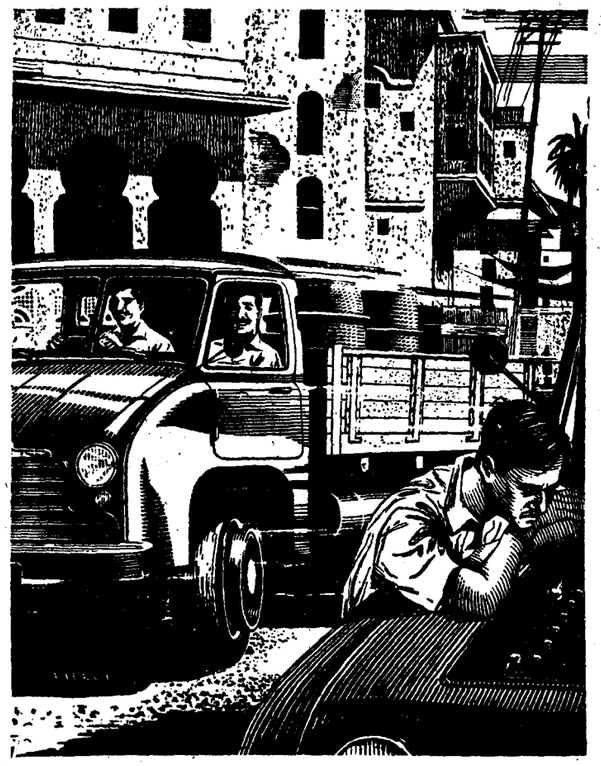
[1] In discussing the "theoretical weakness" of the field of demography, R B Vance states that "fertility, mortality, and migration are not [yet] concepts in any true sense, they are [still] simply topics we investigate" ("Is Theory for Demographers?", *Social Forces*, October 1952. Reprinted in J J Spengler and O D Duncan, eds, "Population Theory and Policy" The Free Press, Glencoe, Illinois, 1956.)

[2] If it is assumed that the change in residence of the migrants does not significantly affect their rate of natural increase, it may be said that population-based migration measures the change in total population at the end of the period had the open area been a closed one. In the illustration that follows this assumption is made.

[3] See A J Jaffe, "Handbook of Statistical Methods for Demographers", U S Department of Commerce, (third printing, 1960), p 184; and particularly E S Lee, et al, "Population Redistribution and Economic Growth, United States, 1870–1950", the American Philosophical Society, Philadelphia, 1957, pp 15-25.

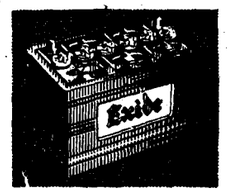
[4] See, for instance, D J Bogue, "Components of Population Change: 1940–1950", Scripps Foundation for Research in Population Problems, Miami University, 1957. After explaining how births increase population and deaths decrease it, Bogue states:

"If the number of immigrants to a community, region, or nation from some place outside is greater than the number of outmigrants who leave that community, region, or nation for some place outside, the population grows; if the reverse migration situation exists the population becomes smaller. Thus reproductive change [i e, natural increase] and migration are the components of population change". (p 1). Later, however, Bogue describes his component technique which uses recorded births, adjusted for completeness of registration, and *theoretical* death rates — i e, survival ratios (pp 4–5).



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Irrigation and Crop Intensity in India

P R Rao

It is assumed that irrigation results in more intensive use of land.

An attempt is made here to test the validity of this assumption with data for irrigated and unirrigated areas in India during the years 1952 to 1957.

The conclusion that emerges is that during this period crop intensity in irrigated areas was actually less than that in unirrigated areas.

THE total net irrigated area officially reported in 1952-53 stood at 52.4 million while the gross irrigated area in that year was 57.7 million acres*. This works out to a crop intensity of 110.1 per cent. In other words 10.1 per cent of the irrigated area was double cropped or cropped more than once. In the same year the double cropped area under unirrigated conditions was 29.9 million acres or 11.9 per cent of the net unirrigated area of 252.3 million acres. From this it may be seen that the proportion of the multicropped area was higher in unirrigated areas or at best about the same in irrigated and unirrigated areas.

At the State level the position was more or less the same in most States. In ten out of the 15 States (including Union Territories) listed in Table 1, the crop intensity in irrigated areas was less than the crop intensity in unirrigated areas. These include a few States with advanced irrigation facilities as well as a few States where irrigation is more or less a recent development. The States of Andhra Pradesh, the Punjab and Uttar Pradesh come under the former category and these States together account for a significant proportion of the total irrigated area of the country. So, inspite of the fact that the farmers are familiar with and well versed in the use of water and irrigation techniques, they have not been able to increase the proportion of double cropped area in irrigated fields over that in unirrigated fields. The difference in the crop intensity under irrigated and unirrigated areas in some States was quite significant. The intensity in irrigated areas was lower by as much as 38 per cent in Bihar, 23 per cent in Assam, 9 per cent in Madhya Pradesh and 14 per cent in West Bengal. In the States of Uttar Pradesh and the Punjab it was lower by 16 per cent and 8 per cent, respectively. In Andhra Pradesh the difference was only marginal. In the remaining states the difference ranged from 2 to 10 per cent.

Only the States of Madras, Rajasthan and Orissa showed higher rates of crop intensity in irrigated areas. In Rajasthan the intensity in irrigated areas was higher by 17 per cent and in Orissa by only 3 per cent. In both these States the extent of double cropping under irrigated conditions was very low as against a relatively high proportion under irrigated conditions. In Madras the crop intensity was high in both irrigated and unirrigated conditions, with intensity rates at 126 per cent and 116 per cent respectively. In the Union Territories (all taken together) the crop intensity under irrigated conditions at 132 per cent was 7 per cent more than in unirrigated areas.

No Change after First Plan

The relative position of crop intensities in 1956-57, that is after a period of five years or after the completion of the First Five-Year Plan, between irrigated and non-irrigated areas did not change. During this period the total net irrigated area in the country rose by 3.2 million acres to 55.7 million acres as a result of the completion of irrigation works initiated prior to or during the First Plan. During the period the gross irrigated area also rose by 5.8 million acres to 63.5 million acres. The crop intensity on this basis works out to 114 per cent, an improvement of 3 per cent over that in 1952-53. However, the crop intensity under unirrigated conditions too improved during the same period — the extent of improvement being about the same as that in unirrigated conditions. In other words, the double cropped area increased more or less in the same proportion in both irrigated and unirrigated conditions.

Table 1 : Intensity of Cropping under Irrigated and Un-irrigated Conditions

	State	Crop Intensity Irrigated			Crop Intensity Un-irrigated		
		1952-53	1956-57	Average of 1952-53 to 1956-57	1952-53	1956-57	Average of 1952-53 to 1956-57
	1	2	3	4	5	6	7
1	Andhra Pradesh	108.8	118.5	114.6	109.2	105.9	107.3
2	Assam	100.0	100.0	100.0	122.7	124.7	123.9
3	Bihar	100.4	100.0	100.1	138.7	139.3	138.1
4	Bombay	109.9	112.8	111.8	104.5	104.2	104.0
5	Jammu & Kashmir	103.8	104.4	104.1	113.8	120.9	118.4
6	Kerala	113.3	134.1	135.5	119.0	117.6	117.3
7	Madhya Pradesh	102.2	101.2	101.6	111.6	114.3	112.3
8	Madras	126.0	131.0	132.5	116.4	111.4	110.1
9	Mysore	101.2	103.0	103.3	102.8	103.2	103.2
10	Orissa	109.0	116.8	116.5	105.7	106.1	105.4
11	Punjab	113.0	122.7	113.7	121.4	137.4	135.4
12	Rajasthan	119.9	119.9	119.1	103.1	109.1	106.2
13	Uttar Pradesh	109.5	109.2	109.2	126.6	132.6	130.1
14	West Bengal	103.3	102.2	102.9	116.9	127.3	119.6
15	Union Territories	132.1	120.0	136.0	124.8	137.8	130.6
16	All-India	110.1	114.1	112.3	111.9	114.3	113.0

Compiled from: (i) "Abstract of Agricultural Statistics in India", issued by the Directorate of Economics and Statistics, Ministry of Food and Agriculture, Government of India.

(ii) "Statistical Abstract of the Indian Union", Issued by the Central Statistical Organisation, Cabinet Secretariat, Government of India.

Noticeable change was observed only in the States of Kerala and Andhra Pradesh. In these States, the crop intensities were lower under irrigated conditions in 1952-53 but they became higher after five years by as much as 17 per cent in Kerala and 13 per cent in Andhra Pradesh. In Kerala particularly, the increase in the double cropped area was quite impressive — it rose from 113 per cent to 134 per cent in just five years.

From the foregoing it may be seen that crop intensity is not higher in irrigated areas than in unirrigated areas. This disproves the generally held belief that irrigation results in higher crop intensity. On the contrary it was a little lower or about the same in most States as well as for the country as a whole. From these facts it may be said that crop intensity is not necessarily conditioned by irrigation and it could rise or fall independent of it.

Reasons for Lower Crop Intensity

The lower crop intensity in irrigated areas may be attributed to many factors, such as source of irrigation, cropping pattern, rainfall and technique of farming. However, the impact of these factors on double cropping would not be the same in all the States. An attempt is made below to explain the reasons for the situation explained above.

Irrigation may be of two types, viz, perennial and seasonal, and may come from any of the four major sources namely canal, wells, tanks and other sources. Excepting irrigation from wells much of the irrigation from all the sources is mostly of the seasonal type as all these sources depend on seasonal and uncertain rainfall for their supplies. This is very well seen in the rivers where the flow varies from overflowing the banks in the rainy season to a mere trickle in the summer months. Naturally, the canals taking directly from such rain-fed rivers through diversion works would not provide water all through the year. To overcome this dams are built across the rivers to store the excess in the reserviors. It is, however, not possible to impound all the storable water since this would require submerging of vast areas of fertile low lying areas. Even if these constraints are not there, the storage of all the water is generally not attempted as this would dry the river at its lower reaches. Storage also results in loss due to evaporation and seepage — thus resulting in high cost and low command area. Hence perennial irrigation is not favoured except when hydel power generation is linked to storage reserviors. But water from such canals is not likely to find optimum use as the constant tail race feeding the canal has no relation to needs of or demand for irrigation since the flow is maintained even in the months of May and June when the demand for water is likely to be very small. However, most of the river valley projects, both completed and under construction, have both the type of irrigation, i e, seasonal and perennial, with the former forming the bulk. It is, therefore, logical to expect multicropping only in that small portion of the area which benefits from perennial irrigation.

In areas served by seasonal irrigation the farmers generally take the best crop suited to the type of irrigation. An example of this is the growing of wheat as the sole crop of the year in the canal irrigated tracts of Uttar Pradesh and the Punjab as the canals start flowing as late as in September and dry up as early as in March. This more or less compels the farmer to take only one crop as no crop is possible in the *karif* because any crop dependent on rain (except perhaps the green fodder crop of bajra or juar) would not be ready for harvest early enough to facilitate pre-sowing operations for wheat or other main crop and no crop is possible after wheat because the canals dry up in March. The soil fertility would also be low due to the exhausting nature of the *karif* crop, the success of which is solely dependent on capricious rainfall, followed by a main *rabi* crop which is likely to be not so good because of inadequate presowing operations, reduced fertility of soil and delayed sowing. This should explain at least partly the reason for the low crop intensity in the canal irrigated areas in Uttar Pradesh and the Punjab. In areas served by perennial irrigation the farmers prefer sugarcane, a more profitable crop which though it takes a full year to grow is considered a single crop and so keeps down the figure of crop intensity.

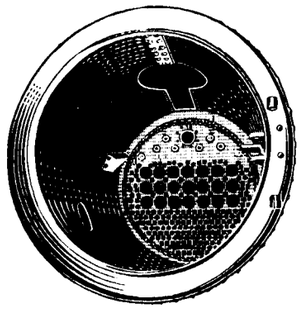
In unirrigated areas, on the other hand, the farmers try to grow as many crops as possible. In U P and the Punjab, for example, the farmers with the onset of rain sow either a quick growing *kharif* crop of maize or bajra. If the crop is a total failure due to bad distribution of rain or other causes, the preparation for the next crop starts early otherwise the sowing of the *rabi* crop is delayed a little. In normal years it may be said that the total gross returns from two crops from a given unirrigated area may be a little less than or equal to that from a single crop of irrigated wheat.

Under well irrigation the crop intensity is likely to be high as the wells are a perennial source of water

* There appears to be some doubt regarding the accuracy and comparability of net and gross irrigated area. The doubt arises in the case of an unirrigated crop in an irrigated area (for example, a rain fed crop of Juar fodder or a short duration *kariff* crop in fields receiving winter irrigation). It is not clear where such acreages are grouped — with the gross irrigated area or elsewhere. The extent of such area, however, is small and is largely confined to the canal irrigated *rabi* areas of U P and the Punjab where a short duration crop of juar fodder is grown before irrigated wheat provided the rains start early.

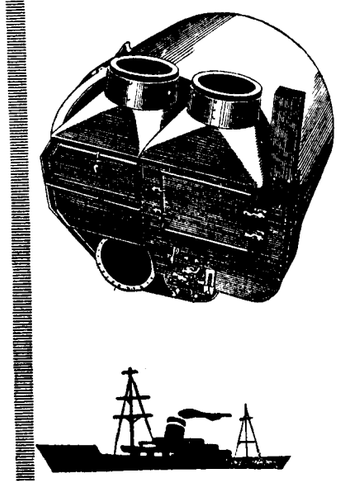
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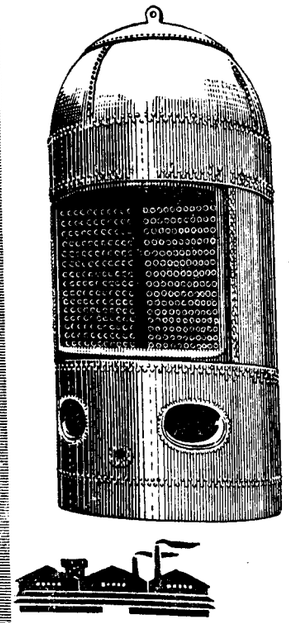
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in normal years. Besides supplementing scarce rainfall in *karif* season, well water is used for growing a second or even a third crop. This is perhaps the reason for high crop intensity in Bombay state where wells irrigate about 2.2 million acres or 64 per cent of the net irrigated area. However all the wells do not yield enough water throughout the year. In many regions wells are copious only for a few months. In the summer months when the need for water is most the wells dry up due to poor recharge. Such wells are useful for supplementing rain water rather than to support an additional crop. The source of water for the tanks is mostly rainfall and as such they can be effective only after the start of rains. The usefulness of tanks is felt when rains are irregular or come after long intervals. By and large tank irrigation does not increase crop intensity.

Small diversion works, lifting or pumping water from rivers, sandy river beds, utilisation of hill streams, etc, are other sources of irrigation. It is difficult to say anything definite about the exact nature of irrigation from these sources but a larger proportion of it is believed to be of the perennial type and thus helps in raising the crop intensity. Perhaps this explains the high crop intensity under irrigated areas in Kerala where these sources account for 40 per cent of the net irrigation (Table 2).

Steps to Raise Crop Intensity

It is, however, possible to raise the crop intensity substantially in the irrigated areas provided certain measures are taken. The most important of them would be better management of irrigation sources — particularly state-owned canals and tube wells. Instead of waiting for the rainy season to be over, if the canals are run with regulated quantities of water from the middle of June or early July, a short duration non-risky crop could be taken without impairing the production from the main *rabi* crop. This of course would call for

(i) additional applications of fertilisers and manures to bring the fertility status to that level which the *rabi* crop would have utilised if a *karif* crop had not been taken up and,

(ii) change in the water allocation procedures and canal set up. In the case of tube-wells the desired change could be achieved if the water is supplied to *karif* cultivation at specially attractive rates and prompt supply to water is ensured. Evolving of high yielding short duration *karif* crop varieties is another step that needs to be taken.

There is another aspect that requires some attention. This is in respect to statistical reporting of irrigated area. As already stated, the present statisical reporting gives rise to some doubts as to the comparability of net and gross irrigated area. The extent of inaccuracy in the data arising out of wrong grouping and of the treatment of unirrigated crop area from a field under irrigation command or receiving seasonal irrigation, is perhaps small at present as the extent of such cropping is negligible. The situation, however, is likely to change in future in view of the intensive cropping drive which is underway and the other measures, administrative and technical, that are being considered for achieving higher crop intensity. But it would not be possible to measure or assess the resultant improvement in crop intensity in irrigated areas and compare the same with that in unirrigated areas under the existing system of statistical reporting. It is necessary to improve statistical reporting by suitably changing the definition of net and gross irrigated areas.

Table 2: Average Area Irrigated from Various Sources and the Total Irrigated Area during 1952-53 to 1955-56
('000 *acres*)

	State	Canals	Tanks	Wells	Other sources	All sources
0.	1	2	3	4	5	6
1	Andhra Pradesh	3090	2491	724	213	6519
2	Assam	865	—	—	603	1469
3	Bihar	1445	728	496	1645	4314
4	Bombay	630	517	2176	96	3421
5	Jammu & Kashmir	667	—	7	25	701
6	Kerala	338	83	28	315	794
7	Madhya Pradesh	930	320	697	93	2045
8	Madras	1914	1981	1162	107	5166
9	Mysore	378	780	326	205	1689
10	Orissa	551	873	810	574	2081
11	Punjab	5004	13	2592	40	7647
12	Rajasthan	714	314	2100	64	3196
13	Uttar Pradesh	4523	1115	5166	881	12266
14	West Bengal	1331	1017	40	475	2892
15	Union Territories	96	13	43	95	225
16	All-India	22535	10009	16441	5524	54452

Compiled from : (i) "Abstract of Agricultural Statistics in India", issued by the Directorate of Economics and Statistics, Ministry of Food and Agriculture, Government of India.

(ii) "Statistical Abstract of the Indian Union", issued by the Central Statistical Organisation, Cabinet Secretariat Government of India.

Oversupply of Raw Jute

THE Indian Central Jute Committee has called for immediate massive purchase of raw jute by the Jute Buffer Stock Association and the State Trading Corporation to mop up the market surplus. It has also to be ensured that no mill skips its compulsory jute purchase quota.

The Committee has made it clear that the overall position of jute was sound even though the initial impression might be one of overproduction in the current market situation. The temporary oversupply in the jute market has been attributed by the ICJC to three factors.

First, there has been an early crop this year which makes a big difference to the pattern of marketing in a country where delayed harvesting of jute is the rule on account of retting difficulties. Secondly, growers need ready cash to meet social obligations flowing from the Pujas. Thirdly, the price of paddy has registered an exorbitant increase; this makes the holding of jute by growers for a better market impossible.

Around Bombay Markets

Dalal Street Turns Erratic

Thursday, Morning

DALAL STREET did not scale any new peak last week, nor did it appear to be in any great haste to do so. It preferred to consolidate its position before making fresh advance. Equities generally moved up and down rather erratically; Technical considerations produced sizable profit-taking on the rise but selling dried up at the lower levels and there also emerged a fair amount of replacement buying. Over the week, the market registered widespread losses, which, however, were generally small. Of course, the week's trading was not without some bright spots of which the most outstanding was Century which recorded an impressive rise on strong bull manipulation helped by reports about the encouraging progress of the company's expansion schemes. Near the week-end, Steel shares also developed considerable firmness on persistent rumours about an early announcement of a handsome increase in retention prices.

There was very little in the week's news to give a decisive push to the market eitherway. While a few prominent bulls have still a firm hold over the market, the feeling seems to be gaining ground that the market needs rest to digest the gains already recorded and that a further sizable advance will have to wait until Shri Krishnamachari makes up his mind on how exactly he proposes to boost the investment market and quicken the pace of industrial activity. Will T T K oblige the stock market with substantial fiscal concession? Speculators think he will. But investors do not seem to share speculators' optimism. Notwithstanding the recent spectacular recovery in the market, investment activity is still restricted and response to new issues is rather cold. There are still quite a number of issues which once commanded sizable premiums but are now quoted below par.

Oilseeds

Easier Tendency

INCREASED flow of groundnut arrivals has begun to tell on the market. Groundnut and groundnut oil have turned easier and this in turn has affected the general trading sentiment. Groundnut January which were quoted around Rs 216.50 at the previous week-end were sold down last week to Rs 212.75 — the lowest rate for the season so far, recorded once before on 31st July. In view of the high tempo of crop arrivals, groundnut prices can be expected to show an easier tendency for some time, encouraging export performance notwithstanding. How far the current downward move might go is difficult to say because this depends very largely on the nature of speculative activity. Export prospects for groundnut H P S, groundnut oil and extractions look quite promising. Already fairly good business has been put through and if the present trend persists, which seems very likely, groundnut prices might not register any serious decline under the pressure of arrivals. In any case, the current downward move should be regarded purely as a seasonal phenomenon; there is nothing like an imbalance between supply and demand. Oilseeds production is running far behind the Plan schedule and the targets fixed under the Plan are far from being ambitious in view of growing internal consumption of vegetable oils. The seasonal factor apart, the bearish sentiment in groundnut is attributable to the general belief that the ceiling of Rs 236 per 250 kgs. fixed for the January is likely to be kept unchanged for the subsequent contracts. It bears repetition that to maintain the ceiling for futures at the same level for all the contracts when there exists no ceiling on the spot material is to reduce the hedge contract to nonsense. A forward contract ceases to be a good hedge if in fixing the ceiling rates due consideration is not given to the normal carryforward charges which have to be incurred in transfering 'bull' interest from one delivery month to another.

The weakness in groundnut imparted easiness to the rest of the market. Linseed March drifted idly lower from Rs 35.50 to Rs 36.19 (per 50 kgs) and cottonseed January eased from Rs 97 to 95.50 in spite of the strength in cotton futures. Castorseed March which had touched a new high of Rs 168 on good export prospects and scarce supply eased to Rs 166 by the week-end on scattered selling and lack of fresh support.

Export Performance

Exporters reported fairly good activity all-round. As usual, groundnut extractions were the most active. East European countries were mentioned as keen buyers. Japan and the U K also took fair quantities of groundnut extractions. Prices realised were, however, slightly lower than in the preceding week, presumably because of increased Indian offerings. Groundnut H P S evoked fair inquiry and here again East European countries were mentioned as the main buyers. Reports are that Canada and other buyers of Indian groundnut are finding it cheaper to obtain their supplies from East European countries which are reselling Indian goods at lower prices in order to earn sterling and/or dollars. The U K and Western Europe took further moderate quantities of groundnut oil last week; crude oil fetched about £ 100/101 per ton while refined oil was sold at £ 113-10. Shippers continue to complain about difficulty in securing necessary freight. Export business, it is said, is being adversely affected by the inadequate port facilities at Saurashtra which has come to occupy a very important place in the country's oilseeds export trade. Inquiries with the trade indicate that the State Trading Corporation is anxious to secure sizable quantities of groundnut oil to be offered to Morocco and the U S S R. It is to be hoped that the S T C will make its purchases in a way which does not unduly excite the market. The present appears to be a very opportune time for negotiating large business because of the increased flow of new crop arrivals.

Shippers reported further large business of about 1700 tons in castor oil, mostly with Communist countries. Latest reports from the U S encourage the hope that Indian castor oil will again find its way to America. Washington has drastically reduced the sale of its stockpile castor oil from 5 million lbs in August to 1 million lbs in October and it is likely that there will be no sales of castor oil from the stockpile in December. This has already pushed up the quotation for Brazilian castor oil from 11.65 to around 13 cents a lb, first pressure. Though export business with the U S has been at a standstill for over two years, the U S importers are again beginning to evince interest in Indian castor oil. The revival of U S buying can bring new life to the castor futures market which has been extremely inactive since long. Export business put through last week in linseed cake was mentioned around 500 tons, with U K as the main buyer. Cottonseed cake continued to be in good demand. The U K and the Continent took sizable quantities and paid about £ 32-15 per ton for November-March shipment.

Cotton

Prices Harden

WHILE the buffer stock scheme has yet to be finalised, the cotton market has developed a firmer tendency. If, as Press reports continue to suggest, the purpose behind the buffer scheme is to support the market whenever prices tend to decline by about Rs 100 per candy below the ceiling, cotton becomes a good 'buy' around the current levels because they are close to the proposed official support price. And if cotton consumption picks up with the expansion of the spindleage that is now envisaged, the gap between domestic supply and off-take is likely to be further widened which in turn will tend to boost cotton prices. It is quite possible that the buffer stock agency will not need to make any substantial purchases in order to support the market.

Cotton futures recorded further sizable improvement last week. After rising from Rs 700.25 to Rs 709.25 by 11th November, the March contract reacted to Rs 703.50 on corrective profit-taking but it was up again at Rs 707.75 by the week-end. Improved sentiment in futures merely reflected the steadier tendency in the spot section where prices have hardened in spite of increased arrivals. Mills which had been keeping off the market for the past few months are again in the market, with the results that arrivals are being readily absorbed. Sentiment has been helped by the recent marked rise in foreign cotton prices. Fairly good activity is said to have developed in foreign cottons following the issuance of a part of the global import quota. Out of a global quota of 2.45 lakh bales proposed to be issued, an initial quota of 90,000 bales comprising 60,000 bales of cotton stapling 1-3/16 inches and above and 30,000 bales of 1-1/16 inches and above but below 1-3/16 inches, is reported to have been allocated to mills for import. Prices of East African, Sudan and Egyptian cottons have firmed up on keen spinner inquiry. There has also been a marked revival of overseas interest in Bengal Deshi and Deshi prices have hardened considerably. While sales registered up to 11th November are placed at 39,090 bales, total export business in Bengal Deshi is estimated around 60,000 bales.

Business Notes

Tata Chemicals

THERE is a note of achievement in J R D Tata's address to the shareholders of Tata Chemicals, of which he is the Chairman. His satisfaction at having surmounted the numerous obstacles which the Company has had to face since it started its career twenty four years ago is obvious. During the year ended June 30, 1963 the Company has at last fulfilled the expectations that were raised at the time of its establishment. With characteristic modesty, J R D attributes the achievement to the high competence and efficiency of the management and technical staff who, against heavy odds and without foreign technical assistance, have done a back-breaking job all these years and achieved success. Tata is confident that the Company has now attained a state of self-sustaining growth and that the sharholders can look forward to the future with faith and confidence.

The greatly improved results of the year were primarily due to the successful completion of the expansion project which has raised production of soda ash to 128,000 tons in 1962-63 compared to 57,000 tons in 1957. Revenue has gone up from Rs 273 lakhs to Rs 726 lakhs (166 per cent) and pre-tax profits from Rs 25 lakhs to Rs 90 lakhs (261 per cent),

Compared to 1961-62, the production of soda ash increased by 25 per cent, and that of dense ash by 300 per cent. Production of refined sodium bicarbonate was deliberately restricted below capacity due to slackness in demand but even then it was 6 per cent higher than in the previous year. There was a drop of 38 per cent in the caustic soda produced due to the closing down of the chemical caustic soda plant which had become uneconomic. Production of caustic soda by the electrolytic process increased by 18 per cent. Salt production rose sharply to 2,45,000 tons from 65,000 tons in the previous year.

	Year ended June 30,				
	1959	1960	1961	1962	1963
	(In lakhs of rupees)				
Capital	312	312	312	362	362
Reserves	55	64	84	83	144
Gross block	552	708	804	875	938
Net block	366	501	575	611	633
Gross revenue	352	351	425	541	727
Gross profit	64	48	57	53	134
Net profit	31	26	34	17	79
Percentage of net profit to sales	9.2	7.7	8.2	3.2	11.1
Dividends	19	14	17	21	35
Net suplus per ordy share (Rs)	1.10	0.70	1.16	0.49	2.49
Dividend per ordy share (Rs)	0.75	0.60	0.65	0.65	1.00

Sales of various products during the year increased by 34 per cent from Rs 531 lakhs to Rs 715 lakhs, and profit after providing depreciation and before taxes by 429 per cent from Rs 17 lakhs to Rs 90 lakhs. The higher profit is attributed by the Directors not merely to larger output at Mithapur but also to improved efficiency, lower production costs and more economic sales and distribution. The highly favourable results of the year have enabled the Company to provide Rs 44 lakhs for depreciation in full including all arrears, and to set aside Rs 41 lakhs for the development rebate reserve in full and to declare a dividend on ordinary shares at Rs 1 per share against 65 nP in the previous year.

The output of the expanded plant at Mithapur has now reached its rated capacity of 400 tonnes. The possibility of increasing the plant's capacity to its optimum potential is now under the active consideration of the Company. But at the same time, as the vagaries of monsoon often deny the Company adequate supply of fresh water and salt, it had become necessary to find a lasting solution to this problem. The Company has now found out ways of substituting to a large extent suitably treated sea water for fresh water in the operation of the plant without loss of production and efficiency. It is also taking steps to increase salt production beyond normal requirements so that in spite of excessive rains in any year its operations will continue unaffected.

In view of the reduced dependence in future of the supply of fresh water for the operation of the Mithapur plant, J R D has now indicated that, as against the previous plan to expand the output of soda ash by 100 tons a day a substantially larger expansion can now be undertaken. When salt production is also stepped up all obstacles to large scale expansion of production would be removed. The management, J R D said, is at present engaged in a careful study of the technical, economic and financial aspects of further expansion without adversely affecting current operations or profits.

The accounts of the Company for the year were reviewed in brief in our issue of November 2. The table on page 1906 indicates the progress of the Company during the past 5 years:

Money Market

Thursday, Morning

INTER-BANK call money rate which was stagnant at 1½ per cent throughout the past week hardened to 2 per cent only by Wednesday this week. An increased demand for funds, however, had been noticeable from Monday last, but it did not affect the rate as the demand could be met without difficulty. No scarcity of funds was felt as the resources position of scheduled banks as on November 1, was even more comfortable than the week before, with deposits rising by Rs 9.11 crores and advances contracting by Rs 1.13 crores. In fact, bank's resources were large enough to enable them to place more money on the call loan market, money at call during that week increasing by Rs 4.77 crores to Rs 64.52 crores. At the same time, the banks also found it possible to increase their investments in securities by Rs 17.41 crores, thereby replacing a major part of their sales effected during last month. The total investments of scheduled banks stood on November 1 at Rs 776.75 crores which was only Rs 10 crores below the peak reached on September 27. As a consequence of larger investments, bank's balances with the Reserve Bank declined sharply by Rs 15.98 crores.

This week's tenders to the Treasury Bills amounted to Rs 4 crores (Rs 3.03 crores last week) against Rs 2 crores invited, resulting in the rate of discount declining to 2.300 per cent from 3.310 per cent in the last week and from 2.318 per cent in the week previous. But intermediates sold between November 6 and November 9 hardly amounted to Rs 45 lakhs compared with Rs 8.10 crores during the previous week. Although the flow of funds to Treasury Bills did not increase in the course of the week, the yield on treasures were lower in sympathy with the lower rates in the call loan market. The easy money conditions that prevailed as reflected in the short term money market and treasury bill tenders, and the absence of adequate demand from trade channels should have accounted for a larger flow of funds towards securities.

In this context, the hardening of call money rate on Wednesday can not as yet indicate that trade demand for funds in the wake of the busy season has now assumed sizeable proportions. Quite possibly, the demand is due to Diwali festival which is being celebrated this week in most parts of the country. The increased demand is reflected in the sudden spurt in active notes by Rs 35.77 crores and in the fall in scheduled banks' balances with the Reserve Bank by Rs 21.29 crores as on November 8. Scheduled banks did not however increase their borrowings from the Reserve Bank but on the contrary, reduced them by Rs 1.53 crores to a balance of Rs 51 lakhs.

The spurt in the Notes in Circulation caused an additional note issue of Rs 22.64 crores for the week over and above the supply of notes by the Banking Department whose till was depleted by Rs 13.10 crores. The net note issue was covered by the transfer of Rupee securities of the value of Rs 25 crores to the Issue Department.

Central Government's deposits were up by Rs 71 lakhs and those of State Governments by Rs 6.98 crores, but their combined borrowings from the Bank were also higher by Rs 2.90 crores. Foreign balances showed a small increase of Rs 61 lakhs.

The giltedged market was more active during the week although price changes were only nominal. The 3 per cent Conversion Loan tended to look up. Gold Bonds were inclined to be easy. The tone is quite steady.

The Economic Weekly
Foreign Subscription Rate

Due to increase in foreign postal rates it has been found necessary to revise our foreign subscription rate. With effect from July 1963, the annual foreign subscription is Rs 34, 50s or $ 7.

A FERNANDES
Business Manager

CURRENT STATISTICS

BANKING RETURNS

(Rs crores)

Reserve Bank		Nov 8	Nov 1	Oct 11	Nov 9, '62
1	Note circulation	2279.69	2243.92	2257.08	2086.96
2	Rupee coin	118.60	120.95	120.97	120.32
3	Deposits				
	(a) Central Govt	49.39	48.68	52.20	50.43
	(b) Other Govts	14.35	7.37	10.36	17.86
	(c) Banks	79.69	101.10	84.51	82.79
	(d) Others	164.38	163.77	161.96	160.07
4	Foreign securities	92.46	92.46	92.46	88.08
5	Balance abroad	7.95	7.31	9.10	5.92
6	Rupee securities	1964.31	1939.31	1939.31	1778.29
7	Investments	219.23	230.10	168.21	174.23
8	Loans and advances to Govts	67.12	64.22	83.88	33.70
9	Other loans and advances	141.68	138.65	141.22	150.19

Scheduled Banks		Nov 1	Oct 25	Oct 4	Nov 2, '62
1	Aggregate Deposits (net)	2242.68	2233.56	2213.10	2048.61
	Demand (net)	986.73	974.75	969.52	819.29
	Time (net)	1255.95	1258.81	1243.57	1229.32
2	Cash in hand	56.57	56.46	55.53	53.96
3	Balance with Reserve Bank	97.79	113.77	79.44	72.85
4	(2)+(3) as % of (1)	6.88	7.62	6.10	6.19
5	Borrowings from Reserve Bank	2.40	1.88	3.12	5.97
	(a) Against usance bills and/or promissory notes	—	—	0.20	4.19
	(b) Others	2.40	1.88	2.92	1.78
6	Advances	1234.43	1237.66	1238.52	1174.66
	(a) State Bank	236.84	233.87	234.80	255.25
	(b) Others	1197.59	1003.79	1003.72	919.41
7	Bills discounted	177.16	173.98	170.90	164.94
	(a) Inland	56.24	57.31	52.87	51.14
	(b) Foreign	233.40	231.29	223.77	216.08
	(c) Total	16.90	16.65	14.55	15.41
	(i) State Bank	226.50	214.64	209.22	200.77
	(ii) Others				
8	(6)+(7) as % of (1)	65.45	65.77	66.07	67.89
9	Investment in Govt securities	776.75	759.34	786.00	694.05
10	(9) as % of (1)	34.63	34.00	35.52	33.88

Bombay Money Rates

(Per cent per annum)

	Nov 1	Oct 25	Oct 4	Nov 2, '62
Call money from Banks	—	2.49	2.18	3.00
Deposits				
Seven days	3.00	3.00	3.00	3.00
Three months	—	3.50	—	—
Six months	3.75	3.75	3.75	3.75

INDEX NUMBER OF WHOLESALE PRICES

(Base : 1952-53 = 100)

	WEEK ENDING			
Group & Sub-Group	5.10.63	28.9.63	7.9.63	6.10.62
Food Articles	**139.9**	**138.7**	**139.8**	**128.7**
Cereals	118.3	117.9	116.5	108.5
Pulses	112.4	112.2	109.6	112.7
Fruits & Vegetables	116.6	112.3	144.1	129.5
Milk & Ghee	129.2	125.7	127.5	124.5
Edible Oils	154.5	153.1	154.6	155.8
Fish, Eggs & Meat	145.0	148.5	153.7	152.1
Sugar & Gur	219.3	217.4	216.5	156.6
Others	182.7	182.9	181.8	166.3
Liquor & Tobacco	**118.7**	**118.7**	**118.3**	**100.0**
Tobacco	115.8	115.8	115.3	96.5
Fuel, Power, Light & Lubricants	**139.8**	**139.8**	**139.8**	**122.9**
Industrial Raw Materials	**140.1**	**140.1**	**142.2**	**138.9**
Fibres	130.7	130.6	134.1	129.4
Oilseeds	160.5	161.3	161.4	157.7
Minerals	91.5	91.5	91.5	93.4
Others	122.5	121.5	125.0	124.6
Manufactures	**131.2**	**131.1**	**131.2**	**128.9**
Intermediate Products	**138.9**	**139.2**	**140.0**	**142.9**
Finished Products	**129.9**	**129.8**	**129.8**	**126.6**
Textiles	128.2	128.0	128.0	125.0
Cotton	135.8	135.8	135.4	129.1
Jute	102.3	102.0	101.3	109.4
Woollen	156.6	156.6	156.6	141.3
Silk & Rayon	137.4	136.3	141.1	133.4
Metal Products	163.7	163.7	163.7	161.0
Chemicals	117.1	117.1	117.4	116.5
Oil Cakes	164.8	165.0	163.5	165.1
Machinery & Transport equipment	124.3	124.2	123.9	117.4
Others	128.4	128.6	128.6	125.1
All Commodities	**137.0**	**136.3**	**137.2**	**129.6**

Cotton Textile Industry

(Mill Sector)

	Apr '63	Mar '63	Apr '62	1962 (Average)
Production				
Cloth (*Million yds*)	400	403	413	416
Yarn (*Million lbs*)	159.1	159.0	154.6	157.9
Stocks				
Cloth (*Million yds*)	268.5	318.0	280.9	472.2
Yarn (*Million lbs*)	20.1	19.2	17.6	22.3
Consumption of raw cotton by textile mills (*Lakh bales*)				
Indian	4.18	4.05	3.85	3.87
Foreign	0.56	0.66	0.73	0.82
Total	4.74	4.71	4.58	4.69

Source : Textile Commissioner, Ministry of Commerce and Industry.

Cloth Production

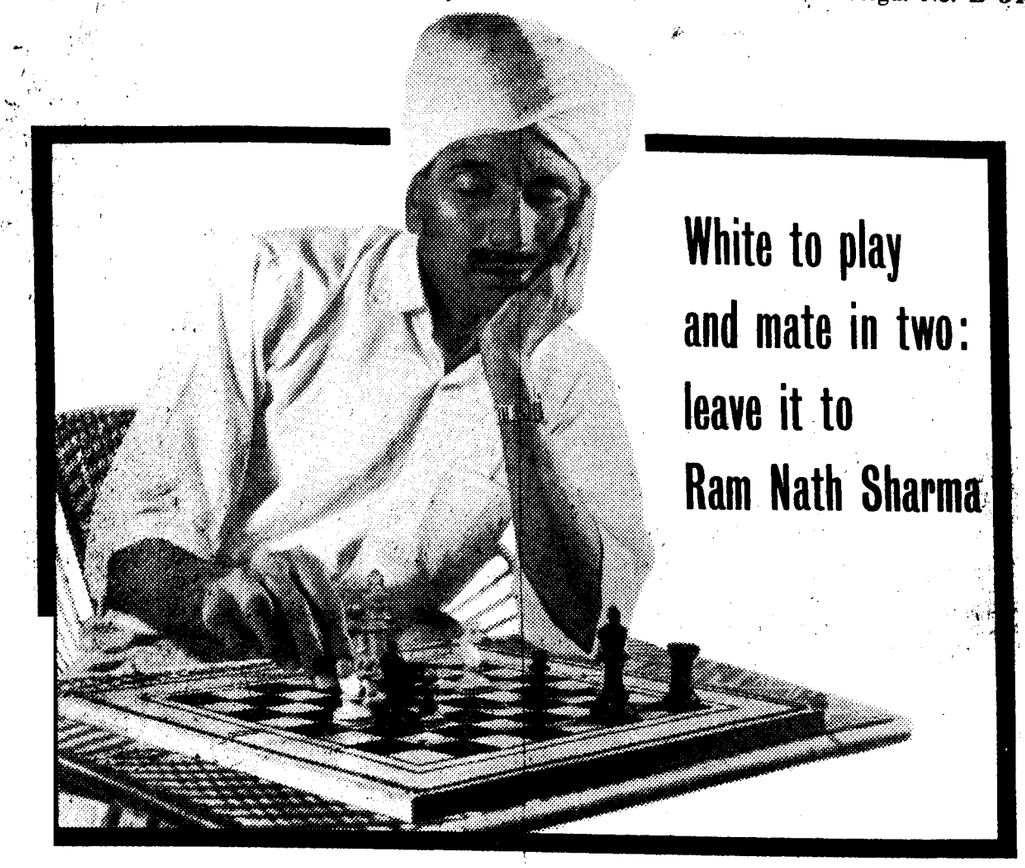
(Million metres)

	Apr '63	Mar '63	Apr '62	1962 (Average)
Coarse	61.5	62.1	55.7	63.4
Lower medium	115.5	116.1	118.3	117.0
Higher medium	149.0	147.8	169.4	162.2
Fine	17.7	19.3	14.3	16.4
Superfine	22.2	23.4	20.3	21.1
Total	365.9	368.3	378.0	380.0

Source : Textile Commissioner, Bombay.

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White to play and mate in two: leave it to Ram Nath Sharma

The Black King stands aloof and defiant. He is guarded by a Pawn, a squat, menacing Castle and a scheming Bishop. Dark and determined, they surround him in a defensive phalanx. But White is attacking with two crafty Knights, a disdainful Queen and a spearhead of Pawns... Ram Nath Sharma masterminds the strategy. Two moves, and the Black King is checkmated: Sharma, chess player and tank lorry driver at Shakurbasti Depot, Delhi, smiles. Careful strategy has won the day!

A LORRYLOAD OF POWER

Sharma has been driving cars, tank lorries and trucks for Burmah-Shell for twenty years. He delivers motor spirit and high speed diesel oil to dealers, aviation fuels to aviation depots and packed lubricating oils to customers...the correct quantity and grade against each order. He must drive with infinite care, unload with every precaution, keep his presence of mind. Over two decades of performance, he has never been known to panic.

TODAY, AS EVER, PEOPLE LIKE SHARMA ARE WORKING FOR YOU

'I have 125 shares in the Society,' says Sharma. A prominent member of the company's Co-op. Credit and Thrift Society, Sharma is proud of his work in Burmah-Shell. It has meant a fuller, satisfying life for him and his family.

Sharma and people like him—at all levels of responsibility—are Burmah-Shell. Today, as ever, they are hard at work, working to ensure that vital petroleum products, essential to India's growth and progress, are brought to you at the right place and time, in the right quantities.

BURMAH SHELL

BURMAH-SHELL are People in the service of the People

Algeria's Unfinished Revolution

The Economic Weekly

A Journal of Current Economic and Political Affairs

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Fertilisers : Wider Perspective

THAT Trombay has been selected as the venue of the Fertiliser Conference, sponsored by the ECAFE and the other United Nations agencies, including the FAO, and that the Fertiliser Corporation of India is playing the host to it are highly significant in more than one way. It pinpoints the supreme necessity of stepping up food production in the most populous part of the world which has also the highest incidence of starvation and malnutrition. That it does by singling out fertilisers as the one most important agency for initiating a change in agricultural techniques and raising output. Not that any one thing by itself can bring about the needed change — certain changes, such as those of the system of tenancy, are beyond the range of scientific techniques. But it emphasises the application of science in a field hitherto almost untouched or touched very lightly by modern developments.

The choice of the venue is also significant in that alone among the developing or underdeveloped countries India has been making considerable effort in developing the fertiliser industry in the country, however halting the progress. It need hardly be mentioned in passing that Japan which is among the world's leaders in the production and use of fertilisers is not in the category of the ECAFE countries. That the Fertiliser Corporation of India should play host to the Conference is also not without significance, for the design organisation which it has built up and the nucleus for another being developed by Fertilisers and Chemicals, Travancore, at last promise to set the country on the right path of development of the fertiliser industry after many years wasted in misdirected effort.

The gathering of the international technical experts and specialists from the ECAFE countries with knowledge and experience of the particular problems of their own countries must surely result in many fruitful inter-changes. To this body of experts the Minister of Heavy Industries, Shri Subramaniam, submitted the problem of devising simpler procedures for soil surveys, so that the use of different types of fertilisers can be adjusted in proper proportions in order that the maximum benefits can be derived and nutrient properties of the soil restored and improved instead of being damaged. This is a field in which India claims to have acquired considerable experience. Yet, we have not been able to produce a proper soil map of India nor evolve a system of soil analysis which could be widely utilised for selecting and blending of fertilisers. To be fair to the Minister, one should add that what he wanted was "suggestions as to how best to organise an effective and yet not too costly a system of extensive soil analysis". The technical problems in the wide use of fertilisers are many and they begin right from the stage of production. The storage, packing, handling and transportation of fertilisers, therefore, naturally formed important items of the agenda. To these Mr U Nyun, the Executive Secretary of the ECAFE, drew pointed attention in his opening address. But a minor problem in which we have got stuck is that of distribution and this was not mentioned by either.

While the general tenor of the discussions in the Conference was in favour of systematic efforts to popularise the use of fertilisers, it went unheeded that in this country fertilisers are sold as a matter of policy at an inflated price, and that the prices charged are about the highest in the world! The obvious explanation would be that even without much promotional activity the demand was very high and, because of tardy internal production and shortage of foreign exchange for imports, the Government was in no position to meet it.

The fertiliser industry is highly capital intensive and for any of the countries in this region undertaking its development, the import content of the investment is exceptionally high and Mr U Nyun expressed the hope that the discussion at the Conference would reveal the possibilities of manufacturing machinery and equipment for this industry in countries of the region other than Japan and India which were the only two manufacturing them at present.

It is true that India has some fabricating capacity. It could, if the Plan performance were better, have much more. But with the progress of steel and heavy-machine-building as slow as it has been, is not Shri Subramaniam again leading us up the garden path by holding out hopes of setting up the manufacture of pressure vessels and compressors for the fertiliser plants when we are in no position to fabricate simpler equipment to significantly reduce the import content of the steel expansion programme?

After much groping, planning of fertiliser production is being put on the right lines in that reliance is being placed on indigenous and competent design organisation, and production is being increasingly switched from a basis of coal to one of petro-chemicals. More attention is being paid to costs of transportation, availability of raw material and proximity of consuming areas in choosing the future location of fertiliser plants. This is in pleasant contrast to promises made offhand earlier of a fertiliser plant for every State. The logic of this development has been recognised by putting the new Minister for Oil in charge of chemical industries also, so that a unified development of the two is assured at the ministerial level. Shri Humayun Kabir will have the field clearly marked out for him and rich experience of past mistakes to draw upon.

Since the Conference is of all the countries of South East Asia, the wider perspectives of fertiliser development in this part of the world should not be lost. Here Mr Nyun pointed out, "the limited size of domestic markets is the cardinal impediment. If regional cooperation in trade and manufacture of fertilisers could be achieved, it would go a long way towards reducing this impediment, thus enabling the countries of the region to enjoy the benefits of economies of scale". The obstacles to this desired development are well known. The discussions should result in concrete and practical suggestions for overcoming them, for nowhere else is the scope for Asian cooperation as promising as in fertilisers.

Arabs: Shifting Alignments

THE year 1963 is likely to go down in Arab history as a year comparable to 1958, when the fragile equilibrium of some States was precipitated into a new phase of instability that eventually evolved a new equilibrium. Whether the fluid situation in Iraq will produce another Kassem is not clear yet — indeed the entire significance of recent events in Baghdad is obscure.

Iraq led the way in the current phase of coups by ousting Kassem last February. When the Syrian Baath Party followed suit last March and seized power, the way seemed momentarily clear for some real advance towards a socialist Arab unity. Sadly, the long propounded ideals of Michael Aflaq and Baath Socialism were insufficient (at least, in the short term) to overcome the deep cleavages between Arabs both outside and within Syria and Iraq. In addition, while the Baathists have no fundamental political differences with Nasser, they must display due caution and safeguard the interests of their small nations against the overwhelming size and strength of Egypt. As a consequence, Iraq and Syria agreed to federate with Egypt only if they could do so together, acting as a counterweight to Egypt. Nasser for his part could not tolerate any possible diminution of his power by becoming only one in a triumvirate of equal partners. The brave words of federation expressed in the April 17 agreement disintegrated (as might have been expected) in a vitriolic war of propaganda between Damascus and Cairo. Nasser by reply turned to reorganising his foreign supporters and the Syrian Nasserists attempted a coup in July. The Baath Government reacted brutally by shooting and gaoling Nasserists. Syria simultaneously tried those that broke the union with Egypt in 1961 and those who subsequently tried to restore it. The domestic threat inevitably forced the Baath regime to tighten its security — leading to the pre-eminence of the familiar military figure, this time Major General Amin El Hafiz. The resignation of the March Government of Salah Ed Din Bitar a few days ago suggests that the Syrian regime has not yet entirely settled down — and probably will not do so until the Army is back firmly in the saddle.

Meanwhile, these changes shifted alignments throughout the Arab world. Egypt sought to isolate Syria and Iraq by restoring its formerly embittered relations with the Arab monarchies, Jordan and Saudi Arabia. Normalisation of relations with Saudi Arabia is required in addition to relieve the strain on Egypt of maintaining the major recent Arab truimph, the overthrow of the feudal regime of the Imam of Yemen. Egypt is under continuous pressure in pursuing its own fast and forced economic development with continuous extensions of State ownership, while fostering foreign Nasserist movements (open and subversive), and supplying help to friends — for example, to Algeria in her war with Morocco. Similarly, Jordan, now isolated from her natural trading partners, Iraq and Syria, has sought to normalise relations with Egypt (four Jordanian Nasserists have been recently promoted by the King to sit in Jordan's Upper House), to relieve her complete alignment with the West (relations with the Soviet Union were re-established in July, and Hussein is said to be hoping that Russia will make up for some of the decrease in recent US aid, not least in order to pressurise Washington) and make closer her ties with Saudi Arabia.

This reshuffle in the Arab centre has now had repercussions on the geographical edge, Iraq. So far as can be seen, a conflict developed between a faction favouring union with Syria, led by the Deputy Prime Minister, Saleh Al Saadi, and supported by the Baath para-military force, the National Guard (which exercised disproportionate influence in the capital while most of the Army was in the North, engaged in a punitive war on the Kurds) and the Air Force, and a group favouring new approaches to Nasser for a revival of the federation plan (led by Foreign Minister Talib Hussein Shabib, and including the Minister of the Interior, Chief of Police and Chief of Military Intelligence). The immediate cause of the conflict was the elections to the supreme governing authority in Iraq, the National Revolutionary Command, elections initially won by Saadi. Shabib ousted Saadi, and in new elections, made his faction supreme, only to find the regime taken over by the non-Baathist President, Field Marshall Abdul Salam Aref, in the name and with the support of the Army (Aref's brother is General commanding the Third Division, stationed not far from Baghdad). While leaders of the Saadi faction fled to Madrid, and those of the Shabib group to Beirut, the Baath leadership in Baghdad declared a plague on both houses and recommended new elections. Meanwhile, Syria's General Hafez who is said to favour Saadi has allegedly moved Syrian troops to Mosul in North Iraq.

What all this means politically is obscure, although Aref is certainly more sympathetic to Nasser. What is probably more likely is that the new regime, whatever its eventual colour, will be mainly a mouthpiece for the only strong national force, the Army. From its ranks, a new soldier could emerge to attempt to restore unity on the familiar foundations of dictatorship. If this does no more than permit some further economic development, on the basis of the substantial oil revenues received by Baghdad, it will have achieved something. Meanwhile, the high ideals of Baathism have given way under the strain of governing a country riven by disintegrative forces and faced abroad by an overwhelmingly superior rival. Perhaps the next wave of revolutions will bring those ideals a little closer to realisation even while sweeping away the Baath party from the seats of power.

Parliament and Public Sector

THE fear that the setting up of a new committee of Parliament to report on the working of public sector undertakings would hamper their freedom of operation is unwarranted. The proposed committee has no powers hitherto not possessed by Parliament. Both the Public Accounts and Estimates Committees at present examine the working of public undertakings as part of their work of scrutinising the expenditure of funds voted by Parliament. Accountability of public undertakings to Parliament is also ensured through questions by Members, debates under normal Parliamentary procedure as well as debates on the grants concerned and, in exceptional cases, when allowed by the Speaker, through motions of adjournment, censure, confidence, etc.

The need to allow the public sector undertakings to carry on their business without interference by either the executive or the legislature in their day-to-day functioning is well recognised, but it has not been honoured in practice always. To quote from the letter from Shri S G V Mavlankar, the late Speaker of the Lok Sabha, to the Prime Minister in which he suggested the setting up of a separate committee for public undertakings:

"To my mind, asking of questions or raising discussions on the working of such bodies [public undertakings] by the whole House is neither desirable nor practicable. The corporations must be left free in their day-to-day administration and Ministers should not be called upon to answer detailed questions or discussions in the House except on such occasions when questions of some general policy have to be raised or discussed. It is also clear that the Estimates and the Public Accounts Committees are already overburdened with the work assigned to them and find very little time to go into the working of corporations. I have also other practical difficulties. Members are tabling a large number of questions, resolutions, and giving notices of discussions relating to these corporations. At present they are disallowed on the plea that as these corporations have their own constitutions and have a certain amount of autonomy, various Ministers are not directly concerned with detailed aspects of the matter and, therefore, they should not be called upon to answer them in the House. A large number of notices are, therefore, disallowed and this is causing an avoidable dissatisfaction among the Members. A *via media* has to be found whereby Members are made to feel that their legitimate grievances are not being throttled and there are safeguards from the Parliamentary point of view."

This summarises the essentials of the problem which is sought to be solved by the setting up of the new committee. Since Mavlankar gave his considered opinion on the subject, the number of public undertakings has multiplied and, as the Minister of Industry pointed out, reports of some 60 public undertakings are now presented to Parliament every year but, owing to the pressure of other work in both the Houses, it is found difficult to discuss more than four or five of them. As a result, apart from the work of the Estimates and the Public Accounts Committees, which cannot look into every single public undertaking, the accountability to Parliament of these undertakings is ensured more or less on a hit or miss basis with attention generally focussing on stray failures and instances of misdemeanour or inefficiency, collected by individual Members through their private intelligence. This has rendered Parliamentary control irregular and uneven, and often even lax, and has also prevented the fostering of the conventions of self-restraint by Members which alone can ensure freedom of public undertakings from interference —

as distinguished from control — by Parliament.

The new committee, which will consist of ten members from the Lok Sabha and five from the Rajya Sabha, will examine the reports and accounts of the public undertakings and the reports of the Comptroller and Auditor-General on them and judge whether they are being managed in accordance with sound business principles and practices. It has been stipulated, however, that the committee shall not examine matters concerning major Government policy, on the one hand, and day-to-day administration, on the other. Policy questions have been excluded from the purview of the committee so as to ensure that it does not duplicate the work of the Estimates Committee.

The line that distinguishes control from interference is exceptionally fine and whether an arrangement can be devised whereby effective Parliamentary control is combined with the autonomy of public undertakings depends on the quality of judgment and extent of restraint shown by Members of Parliament. The specialisation of a small number of Members in the affairs of these undertakings should help in fostering these essential attributes in Parliament.

Weekly Notes

Burma : Peace Talks Founder

GENERAL NE WIN'S attempt to argue Burmese Communism into national conformity has stumbled on the stubborn factionalism that has consistently splintered Burma since independence. In June, fifteen months after his coup, Ne Win offered a general amnesty to political prisoners, releasing some four and a half thousand (but not the former Prime Minister, U Nu) as an inducement to the variety of political and national groups to sink their differences in his programme of Burmese rural Peronism. Talks were initiated in August with the two Communist groups, Red Flag and White Flag — those with Thakin Soe's Red Flag Communists ended abruptly on their insistence that the price of their co-operation was a national coalition government which should include U Nu and the AFPL (AFPL leaders were arrested in the same month). Talks with the Kachin leaders who demanded in September an independent Kachin State fared no better, although negotiations are not yet complete. However, Ne Win persisted with the White Flag Communists, a more substantial group than their Red Flag brethren. The ten-week talks with the groups included under the National Democratic United Front finally collapsed on November 16, and on the following day several hundred members of the Front were arrested by the Government. The course of events leaves the Front with no option but to return to the jungle and take up arms once more. Ne Win may have achieved no more than some closing of the ranks of the leftist opposition forces.

If all the talks proceed similarly, the General will find himself with only the Army to enforce both national unity and his own rule. Like other countries in South East Asia, Burma has constantly suffered from a tendency to disintegrate into autonomous warlord zones engaged in continuous regional civil war. Now the General has dedicated himself to an active programme of social reform to wean the peasant from his local loyalties and encourage rural development—both to relieve Burma's dangerous dependence on rice exports, and raise per capita income and output to at least pre-war levels (income is 87 per cent of what it was before the war). Laws have already been passed to secure to the peasant his land, to safeguard him against landlords, and extend rural credit; a bill is pending to nationalise (with compensation) the land of absentee landlords. In addition, welfare measures are being framed to cement the loyalty of the cities. To increase domestic control of the economy and raise popular enthusiasm, extensive nationalisation measures have been introduced, covering the export-import trade, rice distribution, and Burma's 22 private banks, Burmese and foreign (including that of Red China). Overall, the emphasis is *etatiste* and nationalist, including persecution of foreigners (for example, the ban on Rangoon's mainly Chinese traders). One group not so far won over by this appearance of radicalism is the students — the Army opened fire on their demonstrations last July, and set about demolishing the Student Union building, famous as a centre of opposition to the British in pre-independence days.

Most of the troubles of Burma have arisen from its lack of national cohesion—each group is prepared to take its opposition to the *status quo* to the point of open war. This instability prompted Ne Win's earlier flirtation with power in 1958, and it was the danger of Shan separatism that brought the Army back last year. Factionalism under the relatively weak and inefficient U Nu, in the guise of democracy, despite its toleration of national disintegration, was bearable. Whether Ne Win can by force achieve at least the same inertia is still questionable — the unity of the Army is no more guaranteed than that of the country.

The Cost of Paddy

AT long last, perhaps, Government is likely to have some factual basis for the formulation of rational price policies for major agricultural products. Detailed data on the cost of production of paddy and other economic aspects of paddy cultivation are now reported to be available. These have been gathered through farm management studies conducted by the Directorate of Economics and Statistics of the Ministry of Food and Agriculture in selected districts in the major rice-growing States. It is expected that Government would soon release these data to the public in their entirety. That will ensure a full and open discussion of the value of the data which are presumably going to guide Government in some measure in its price policies.

What little has come out so far seems to conform to existing knowledge on this subject. There is, the studies have shown, a wide degree of inter-regional variation in the cost of production of paddy. This may be due to various factors — including the requirements of water and manure of different soils and

their relative yields, and also the crops competing with paddy for the same soil or being produced with it in rotation. Secondly, out of pocket expenses of the farmers are reported to average about one-half of the total costs of cultivation. The other half is composed of imputed costs in respect of rent of owned land, interest on fixed assets, remuneration of family labour, etc. Thirdly, costs seem to vary considerably with the size of the farm. This would presumably be due not so much to economies of scale, about the existence of which in Indian conditions there is much difference of opinion, as to other factors like the likelihood of the larger farmer having land which is intrinsically better than that of the small farmer, as also more carefully looked after by terracing, etc, and the ability of the large farmers to use more water and good quality seeds, and to attend to the crop more frequently. Further, costs which are based on data collected during the base period 1954-57 have since registered considerable rise, though in varying degrees in different regions. Data is also reported to have been collected on the producers' share in the consumers' rupee, which is revealed to be roughly between 70 and 80 per cent. The margin has to accommodate, besides profits of the intermediaries, such cost items as transportation, milling, storage, grading, wastage, retailing, etc.

It would be no easy matter, however, to use such data for formulating price support policies. Unlike industrial costs, large slices of costs in agriculture are not quantifiable even within a reasonable margin of probability. Further, agricultural price policy will, in many key regions and sectors, also have to encourage or discourage growing of particular crops. In this various groups and interests will have their say. The discussion of the margins between what the consumer pays and what the producer gets is also likely to ignite emotions. But the fact is that margins in India are often much narrower than elsewhere, and the tendency is likely to be towards their widening.

Who Owns Banks?

THE flutter at the Reserve Bank's move to ask scheduled banks to furnish information about the ownership of their shares is quite unwarranted. The inquiry is an extension of the earlier study by the Reserve Bank of the pattern of ownership of public non-financial companies. Its findings might have a bearing upon the proposed amendment of the Banking Companies Act, but no one expects them to be so startling as to change official policy or even public opinion on the question of ownership of banks. The Reserve Bank itself should have no illusions about the significance of the data it will collect.

The inquiry will no doubt substantiate the well known fact that ownership of big banks is fairly widely dispersed while small banks are owned by a few shareholders. The Life Insurance Corporation holds fairly large blocks of shares in all the big banks. The Reserve Bank already knows who controls which banks and how; the information it will collect on the broad pattern of ownership of shares will serve purely a statistical purpose. It will not throw any fresh light on such vital issues as inter-linking of control over banks and industry and the concentration of bank advances.

The Banking Companies Act lays down that no single person can hold more than 3 per cent of the share capital of a bank, that no bank director can be director of another bank or of companies which together hold more than 20 per cent of the share capital of the bank concerned. These provisions have posed no problem for anybody. Three of the big banks, Central Bank, Bank of India and United Bank of India, are not controlled by any single business group. On the other hand, Punjab National, United Commercial and Baroda which are controlled by Dalmia Jain, Birla and Kilachand, respectively, have a distribution of ownership, controlling blocks of shares and directorships which neatly avoids infringing the statutory provisions.

The Big and the Small

WHAT do we know of the ownership of banks? The broad pattern for some of the banks was roughly as follows in 1958, writes Dr R K Hazari :

The Central Bank had a share capital of Rs 315 lakhs, of which L I C owned Rs 12 lakhs and Rs 8 lakhs were registered in the names of banks and their subsidiaries doing executor and trustee business. The other principal holders were the Maharaja of Gwalior, Shapoorji Pallonji, Wadia, Homi Mehta, Tata, Gamadia, the Ranas of Nepal and Prudential Assurance, registered in England. None of them held a significant proportion of the total share capital. The Union Bank, incidentally, is believed to be a close affiliate of the Central Bank.

The Bank of India had a share capital of Rs 300 lakhs, of which L I C (including its subsidiaries) held Rs 35 lakhs and banks and their subsidiaries Rs 14 lakhs. The other principal holders were Ruia, Cowasjee Jehangir, Tata and Thackersey.

A rather significant proportion of the shares of these two banks, it may be noted, is registered in the names of banks and their executor and trustee subsidiaries and to that extent the beneficial ownership of the shares is unknown — and will remain unknown even to the Reserve Bank unless it calls upon the banks to furnish precise information about their holdings in the capacity of mortgagees, pledgees, trustees and nominees. It is possible, for instance, that the Tata holding in the Bank of India is somewhat larger than would appear from the list of shareholders.

Punjab National is indisputably a Dalmia Jain bank even though the Reserve Bank has removed the Jain nominees from its board. In 1958 the Jains collectively held 31 per cent of its capital, in the names of various individuals and companies. In the aggregate, 81 per cent of its share capital was owned by individuals, 7 per cent by finance companies, 3 per cent by banks, 1 per cent by trading companies, 5 per cent by L I C and 2 per cent by trusts. The National Bank of Lahore is practically a subsidiary of Punjab National and the little-known Universal Bank of India is the third bank in the Jain group.

The United Commercial Bank had a share capital of Rs 200 lakhs, Birla held 20 per cent of it, in the names of various industrial, finance and insurance companies and indivi-

duals. In the aggregate, 65 per cent of its share capital was owned by individuals, 12 per cent each by finance and industrial companies, 8 per cent by L I C, and the remaining 2 per cent by insurance companies and banks.

The little-known Hindustan Commercial Bank is controlled by the J K group, which collectively holds about 56 per cent of its share capital of Rs 125 lakhs. Industrial companies own 37 per cent of its capital, finance companies 18 per cent, individuals 40 per cent, and L I C and insurance companies 2 per cent each. The J K block is distributed among various companies in the group. In relation to its share capital the bank's deposits are very small.

The Oriental Bank of Commerce is even smaller. In 1958 it had a share capital of Rs 11 lakhs, of which the Karamchand Thapar group held Rs 10 lakhs. Thapar trading and finance companies held 55 per cent and 9 per cent, respectively, of the total capital, and individuals held the remainder.

It may be confidently expected that the Reserve Bank inquiry will confirm this pattern of dispersed ownership of big banks and relatively greater concentration in the shareholding of smaller banks.

Intensive Agriculture

THAT agricultural production would go up if all the required inputs — irrigation, improved seeds and implements, fertilisers and pesticides — are used in appropriate proportions is a truism which does not need to be established. What the Intensive Agricultural District Programme (IADP) aims at is to demonstrate what combinations of inputs are most effective, given the physical supplies, and how the farmer can be persuaded to use them. Introduced on a pilot basis in three selected districts in 1960-61, the Programme was extended to four more districts in 1961-62 and is currently being introduced in one district each of the remaining eight States. Since it is still largely at an experimental stage, the need for continuous evaluation and assessment is obvious. In June 1961 the Ministry of Food and Agriculture set up an Expert Committee to undertake day-to-day evaluation of the working of the Programme as well as to publish periodic progress reports. The Committee has just issued its first report, covering the period up to the end of 1962-63.

Since the Programme, which is to run over a period of five years, is hardly two years old in most of the districts and as much of this period has been taken up in making preliminary arrangements, creating the requisite institutions and building up administrative and extension services, it is understandable that the Committee feels that it is too early to judge the impact of the Programme on agricultural development. No attempt, therefore, is made to evaluate progress in terms of the Programme's objectives; in this report the focus is on the general concept and approach and on the problems encountered in the initial years.

The IADP is an idea; the implementation of this idea is sought through agencies which already cover the rural sector, like the Community Development Programme, the cooperative movement and panchayati raj. The effective participation of these different agencies is secured through coordination committees functioning at the central, State and district levels. The idea of a unified approach to rural problems, of agricultural planning through people's institutions, of an agricultural extension service to function as an integral part of the rural administrative structure, of supporting services to render effective the production programmes of individual farmers — all these are features common to Community Development and the IADP. Similarly, the geographical unit of the Programme is the Development Block and it functions within the setting of Community Development through the latter's functionaries, principally the Village Level Worker.

What distinguishes the IADP is that it is limited to a few areas selected for their potential for quick increase in productivity and the fact that the whole Programme is farmer-centred. A whole array of services — provision of credit, fertilisers and seeds, as well as research, experiment and extension and educational work — is made available to the farmer on the basis of farm and village production plans. The IADP is an impact programme. The "package of improved practices" evolved with reference to particular regions, for instance, is intended to speed up agricultural development over a wider front; similarly, the methodology and practice emerging from the working of the Programme are expected to become part of the routine of administrative and technical departments and get built into the normal procedures of institutions like the cooperatives.

The I A D P does not cover the whole of agricultural production. Developments that require large capital investment and take time to mature — major irrigation, drainage, land reclamation, etc, — are not taken up by the Programme and, of course, it has nothing to do with land reform and related matters though tenurial status is a vital production incentive. Through careful selection of districts initially, the problem of facilities which require long term investment has largely been avoided so far. But as its coverage expands, though the hard core of the Programme will still be a minimum combination of quick-yielding practices, increasingly it may have to include measures of more than purely short-term character. Further, with expanding coverage, in addition to cropping plans for individual cultivators, there will be needed wider plans for the block and the district as a whole which will indicate the broad crop pattern desired into which the farm plans will have to be fitted.

Too Little, Too Slow

THAT is for the future. Immediately what the I A D P aims to achieve is to augment, organise and make more effective :

(a) institutions that supply credit, handle agricultural supplies, store, process or market agricultural produce and perform educational and guidance functions for farmers;

(b) technical and other agricultural resources — fertilisers, improved seeds and implements, plant protection equipment and pesticides —and farm planning methods; and,

(c) human abilities and skills of those who work on the farms and in the rural institutions so that they are receptive to new opportunities and put new skills and resources to effective use.

The report admits "various difficulties, some of them organisational, some connected with operation and some inherent in the socio-economic milieu in which the Programme has to function, which have impeded progress". This has necessitated changes in the tempo and methodology and even the content of the Programme. Many factors have contributed to the uneven progress in different districts — the varying levels of initial cooperative and agricultural development, problems of getting the full complement of staff trained and in position and of making arrangement for agricultural supplies, etc. The main impediment was, however, the weakness of the institutions, particularly the cooperatives, to handle a programme of this type. For instance, the cooperatives still make their advances with little regard for the use to which the credit is put. But the area where cooperation is at its weakest is in respect of marketing agricultural produce and as a result the credit institutions' capacity to lend is affected by mounting defaults of members.

Farm planning was hampered by shortage of data on which to base extension recommendations, the lack of understanding of farm planning processes both by the cultivators and the field extension staff and the limited experience of credit institutions in extending loans on the basis of production plans. The shortage of extension staff and their unpreparedness in terms of knowledge and equipment together with their frequent transfer and the demands on the village level workers for non-agricultural work have been other limiting factors. It has also not been possible to create basic facilities like implements workshops and soil testing laboratories, organisations for production and distribution of quality seed, and information units to disseminate information useful to the farmers. Finally, as long as the cultivators' tenurial status is uncertain and there are a large number who hold land on insecure lease, the Programme is bound to be hampered.

The report mentions that in 1962-63 in 117 blocks in the seven selected districts the Programme covered about 10.6 lakh hectares out of a total cropped area of 37 lakh hectares, or less than 30 per cent. In view of the vital deficiencies in the implementation of the Programme noted above, it may be wondered whether even this modest figure does not exaggerate the impact of the I A D P.

Capital View

Ministers and Watchdogs

Romesh Thapar

WINTER has been long in coming. We are still clad in bush-shirts and various types of 'undress'. Only in the evenings can the more anaemic detect the nip in the air. But the weather is treacherous, what with the common cold, 'flu and such things. Despite all this, the busy season has begun. Tourists and VIPs are passing through. The hotels are full. 'Shiksha', the air exercise, is over. And the inevitable seminars have begun.

The political elite in the capital, however, remains in pensive mood. Something is seriously wrong somewhere. No body knows what.

Questioning is widespread as to why the Prime Minister has to reorganise his Cabinet in the style of a magician — one trick at a time. This uncertain, hesitant approach is most damaging to the efficiency of Government and the functioning of those ministries which are slated for reorganisation.

Balance in Education Ministry

Chagla's appointment as Education Minister, for example, was to have been announced on the eighteenth of last month. Hindi chauvinists, fearing that both Education and Information and Broadcasting were to be taken over by non-Hindiists (to use the politest expression) threatened to agitate. The Prime Minister began to do a re-think — and now we have Chagla to reassure the South that Hindi will not be pushed too hard and Deputy Minister Bhakt Darshan from Uttar Pradesh to act as the guardian of the 'mother tongue'.

As for the problems of education, crying out for solution, nobody seems to have given them a thought.

Ten Years Too Late

Chagla has been appointed to the Education Ministry ten years too late — although the antique pictures of him in the papers give a different impression ! There was a time when he held many strong views on the objectives of education in a developing, multi-linguistic country like India. But now, to expect him to spark new thinking in a ministry which has in a sense to act as path-finder is wishful.

In all probability the ministry will continue to plod, for only a younger, technically equipped person could generate the energy to transform and streamline our education policy, and win the confidence to make the States follow it. Nor is it wise to expect Chagla to give a bold lead with regard to the language policy. He might have made a more effective Foreign Minister.

Continuing Uncertainty

The creation of two new ministries, Subramaniam in charge of the Ministry of Steel, Mines and Heavy Engineering and Kabir in charge of Petroleum and Chemicals, is certainly a step in the right direction. However, a great deal of re-organising has to be ordered before we can feel satisfied that all is well. And, of course, the speculation about who will handle the Ministry of Information and Broadcasting continues unabated, although rumours are current that Satyanarain Sinha's temporary posting to this Ministry might, alas, be made permanent.

We now await the third instalment of the reshuffle and reorganisation. And there is little chance that we will get moving until the last instalment has been announced.

The process of implementing the Kamaraj Plan, if we can still call this business by such a name, has uncovered a number of very interesting facts. First, there is a grave

shortage of distinguished and respected men in the Congress Party who can be considered for Cabinet posts. Second, there is an even graver shortage of men who have specialist leanings or who have bothered to specialise. Third, the powerful party tycoons in the States are reluctant to move to the Centre in this period of uncertainty and confusion. And, fourth, the opportunity to strengthen the leading role of the Centre, an opportunity which presented itself at the time of the Chinese attack, has been so badly muffed that the Centre is weaker today than even before.

Meanwhile, the Lok Sabha — happily wasting much valuable time on the inconsequential Walcott episode — seems earnest about its watchdog role over public enterprises, but is unable to cut through the legal and administrative quibbles over forming such a committee. It is ironic that so many years have gone by without Parliament evolving some kind of effective agency for scrutiny of public enterprises.

Too Much Secrecy on Defence

Genuine public sector men are only too anxious that some such regular scrutiny be maintained, although there is the natural fear that committee members might not do their 'home-work', being interested only in the extension of their personal patronage. This watchdog committee could well become one of the most important and decisive bodies designed to free public enterprises from the palsied grip of incompetent bureaucrats and to give them the thoughtful support and encouragement they need.

There is no denying that Parliament is ill-informed about the actual state of affairs in our public enterprises, but the lack of information on other vital departments of Government is as pronounced. For example, a large number of MPs are perturbed by the fact that they are unable to obtain any coherent picture about our defence effort, even after the sorry scandal of last year. The ridiculous extent to which this secrecy is carried can be guaged from the effort to keep certain public enterprises connected with defence out of the purview of the projected watchdog committee.

Chavan Not Asserting Himself

Members of Parliament also cannot be silenced for long on what they consider to be the deliberate attempt to keep the administrative affairs of the armed forces from their scrutiny, particularly when criticism of the kind that was voiced during Krishna Menon's tenure is again being heard. And not just occasionally.

Normally, Parliament would be content to leave it to the Defence Minister to handle the complicated affairs of the armed forces in a difficult phase of overhaul and expansion. But Chavan, for some inexplicable reason, is still shy of taking effective control of the affairs of his ministry — or that, at least, is the impression in informed political circles — and this is sharpening the demand for more information from the Defence Ministry.

Under the present Emergency set-up, this demand can only be voiced in Parliament. Perhaps, a secret session every now and then would help to clear the air and kill inaccurate reports and gossip. The Prime Minister needs to give this frequently-mooted proposal serious thought.

Congress Socialism

Even as Parliament gets down to business, the ruling party is being asked to discuss a crucial issue raised at the AICC session at Jaipur. A circular, comprising the "generally-approved" note on 'Democracy and Socialism', together with the texts of the major and minor amendments, has been distributed and leading members of the party have been sounded for their suggestions. This marks a significant phase in the debate on Indian socialism which will find its climax at the annual session of the party at Bhubaneshwar in January.

The debate, obviously, is much overdue. In Uttar Pradesh, for example, the powers that be persuaded themselves to ration sugar on the basis of income. The more you earn, the more sugar you get. Presumably, in famine conditions the same principle would apply. Only intervention by the Centre was able to kill this brilliant idea, trotted out no doubt by a 'socialistic' Congressman.

THINK OF THIS

To equip one Jawan adequately at the front, 50 to 100 men have to work on the home front.

WORK RESOLUTELY FOR STRONGER DEFENCE

DAS/F 19

From the London End

The Programme that Was

TW3 is being killed. Which means what? Well, TW3 stands for That Was The Week That Was, the title of a late-night B B C satirical television programme. Every Saturday it is watched by some 5 to 10 million people, and it was scheduled to continue until well into next year. Last week the B B C, with barely a hint of a blush, announced that it would come off the air in December.

And what on earth, you may well ask, does this matter? The answer is that the rise, and more particularly the fall, of this television programme casts a sharp light on British society and on British politics. The programme, which began less than a year ago, at once won an enormous success which astonished, and embarassed, the B B C, which had never expected to have such a notorious and rebellious step-child on its hands. TW3 was something new, something completely different from the cosy, good-natured, wholesome humour which, with a few exceptions, was all that British television, B B C or commercial, had permitted itself. Its team of young satirists — that 'young' is important —were sharp tongued, often savage. Their forte was political satire, which often amounted to barely concealed abuse, with a pronounced anti-Establishment edge. They were anti-humbug, anti-pomposity, anti-conservative which often meant anti-Conservative but might equally mean lampooning the official leadership of the Labour party or the now-accepted orthodoxies of 'progressive' liberal thought. Nothing was sacred. They were quite ready to satirise religion. They sometimes used naughty (not very naughty) four-letter words.

The Crime . . .

In other words, they were saying in public what millions of people, mainly of their generation, think and say among themselves. This was TW3's success—and its crime. They had irreverently pulled out of the cupboard all those skeletons which our society prefers to keep shut up. Which is to say that this satirical programme was one of the very few *serious* things that has ever appeared in the British mass-media.

It is a fact, for instance, that British society is not a Christian society, any more than Indian society is non-violent. Not even nominally are a majority of our people members of any Christian church. But by mutual conspiracy of silence we like to act if this were not so. Parliament opens with prayers. Little dollops of peptonised religion appear here and there in our newspapers and our broadcasting programmes. And to thumb your nose at the sincere beliefs of our Christian minority is just not done — in public. Numbers of people think that 'politician' is a synonym for a crooked bastard, but no one who wants to be thought of as respectable and responsible would put it as crudely as that — in public. The accepted sexual morality is perhaps the most widely ignored of all our accepted moral standards; so much one may admit, but what one may not suggest, without arousing howls of protest, is that conceivably those who ignore it are, in certain circumstances, right. Yet at various social levels all of these attitudes are quite wide-spread and quite freely expressed — and for virtually the first time in modern years (the British press used to be much less inhibited) through TW3 they were given public expression.

. . . and the Punishment

The result was predictable. TW3 was offensive to many perfectly serious and intelligent people, and it is an accident of human nature that those who are offended are much quicker to protest than those who applaud. So they protested. Almost at once — and it is this that illumines the organisation of our society — the B B C began to get cold feet. Millions of people were happy to watch TW3. A trivial proportion of them felt strongly enough disturbed by it to make any overt objection. But because these protests were on behalf of the established order, they were listened to.

Not outwardly, of course. The B B C, which has grown a great deal bolder since it had to face commercial competition, gave the impression — and quite probably seriously believed — that it was unworried, the programme would go right ahead. Etc, etc, etc. The programme was suspended, genuinely to give it a rest, for sometime in the summer. A new winter series began last month and was intended to run until the spring. Then last week the B B C said it would come off before the end of the year. The reason it gave was that 1964 was election year (during which, quite properly, the B B C feels it should be particularly careful to be impartial) and that therefore it might be difficult to maintain the political content of TW3, on which the programme depends for its bite.

No Political Influence ?

The argument was hard to fault. TW3 is undoubtedly slanted against Toryism. The trouble with this extraordinary explanation was its timing. After all, we have known for many months that TW3 was slanted against Toryism. And the B B C presumably knew that under British election law Parliament may not last more than five years. 1959 plus 5 equals 1964. Had Broadcasting House only just learned to do its sums? In other words, what had happened to make the programme's continuance into 1964, which was quite acceptable in October, unacceptable in November?

The answer given darkly by Harold Wilson was "political influence" (and he might well be right, remarked one of the many cynics who do not take our Harold quite at his face value, observing that the last programme before the decision was announced had included a sharp attack on him). The B B C replied flatly that there had been no political influence whatever. In the sense that Conservative Party headquarters did not write a letter on the topic, this was no doubt true. It was probably true even in the sense that Sir A of the Tory party did not invite Mr B of the B B C to have a quiet chat with him in his club. But only the most innocent will suppose that those who guide the destinies of the B B C do so in a political vacuum. The cli-

mate of our society is such that the nearer you are to the top the more your notice is likely to be drawn insensibly to what offends the established order and away from what offends decency, morality or common-sense. One can hardly imagine that the lords of the B B C had failed to notice the particular savagery of their satirists towards our newly-appointed prime minister — and after all the poor chap only got the job through lack of ambition, didn't he?

Fleet Street Aggressive

What it foils down to is that the next election campaign has already begun, with the new session of Parliament. The Conservative party is fighting ruthlessly for power as it has not had to fight since 1951. Its tied organs in Fleet Street are already snapping, snarling and smearing at their master's commands. And what did they see? On an extremely powerful medium of communications, which ought to be impartial, gad sir, so long as it is on our side, a team of irreverent young men also snapping and snarling, if not smearing, at nobody's command but in general in the Labour Party's interest. It is no coincidence that the papers have been unusually full recently of complaints against these "so-called intellectuals", "brash young cynics", "destructive critics" and the like. On top of this we were told that the show has been losing its bite, which is partly true: part of the explanation, which we were not told, was that already the muffling fog of 'good taste' and (almost always) unspoken censorship was seeping down through the B B C so that the satirists did not quite know how hard they *could* bite. This again, the creation of a climate in which nothing overt is said, is characteristic of our society. (It may well be preferable to the crude repressions of some other societies, just as, arguably, it may be desirable that society *should* indulge in a conspiracy of silence about certain disputed standards : woolly toleration may be better than clear-cut ferocity. Your correspondent merely feels that a society which already has some generations of tolerance behind it could abandon some of the wool). A complete inside record of the decision to kill TW3 might seem to be a complete inside record of something almost entirely trivial: it would in fact be a profoundly revealing case-study in social organisation.

The announcement of TW3's premature death was variously received and interpreted here. Perhaps the most informative reaction came from the political correspondent of the Conservative *Daily Telegraph*. He remarked that "there will not be many tears shed on either side of the Commons .... The general impression is that it has outstayed its welcome": a comment which says something about TW3, but, in its wealth of smug contempt, infinitely more about the *Daily Telegraph* and about British politicians; both indispensable to the British way of life, bless 'em, but, by God, if the dispossessed ever abandon tolerance for revolution one will understand why.

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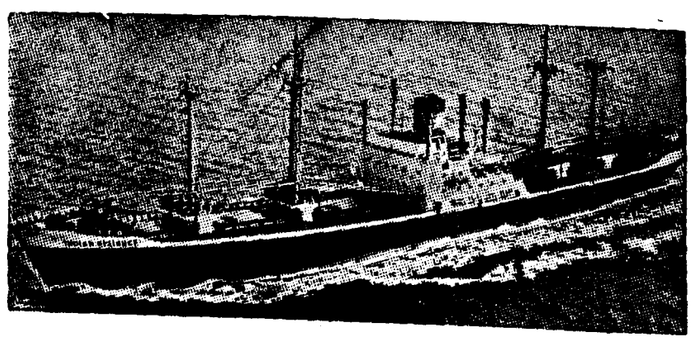
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A Calcutta Diary

Bitter Fruits of Cheaper Sweets

WHEN the Government does not or cannot or will not govern, government by the people (supposedly a criterion of democracy) takes on a very literal meaning. "Consumer resistance" is too tame a term to describe something some citizens of Calcutta have been doing, successfully, what the Government had failed to do. First it was with rice. Prices rose, despite Prafulla Sen's piteous appeal to the trade and the altogether inadequate competition from fair price shops. It was the same story with fish, an item of food to which all true Bengalis are almost pathologically, compulsive-maniacally, addicted. Prices rose, despite Chief Minister Sen's "gentlemen's agreement" with the ring that rules the fish market in Calcutta. To seek to establish the identity of those "gentlemen" was a prize exercise in futility. The story repeated itself with sweets as Bengal's "Brother's Day" approached. Prices rose.

Extension of Non-alignment

On Sunday the people went into action. They demonstrated before the shops, in north Calcutta, which had doubled the prices of sweets. The price of *sandesh* promptly came down from Rs 10 to Rs 5 a kilo. Because the resistance of shopkeepers was feeble there was no clash. The police, it is reported, stood by. The newspapers reported the event with unstated approval, pronouncing on neither the legalised depravity of traders nor the totally illegal coercion exercised by a section of the citizenry. In other words, the Press, like the police, stood by. It seems to have been forgotten that the Press and the police have positive and well-defined functions to perform in every given situation. Neither is entitled to extend India's "non-alignment" to the point of pretending that, just because there was no trouble in the police sense, both traders who raised their prices and citizens who brought them down were equally right. Somebody, somewhere, must have been wrong at some point; and it cannot be said that the Press and the police, who stood and waited, also served.

If there were no organised Government in West Bengal, the bloodless war between trade and consumer could be dismissed as a harmless episode. The fact is that there is in West Bengal a highly organised and highly expensive administration, presided over by Prafulla Chandra Sen representing the mighty Congress Party. It may be all right for ordinary observers to view the struggle as a battle between unequals and sympathise with the weaker consumer and welcome his temporary truimph against organised business. But this is precisely the kind of situation where even a *laissez-faire* State comes in; and ours is not a *laissez-faire* State. Our State rules over a large and enlarging area of life and, in one form or another, regulates the entire rest. This is the State, let it be repeated, that stood by and let trade and consumer fight it out. That the fight was non-violent (unusual for Calcutta) is agreeable but irrelevant to the issue involved.

In a free market the seller is entitled to charge for his ware all that the traffic will bear, as long as the consumer is free not to buy. There is no evidence that the shopkeepers of north Calcutta applied any unauthorised methods to persuade people to buy their sweets at their prices. In these circumstances the trade is entitled to protection against the people's coercive acts. This protection, as we have seen, was not forthcoming; and the trade yielded.

The Other View

If, on the other hand, the view is taken that, at least for essential commodities, the consumer is entitled to protection against the rapacity of profiteers, the State should, surely, have stepped in. It, apparently, did not, would not or could not. So the consumer had to do what the State had not done — coerce the trade to halve its price for *sandesh*. A cynical definition of Government is that it is the supreme coercer among all the coercive agencies that constitute a State. Recent successful demonstrations by the people of Calcutta have demonstrated, it is suggested, nothing more and nothing less than that the Government of West Bengal has ceased to be the supreme coercer. Has the popular will emerged victorious?

It is altogether facetious to claim that successful popular demonstrations bespeak the triumph of democracy. These are, in fact, evidence of the defeat of democracy in India. In Writers' Buildings sits a popularly elected Government, armed not only with a popular mandate but also with a vast administrative machine to enforce whatever it thinks the people want done. In such a set-up, popular demonstrations should be entirely unnecessary. Yet the Government not only permits the people to take over the functions of the police but almost encourages them to do so. That no physical harm came of it all takes way nothing at all from the dangerous implications of what happened lately.

Earlier Failure

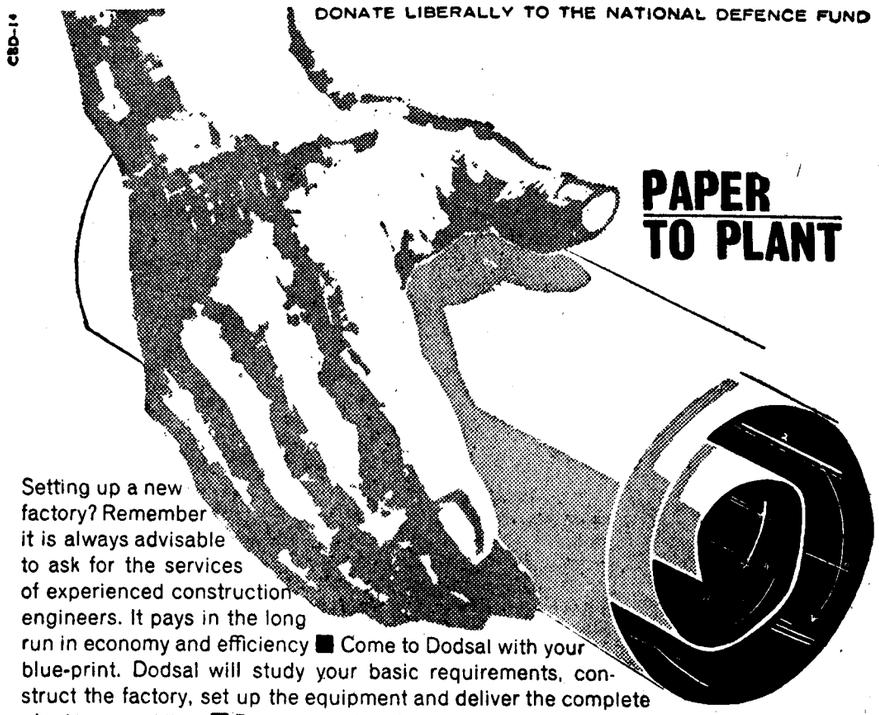
The Government's failure to prevent demonstrations was of course, preceded by its other, bigger, failure to induce in India's business community any sense of fairness. Here, then, is the basic contradiction: the consumer as voter elects the Government while his exploiter as provider of the Party has to be permitted to make extra profits to enable himself to donate more to the Party. There is, of course, nothing new in all this; this is, in fact the dilemma of all democratic governments. Where the Congress is culpable is that in its sixteen years of absolute rule it has failed even to begin to address itself to the contradiction with a view to evolving even a precarious and tentative definition of the price the consumer must pay for development.

The new element in the Bengal situation is the emergence of a monster which may prove less controllable than free enterprise has proved. It is popular will abandoning its elective functions and taking over executive functions.

Nobody grudges the north Calcuttaman his cheaper *sandesh* and *rosogolla;* he is welcome to all the rice and fish he can lay his hands on. By thinking himself forced, perhaps rightly, to resort to coercion, he is, also, laying his hands on the Government. It should not be necessary to spell out the frightful possibilities of the process.

Perhaps, again, even this was inherent in *la condition bangalaise,* which has always been importantly different from the general *condition indienne.* Bengal was the first to turn to terrorism. Consumers in Calcutta have turned to what may be called non-violent terrorism. Which, of course, is a contradiction in terms.

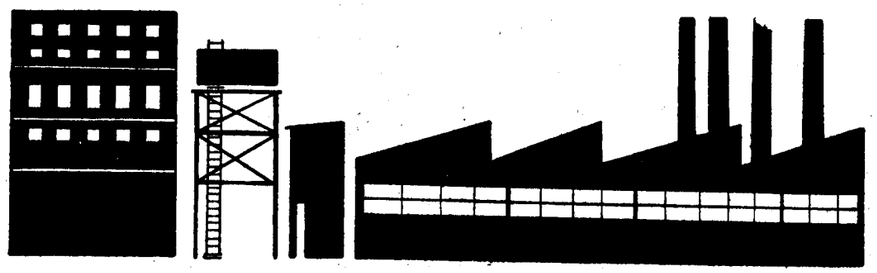
— *Flibbertigibbet*



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1922

Death of a Maharani

An Annal of Rural Bengal

Barun De

Coming back home last summer from vacation, as the train entered the first large junction in Bengal, I was met with newspaper headlines that Maharaniadhirani Radharani Devi of Burdwan had passed away the day before, after bearing a painful illness with considerable fortitude.

This was news : for it not only meant a loss to charities in Burdwan, but also the end of an experiment.

A YEAR and six months back, the town of Burdwan had made, at least provincial, headlines with the election campaign of the Maharani. Vardhamana Nagari is one of the most ancient urban sites in the country. If it can be identified with Takkana Ladha of the Jain chronicles, it was the sophisticated town where the Digambar Jain saint, possibly Mahavira himself, who had wandered in the days before Christ, was shooed out by mongrels set upon him by the bourgeois, profaned by his ethereal sartorial sense — or so a Jain epigram informs us. In later times, it was the town from where, scandal says, Mihr-un-nissa was abducted for Jahangir's harem. In the eighteenth century gazetteer-cum-chronicle, the *Riyaz-hs-Salatin* it was reputed for its fighting-cocks and its cows; and in the 19th century, the Punjabi Khatri Rajas of the town, rich in their landed property, secure in their religious eclecticism and literary culture, proud of the title of His Highness Mahatab Chand, gained from the British for supply of transport to fight the Mutiny, turned to large-scale profit from their superb economic location.

The Star of India Gate

Even in drought years, the Damodar basin from the Ajoy and Dwarakeswar Rivers in the north to Arambagh and Howrah in the south look green and smiling. When the Damodar used to vent its spite on the plains, the basically-single-crop economy was thoroughly unstable. Now, there is at least the prospect that the crop of the Radh region will not be completely ruined by floods. In any case, the rents commanded by agricultural land in these parts have always been considerably higher than in the Western uplands of Bengal. Coal was first discovered in the westernmost subdivision of the Burdwan administrative district, Raniganj in 1774 and Raniganj coal fields were the first to be developed systematically. That was from the thirties of the last century. Both the Tagore family and the Burdwan Raj family invested considerably in collieries; with the difference that the former who come of eighteenth century speculating stock, had their investments wiped out in the rolling depressions of the early nineteenth century, while the latter were able to ride out the early instabilities with the help of rent from their lands.

In the twentieth century, Bijoychand Mahatab built the pretentious Star of India Gate into the town, surmounted by conventional figures possibly of Justice and Mercy, in honour of a visit by Lord Curzon; was insulting to Ramsay Macdonald for befriending Indian workers and was abused by Ramsay Macdonald as "a pot-bellied swashbuckler". Edwin Montagu has noted delightedly that Bijoychand could reply in kind, calling the future Prime Minister of Britain, "a white sardar-coolie". The Zamindari family of Burdwan had established its position in the social hierarchy of the region.

This hierarchy since early British days has been enforced by law. Burdwan was one of the first three districts which fell into the *jaghir* control of the Company, as a reward for putting Mir Jafar on the *masnad* of Murshidabad. It was exploited by the early revenue officials, men of the Johnstone and Graham families of West Coast Scotsmen, who made large fortunes by shaking the first fruits off "the pagoda tree". They established the "outcry" or "public auction" system of revenue collection, by which traditionally-held land, often supplying revenue to the Raja of Burdwan, was put up in rent by public bidding and was knocked down to the newly wealthy brokers, stevedores or financial agents who followed their British principals into the Bengali districts to take the pickings of the speedily crystallising market in land. Families like the later *banedi* (foundation) aristocratic Ghoshals of Bhukailas in South Calcutta date their successful foundation to these land reforms within the Mughal structure.

But, by the early nineteenth century, many such families had either had their holdings wiped out in the economic chaos of the age of Warren Hastings, or moved into other districts where revenue demands were lower; and a concomitant of the Permanent Settlement of 1793 were the Patni (*Pattani Mahal*) Regulations which gave the Rajas power to sub-infendate, so to speak, their property to lower landholders. These *katkinadars, dar-katkinadars* and even *seh* (or third level) — *katkinadars* were *de facto* landlords, with powers of levying rent.

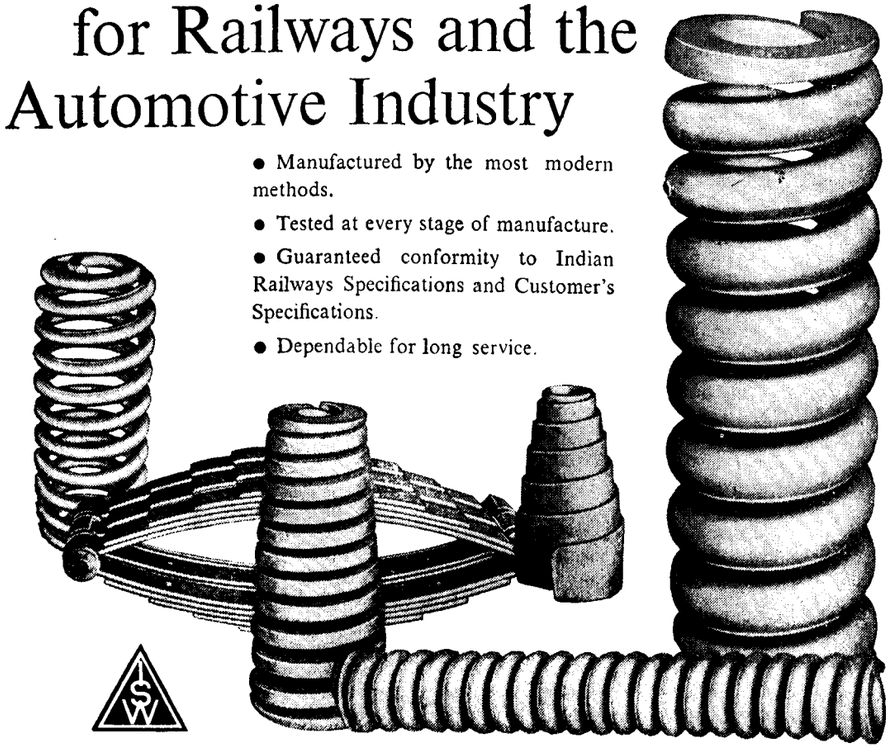
The Talukdars

By the end of the nineteenth century, they were beginning to be called *talukdars.* This is a word which etymologically means one who has connections, and practically implies a status of rank in *zamindari* hierarchy. A *talukdar* generally had his dependants and considered himself to be an essential cog in the social structure insofar as a sub-tenant found himself capable of giving himself such airs — and the degree to which he could go was never small. Certainly, the *talukdars* had *naibs* (bailiffs or, according to Indian Muslim conventions, Hindu factotums or even viceroys) who administered their estates in the villages in the Burdwan region, gave the necessary loans and repaired the few irrigation *bunds*

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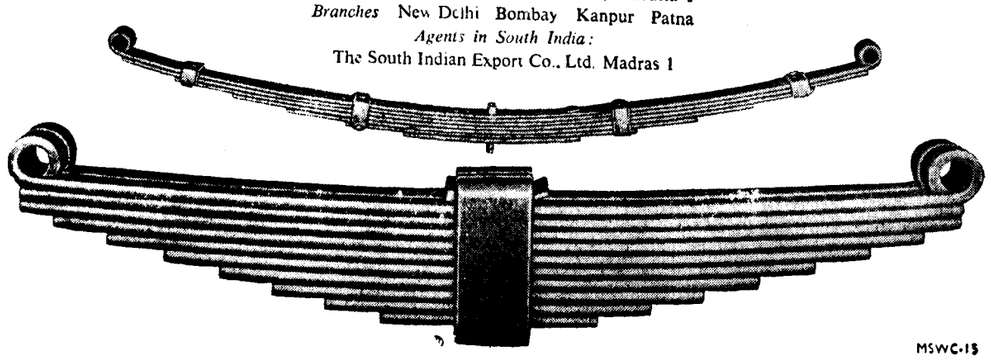
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which the British roads had not cut across and disrupted. But they mainly raked in the cash and the *nazars* (the offerings in kind for an audience, often commuted to fees).

The *talukdars* themselves built large, square, wide-veranda-ed and floral-pilastered many-pillared houses in the shadier recesses of the filthy lanes round the central hive, the Rajbati or Raja's palace in Burdwan, sited among the tanks and ponds in the centre of the town; and behind the low doors and masking walls of the *sadar mahal* or men's quarters, they lived the life of middle-class Bengalis, which was richer and more prosperous than that of many middle-class people in the great wen of Calcutta.

The Urban Hierarchy

It seems, if one talks to clerical assistants in Burdwan offices today, that even the *naibs*, or their children, were important people in the urban hierarchy. At any rate, the old gentlemen of these families are at present the sole repositories of the lore of old Burdwan. Also, a study of the biography and occupations of their descendants or of their younger connections, might show — as I am convinced it would — that several of their connections became landowners themselves, or became members of the Burdwan Raj Council, which, of course, was a high piece of honour indeed, or when they were endowed with initiative, they left traditions of service in their own region, and sought advancement in the Provincial Civil Service or even the I C S.

Naibs and *Sarkars* (storekeepers or in Indian Muslim terms, custodians of property) perpetuated their class by permeating the Imperial Services and the practise of the law with their traditions. Their names are still perpetuated in the street names of Burdwan; while the bye-lanes are called after the location, and the great roads or pleasure grounds are called after Maharajas and their children, or after Governors of Bengal, who had perhaps dropped in for a day, or raised the position of the Raj — or, though one doubts this — conferred civic amenities on Burdwan. Today the only change in this pattern seems to be that Curzon Gate is now called Bijay Toran — after the builder.

The Naibs were after all, officials of the Raj, a *Khude Raj* or petty principality perhaps, but all the same, the local replica, a visible one, of the great imperial myth in India, of the Sarkar or Authority. This petty charisma was strong enough in Burdwan town to obscure the larger myth; as a result, British values never had much hold on the townsfolk, and nationalism, that urban reaction in India to Westernisation, is not now a very visible phenomenon. Consequently with the decline of nationalism, a natural paradox exists. At any rate at least in Post-Graduate classes, M A students easily accept the new common Indian interpretations of Indian history that Plassey was the dawn of the Indian Renaissance, that Warren Hastings was good for India because he was a great Empire-builder and so on. It is no use saying that they also accept violently chauvinist interpretations of nationalist history, or vulgar Marxist interpretations of eighteenth century Indian history, or that the pseudo-imperialists write better and more persuasive English than their critics. This is true and should be remedied; but at the root is the fact that students in Burdwan have been less open to the intellectual influences of nationalism than they have been in Hughli or in Uttarpara or in Calcutta, where British rule was not diluted by the presence of a Maharaja. The Raj family contributed most, even indirectly, to the fossilisation of feudal values in Burdwan.

Landowners Turned Stockholders

After Independence came the deluge. The present Maharajadhiraja is a leading member of Boards of Directors of various companies. He is also a prominent figure on the Turf and has, through his devotion to it, become President of the Royal Calcutta Turf Club. His attendance is required in Calcutta for these functions; not much time remained for the land; and with the approach of Zamindari Abolition, the eighteenth century historical cycle was completed: the landowners became stockholders, and left the land — the only difference from earlier examples being that they were doing so to cut their losses and had been well-to-do quasi-absentees for quite some time before. Their social role in the 1920s and 1930s had been rather similar to that of the Whig magnates in Central England in the early nineteenth century as depicted in Lord David Cecil in "The Young Melbourne"; they lived in the capital (Calcutta or Darjeeling in the summer) in the social seasons where they followed or set the fashion, and in the town only when they did not have their own social obligations to perform.

Books, Portraits and Alms

When they were in Burdwan, the Maharaja's family endowed chapels in the great shrine of Sarbamangala, where wives pray for fertility and others for fulfilment of their desires; and the chapel inscriptions proclaim their religious charities. They dug tanks in the marshy ground to the north-west of the town and moated the neighbouring fields and ramparted each with high earth embankments or woods within each of which were the Dilkhusha garden palace in Golap Bagh, the famous maze for the harem, Ramnar Bagan and the great Sayars (tanks) shut away from prying eyes. They built up a magnificent library, specialising in biographies of royal princes, the histories of war, accounts of the East in ancient times, and superb collections of nineteenth and early twentieth century art, as well as of pornography (in the locked cupboards devoted to which there reposed for many years a rare copy of Sivanath Sastri's "History of the Brahmo Samaj") and detective novels of the 1930s and 1940s; and they thronged their rooms with floral architecture and replicas of Burne-Jones and Rossettis, as well as portraits of Governors of Bengal conferring decorations on them. These pictures are wistfully remembered by those inhabitants of Burdwan who had seen them in the days of their glory, and regret the dust and darkness to which they were abandoned, when the Rajas started to stay permanently in Calcutta. Also they gave alms to the poor, and probably rent remissions and carried out minor improvements to the lands of some needy peasantry. But in the main, the remission of revenue was the duty of the *pattani talukdars*

It was in these circumstances that Dr Bidhan Chandra Roy, that man of great intentions and catholic sympathies, found that the *zamindari* buildings formed part of the heritage of new Bengal. He formed a policy of taking them over from owners, as a gift, and giving them some compensation. The houses were to be utilised for the accommodation of technical education institutes, vocational centres, universities and similar other purposes. His was the Utilitarian ideal of the greatest good of the greatest number, according to the vocal desires of the leadership of whichever party could command maximum support. The result of this ideal in practice was the creation of vested interests. His portraits — open, frank and smiling — are to be found in the pharmacies, in the groceries and in the new vocational training centres that have sprouted in the ruined mansions of the mighty, in mofussil towns like Baranagar, Uttarpara, Mankundu and now Chandernagor.

But in Burdwan, there are no obviously visible portraits of Dr Roy in the Rajbati, the great palace of the Rajas. The gratitude of the bulk of the people one talks to is to the *zamindari* family, whose great oil paintings — Aftab Chand Mahatab, (successor of the loyalist who supplied bullocks to the British Army during the 1857 Revolt) looking as well-groomed as only a nineteenth century Babu could, or Bijay Chand, leaning consciously arrogant on a twentieth-century sword — still hang on the walls of the Library, among the Rossettis and the Burne-Joneses. It was the present member of the family who gave away the palace to Dr Roy, and took only a few lakhs compensation for the rest of his property and gardens which, together with the palace, form the campus of the new University of Burdwan. Dr Roy is remembered as the man who gave Burdwan prestige by making it the seat of a University formed by hiving off one third of Calcutta's affiliating colleges — about 39 of the colleges, west of Bhagirathi and north of Howrah and Midnapur districts — and thus bringing to the town students and teachers in the hope of higher education and patronage not available to them in Calcutta. The Raj family is even more remembered for making this situation possible, by giving away the palaces and the land.

An Impersonal Memory

The compensation is never mentioned, nor the absenteeism. The disrepair and decay in which the princely gifts had been allowed to fall before their disposition (one might almost say, grateful vesting away) are taken as a matter of course. No one objected to these things ever. Anyway, popular memory is short enough for people in Burdwan like, for instance, students in the Post-Graduate Department, who have lived here since childhood, to believe that the disarray of the Raja's gardens in Golap Bagh is entirely due to the neglect of the West Bengal Government which was the beneficiary after 1956 and 1957.

This might or might not be true, but that is the general belief that one finds Burdwanites harbour about the change that came into their lives when the impersonal government located in Writers' Buildings replaced the image of the warmth and lavish spending of the Rajas. When they left, the Rajas remained an impersonal memory: all grievances about specific canalisation of capital and patronage have become blurred, obscured by the general sullenness about the grayness of life in Congress Bengal. Images in these desperate times have more warmth than reality.

Three things thus came to post-independence Burdwan — bleakness in the urban classes we have anatomised; a vacuum in the power structure; and the slow ironing away of the sense of feudal class, as the keystone of the hierarchy was removed. Meanwhile the Congress leadership was falling apart at the seams; and Janab Abdus Sattar, the popular party organiser, was being elbowed out by Shri Narayan Chaudhury, the District Congress Committee head. It has been suggested that the feuding in the Burdwan Congress led to a sharp split in potential votes in the 1952 General Election, and that in the long-run this feuding neutralised whatever support Congress might have commanded in Burdwan town as the party that won independence.

Whether this is true or not, we do not know, but actually no popular candidate was put up for the Legislative Assembly on the Congress ticket — Abdus Sattar stood for the House of People from the Kalna-Katwa constituency and was elected defeating Asutosh Lahiri, then a prominent Mahasabha leader. Udaychand Mahatab, the Maharaja of Burdwan was put up, instead, by Congress in the Burdwan constituency for election to the Assembly.

The fight in the First General Election was more or less a straight one between the Congress and the Communist Party. The final result is given below :

	Votes	Per cent of total
B K Chowdhury (Communist)	11,439	50.93
U C Mahatab (Congress)	9,477	42.19
S K Mitra (Hindu Mahasabha)	1,230	5.47
B K Ganguli (Independent)	316	1.41

The number of electors in the constituency was 53,192; 22,462 (i e, 42.63 per cent) voted. Binoy Chowdhury, the Communist candidate, was elected by a margin which was not very wide.

Binoy Chowdhury is a well-known social worker in the town. Few have seen him, and, from all accounts, he is one of the self-effacing party workers of the rural districts, who represent the image of Communism at its best in Bengal. In 1952, he represented the element of populism in the Burdwan contest, which swayed the scales against the factionalism and spirit of compromise of the Congress leaders.

More than this, there must have been other reasons which brought to a Communist the representation of the politically conscious element in Burdwan. The nature of *naibiana* and the lack of political consciousness among its scions, who chose executive service rather than elective urban leadership, must have been one. Another reason was the rise of the Aguri or Ugrakshatriya community into prominence in local politics. Basically agricultural tenantry with names like Hazra or Konar (alternatives being Konwar, or Kongar or Kumar), they come from the castes, typical to the Radh piedmont of West Bengal, who have old folk traditions of local leadership on a caste scale of leadership among the submerged Vaisyas and Sudras, but a status of subordination to the Brahmanas or the upcountry Khatris (Punjabi writer caste), e g, the Burdwan Raj family or Bihar Rajputs like the Chakdighi Sinha Roy family. The caste group from which they come has a tradition of militant objections to monarchy, even in Hindu Bengal, going back to the rule of the Palas and the Brahman Senas, and the folklore general, Lausena, raised to the status of a village god, was at one time almost the symbol of the aspirations of castes of similar status — to be the authority in their own and in neighbouring villages.

But their caste position has always been fluid — in the sense that they have surnames (not traceable to Islamized family titles) which link their clan origins to castes lower in social status and also show that they have adopted surnames similar to those used by clans which claim pure Kshatriya origin — as, for instance, Konar, which can be derived to the Sanskrit word for prince, as well as to the Bengali word for potter. The question is an open one, but at any rate, Ugrakshatriya, i e, fierce Kshatriya, may be a Sanskritisation of a local caste name.

It seems that this kinship group came to political prominence in Burdwan after Independence. The reason for this may be what I propose to call their *kulak* status. They have come to own large areas of paddy land (*dhani jami*—the major productive element in Burdwan) and farm it as enterprising landlords, investing their surplus profits in either the land, or in the marketing of foodstuffs in petty urban areas like Memari or Saktigarh or Burdwan. Thus, many of the more well-to-do shopkeepers in B C Road (Burdwan's main marketing centre — Bijay Chand Mahatab Road, which is dominated by Curzon Gate, now Bijay Toran) are called Hazra or Kongar. It is commonly believed that they have taken the greatest advantage of education and the economic prosperity which has spread throughout the district due mainly to the quick and more frequent local railway transportation provided by the electrification of the main rail line from Calcutta to Delhi up to Burdwan and also to the location of Durgapur to the north-west of Burdwan and the minimal increase of irrigation on either side of the rail line, from feeder canals of the D V C.

Against the Hierarchy

A major block vote in the CPI in Burdwan is Aguri. Harekrishna Konar, the local CPI leader, and one of the few local leaders who used to be of all-Bengal status before he was hauled into prison last year, for alleged pro-Chinese sympathies, comes from this community, of a landholding family. He is reported to have been concerned with grain-distribution in the days before his political activities. In the last few years, he had certainly become the most important political boss in town. It is believed, though little factual information is available on this subject, that Harekrishna Konar has been able to mobilise the more militant Aguris into voting Communist in the elections. It is certain that he spread agrarian versions of Communism among the Jotedars (higher tenantry) and Bargadars (renters) of the *pattani* lands of estates, which had once belonged to the Raj and to the *talukdars*.

After Binoy Chowdhury was elected in 1952, the Aguris linked old, submerged traditions of lower-caste militance with the new gospel of peasant Communism, against the authority of a stagnating landed hierarchy. Irfan Habib writing about another institution — that of money-changers in late mediaeval India—has recently pointed out in an article on Banking in Mughal India ("Contributions to Indian Economic History", edited by T Raychaudhuri) that "with all the 'dissolving influence' that money is said to possess, the profession of the Sarraf has not escaped the tentacles of the Indian caste system and has been monopolised by the members of a few mercantile castes". The Aguris are not money-changers primarily; but they certainly are coming to the forefront as merchant-capitalists trading in agricultural produce. Their slow marshalling into the ranks of the tenantry voting Communist must have something to do with their traditional antagonism to farmers and landholders higher up on the social-cum-exploiting scale. Conversely, it must have something to do with the fact that as marketers of agricultural produce, they find, that —like the Moderes felt in the early stages of the French Revolution, in 1789 — "*la route est barree*" : the path to economic opportunities, wider than possible for their demarcated status in a caste-cum-quasi-feudal structure, was barred. In the violent despair which vitiates politically conscious decisions in modern India, many politically conscious Ugrakshatriyas are impelled to extremist, agrarian Communism.

(To be Concluded)

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Algeria's Unfinished Revolution

Frederick F Clairmonte

Within the compass of one year the changes wrought in Algeria are nothing short of staggering, a performance unmatched by any underdeveloped country, including Cuba.

It is the peasantry, which bore the brunt of the fighting against France, that has made these successes possible. The peasantry provides more than 80 per cent of the cadres of the People's National Army (A N P) and remains the spearhead of the Revolution.

Ben Bella and Boumedienne, both of peasant origin, know this. It was Ben Khedda's major strategic blunder to have believed that the forces of the Revolution could be consolidated by exclusive reliance on the urban proletariat and the trade union movement.

Ait Ahmed, the leader of the Kabylian dissident movement, on the other hand, maintained that the building of socialism could not be achieved by the trade unions or the A N P or the F L N, but must be the work of all these forces working in an autonomous and decentralised manner.

In the context of Algerian politics this would have led to a break-up of the young nation by generating the very factional tendencies which are now chewing at the vitals of many an emergent nation.

Algeria's Revolution remains unfinished, but its contours have been already roughly mapped. That it will have a profound impact on Algeria's neighbours is unquestionable. The coexistence of a socialist Algeria with Tunisia and Morocco will be a tenuous one. Already the ideological battle has been joined and in the present social order of things it is unlikely to stop.

AMID the ominous rumble of a frontier war with Rabat and the upsurge of the Kabylian dissidents the vast structural changes that are transforming Algeria's economy tend to be obscured. Yet, in the long run, it is these sweeping, improvised and irreversible mutations that will determine the increasingly socialist physiognomy of the second Algerian revolution.

The kaleidoscopic events since independence have thrust Algeria at an accelerating tempo along socialist lines. The clash of personalities and events is too crowded, too rich, too bafflingly complex to paint even with an impressionist brush the eclipse of many of 'the historic chiefs' who fathered the rebellion that erupted on November 1, 1954.

Eight Years of War

In the whirlpool of conflicting ambitions, the acrimonious palaverings and confusing cross-currents of the first two rudderless months of independence, it is to future historians that will fall the job of disentangling and sifting dispassionately the evidence and so, render an objective assessment of the precipitate shifts in the political fortunes of leaders of one the authentic revolutions of our country.

The swiftly moving and yet unfinished revolution must be projected against eight years of partisan warfare in which the price victory exacted was 600,000 dead; a loss proportionately greater than that inflicted upon the Soviet Union, Yugoslavia, Poland or Vietnam in our time. A victory won in the teeth of the most terrifying odds. But the astronomic cost in human lives was only one side of the balance sheet. The apocalypse of the aftermath was now on hand. The relentless fire and fury unleashed by the O A S under the benign eye of the French military on the eve of independence has its counterpart in living memory only in those equally deliberate acts of vandalism perpetrated by the Nazis in their headlong retreat. The French occupation ended with the violence with which it had been conceived. On July 5, 1830 the citadel of Algiers fell. One hundred and thirty two years later Algiers university, one of the few meagre creations of the occupant, was razed to the ground; bed-ridden inmates of hospitals machine-gunned. Such was the departing pageant of infamy. And so it was not merely in Algiers, but in the Constantine, Oran, Bone and Bab-el-Oued. Precious administrative files were put to the torch, the economy sabotaged with utter ruthlessness. For those who witnessed those fires the very words, 'Franco-Algerian co-operation' had an acrid smell. To forgive and to forget was no longer possible, for the memory of these outrages, as the ovens of Auschwitz for conquered Europe, were destined to remain for ever green in the national consciousness.

Hardly a single family remained unscathed and the wake of independence was trailed by the familiar legacy of mass unemployment the legions of widows and orphans capital flight, a spiralling inflation total administrative chaos, the exodus of colonial technicians and the absence of Algerians, large scale profiteering, a tax structure that had collapsed, and of pivotal importance, an economy 90 per cent owned and controlled by the nationals of the ex-colonial power. This is the context in which the Evian agreement must be analysed. Like the treaty of Brest Litovsk it was humiliating to the extreme — save that Algerians came to the green table as victors and not as vanquished. The attempt, however, to partition Algeria slicing off the entire Sahara with its colossal resource base did not materialize, as the paramount colonial power succeeded so eminently in achieving in their former territories in equatorial Africa. Failing in their attempts to smash the territorial integrity of Algeria, other stratagems were advanced which were intended to negate the substance of independence, stratagems whose efficacy had been tested in the former African colonies. Their effective implementation would have maintained a

neo-colonialist scaffolding comparable to that predominating today in almost all of the former French territories in Black Africa, Tunisia and Madagascar. Yet onerous and exploitative as the Evian agreements are, they offered a pressing respite from eight years of war.

Unequal Partners

Gaullist forensic subtlety hoped to win where arms had failed and to ensure, in the terminology of the Evian agreements, that 'no discriminatory measures should be taken against the interests, the property and the acquired rights of French nationals'. Was it possible in the light of the restrictive property clauses of the agreements to map out a social revolution commensurate with the ideals and socialist propensities of Algeria's leaders?

Briefly this is the record, or part of it as revealed in the *Maspetiol Report* of 1955 (*"Groupe d' etudes des relations financieres entre la metropole et l'Algerie : rapport general"*):

In 1954 six and a half million Algerians cultivated 615,000 farms totalling 4.7 million hectares from which they derived an income of 80 billion francs. In contrast 120,000 *colons* and their dependents cultivated 22,000 farms straddling 2,350,000 hectares from which they obtained an annual income of 70 billion francs. Among the European colons land concentration was conspicuous with such representatives of the landed caste as Borgeaud, Germain, Count d'Hespel, Averseng. Similarly a minuscule minority of 8,500 Algerian landowners and caids occupied one third of non-European owned lands.

Ninety per cent of Algeria's economy was owned by 10 per cent of the population.

More than a million Algerians were fully unemployed in 1955.

More than eighty per cent of all Algerian children receive no formal schooling, with illiteracy rising to 75 per cent in Arabic and 90 per cent in French.

In real terms, French expenditure in 1953 was the same as in 1913.

Per capita rural income was perhaps lower than in 1870. To be sure, inequalities in Algeria were less marked than in many areas of Africa. According to the recent survey by the Economic Commission for Africa, European per capita income in Algeria was about 8 times higher than for Algerians in 1955. South of the Sahara the income spread is larger ranging from 30:1 to70:1. In the Belgian Congo it was 69:1 in 1957; in the Federation of Rhodesia and Nyasaland, 43:1 in 1956; in Kenya, 32:1 in 1957. In Kenya and Uganda average wage income per European employee was twenty times greater than per African employee.

Revision of Evian Agreement Essential

Non-repudiation of the property clauses of the Evian agreement would have effectively shackled national economic growth and compensation would merely have added one more millstone around the nation's neck. Moreover, the value of the nationalized properties had long since been amortized. Algeria, unlike the former territories of equatorial Africa, was a nation hammered out of a revolutionary war. It is this salient trait which demarcates it from the rest of Black Africa. To be sure, Algeria remains the only revolutionary force in all of Africa.

Emphasing the need to revise the Evian agreements President Ben Bella commented in April:

> "We have no need of a Borgeaud in this country. His kind has no flag; their only God is money. When they invoke property clauses, we invoke morality. The Evian agreement is not intangible. Persons like Borgeaud number fifteen or twenty. We shall not immediately attack the small French cultivators, although this must be discussed. There are also Muslims of the species of Borgeaud — bastards, if you will excuse the term, who enriched themselves in the war, giving 10 francs to the F L N and 1,000 francs to Massu. Be assured that we shall strip those who have dishonestly amassed huge fortunes".

Analogy with Cuba is not entirely invidious although the doctrinal propellants of both revolutions are dissimilar. The present course of the Algerian revolution is redolent not only of Cuba's but of Russia's period of 'War Communism' that sequelled the first eight months of October 1917. Nor is it astonishing that the President could repeatedly claim that "Cuba's socialist path is our model; there is no other." Such sentiment is widespread among Algerians both in France and in Algeria, before and after Evian and strikingly discernible among the youth.

As in Cuba, far reaching changes of a planned nature would have been inconceivable, given the articulate ideological credentials of its leaders, within the prevailing property relations and extensive foreign ownership. In Major Castro's words:

> "If we plant rice, it turns out that we thereby infringe foreign interests. If we produce fats, it turns out we act contrary to foreign interests; if we grow cotton we neglect foreign interests; if we carry out a land reform, we disregard foreign interests; if we pass a law on petroleum it affects foreign interests.
>
> "If we draw up a law on the mining industry, it again turns out that we neglect foreign interests; if we establish a merchant marine, we again infringe foreign interests. If we want to find new international markets for our country, we act contrary to foreign interests. If we want other people to buy from us at least as much as we sell them, again we infringe foreign interests. It is this which explains why we have adopted revolutionary laws which infringe the interests of our national capitalists and foreign companies."

Bogus Change

Renaming streets and public pissoirs is no indicator of change, however pedestrian this may appear. That a city square formerly bearing the name of a French colonial blimp has been renamed *Place de la Republique* or *Place de l' Independance* is at best a bogus change. Yet this is precisely the extent of the changes over vast stretches of Black Africa. Where the forces of neo-colonialism rest entrenched the sole beneficiaries of independence have been a minority of black politicians with their Swiss

villas and bank accounts, their air-conditioned cadillacs, their perfumed concubines. An immense moat of privilege, without the benefit of a drawbridge, divides this black elite from the masses.

Prof Rene Dumont has given us a graphic description of this process in his appropriately titled work *"L'Afrique noire est mal partie"*. What neo-colonialism and foreign aid has attempted to spawn, and not altogether unsuccessfully, is a black bourgeoisie. This is what the late Franz Fanon, the ideologist of the F L N warned against in his penetrating work *"Les damnes de la terre"*. Fanon's work is indispensable for grasping the doctrinal and spiritual forces behind the Algerian revolution — a manifesto whose analytical depth, clarity and sweep makes it one of the most perspective socio-political statements of our century.

Corrupt Black Bourgeoisie

True, a black bourgeoisie, effete and corrupt is now being vomited up with foreign aid and the rich pickings of independence. As a class it was superfluous from its birth and its outlook is basically anti-national. Sociologically it remains a rickety image of its European or North American counterpart, with nothing of the latter's dynamism. It is subordinate to the dominant white bourgeoisie economically — and hence politically.

It is this black bourgeoisie inextricably wedded to a caste of native politicos and administrators who have hogged the first fruits of independence. The fortunes and destiny of this caste is predicated on the perpetuation of foreign aid; the continued paramountcy that shares in the payola. The rumblings and over-filled prisons in Black Africa are ominous portents that confirm Fanon's and Dumont's analysis. Colonialism has been vanquished but its economic base is unimpaired — despite the formal admission of certain 'groomed' Africans into the managerial ranks as part of the public relations gimmicks of the large colonial corporations.

Gaullist colonial policy has banked on these collaborationist elements. In Algeria they relied on Ferhat Abbas whose outlook was no longer attuned to the needs of a socialist Algeria. The nationalisation of more than 600 business enterprises including the largest hotels, cinemas, restaurants, cafes and other service industries was engineered to break the back of an emergent bourgeoisie whose ranks would have immeasurably been enlarged had a policy of economic drift been adhered to. Many of the holdings of the Algerian parvenus had been acquired on the cheap from departing emigres. Almost overnight the swift nationalisation measures aborted this social force and the very notion of private property and with it private investment has been swept into the limbo. Nor is President Ben Bella apprehensive of his Government's capacity to make good the absence of private savings and investment by public capital formation derived from agricultural exports, petroleum royalties and a rapidly mushrooming public sector. Moreover, it is believed that massive Sino-Soviet aid on the scale anticipated is more than likely to offset the loss of private investment and overcome the bottlenecks to a sustained industrial offensive.

Momentarily, plans have been shelved to nationalise the Sahara petroleum and gas deposits, although there reverberates the clamour within the F L N for their nationalisation on the grounds that such a powerful strategic enclave remains the last and most formidable custodian of French colonialism and an affront to national dignity. At the time of writing, the President has so far resisted the temptation to seize so sweet a plum. It seems that Algeria does not possess either the international marketing facilities or the technicians to make nationalisation a rational economic venture.

Key Reforms

Ben Bella must equally be aware that the socialist countries, even if they can provide the technicians (Rumania alone is capable of filling the gap) cannot absorb its petroleum exports. Such a peremptory evaluation must, however be tempered by caution. Peking claims that it can absorb all that Algeria produces. How it would pay for it is another matter. Of one thing we can be sure: continued foreign ownership of the nation's wealth will not be an enduring fixture of the Algerian economy.

The economic revolution was sparked initially by the European exodus following independence when hundreds of thousands fled in droves across the Mediterranean. The 'vacant properties' abandoned were occupied without official authorisation. No more dramatic metamorphosis is evidenced than the torrential rush of thousands of Algerians from their diseased and rat-infested Casbah into the once racially exclusive European quarter and the occupation of hundreds of empty apartments. But these were appetizers to the main course. Today the *colons* have shrunk from more than a million before independence to less than 100,000 and these will further shrivel with the spread of nationalisation and the proliferation of management councils (*autogestion*).

In the insectiferous political climate of the first two months when the struggle for power between the Tlemcen and Tizi-Ouzu groups scaled its zenith the Algerian economy had sunk to its lowest depths from which recovery seemed remote. But already by the end of December, before the new Constitution came into force certain key reforms were blueprinted and executed: the emancipation of the Algerian woman, a feat that had largely been achieved by her mobilization in the armed forces and which was to be extended by her uninhibited participation in the workers' councils: the setting up of the National Marketing Board to supply essential and basic foodstuffs and geared to eliminate the middleman; creation of a central bank oriented towards economic growth; an administrative overhaul that reduced the former 15 departments to 6, and 1,500 communes to 500, operation 'bootblack' which took thousands of homeless orphans and delinquents off the streets; the extension of the trade union movement not only within the urban areas, but into the 'bled', i e, the rural areas.

Mandate for Ben Bella

It would be naive to expect that the vicissitudes of the transitional period could be overcome in so short a span. A high level of unemployment continues to bedevil the economy. A State which previ-

ously did not exist has been created and wedded to it an administration whose efficiency is marred by its youth and inexperience. Notwithstanding, its administrative probity is of a very high order.

The genesis of the Algerian state has been simultaneously partnered by the overwhelming mandate received by Ben Bella at the recent referendum. Abstentions did not exceed 55 per cent in the region of Tizi-Ouzou (Kabylia), and in the Algiers department it was 25 per cent. Elsewhere the percentage vote in favour of Ben Bella hovered around 95 per cent.

In act the referendum confirmed that the opposition within Algeria although weak and fragmented possesses an electoral base but is circumscribed to certain limited geographical areas. Today, more than at any time in the past, President Ben Bella can lay claim to an impressive popular support from which he can proceed to the edification of socialism which is his primary objective. Hassan and his advisers grossly miscalculated the scope of Ait Ahmed's potential in Kabylia and the opposition within Algeria as a whole. There is a large truth in Colonel Boumedienne's statement that there are persons who oppose the Government, but that a cohesive opposition does not exist.

Kabylia — a Problem

Commenting on the Kabylian insurgency before the Algero-Moroccan war flared up, *Le Monde's* correspondent said that "the F L N will prove itself by practical measures. As long as the head of state pursues his policy and his fight against the bourgeoisie the Algerian masses will have confidence in him. Kabylian dissidence reflects at once a regional particularism, the bitterness of certain military and political elements, and a particularly adverse regional economic situation. However, it appears too particularist to be a rallying point of the population as a whole" A traditionally underdeveloped region in an underdeveloped country, its major export has been its people. There were no French estates to be seized and distributed. More than 50 per cent of the Algerian work force in France comes from Kabylia — and it is the postal cheques from these workers that constitute one of the region's vital arteries. Similarly 50 per cent of the population of Algiers are Kabylians. Its mountainous regions, its eroded soil and an inordinately high land-man ratio merely serve to exacerbate its problems. At bottom the Kabylian remains an economic problem that must be tackled urgently.

Changes in Agriculture

The programme carpentered on the lines of the Tripoli declaration by Ben Bella in December received its major implementation in March when the large European and Algerian estates were confiscated. Many of these expropriated lands were immediately turned into state farms structured on the lines of the Cuban *Granjas del Pueblo*. Given the demographic curve, fragmentation of holdings associated with a conventional land reform would have proved calamitous. The jeremiads of doom and collapse of Algerian agriculture have not come to pass. To the contrary this year's fruit, vegetable and grain harvest have been the largest on record. Diversification of farm output has moved apace and farms are being rationalised as fast as financial resources permit.

The initial impulse to a land reform sprung not from the national leadership, although this was always central to their strategy of growth, but from the peasants themselves. The contention that the Algerians could not submit to cooperative discipline and that the exodous of the European settler would mean a return of good farm land to the desert has proved untrue.

Important inroads have been made in agriculture. But for years to come the shortage of trained personnel, bookkeepers, cattle breeders and chemical fertilisers will continue to plague agriculture. Victory in agriculture can only be consolidated by the triumph of industrialisation that would furnish the requisite technical coefficients to agriculture and set the stage for the untrammeled development of the national economy. Changed social relations in agriculture have been an immense booster, yet by themselves they cannot do the ultimate trick. Possessing an almost inexhaustible petroleum base, the construction of a petro-chemical industry can supply more than the fertilizer demand of Algerian agriculture. Such an industry can be a source of supply for the entire Maghreb and beyond.

New Organisation

Every farm unit possesses its director, but collective management is achieved by the management committee alone. The director is frequently a chairman. This participation is the lynch-pin which joins economic rationality with the democratic principle of auto-gestion. It is the committee which collectively decides issues of labour policy and wage payments and what crops are to be planted. In certain very large agricultural enterprises the director disposes the veto right to ensure that policies do not run counter to the overall directives of the Ministry of Agriculture.

These peasant management committees are based on the practical experience of the peasants themselves and are utterly alien to the Stalinist mode of collectivisation superimposed on the peasantry by urban activists. Admittedly, the human material is technically deficient as is to be expected. In time these deficiencies will be removed and the situation improved with the added ingredients of discipline and hard work. Unfortunately many of these farm units have become a refuge for the army of unemployed impairing their efficiency. The planning authorities recognize that agriculture by itself cannot support the nation at rising standards of living. Efficiency of these farm units will inevitably rise as industrialisation supplies the basis for chemification, mechanisation and electrification. The campaign of national reforestration now underway in conjunction with infrastructural investments is a contributory growth catalyst.

All these measures are vital for the nation's growth, but there is a lack of coherence and coordination in many of these measures. The administrative gears are inadquately meshed and improvisation is still unfortunately the order of the day. Although the F L N has been revitalized the transmission belt both at the party and administrative levels between the base and the summit functions inadequately.

Whether it will be possible to withstand those encroaching forces of bureaucracy which Major Guevara so pungently pinpointed and which is the bane of Cuban development and of other socialist countries remains to be seen. Many persons were catapulated into posts formerly held by Europeans with inadequate training. Opportunists and careerists of various hues have found themselves niches in key government ministries. Yet apart from and despite these shifty elements progress has been real and vivid. Within the compass of one year the changes wrought within Algeria are nothing short of staggering, a performance unmatched by any underdeveloped country — including Cuba.

It is the peasantry that shouldered these successes, the very peasantry that bore the brunt of the fighting and hence the bleeding, and it is this force that provides more than 80 per cent of the cadres of the A N P (the People's National Army) and who remains the spearhead of the revolution. Ben Bella and Boumedienne, both of peasant origin, know this. After the failure of the 'Battle of Algiers' a peasant based guerilla war became the only means to victory. But it was only from the end of of March that they tested its first fruits. It was Ben Khedda's major strategic blunder to have believed that the forces of the revolution could have been consolidated by exclusive reliance on the urban proletariat and the trade union movement. Further he consciously side stepped the army in political decision-making at the national and departmental levels.

Role of the Army

The peasantry, linked to an overwhelmingly peasant army under Colonel Boumedienne's command, is the main prop of the socialist revolution. If the disintegration of the F L N on the eve of independence proved a cruel deception to its protagonists and a source of bovine rejoicing to its adversaries the rot did not extend to the army which was to prove itself a unifying force on the national level. Similarly the Kabylian dissident movement has been broken on the strength of this cohesive military force.

To be sure, the New Constitution and the remoulded F L N recognize the dynamic socio-political role of the army as never before. With the onset of the frontier incidents the army now symbolizes national unity. Nor has it remained neutral in its political leanings as seen in the arrest of Boudiaf. "The A N P," declared Ben Bella, "has an exemplary role to fulfill. It is called upon to play a political role. The 'barbudos' of the Cuban revolution have become political cadres. Our soldiers are highly politicised — more so than the 'barbudos' because they have had eight long years of war behind them in which they have been tempered. Within the army the party must exist. On the social and economic plane the A N P will be called upon to play a vital role. The figure of speech that I should like to employ is that it is an army with a gun in one hand and a shovel in the other".

Centralisation Essential

Such an idelogical *rise de position* was opposed to that of the leader of the Kabylian dissident movement who maintained that the building of a socialist order cannot be achieved by the U G T A (General Union of Algerian Workers) or the A N P or the F L N but must be the work of all these forces working in an autonomous and decentralized manner. Ait Ahmed has lost his moorings.

Within the context of Algerian politics this would have led to a breakup of the young nation generating those factional tendencies that are now chewing at the vitals of many an emergent nation. As it is the Front straddles widely divergent ideological perspectives. There are militants of various hues within its ranks. Similarly the communist party which has been thwarted from playing an independent role can only function as a component of the Front. In the President's words: "We have dissolved the Algerian communist party: this is not anti-communism. We canot tolerate a privileged party. If we do so how then can we ban other political parties like the M N A. We are not marxists, but if the Russians did not exist it would be necessary to invent them, for confronting the Russians and ourselves is imperialism. The Algerian C P has its newspaper the *Alger Republicain* which pursues its own editorial policy. Let the communists enter and be militants within the Front". This is precisely what they have done.

To claim that Ben Bella has betrayed the socialist revolution as the F S F (Socialist Front Forces) assent is to attack him at his strongest point; and to label him a fascist is equally absurd. Apart from four or five persons under house arrest there are no political prisoners at present, in Algeria. And the F L N slogan: "revolution without prisons" has so far been confirmed. Whether it will continue to remain so if a grave internal or external crisis develops can only be answered by the test of history. The visitor to Algiers and other cities is struck by the virulent and open criticism of the government by many; but he is equally impressed by the responsive chord of the masses. In peasant meetings, the delegates may not be able to grasp or interpret a mass of indigestible statistical data. But it is incredible to hear the earthy quality of their simple questions. The voiceless multitude no longer exists. These are the makers of the revolution. The enthusiasm that the land reform has engendered, notably since the setting of the management committees, is immense. The observer finds that the older generation cannot always come to grips with these changes, but there is one change that he can grasp : the unassailable and monumental dignity of freedom.

Portent for Tunisia and Morocco

Algeria's revolution remains unfinished but its contours have already been roughly sculptured. That it will exercise a profound impact on its Maghrebian neighbours in the years ahead is unquestionable. Whether the frontier dispute will be settled or the manner in which a negotiable settlement is reached is unimportant. What is more crucial is that the revolution has already cast its shadow over the fading figure of a feudal monarchy that is the regime of Hassan II — a monarchy of divine right based on the principles of Islamic theology with a medley of empty constitutional forms that merely serves to conceal

the essentially authoritarian nature of his rule. In July the trade union leaders and all leading members of the left were imprisoned. Since then the number of political detainees have increased. And the highly touted land reform remains an enterprise in mystification. Hassan's diversionary frontier adventures cannot save his tottering throne. At best the co-existence of a socialist Algeria with Tunisia and Morocco will be a tenuous one. And there are many who question whether it can long endure. Already the ideological battle has been joined. In the present social order of things it is unlikely to stop. Algeria's revolution is an irrepressible social force and it may well prove impossible to contain it.

His blood has saved many lives

Way back in 1935, at Jamshedpur's Main Hospital, a man lay dying. Only a transfusion of blood could save him. In those days, most people thought that blood donation permanently damaged health. But a young man came forward and voluntarily gave his blood to sustain the ebbing life. Between 1935 and 1955, the same man freely gave his blood no less than 40 times—on an average twice a year—for victims of industrial accidents, to save men critically ill.

This extraordinary man is T. S. Balam, a typist with Tata Steel at Jamshedpur, a happy, healthy family man of 50. Although he still wants to donate blood, doctors decline his offer in view of his advancing years.



Inspired by the selfless example of men like Balam, many, many others in the steel town have donated blood. No less than 20,000 employees of Tata Steel have had their blood tested and grouped, while many more are coming forward regularly for testing and grouping . . . to help prevent avoidable deaths . . . to save families from sorrow and ruin.

This is yet another instance of the fellow-feeling, born of the indivisible bond of labour, that binds together the steelmen in Jamshedpur, a city where industry is not merely a source of livelihood but a way of life.

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Levels of Income in Rural India

M Ramachandra Rao

The debate in Parliament on per capita income following the statement by R M Lohia that 60 per cent of the population, i e, 27 crore people, live on an average income of 3 annas (19 nP) a day aroused much interest and curiosity in this subject. Lohia's statement was challenged by the then Planning Minister who, quoting N S S expenditure figures, said that the poorest 10 per cent of the population have an average monthly per capita expenditure of Rs 8 in rural areas and Rs 10 in urban areas.

Data distribution of income for the entire country are not available and inferences, therefore, have to be based on data available from various ad hoc surveys of urban and rural areas.

An attempt is made below to examine the data on income in rural areas collected by the Agro-Economic Research Centre.

THE various Agro-Economic Research Centres * have been conducting studies of the economic and social change in rural areas in different parts of the country. They carry out economic surveys of selected villages for this purpose and repeat the surveys after five years. The data on socio-economic conditions are collected through an intensive survey of all the households in the selected villages. The reports prepared from these surveys contain data on per capita incomes in the villages. In some cases they contain also the distribution of households in different income groups. Data pertaining to 95 villages from different districts, surveyed by various Centres during 1955-61 have been brought together here. Though there are some variations in the methods of computation of village income from one centre to another, the general concepts of income used are more or less the same, and as such the data are adequate for our analysis which is designed to yield the broad pattern of incomes in rural India.

The investigations carried out by different Centres cover 51 districts in 12 States.† They have been purposively selected by the Centres as case studies and include both prosperous regions like the fertile districts of coastal Andhra Pradesh and Punjab, the coffee growing Chick Magalur district of Mysore and backward and under developed regions like the Basti district of Eastern U P, the Chambal valley of Madhya Pradesh, the tribal villages of Assam and the poverty-striken areas of Orissa. These villages along with their per capita income are listed in the appendix.

To get an idea of per capita income in rural areas, the distribution of these villages in different per capita income groups is given in Table 1. It will be seen that

Table 1 : Distribution of Villages According to Per Capita Income

Per Capita Income Per Annum	Number of Villages
Less than 75	3
75 — 100	2
100 — 125	10
125 — 150	23
150 — 175	16
175 — 200	13
200 — 250	17
250 — 300	8
300 and over	3
All	95

except for 3 villages, all recorded an average per capita income of more than Rs 75 per annum (or 21 nP a day). In fact, 57 villages out of 95 claim an average per capita income of more than Rs 150 per annum (41 nP per day). The three villages with per capita income of less than Rs 75 per annum are Gunduri Gora in Koraput district of Orissa (Rs 72.77), Mitbhay in Ratnagiri district of Maharashtra (Rs 56. 78) and Murli in Basti district of the Eastern U P (Rs 66. 79).

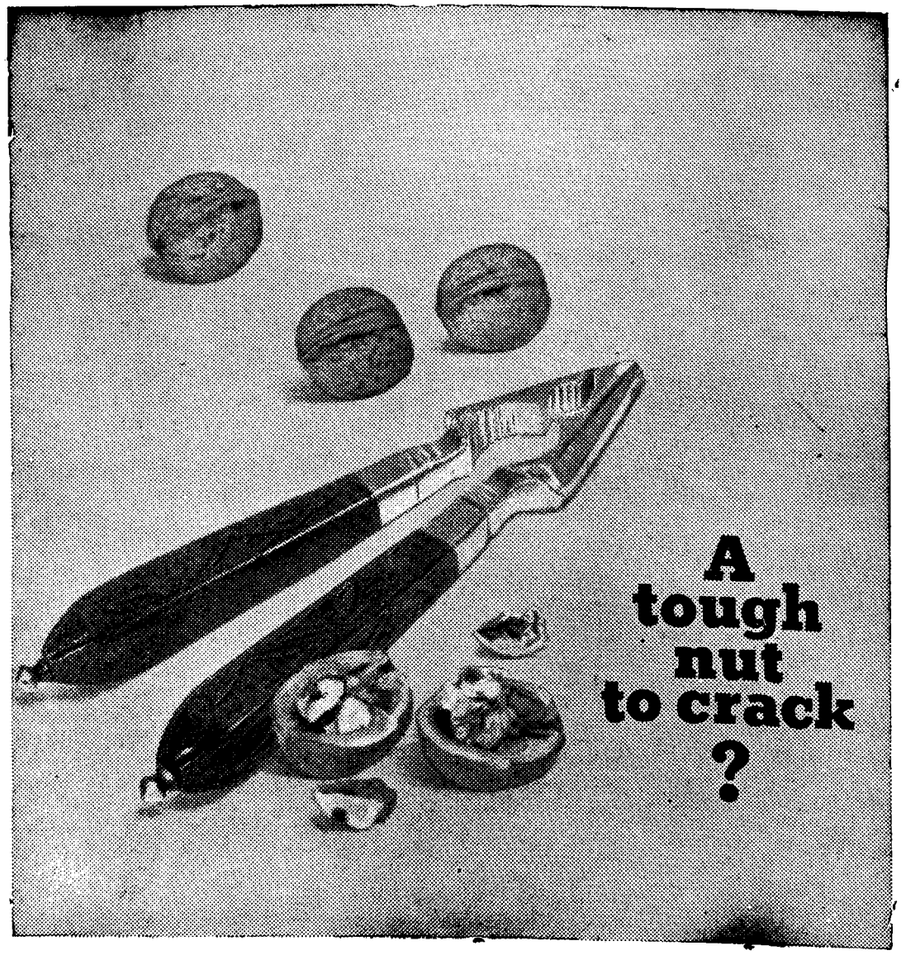
High Incomes in Backward Areas

Certain interesting inferences can be drawn from the study of these villages. For instance, the per capita income of some villages located in backward areas is found to be comparatively high. The tribal village of Kantherterang in the United Miker hill district of Assam recorded a per capita income of Rs 233.00 per annum (64 nP a day); Birendranagar in Tripura recorded a per capita income of Rs 269.16 (74 nP per day). Three villages in the backward Basti district of U P namely Tandewa, Purana Pandey, Bhanwapur showed a per capita income of 42 nP, 40 nP and 40 nP per day, respectively. The nine villages in Chambal valley, namely Asida, Mudiakhera, Chhimka, Tather, Bamori, Amarpura, Patanda, Bajar and Maija, lie between per capita incomes of 30 and 60 nP per day.

Average per capita income in a village does not indicate the position of the different sections of the population. In order to throw light on that aspect, the income distribution in each village needs to be examined. The distribution of households in different income groups is available only for 14 villages namely Vachoor, Pallipuram from Kerala, Aldur, Havalli, Chick Magalur Valli from Mysore, Jalipudi, Chembedu from Andhra Pradesh, Sengipatti, Varadagareddy Palli from Madras, Waghode from Maharashtra and Tandewa, Purana Pandey, Bhanwapur and Murli from Eastern U P. These villages have been divided into 4 groups comprising per capita incomes of (i) Rs 200 and over, (ii) Rs 150-200, (iii) Rs 100-150, and (iv) Less than Rs 100. The distribution

* Seven Agro-Economic Research Centres at Delhi, Poona, Santiniketan, Madras, Jorhat, Gwalior and Anand have been conducting village studies.

† 6 villages from 3 districts of Andhra Pradesh, 5 villages from 5 districts of Assam, 6 villages from 5 districts of Bihar, 3 villages from 2 districts of Kerala, 8 villages from 4 districts of Madhya Pradesh, 6 villages from 3 districts of Madras, 9 villages from 5 districts of Mysore, 9 villages from 9 districts of Orissa, 32 villages from 11 districts of Bombay (Maharashtra and Gujerat), 1 village from 1 district of Punjab, 6 villages from 2 districts of Rajasthan, 4 villages from 1 district of U P.





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of the households in different income groups along with their average size is presented in Table 2. It can be seen that in all the villages belonging to Group I, more than 65 per cent of the households earn an income of more than Rs 100 per capita per annum (27 nP per day). In the villages belonging to Group II, two villages Vardagareddi Palli and Chick Magalur Valli more than 70 per cent of the households have a per capita income of more than 22 nP per day. In villages Jalipudi and Tandewa of the same group about 60 per cent of the households earn less than 27 nP a day. However, 41 per cent in Jalipudi and 34 per cent in Tandewa have a per capita income ranging between 14 nP and 27 nP a day. Among the villages in group III, Bhanwapur, Pallipuram and Sengipatti, we can see that about 60 per cent of the households earn a per capita income of more than 27 nP per day; in villages Purana Pandey, Veechoor and Chembedu the percentage of households having a per capita income of more than 25 nP per day is roughly 55.7, 46.9 and 57.2, respectively. In Murli, the only village in group IV, only 40 per cent of the households have a per capita income of more than 18 nP per day.

Let us examine the data in Table 2 by computing the 6th decile for each of the villages. The 6th decile gives the value of household income of 60 per cent of the households. By using the average size of household we can deduce the per capita income per day from the decile value of household income. These values have been presented in Table 3. It can be seen that except for two villages, Bhanwapur and Murli, all the villages have a per capita income of more than 20 nP.

No Support for Lohia's Thesis

The data presented above do not lend support to the statement that 60 per cent of the population live

Table 2 : Distribution of Households in Different Income Groups

Village	Per Capita Income (Rs)	Av Size of Family	Household Income-Group						
			250	250-500	500-750	750-1000	1000-1500	1500 & over	All
1	2	3	4	5	6	7	8	9	10
Group I									
a Aldur, Mysore	241.00	5.0	30 (7.8)	96 (25.2)	116 (30.5)	59 (15.4)	49 (12.8)	32 (8.3)	382 (100.0)
b Havelli, Mysore	277.00	4.8	7 (3.9)	47 (26.1)	60 (33.3)	32 (17.8)	13 (7.2)	21 (11.7)	180 (100.0)
c Waghode, Maharashtra	348.56	5.2	34 (5.6)	139 (22.9)	126 (20.8)	90 (14.8)	68 (11.2)	150 (24.7)	607 (100.0)
Group II									
a Varadagareddy Palli, Madras	156.73	3.2	44 (11.6)	191 (50.4)	89 (23.5)	31 (8.2)	23 (6.0)	1 (0.3)	379 (100.0)
b Chick Magalur Valli, Mysore	175.00	5.2	4 (5.1)	18 (23.1)	22 (28.1)	22 (15.4)	12 (15.4)	10 (12.9)	78 (100.0)
c Jalipudi, Andhra Pradesh	152.68	4.5	81 (19.0)	175 (41.0)	80 (18.7)	28 (6.6)	30 (7.0)	33 (7.7)	427 (100.0)
d Tandewa, U P	152.24	4.9	38 (29.5)	44 (34.1)	21 (16.2)	8 (6.2)	10 (7.8)	8 (6.2)	129 (100.0)
Group III									
a Purena-Pandey, U P	145.91	5.7	23 (15.4)	43 (28.9)	23 (15.4)	21 (14.1)	19 (12.8)	20 (13.4)	149 (100.0)
b Bhanwapur, U P	147.13	5.4	6 (7.9)	23 (30.3)	14 (18.4)	9 (11.8)	17 (22.4)	7 (9.2)	76 (100.0)
c Veechoora, Kerala	109.30	5.4	43 (6.6)	302 (46.5)	193 (29.7)	52 (8.0)	33 (5.1)	27 (4.1)	650 (100.0)
			200	200-400	400-600	600-800	800-1000	1,000 & above	
d Chembedu, Andhra Pradesh*	128.13	4.7	24 (8.6)	95 (34.2)	70 (25.2)	34 (12.2)	23 (8.3)	32 (11.5)	278 (100.0)
e Pallipuram, Kerala*	147.26	5.7	22 (4.8)	84 (18.2)	134 (29.0)	87 (18.8)	50 (10.8)	85 (18.4)	462 (100.0)
f Sengipatti, Madras*	138.90	4.3	35 (7.6)	135 (29.2)	139 (30.1)	62 (13.4)	41 (8.9)	50 (10.8)	462 (100.0)
Group IV									
a Murli,* U P	66.79	6.0	22 (33.3)	18 (27.3)	13 (19.7)	6 (9.1)	3 (4.5)	4 (6.1)	66 (100.0)

Note: *For these villages the household income groups given in the reports are different.
Figures in brackets indicate percentages.

Table 3 : Sixth Decile Values for the Villages

Village	Size of Family	Sixth Decile Value	
		Household Income (*Rs*)	Per Capita per day Income (*nP*)
1 Aldur	5.0	692.24	40
2 Havelli	4.8	675.50	39
3 Waghode	5.2	611.51	32
4 Vardagareddi Palli	3.2	359.16	31
5 Chick Magalur Valli	5.2	645.65	34
6 Jalipudi	4.5	371.71	23
7 Tandewa	4.9	423.30	24
8 Purana Pandey	5.7	417.15	20
9 Bhanwapur	5.4	358.70	18
10 Veechoor	5.4	401.08	20
11 Chembedur	4.7	504.22	29
12 Palli Puram	5.7	696.42	33
13 Sengipatti	4.3	480.74	31
14 Murli	6.0	351.11	16

on an income of less than 3 annas a day. We have observed that in most of the villages, 92 out of 95, the average per capita income is more than 20 nP a day. Among the villages for which data on size distribution of incomes were available, we find, that in all villages except two, 60 per cent of the households had a per capita income of more than 20 nP a day. This is the position in rural areas. The position is much better in urban areas, as shown by Vasanth P Pethe*. Pethe has presented the distribution of families in different income groups for 8 towns, Hyderabad, Poona, Sholapur, Baroda, Hubli, Cuttack, Puri and Sambalpur. His study shows that about 70 per cent of the families have an income of more than Rs 500 in all the 8 towns. If we assume that the average size of family in these towns is 5, then we can conclude that about 70 per cent of the families in these towns earn a per capita income of more than 27 nP a day.

Of course, it is not possible to derive any inferences about the distribution of income in the country as a whole on the basis of the data presented above relating to 95 villages in 51 districts in 12 States. There is much poverty in the country and there may be sections of the population earning very low incomes, even less than 3 annas a day. But the data do not lend support to the statement that 60 per cent of the population live on less than 3 annas per day. Data on the size distribution of incomes for the entire population is not available. It is unfortunate that no attempt has so far been made on an all-India basis by any official or non-official organisation to collect such data even on a sample basis. The National Sample Survey organisation which is conducting nation-wide multi-purpose sample surveys for over a decade has also not made any attempt to collect data on incomes. True, collection of data on income distribution presents a host of methodological and conceptual problems. Nevertheless, it is high time that a beginning is made in this direction.

* Vasant P Pethe, "Income Inequalities in Urban Communities", *AICC Economic Review*, April 22, 1962.

Appendix

Per Capita Income in Selected Villages in Different States

Village	Per Capita Income	
	Per Annum (*Rs*)	Per Day (*Rs*)
I Andhra Pradesh		
1 Jalipudi	152.68	0.42
2 Tetali	202.32	0.55
3 Kumudavalli	233.01	0.66
4 Chembedu	128.13	0.35
5 Pattikonda	121.09	0.33
6 Jonnala gadda	129.84	0.36
II Assam		
7 Chota Haiber	205.50	0.56
8 Dayangiagnal	141.81	0.39
9 Dijpur	186.53	0.51
10 Birendranagar	269.16	0.74
11 Kanther Terang	233.00	0.64
III Bihar		
12 Ghora bandha	233.56	0.61
13 Lohna	149.50	0.41
14 Samahuta	253.13	0.69
15 Lasarhi	246.56	0.68
16 Harnichak	153.73	0.42
17 Shahpur-Pannapur	168.99	0.46
IV Kerala		
18 Vechoor	109.30	0.30
19 Keezenerry-Karavamana puram	95.70	0.26
20 Pallipuram	147.26	0.40
V Madhya Pradesh		
21 Lakhapatri	116.76	0.32
22 Bawariya Kalan	168.00	0.46
23 Misrod	196.00	0.54
24 Khajuri Kalan	180.00	0.49
25 Adanpur	195.00	0.53
26 Asida	171.16	0.47
27 Mudia Khera	216.00	0.59
28 Chimka	191.92	0.53
VI Madras		
29 Rajagambiram	139.67	0.38
30 Aralikottai	102.50	0.28
31 Uppattur	298.38	0.82
32 Varadagareddi-palli	156.73	0.43
33 Madigai	246.34	0.67
34 Sengipatti	138.90	0.38
VII Maharastra & Gujarat		
35 Kothari	165.56	0.45
36 Palasgaon	153.86	0.42
37 Kawadjai	116.11	0.32
38 Amdi	179.32	0.49
39 Nalwar	132.34	0.36
40 Sugur	133.58	0.37
41 Kolkundi	122.22	0.33
42 Pusegaon	215.66	0.59
43 Visapur	136.93	0.38
44 Gorgaon	185.42	0.51
45 Ghoti	161.38	0.44
46 Zanjya	152.54	0.42
47 Mithbar	56.78	0.16
48 Murud Budruk	112.19	0.31
49 Wathwada	120.86	0.33
50 Karkata	85.95	0.24
51 Malthan	141.90	0.39
52 Nimgaon Bhogi	123.20	0.34
53 Amdabad	130.30	0.36
54 Sonesangri	130.80	0.36
55 Kasbe Sukene	198.00	0.54
56 Maije Sukene	289.00	0.79
57 Onag	325.00	0.89
58 Waghode Dudrule	348.50	0.95
59 Maskawad Seen	268.20	0.73
60 Maskawad Khud	266.20	0.62
61 Patadia	181.93	0.50
62 Dhad	157.31	0.43
63 Dhalsaongi	157.69	0.43
64 Dudha	176.80	0.48
65 Kardi	156.67	0.43
66 Savale	125.78	0.34
VIII Mysore		
67 Aradeshahalli	204.51	0.56
68 Aldur	241.00	0.66
69 Havalli	277.00	0.76
70 Chick Magalur-Valli	175.00	0.48
71 Hagari Bommana Halli	273.70	0.75
72 Chintra Palli	223.49	0.61
73 Paduthonse	142.51	0.39
74 Mudalgi	311.95	0.85
75 Khanatti	134.09	0.37
IX Orissa		
76 Teliband	154.26	0.42
77 Badkera	179.63	0.49
78 Charaiguan	135.72	0.37
79 Kasoti	130.52	0.36
80 Kaurali	113.63	0.31
81 Anlajodi	141.40	0.39
82 Rahaugira	100.75	0.28
83 Darlimunda	190.82	0.52
84 Gundurigora	72.77	0.20
X Punjab		
85 Bauhatwas	243.76	0.67
XI Rajasthan		
86 Tather	283.36	0.78
87 Banori	219.50	0.60
88 Amarpura	217.85	0.60
89 Patande	171.20	0.47
90 Bajar	201.38	0.55
91 Maija	138.98	0.38
XII Uttar Pradesh		
92 Purena Pandey	145.91	0.40
93 Murli	66.79	0.18
94 Tandewa	152.24	0.42
95 Bhanwapur	147.13	0.40

Around Bombay Markets

Technical Correction Underway

Thursday, Morning

THE stock market had a fairly good shake-out last week, and at one time it appeared that the bull had perhaps turned a bear. Barring a few isolated scrips like Scindia, Kohinoor, Sirpur Paper and South India Viscose, equities generally came under heavy pressure and suffered sizable losses, which, however, were partially erased by short covering at the week-end. There was nothing in the week's news to provoke heavy selling but a provocation was hardly necessary. The market had been moving up and up for too long without any significant pause with the result that its technical position had become increasingly suspect. It was necessary that the market should take a pause to allow technical forces have their full play and regain fresh strength to be able to scale new peaks. That is precisely what has now happened.

Will TTK Oblige ?

It would be a mistake to think that the reactionary trend that is now underway reflects a change in the market's assessment of the basic outlook for equities. It might, however, be conceded that the major upswing in equities is based mainly on the strong belief that Shri Krishnamachari will quicken the tempo of economic and industrial activity and boost the morale of the investment market not merely through the magic of words but through appropriate measures such as financial assistance to IFC and ICICI and fiscal concessions. The stock market's optimism might not prove to be misplaced but TTK might not oblige the market as quickly as it expects. It is quite possible that the process of technical adjustment that is now in progress will continue until the stock exchange community is able to take a clearer view of the steps that TTK proposes to take to hasten the industrial tempo and revitalise the capital market. But one can never be very sure how the process of technical adjustment will complete itself. Normally, correction of the first major bull phase is not a long-drawn-out affair.

Oilseeds

Rise in Ceiling Farcical

THE Forward Markets Commission has raised the ceiling prices for new contracts in oilseeds — April in the case of groundnut and cottonseed and June in the case of castor and linseed. The ceiling for groundnut has been raised from Rs 236 to 241, for castor from Rs 181 to Rs 186, for cottonseed from Rs 111 to Rs 113 and for linseed from Rs 42 to Rs 43. The upward revision of the ceiling rates does not indicate that the Commission has realised the necessity of effecting suitable changes in the ceiling prices for different contracts in order to allow for the normal carry-forward charges which have to be incurred in transferring 'bull' interest from one delivery month to another. The change is purely technical and far from being desirable. The ceiling prices have been raised simply by merging the amount of the penalty charged for non-delivery of goods against 'short' interest remaining outstanding at the end of the delivery period.

Delivery may not be the essence of a hedge contract in that the buyer cannot insist on the delivery of the actual goods but to do away with penalty when sellers persist in keeping their interest alive until the end of the contract without any intention to effect delivery makes the hedge contract a wagering contract — speculators' paradise. That all this should take place under the Commission's rule is a sad commentary on the Commission's understanding of the functions of a futures market. If the hedge contract is to have any meaning then the terms and conditions should be such that in case buyers insist on the delivery of goods and sellers are unable to effect the same during the delivery month and yet persist in keeping their business alive, the buyers should be enabled to have their outstanding position squared-up at a price at which they can obtain the goods from the ready market. Strangely enough, none of the existing hedge contracts in any commodity can be said to stand that test. In a vain bid to keep prices down, futures contracts have been given an artificially bearish character. This is unfortunate. For, all that the Commission can do and need do is to contain the volume of speculative activity within healthy limits; it cannot influence the course of ready prices which depends on several factors beyond its control. To fix ceiling for futures when there exists no such ceiling on the spot material makes little sense and to maintain the ceiling for futures at the same level for all the contracts makes it worse.

Prices Recede

The oilseeds market developed further weakness last week. Groundnut, groundnut cake and linseed were marked down to new low levels for the season. Castor and cottonseed also were dinstinctly easy. Except for groundnut which recovered most of the earlier loss, Wednesday's closing prices elsewhere were only slightly above the week's lowest. Speculative interest continued to centre mainly around groundnut where a few big operators are known to have built up a formidable "short" interest. After an early rally from Rs 213.37 to Rs 214.75 groundnut January declined to a new low of Rs 212.12 but later recovered to Rs 213.75 on short covering and scattered bull support induced mainly by technical considerations. Linseed March drifted idly lower from Rs 36.44 to Rs 35.75 (per 50 kgs), castor March eased from Rs 166.87 to Rs 164.75 (per 250 kgs) and cottonseed January from Rs 95 to Rs 94.

Groundnuts continue to set the tune for the entire market. And the easier tendency in groundnut is essentially a seasonal phenomenon. The new crop is generally expected to set a new record and the flow of arrivals is said to be fairly good, though perhaps not in keeping with the estimated size of the crop. It

is worth bearing in mind that of late the crop marketing pattern has been undergoing a steady change. The growers appear to be in no desperate haste to market their produce as soon as the harvest is ready. The tempo of arrivals therefore no longer provides any dependable clue to the size of the crop. The week-end steadiness in groundnut futures was attributable to the fall in arrivals at lower prices and the fairly satisfactory off-take by crushers and vanaspati interests. Groundnut expellers and extractions, however, continued to be distinctly weak due to increased offerings with the progress of the crushing season.

There were no exciting developments on the export front. Fairly good business was reported in groundnut extractions but prices realised were about 10 to 15 shillings per ton down over the week. The Communist countries figured as the main buyers. Japan took further small quantities and the U K buyers were rather reserved, awaiting lower prices perhaps. About 1000/1500 tons of groundnut oil were said to have been traded with Communist countries during the week. Groundnut HPS were virtually neglected. Some small business was reported in castor oil and linseed cake. Cottonseed cake, however, attracted fair business, the U K and the Continent being the main buyers.

Cotton

Futures Turn Weak

AFTER keeping distinctly firm earlier in the week the cotton futures market hesitated for a while and developed pronounced weakness at the week-end. Jarilla March which had risen from Rs 700.25 to Rs 707.50 in the preceding week was bid up to Rs 712 on the 15th. It receded to Rs 705.75 on the 19th, recovered to Rs 710.25 on the 20th but only to slip down to Rs 702 on the same day. The buying that pushed the contract to Rs 712 appeared to have been prompted by the rather slow pace of arrivals and buffer stock ideas. But sentiment began to change when the word went round that a reputed cotton firm had estimated the new crop at around 58.75 lakh bales — a new record, though still well below the Plan schedule. Sentiment was also affected by reports of increased flow of arrivals in the terminal markets. Mills which had emerged as fairly active buyers in the preceding week soon withdrew from the market when prices began to recede under pressure of new crop arrivals.

Assured of abundant supplies as a result of a large carryover and a good harvest, mills are unlikely to rush with their purchases in the immediate future, unless, of course, they are convinced that the Government is determined to support the market around the current levels through the buffer stock agency. The buffer stock scheme is, however, still in the talking stage. How exactly the scheme is going to be implemented is not yet known. In any case, if mills continue to keep off the market and arrivals gather momentum in course of time, cotton prices are likely to remain subdued. And if the spot market remains inactive and subdued, futures cannot be expected to put on a firm appearance. It is difficult to take a view of the market because of the continuing uncertainty about the much-talked-of buffer stock scheme.

Activity in the spot cotton market was restricted throughout last week. Among indigenous varieties, spinner inquiry centred mostly around L 147, CO2 and 197/3. Mills, however, showed fairly good interest in foreign cottons, particularly Sudans. Bengal Deshi prices held firm on steady export demand. Export sales registered up to 16th November are placed at 44,000 bales. Overseas demand is said to be gradually picking up.

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Business Notes

Delhi Cloth and General Mills

THE trend of gross profit of Delhi Cloth & General Mills has been downwards since 1960-61. During the year ended June 30, 1962, the gross profit declined to Rs 4.28 crores from Rs 4.35 crores in 1960-61, and 1962-63 it fell further to Rs 3.39 crores. The fall is evidently greater during the past year being about 20.8 per cent compared with 1.6 per cent in the previous year. This is all the more surprising because the Mills' turnover had been increasing remarkably year by year. As against an increase of 7.3 per cent in 1961-62 to Rs 38.42 crores, the turnover has improved further by 8.7 per cent to Rs 41.77 crores in 1962-63.

The fall in the gross profit of Rs 89 lakhs is attributed by the Directors to higher costs of raw materials and labour and to the effect of fiscal measures such as the emergency risks insurance, enhanced excise duties, etc. Higher provision for depreciation and development rebate led to a further fall in the pre-tax profit from Rs 3.08 crores to Rs 1.82 crores, i e, by 40 per cent. Tax provision as a consequence has gone down to Rs 1.05 crores (Rs 1.70 crores). Net profit in the event has recorded a fall by 44 per cent at Rs 77.43 lakhs (Rs 138.91 lakhs). The Directors have transferred Rs 52.25 lakhs from past reserves to the above net profit, and by adding the previous year's balance of Rs 4.03 lakhs, the disposable surplus is raised to Rs 133.72 lakhs from which following allocations have been made: General Reserve Rs 21.99 lakhs (Rs 5.70 lakhs); Renewals reserve Rs 9.56 lakhs (nil); provision for previous year's tax Rs 45 lakhs (Rs 4.50 lakhs); Dividend reserve Rs 36.45 lakhs (nil); Tax Exempt profits reserve Rs 19.25 lakhs (nil). The last two reserves will be utilised for paying the preference dividend of Rs 5.36 lakhs and the ordinary dividend of Rs 49.82 lakhs at 13 per cent (same as for 1961-62). Of the dividend 34 per cent will be exempt from tax under Sec 15 C of the Income-tax Act with the result that the net dividend in the hands of the shareholders will be higher this year.

The Directors state that despite overall increase in costs, the textile units worked very satisfactorily. The Company's exports have been well maintained in spite of a general decline in the export of cotton textiles from India. The sugar season was short due to lack of cane. The plan to increase the crushing capacity of Mawana Sugar Factory announced last year is still in the process of being implemented. The chemical division is reported to be working satisfactorily. The Company has been granted an industrial licence for putting up a stable bleaching powder plant of 15 tons per day capacity and for this ICICI has agreed in principle to grant a loan of DM 945,000 equivalent to Rs 11.25 lakhs for the import of plant and machinery.

In order to finance the new projects and expansion schemes, the Company issued preference shares of the value of Rs 50 lakhs during the year. But it is again in need of funds for the PVC and Rayon Tyre Cord projects, because of a considerable rise in machinery prices, customs duty, construction and labour costs, etc. It is proposed to issue 2 lakhs ordinary shares of Rs 25 each at a premium of Rs 5 or such other amount as may be sanctioned by the CCI and 2 lakhs redeemable preference shares of Rs 25. The preference share issue will be offered for public subscription.

The Company intends to have a wholly-owned subsidiary Company which will work exclusively for the promotion of exports of not only the Company's products but eventually of those of other companies also.

Indian Hume Pipe

PROGRESS of Indian Hume Pipe has been well maintained during the year ended June 30, 1963, with revenues derived from sale of products and from other sources showing marginal improvement. But with increased costs and expenditure all round, gross profits have declined from Rs 66.56 lakhs to Rs 48.43 lakhs. Taxation provision having absorbed much less at Rs 15.50 lakhs as against Rs 28.75 lakhs in the previous year, the profit for the year has declined by only Rs 4.27 lakhs at Rs 15.38 lakhs and so the Company is able to maintain the dividend on ordinary shares at 14 per cent.

The Prestressed Concrete Pipe division of the Company has made good progress and the Company has secured a contract for the Tatipudi Water Supply Scheme at Vishakapatnam. The Company's Pattancheru P C Pipe factory which started production last year has not yet attained full production due to shortage of high tensile steel wire which the Andhra Government has not been able to supply to the extent required. A factory is now being put up at Bagalkot to execute an order for P C Poles from Mysore Government.

The progress of the Penstock division is also satisfactory. The Company has orders for Penstocks from the Maharashtra and Mysore Governments for the Koyna and Sharavathi Hydro-Electric Projects and also from the Government of India for the Trishuli Hydro-Electric Project in Nepal. In the execution of the contract for the Sharavathi Hydro Electric Project, where special type of high tensile steel, known as "T-1" steel, is being used for fabrication of Penstocks for the first time in India, the Company has entered into technical collaboration with the Chicago Bridge and Iron Company of U S A, for technical assistance.

The Company will be shortly acquiring the patent rights in India for a new process of manufacture of continuous Concrete Pipe lines. This process is considered ideally suited for laying of irrigation pipe lines and storm water drains. The No-Joint Concrete Pipe Co of Yuba City, California, U S A, which has invented this process and with which the Company has already concluded negotiations for collaboration, has agreed to the sale of its patents right in India to the Company and to provide technical assistance for exploitation of the patents for a period of 10 years.

As the Company has not achieved success in its export drive because of heavy transport cost, it is considering proposals for establishing Hume Pipe manufacturing plants abroad, and negotiations are in progress with the Indian and Libyan Governments for permission to establish a RCC Pipe factory in Libya.

Canara Workshops

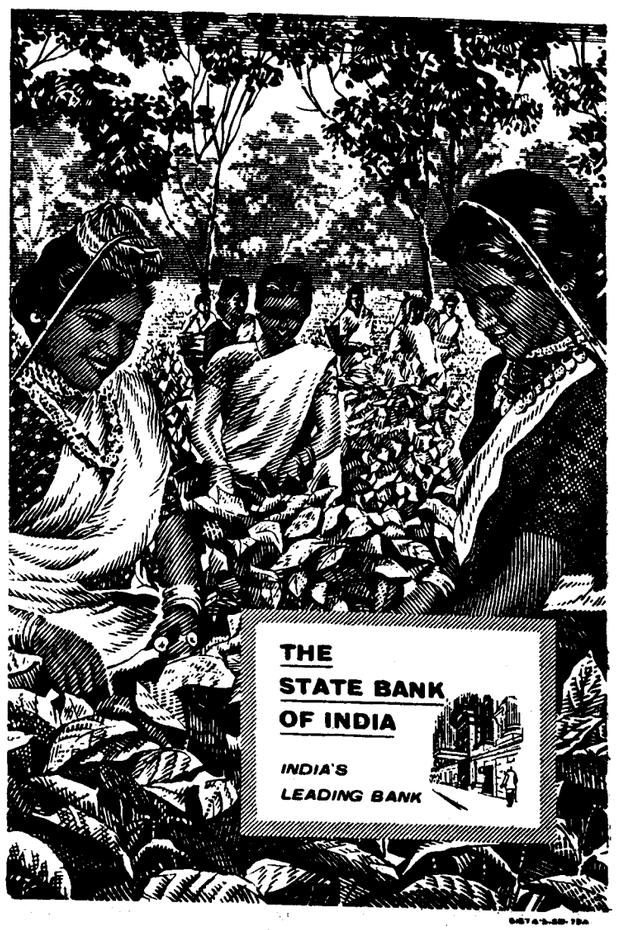
THE accounts of Canara Workshops for the year ended March 31, 1963 show that there has been a sizable increase in the sales of springs, etc, from Rs 64.15 lakhs to Rs 83.19 lakhs, i e, by about 30 per cent. Gross profits have improved by 24 per cent from Rs 29.10 lakhs to Rs 37.11 lakhs. Yet the net profit is only marginally higher by 6.2 per cent at Rs 3.91 lakhs. Stores and materials, sales commissions, interest charges and SPT provision have all gone up considerably affecting the profits. A taxable dividend of Rs 2 per share of Rs 10 has been maintained to absorb Rs 5.56 lakhs.

The Directors state that production has been considerably hampered during the year by the irregular supply of steel. Both the Mangalore and Nagpur factories of the Company ran short of materials and could not therefore maintain capacity production. Issue of import licences was restricted, and where licences were issued they were on countries where prices were relatively higher and so manufacturing costs have gone up. The import duty of 10 per cent now levied will add to the costs further in future.

The Company is making progress in the installation of machinery in its Alloy Steel Division, and hopes to get full power supply from Mysore State Electricity Board from April next year. Spring steel is now largely imported and when this division goes into full production, it may be expected to save foreign exchange of the order of Rs 80 lakhs. The Chairman of the Company, Mr V S Kudva, is therefore insisting on getting an adequate supply of power and that at the earliest. He suggests the installation of additional transformers by the State Electricity Board. The plant of the Company is so designed as to treble its capacity and thereby reduce foreign imports by nearly Rs 2.5 crores. The Company has collaboration with Concast of Zurich (Switzerland) in adopting the latest process introduced in India for converting molten steel into billets. Negotiations are in progress for collaboration for a period of 3 years with a Japanese steel manufacturer, Sumitomo Metal Industries Ltd of Osaka, to enable the Company to manufacture a high quality steel.

A TASK FOR FLYING FINGERS

In the cool, clean, mountain air, the tea gardens of Assam spread out like vast, green carpets. With lightning speed, the cheerful tea pickers pluck the tender tea-tips as soon as they grow. Only young leaves will do for processing. People like these busy workers are the real people of the country — industrious, happy, with faith in the progress of new India... a progress in which we at the **State Bank of India** are proud to play our part, by serving the nation through our network of branches throughout the land.



Money Market

Thursday, Morning

THE call loan market turned stringent on Tuesday last with the rate rising to 2.5 per cent. Till then demand for and supply of funds had been well matched and borrowers were able to get their requirements without difficulty at 2 per cent. On Tuesday there was a sudden surge of demand — probably on account of subscriptions to the Bonds of the Maharashtra State Financial Corporation and the Maharashtra Industrial Development Corporation which were offered for a total of Rs 4.50 crores — which caused some stringency and that put up the rate to 2.5 per cent at which level it continues.

During the week ended November 8 there was a fall in the aggregate deposits of scheduled banks by Rs 9.35 crores (of which demand deposits accounted for Rs 9.21 crores) and a rise in bank credit by Rs 8.61 crores. The banks, however, met the larger demand for funds with ease by withdrawing Rs 17.15 crores from their balances with the Reserve Bank and reducing their investments by Rs 3.38 crores and did not resort to borrowing from the Reserve Bank at all. On the contrary, they reduced their borrowings by Rs 1.79 crores to Rs 61 lakhs. Moneys lent at call showed a rise of Rs 1.37 to Rs 65.89 crores during the week, but the call rate was not affected.

During the next week, ended November 15, scheduled banks replenished their balance with the Reserve Bank to the extent of Rs 17.72 crores while their borrowings from the Reserve Bank went up by only Rs 1.93 crores. This shows that at least up to November 15, the banks' resource position was quite comfortable and there were no hints of a tightness in the money market. In view of this it seems likely that this week's stringency may be just temporary and may not indicate scarcity of funds. The busy season demand for credit is yet to pick up and the resource position of the banks remains quite comfortable. This is not to suggest, however, that call money rate will get depressed; demand for credit is bound to rise in the coming weeks as crop movement gathers tempo.

Call loan rates in Calcutta, which generally remain higher than in Bombay, are now curiously quoted lower. The rate which touched 4.5 per cent at the end of last week slipped down almost every day during this week and touched 0.75 per cent on Wednesday.

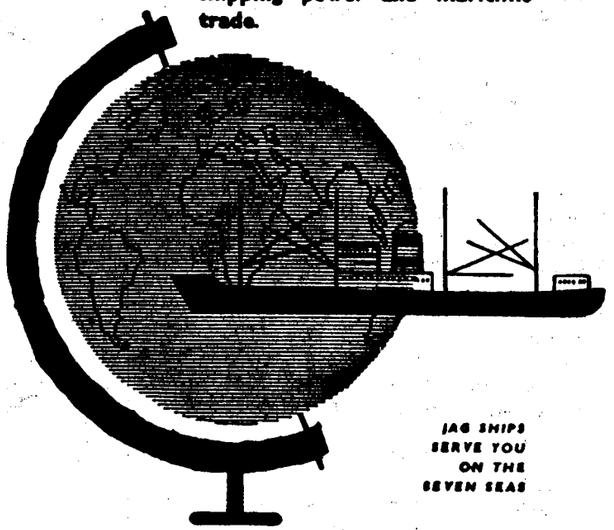
The rise in the call money rate in Bombay was followed by a higher Treasury Bills discount rate. Offers were only Rs 2 crores against Rs 2 crores invited and the discount rate rose from 2.300 to 2.318 per cent. Intermediates sold between November 13 and November 16 amounted to 2.635 crores as against Rs 45 lakhs in the previous week.

Active notes went up by Rs 6.85 crores during the week ended November 15 as against Rs 35.77 crores in the previous week. This involved an additional note issue of Rs 4.75 crores, the balance of Rs 2.10 crores having been met by the Banking Department from its till. As a consequence Rupee securities in the Issue Department have been inflated by Rs 5 crores. This covers a small depletion of Rs 25 lakhs in rupee coins.

Deposits of both Central and State Governments have gone up by an aggregate of Rs 7.56 crores and their borrowings have come down by Rs 12.59 crores. Deposits of scheduled banks have risen by Rs 17.72 crores; their borrowings are also up by Rs 1.93 crores. Foreign balances have improved by Rs 1.33 crores. A rise in total deposits and a fall in the advances of the Bank have resulted in a substantial rise of Rs 44.30 crores in its investments.

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CURRENT STATISTICS

BANKING RETURNS

(*Rs crores*)

Reserve Bank	Nov 15	Nov 8	Oct 18	Nov 16, '62
1 Note circulation	2286.54	2279.69	2261.31	2077.26
2 Rupee coin	118.35	118.60	120.42	121.97
3 Deposits				
(a) Central Govt	50.75	49.39	48.90	60.77
(b) Other Govts	20.55	14.35	11.01	7.06
(c) Banks	97.59	79.69	83.89	92.89
(d) Others	164.23	164.38	163.06	162.36
4 Foreign securities	92.46	92.46	92.46	88.08
5 Balance abroad	9.28	7.95	8.00	5.14
6 Rupee securities	1969.31	1964.31	1954.31	1763.29
7 Investments	263.53	219.23	173.00	194.12
8 Loans and advances to Govts	54.53	67.12	83.31	43.79
9 Other loans and advances	142.80	138.14	146.68	148.97
Scheduled Banks	**Nov 8**	**Nov 1**	**Oct 11**	**Nov 9, '62**
1 Aggregate Deposits (net)	2233.33	2242.68	2214.31	2049.91
Demand (net)	977.52	986.73	963.78	812.71
Time (net)	1255.81	1255.95	1250.52	1237.20
2 Cash in hand	56.04	56.57	57.93	50.32
3 Balance with Reserve Bank	80.64	97.79	87.16	77.04
4 (2)+(3) as % of (1)	6.12	6.88	6.55	6.21
5 Borrowings from Reserve Bank	0.61	2.40	1.93	3.98
(a) Against usance bills and/or promissory notes	—	—	—	2.32
(b) Others	0.61	2.40	1.93	1.66
6 Advances	1239.85	1234.43	1240.81	1171.05
(a) State Bank	235.93	236.84	235.44	240.90
(b) Others	1003.92	997.59	1005.37	930.15
7 Bills discounted				
(a) Inland	178.98	177.16	174.65	163.73
(b) Foreign	57.60	56.24	55.70	53.47
(c) Total	236.58	233.40	230.35	217.20
(i) State Bank	17.97	16.90	15.55	17.02
(ii) Others	218.61	216.50	214.80	200.18
8 (6)+(7) as % of (1)	66.11	65.45	66.44	67.72
9 Investment in Govt securities	773.37	776.75	758.45	684.27
10 (9) as % of (1)	34.63	34.63	34.25	33.38

Bombay Money Rates

(*Per cent per annum*)

	Nov 8	Nov 1	Oct 11	Nov 9, '62
Call money from Banks	1.66	1.98	2.30	3.77
Deposits				
Seven days	3.00	3.00	3.00	3.00
Three months	—	—	3.50	—
Six months	3.75	3.75	3.75	3.75

INDEX NUMBER OF WHOLESALE PRICES

(*Base* : 1952–53 = 100)

Group and Sub-group	WEEK ENDING 19.10.63	12.10.63	21.9.63	20.10.62
Food Articles	**139.4**	**139.0**	**139.0**	**129.0**
Cereals	119.3	118.8	117.6	108.2
Pulses	113.8	113.0	111.2	116.4
Fruits & Vegetables	120.4	118.6	111.6	124.3
Milk & Ghee	131.9	129.5	126.2	123.6
Edible Oils	151.3	151.7	154.2	156.5
Fish, Eggs & Meat	147.7	145.9	150.5	148.2
Sugar & Gur	210.5	213.3	220.4	159.4
Others	176.9	178.4	182.7	169.1
Liquor & Tobacco	**119.9**	**119.9**	**118.7**	**100.5**
Tobacco	117.1	117.1	115.8	97.0
Fuel, Power, Light & Lubricants	**139.8**	**139.8**	**139.9**	**122.9**
Industrial Raw Materials	**138.1**	**138.9**	**140.1**	**138.9**
Fibres	131.4	131.1	132.0	129.0
Oilseeds	154.4	157.3	160.0	158.2
Minerals	91.6	91.5	91.5	93.4
Others	123.1	122.4	121.3	124.4
Manufactures	**130.9**	**131.1**	**131.2**	**129.2**
Intermediate Products	**138.7**	**138.8**	**139.3**	**144.9**
Finished Products	**129.6**	**129.8**	**129.8**	**126.6**
Textiles	127.7	127.9	128.0	124.6
Cotton	135.6	135.5	135.9	129.6
Jute	101.0	102.3	101.3	105.8
Woollen	156.6	156.6	156.6	141.3
Silk & Rayon	137.3	137.3	137.5	135.3
Metal Products	163.7	163.7	163.7	161.0
Chemicals	117.6	117.6	117.2	117.6
Oil Cakes	163.8	164.1	165.6	168.9
Machinery & Transport equipment	124.3	124.3	123.9	117.4
Others	128.4	128.4	128.6	125.1
All Commodities	**136.3**	**136.3**	**136.5**	**129.8**

JUTE

Production, Stocks and Despatches of Gunnies

('000 *Metric Tons*)

	July '63	June '63	July '62–June '63	July '62
Production				
Hessian	45.8	41.5	514.9	41.2
Sacking	43.0	40.0	531.8	47.7
Carpet backing	8.2	7.4	64.8	4.1
Others	11.9	11.4	106.7	10.5
Total	108.9	100.3	1218.2	103.5
Equivalent consumption in lakh bales	6.20	5.68	69.55	5.88
Stocks				
Hessian	32.5	32.4	—	26.1
Sacking	52.9	47.2	—	46.1
Carpet backing	8.3	6.2	—	2.7
Others	10.3	10.4	—	11.4
Total	104.0	96.2	—	86.3
Despatches *				
Hessian	45.9	41.8	511.5	40.0
Sacking	36.8	37.9	519.2	40.7
Carpet backing	6.2	6.5	61.2	3.9
Others	11.6	12.6	103.3	12.1
Total	100.5	99.0	1195.2	96.7

IJMA Purchases of Raw Jute

('000 *Bales*)

From India	3,74	1,95	67,71	3,32
From Pakistan	5	30	2,36	24

* Includes despatches for exports and internal consumption.

Source : Indian Jute Mills Association, Calcutta.

Industrial Production

(Monthly Averages or Calendar Months)

Unit		Apr '63	Mar '63	Feb '63	Jan '63	Apr '62	1962	1961	1956
Consumer Goods									
Cotton Textiles (Cloth)	Mn metres	365.9	368.6	337.1	374.7	378.0	373.4	391.2	442.2*
Vegetable Oil Products	'000 Quintals	331.0	338.8	324.6	339.6	299.1	307.9	282.2	213.1
Sugar	'000 tonnes	—	304.6	475.3	570.7	352.8	—	—	—
Sewing Machines	'000 units	—	23.6	23.9	23.3	27.9	28.7	25.6	10.9
Electric Fans	'000 units	—	109.9	100.3	97.7	100.4	94.5	89.5	28.2
Raw Materials and Intermediate Goods									
Chemicals									
Sulphuric Acid	'000 tonnes	43.8	43.3	37.3	44.4	35.0	39.0	35.2	12.5
Caustic Soda	'000 tonnes	10.1	10.6	9.8	12.2	9.5	10.5	10.0	3.6
Soda Ash	'000 tonnes	—	23.5	18.2	22.5	19.1	18.6	14.7	6.4
Coal	'000 tonnes	5696	5806	5643	5844	4997	5129	4675	2990
Jute Manufactures	'000 tonnes	105.4	104.5	94.4	103.1	95.5	98.4	80.9	90.1
Non-ferrous metals									
Copper	Tonnes	825.0	900.0	750.0	436.0	865.0	815.1	728.8	578
Aluminium	Tonnes	4223	4515	4138	4688	1717	2950	1325.7	541.7
Lead	Tonnes	—	493.6	254.0	382.0	237.5	237.4	305.4	189
Paints and Varnishes	'000 Kgs	4600	4700	4600	4525	5300	5342	4924	3152
Iron and Steel	'000 tonnes	571.2	579.7	528.2	570.2	441.5	480.3	4132	137.0
Pig Iron	'000 tonnes	498.7	539.4	466.5	512.8	383.3	429.1	339.3	131.7
Steel Ingots and Castings	'000 tonnes	88.0	105.0	88.5	104.0	84.9	90.5	100.1	112.5
Semi-finished Steel		347.3	395.7	335.4	352.3	276.3	316.6	237.1	101.0
Finished Steel									
Capital Goods	Value Rs '000	112,95	126,95	107,23	116,63	61,65	89,47	6342	1001
Machine Tools	Units	—	4968	3882	4271	3164	3556	3707	1009
Diesel Engines	'000 H P	—	102.5	88.7	93.4	75.1	81.7	69.4	29.9
Electric Motors	'000 K V A	—	251.8	186.8	243.9	201.9	196.4	149.7	76.6
Power Transformers									

* In million yds.

Source : Central Statistical Organisation, Government of India, Calcutta.

Electricity Generation and Distribution

(*Million kwh*)

	July '63	June '63	July '62	1962–63
Electricity generated	2116.8	1992.1	1812.1	22093.7
Electricity sold	1745.5	1648.5	1536.6	18276.3
Domestic consumption	156.5	146.2	156.2	1792.2
Commercial light and small power	95.1	84.4	105.9	1110.9
Industrial power	1253.1	1186.7	1075.7	13014.9
Public lighting	20.8	19.5	20.6	252.7
Irrigation	106.7	104.9	82.7	917.2
Miscellaneous	113.4	106.8	95.6	1188.5

Source : Central Water and Power Commission.

Foreign Trade of India

Merchandise Value

(*Rs Lakhs*)

	Aug '63	July '63	Aug '62	1962–63
Exports	65,99	63,19	61,46	699,48
Imports	81,60	89,54	80,84	1099,58
Balance of trade	—15,60	—26,35	—19,38	— 310,10

Source : Department of Commercial Intelligence and Statistics, Ministry of Commerce and Industry.

Working Class Cost of Living Index

(*Base adjusted to* 1949 = 100)

	Aug '63	July '63	Aug '62	1962–63
Ahmedabad	—	—	124	121
Bangalore	—	—	154	154
Bombay	146	146	148	145
Calcutta	—	—	123	121
Delhi	134	133	134	130
Gauhati	109	111	112	112
Hyderabad	—	—	144	142
Jabalpur	141	135	135	133
Jamshedpur	—	—	130	130
Kanpur	—	—	111	106
Madras	151	151	151	150
Nagpur	144	143	135	133
All-India	136	135	133	131

Source : Labour Bureau, Government of India.

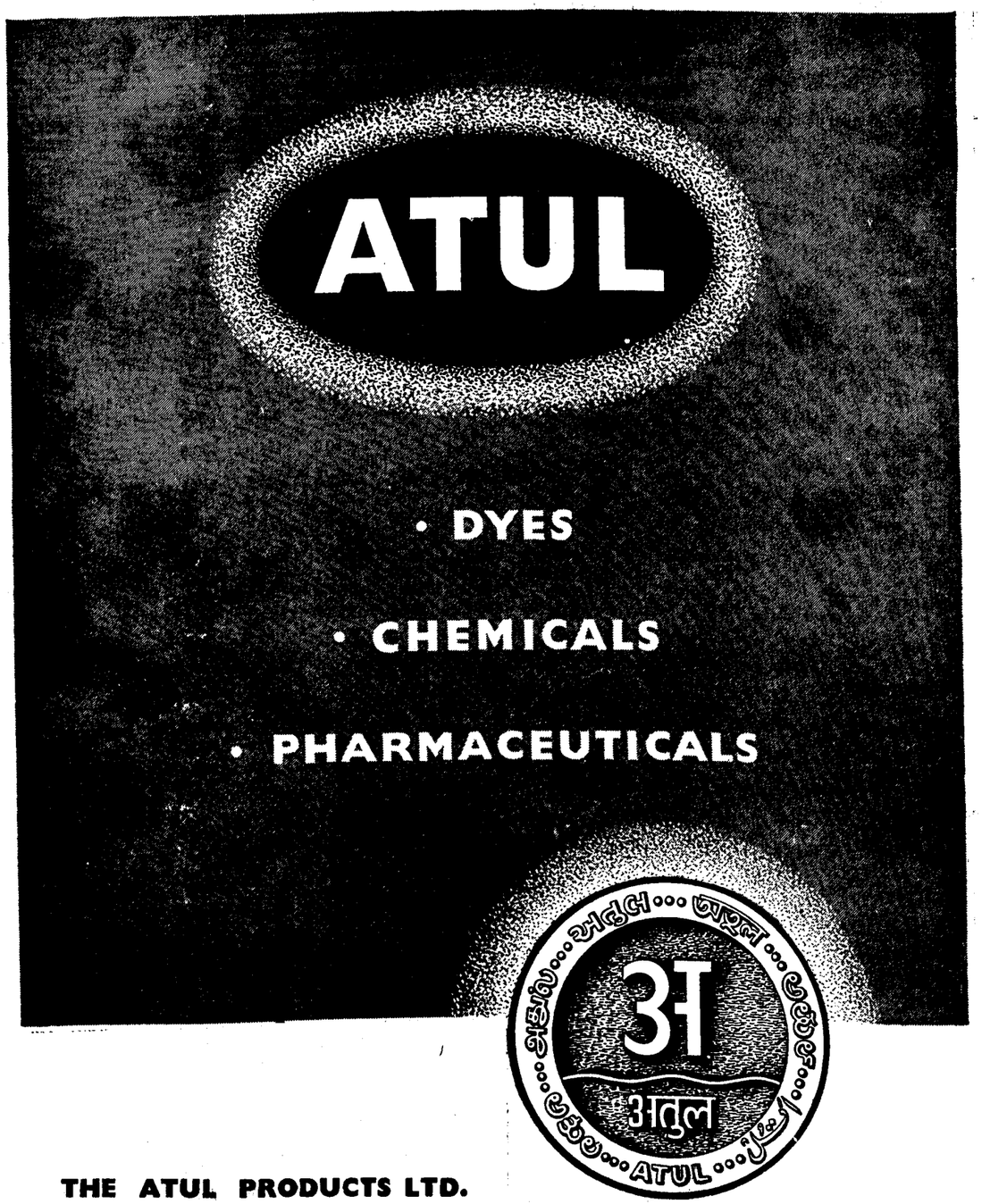
Employment Exchanges

(*In* '000)

	Aug '63	July '63	Aug '62	1962 (Total)
No of employment exchanges †	350	350	342	342
No of registrations	371.4	466.2	356.4	3844.9
No of vacancies notified	81.3	77.8	63.5	790.4
No of applicants plaeed in employment	47.2	45.3	40.1	458.1
No of applicants on live registers †	2737.6	2743.8	2211.5	2379.5

† At the end of the period.

Source : Ministry of Labour and Employment.



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John F Kennedy

THE spontaneous and immediate reaction of a world stricken with grief at the tragic news of President Kennedy's assassination was that he had died as a martyr and joined the ranks of the immortals of modern times with Mahatma Gandhi and Abraham Lincoln. This is the abiding image that Kennedy is perhaps destined to leave behind in history, whatever may be the findings of the F B I about his assassination and the assassin's motivation. That his last visit to the South was not to win over the revolting or recalcitrant members of his own Democratic party to the cause of de-segregation or to gain their active support for the bill on civil rights to ensure equal rights for all Americans, irrespective of race or colour, a bill which has been before the Congress for the last six months and the passage of which in a substantially intact form is far from assured, has had little impact on those, both in the United States and outside, who had been watching with admiration Kennedy's courageous campaign for Negro rights. And their number is legion. To them, Kennedy appears as a victim of the blood-thirsty stupidity, black hatred and the darkest passions that poison human relationships and make a mockery of the American Constitution.

About the purpose of his last visit to Dallas, where the assassin's bullet put an end to his life, there is no room for doubt. It was in pursuit of re-election for a second-term that President Kennedy was visiting Florida and Texas, to win such support as he might be able to rally. The other Southern States he had come to accept as lost to him because of the civil rights issue. The speech to be delivered at Dallas, which he vetted but which he did not live to deliver, was frankly an election speech. It was in defence of his policies which had led the U S from strength to strength, more than overcome America's deficiencies in nuclear weapons, built up America's military might and worldwide system of security and advanced her on the economic front.

The question of civil rights was touched only incidentally in the following paragraph of the official text released after his death : "Finally, it should be clear by now that a nation can be no stronger abroad than she is at home. Only an America which practices what it preaches about equal rights and social justice will be respected by those whose choice affects our future".

That the purpose of his visit to Dallas was not primarily to win support for his civil rights bill does not mean, however, that Kennedy was willing to play down his commitment to the latter. He had begun on a soft key and tried gentle persuasion on the whites through voluntary agreement for de-segregation. Indeed, he had been so cautious and slow in moving that some of his critics had come to doubt whether he was at all going to bring in the civil rights legislation which he had mentioned in his Message to the Congress. Indeed, sceptics had even railed him for not pushing ahead with such legislation, hinting at his weak position in the Congress, and his dependence on votes of Southern Democrats, most of whom are rabid segregationists.

But the critics were proved wrong. The movement against segregation had been steadily gaining momentum. And though he knew that legislation alone could not solve the problem, he brought in the bill when Negro demonstrations and reprisals by the whites made it imperative that the fight for equality be transferred from the streets to the legislature. American conscience has been deeply stirred. De-segregation has become a moral issue. But it has also aggravated race-hatred, not perhaps all over the South but in pockets, which finds expression in outbursts of violence and desperation.

It is by no means certain, however, that the assassin who took his life did so as a fancied reprisal against Kennedy for what he had been doing as President to win equality for the Negroes. Kennedy's martyrdom to the cause of racial equality may, therefore, be a myth but that is how most people in India have come to regard it. And however illogical or unfounded in fact it may be, that is the image of Kennedy which is likely to go down in history—of a fighter for freedom, a man of deep convictions and of intrepid courage.

Not that Kennedy's contributions to world peace are any the less. No one had trained himself more assiduously for Presidentship than Kennedy. True, fortune had favoured him, but he had exerted himself to the utmost to make the best of his opportunities and he has left his impact on America and the world, not as a starry-eyed visionary or unpractical idealist, but as a politician-statesman who sought to mould things his own way, working as much on the minds of men as on the party machine which runs the Government of his country. He had pushed the world to the brink of disaster by ordering the naval blockade of Cuba and turned that crisis to his own advantage and the advantage of the world, by effecting a detente in the cold war and a relaxation of tension pin-pointed by the limited agreement for the banning of nuclear tests.

As President, another of his outstanding achievements was to bring to bear on the political and economic problems of the day the trained intelligence of economists and social scientists. The new frontier which he sought to open up was informed and inspired by a brains trust, the like of which had never been got together by any political leader in modern times. President Johnson has committed himself to carry on the tasks left unfinished by Kennedy. How much of the liberalism and the refined intelligence which Kennedy had brought to bear on his tasks will endure, however, is problematic. Not so, perhaps, the movement of spirit and the stirring of the American conscience.

Companies Act Amendment

THE Bill to amend the Companies Act raises more hopes than it is designed or destined to fulfil. Its main purpose is to deal with, and, if possible, prevent, the kind of abuses that were documented by the Vivian Bose enquiry into certain Dalmia Jain companies. To that end, the Bill provides for the creation of a tribunal which would, it appears, take over most of the functions of the normal judicial machinery in relation to company affairs. The tribunal would have, besides, the power to recommend to the Government the removal of top managerial personnel from office for fraud, misfeasance, negligence, default, breach of trust, disregard of prudent commercial practices and actions prejudicial to public interest. The provision to remove senior management personnel on grounds of "public interest" is being incorporated in the Companies Act for the first time. In effect, the Government, acting on the recommendation of the proposed tribunal, would have roughly the same powers to remove top managerial personnel of companies as the Reserve Bank possesses in relation to scheduled banks.

All this is fine. It confirms the great faith that Government and Parliament have in the effectiveness and impartiality of judicial bodies outside the regular judicial machinery. The proposed company law tribunal will also have members with experience in accountancy and company management. Nevertheless, the cynic may be pardoned if he refuses to be impressed by another attempt to hide, behind a new quasi-judicial body, the unwillingness of the legislature to trust the executive and the inability of the executive to act even when it can. If the tribunal really turns out to be an active body, it will assume an importance parallel to that possessed by the industrial labour tribunals—and take on such undesirable features as long delays and perpetual disputes which would disrupt company management. If, as is more likely, the Government makes use of the tribunal's advice only rarely, the tribunal would be a sort of buffer to protect the Government against public criticism. A better solution would have been to vest the powers of the proposed tribunal in a new autonomous company law board and to include in the board, as whole-time members, a judge or a lawyer specialising in company affairs, and an accountant. Such a body would have been competent, independent and responsible.

But the proposed Board of Company Law Administration is neither fish nor fowl. It will be subject to Government control in the exercise of its powers and discharge of its functions. Unlike the former Company Law Department, the Board will not have the power to make rules under the Companies Act; its procedures "shall be such as may be prescribed". Though not specified in the Bill, its Chairman will probably be an Additional Secretary and would, therefore, take direction from the Ministry through the Secretary. The Board might not also be given jurisdiction over such allied matters as stock exchanges and capital issues. What then has been achieved by abolishing the former department?

Two other main features of the bill are:

(i) the power conferred on Government to convert loans given by it or a specified institution into shares on reasonable terms; and,

(ii) the obligation of trustees to declare their beneficial ownership of shares exceeding Rs 1 lakh in a company and the power of the Government to take over the voting rights of the trustees.

The conversion of loans into shares mainly affects the steel companies only, but the latter provision is of greater significance. It is a long over-due move to uncover the true extent of *benami* ownership of shares and to restrict the practice of 'trustifying' the income and wealth of rich individuals. The new Sections 153A and 187B dealing with trust holdings are perhaps the most useful provisions in the Bill.

Trouble on the Farm

WHENEVER the European Common Market reaches a phase of economic stress, particularly a depression in activity, all the competitive tensions among the partners and betwen the Six and the rest of the world become sharper. The latest crisis, the appearance of the recurrent problem of integrating the agriculture of the Six, is particularly significant because it has prompted one member, France, to hint that if a satisfactory solution is not found, she will be prepared to leave the Common Market. Given the present level of industrial and economic integration, the threat need not be taken too seriously immediately, but that it was issued shows the seriousness of the crisis. In 1958, it will be remembered, West Germany flouted the high authority on coal prices, but without taking the disagreement anywhere near so far. Now, with industrial activity a little slack (this time, steel is grumbling about 'unfair competition'), agriculture has become the focal point of the competition for reduced markets.

The failure of the British attemp. to enter the Common Market has left the Anglo-Saxons with only the late President Kennedy's proposals for a general tariff reduction, to be considered next summer, as a way of permitting British and American business to compete in the European market (see "France's Way", *The Economic Weekly*, September 28, 1963). The Kennedy talks will also partly be directed at securing entry to the new high-income European market for American surplus agricultural production — the chicken-war provided a foretaste of this attempt. Until recently, the E C M provided no united front against this challenge (agricultural integration was to be staggered over the years until 1970) and the widely differing farming conditions amongst the Six provided an excellent foothold for the Anglo-Saxon assault. All this would not matter if all the Six were booming, and if the French had not already designed a Europe that would be, not so much part of an Atlantic alliance with the United States, but sovereign and equal. a 'third force' in the world.

Consequently, the French have been pressing hard for the integration of some key agricultural commodities before the Kennedy negotiations begin, pressure that reflects France's position of relative agricultural strength vis-a-vis her European neighbours. West Germany, on the other hand, with a higher-cost agriculture, with a farming vote of roughly four millions that could be turned against the Christian Democrats in the 1965 elections, but with, under new Chancellor Erhard, an allegedly greater sympathy with the United States, is in an impossible quandary. On the one hand, the German farmers' union asserts that any lowering of German agricultural prices is unthinkable, so at once rejecting European integration of agriculture at prices below those ruling in West Germany and barring American competition in the German market. On the other hand, to accept integration is to embrace the Gaullist vision of a self-sufficient Europe and reject the American conception of an Atlantic alliance. But to keep the door open until next summer's Kennedy round is to risk France carrying out her threats. The Germans are not united even in doubt — Adenauer and von Brentano (Christian Democrat Bundestag leader) have publicly supported the farmers, and in Brussels, the Germans have recently asked for barriers to keep out their Common Market partners' eggs and poultry. Others (not least, German industrialists with an eye on the growing pressure of wages) favour a liberal solution to eliminate high-cost farming in Europe even if it will cost the German Exchequer an estimated DM 1,000 million in short-term compensation to German farmers (in addition to funds received from the E C M common pool). Even the farmers are more pragmatic than might at first seem — the united farmers' organisation of Europe, Copa, meeting recently in Strasbourg, tended to favour the Gaullist solution: protectionism but also integration for European agriculture.

All this, of course, still leaves the all-important detail unsettled. One step towards clarifying that detail has been the recently published European Commission scheme of Dr Mansholt covering grains policy. This proposes crash action to integrate grains not by 1970 but by July 1, 1964, giving price advantages in wheat to the French and Dutch, and almost permanent subsidies to the Germans except on barley where they have lower prices. Further, Mansholt would protect some horticultural produce, but agree to freeze general price support, pending world agreement once every three years. The concession to the world also taunts America with not having stabilised her own support policy in a similar way.

Next month at a marathon session, the E C M Council of Ministers will try to formulate a way through the conflicting demands. The shape of what is decided will determine the efficacy of the Kennedy talks next summer — the economic climate being what it is at present, it is likely that an independent Europe, whether expressed in the grandiose form of Gaullism or the more prosaic but face-saving scheme of Mansholt, will ensure that at least in agriculture, the Erhard ideal of a 'free market economy' will remain strictly non-operative.

Weekly Notes

After Kennedy

A Correspondent writes from Washington :

WITH the sudden and tragic end of the Kennedy era, all calculations regarding next year's Presidential election are upset. Despite the opposition to his policies, especially on civil rights, in the Congress and in the Southern States no one very seriously doubted Kennedy's re-election for another term. Certainly, there was no question about the Democratic nominee. Now, with just a few months for the primaries and the party convention, there is hardly any time for new leadership to emerge. In the established ranks of the Democratic party and among those who figured in the nomination contest in 1960, Lyndon Johnson will have the immense advantage of being President. His Presidential personality is yet to emerge and much, of course, would depend on what he makes of the year ahead. As deputy to a forceful and dynamic President, he has been understandably very much the "forgotten man". The example of President Truman suggests itself almost automatically, but one has also to remember that the great Roosevelt died barely four months after his fourth inauguration, leaving Truman with almost an entire term to establish himself with the electorate. Johnson has not that much time. History, however, is on his side; only two American Presidents seeking re-election have so far lost to newcomers.

What the new President will make of his legacy of the "New Frontier" ideology remains to be seen. In the exciting contest of 1960 Johnson was pictured as a conservative by conviction and a compromiser by temperament. One thing seems certain; the shock of Kennedy's assassination will linger and, in the crucial months to come, much of the American electorate will carry nostalgic memories of the Kennedy image, and possibly even of the Kennedy philosophy. This is an asset that could be either exploited to great advantage or completely lost by President Johnson. For the Republicans too this has some implications. It is likely to reduce the chances of Senator Goldwater, a radical conservative, and enhance those of Governor Rockefeller, more liberal than many Democrats. Until now the New York Governor's prospects were considered dim because of two major handicaps. One of them, that he is too much like Kennedy, could be turned to definite advantage now. But the question remains whether this will prove strong enough to counterbalance his personal image, tarnished not just by his divorce but more by his remarriage to a divorcee.

Of the potential Presidential candidates in the Republican camp, former Vice-President Nixon appears the strongest. He has thus far denied — though not very vehemently — all intentions of joining the contest; but in the altered circumstances, it may not be very difficult to persuade him to change his mind. A middle-of-the-road politician — with an impeccable marital record — he is closer to Goldwater than Rockefeller. And that means just the sort of "balance" that would attract the votes of the less reactionary conservatives and the more reserved liberals — a numerically significant "middle class" in the electorate.

Strange as it may seem, a century after the Emancipation Proclamation, the civil rights issue will probably play a more important role next year than in any earlier Presidential election. Kennedy stressed the point that justice to the Negro is not a party but a national concern; but the men who aspire to the Presidency hold very different views on the subject. The views that matter most right now are, of course, those of President Johnson, a Southerner who was chosen as Kennedy's running-mate three years ago principally in order to placate the South. What will this man from Texas make of the Civil Rights Bill, initiated by his courageous predecessor? Will he work for its transformation into law or will he allow it to perish? Or again, with his talent for compromise, will he perhaps permit a dilution that would reduce the measure to a meaningless gesture? These are questions that vitally affect the American negro; but they are being asked also by people everywhere concerned with human dignity.

Gold Control

IT now appears that the Finance Minister is not after all in favour of doing away with the unpopular gold control. That was the impression created when the scheme was modified soon after his acceptance of office. In the Gold Control Bill, which he introduced in the Lok Sabha on Tuesday, he has asked for powers to secure declaration of gold ornaments in excess of a prescribed limit and thus to plug what was obviously the widest loophole in the scheme.

If the principal objective of gold control was to check smuggling, the exclusion of ornaments from its scope was a serious lacuna since no risk would attach to the possession of smuggled gold once it was fashioned into ornaments, however crude. And when later the new Finance Minister amended the scheme to permit conversion of old jewellery into pure gold ornaments, the loophole was made so wide as to defeat the purpose of the scheme. Since the Government could not hope to keep a tab on the country's three lakh and more goldsmiths, there would be no way of ensuring that the now-legal manufacture of pure gold ornaments would be out of old jewellery only and not new (smuggled) gold. Morarji had let smuggled gold slip through provided it could be made into ornaments and T T K's amendment facilitated such conversion.

Now in the Gold Control Bill, T T K has, first, separated it from the Defence of India Rules which should not have been invoked in the first instance, and, secondly, provided for closing the gap he had earlier widened. The obvious criticism of this part of the Bill is that it will be administratively impossible to ensure that all ornament gold is declared and to detect and punish all the guilty. The validity of this criticism need not be questioned considering that after almost a year of gold control only a fraction of the known stocks of non-ornament gold has been declared and that there has been little evidence of any serious efforts to unearth undeclared gold. If it has not been possible to secure declaration of non-ornament gold, how much more difficult is the task likely to be in regard to ornaments which are far more scattered?

It is possible to argue, however, that for the purpose of checking smuggling by increasing the risks involved, it is not necessary to achieve *universal* declaration of either gold or ornaments. All that is necessary is that the authorities must have the power to seize undeclared gold in any form *when it is detected* and to take action against the possessors. This would be sufficient to deter smuggling.

But, apart from checking smuggling, gold control as conceived by Morarji Desai also aimed at weaning people away from gold or at least at reducing the demand for gold by restricting ornaments to 14-carat purity. By permitting conversion of old jewellery into pure gold ornaments, T T K had struck at the very basis of this aspect of gold control also. The new Bill does not change this position. From this, can one conclude that the objective of checking smuggling is at last being separated from the more distant socio-economic objective tagged on to gold control by Morarji? With success in checking smuggling and the consequent rise in gold price, it is possible to argue, people would be forced to turn to gold of lower purity or, in any case, reduce their demand for gold.

If T T K does in fact take this view of gold control, why has he stopped short of scrapping altogether the 14-carat part of Morarji's scheme which has only brought the wrath of the goldsmiths and the public on the Government and lost votes for the Congress?

More Powers for R B I

THE impact of the Palai Bank crash on the banking world is not yet spent. The event itself is fading in public memory but the gaps it revealed in the banking system are being slowly plugged. The Banking Laws (Miscellaneous Provisions) Bill introduced in Parliament by the Finance Minister on Tuesday is the latest step in this direction.

Instances are not rare of banks being dominated or controlled by one business group or the other. Such inter-locking of control persists, the provisions of the Banking Companies Act notwithstanding, as the examples cited by Dr R K Hazari in these columns last week show. The smaller the bank the greater the control and the greater the risk of the depositors being tied to the fortunes of favoured individuals or concerns. So long as the going is good no one bothers, but when there is a crack-up depositors are left high and dry.

The new Bill forbids a bank to grant unsecured loans or advances to

(i) any of its directors; or

(ii) firms or private companies in which any of its directors is interested as partner or managing agent or guarantor or to individuals in cases where any of its directors is a guarantor; or

(iii) to any public company in which the chairman of the board of directors of the bank is interested as chairman or managing director of the public company or as director or partner of the managing agent of such company.

A bank is also forbidden to remit, without the prior approval of the Reserve Bank, any debt due to it by its directors or any firm or company in which its directors are interested or, again, any individual if any of the bank's directors is his partner or guarantor. The Reserve Bank will also be empowered to nominate up to a maximum of five persons as additional directors of a bank if in its opinion this is necessary in the interests of the bank and its depositors.

The debate on nationalisation of banks in the last session of Parliament was dominated by the criticism that banks operate for the benefit of big industrial and commercial tycoons. This tendency is strengthened when the monetary authority pursues a policy of credit restriction. It is not only the political proponents of nationalisation who have drawn attention to this; it has been a persistent complaint among small businessmen. The provision of Reserve Bank accommodation at concessional rates against banks' advances to small-scale industry does not appear to have helped much.

Now at last the Government seems to have realised that banks will not be coaxed into diverting funds to small customers at the expense of the big ones merely by the bait of concessional rates. The new Bill expands the powers conferred on the Reserve Bank by Section 21 (2) of the Banking Companies Act, and empowers it to give directions to banks, either generally or individually, on

(i) the maximum amount of advances which, having regard to the paid-up capital, reserves and deposits of a bank and other relevant considerations, may be made by that bank to any company or individual;

(ii) the maximum amount up to which, having regard to the above considerations, guarantees may be given by a bank on behalf of any company or individual, and

(iii) the rate of interest and other terms and conditions on which advances may be made or guarantees given.

The new Bill also empowers the Reserve Bank to control the operations of non-banking credit institutions and companies which accept deposits. It has been felt that the Reserve Bank's credit curbs have to some extent been negativated by the practice of big commercial and industrial units accepting deposits from the public. The subject has been agitating bankers who feel that this practice has affected their own deposits — though no reliable estimates are available of the quantum of public deposits with companies. Such deposits are now brought within the purview of the Reserve Bank's control. This is an

innovation which extends the scope of credit control, though it may be argued that such deposits, being directly linked to production usually, are likely to be less inflationary than bank credit.

L I C's Progress

WHILE the LIC's new business continues to grow, its rate of growth shows a decline. During January 1962 to March 1963 — the latest accounting period comprises 15 months owing to the change in the Corporation's accounting year from the calendar to the financial year — new business amounted to Rs 746 crores (17.68 lakh policies). Of this, new business in the 12 months from April 1962 to March 1963 was Rs 708 crores as against Rs 617 crores in 1961-62 and Rs 498 crores in the calendar year 1960. Thus new business in 1962-63 was Rs 91 crores higher than in 1961-62 while in 1961-62 it was Rs 119 crores more than in 1960.

The LIC's Chairman, Shri B K Kaul, has expressed satisfaction at the fact that out of the 17.68 lakh new policies issued during the 15 months, 12.22 lakhs or about 70 per cent were issued to persons who were insuring for the first time. Similarly, as many as two-fifths of the new policies and about one-third of the total sum assured were written in the rural areas. These facts indicate the LIC's success in extending life insurance to areas and people who had not hitherto benefited from it.

Two obstacles stand in the way of an even faster expansion of life insurance in the rural areas. The first is the lack of facilities for collection of premia. The Corporation is trying, with some success, to get post offices and Block Development Offices to do this chore. The other difficulty in regard to rural business is the shortage of doctors to conduct medical examinations. This obstacle has been overcome to some extent by the extension of the LIC's non-medical scheme. Under this scheme, which now extends throughout the country, medical examination is waived for persons within certain age groups provided the total insurance on their lives does not exceed Rs 2,000. New business under this scheme during January 1962 to March 1963 amounted to Rs 43.44 crores (2.87 lakh policies). Besides the general scheme, the LIC also insures without medical examination certain special categories of persons. In all, the total non-medical business during the 15 month period amounted to Rs 155.67 crores (21 per cent of total) under 7.13 policies (40 per cent of total).

The same success has not, unfortunately, attended the LIC's efforts to improve the quality of its business. The rise in the lapse ratio over a period of years has been the object of serious concern and in his statement last year Shri Kaul had underscored the "imperative necessity" to reduce lapse of policies to the minimum and had held out the assurance that "the necessary machinery has been set up to review the lapse position periodically so that any adverse trend may be detected at an early stage and checked by taking suitable remedial action without loss of time".

The rising trend of the lapse ratio has persisted nevertheless, and in the period January 1962 to March 1963 the ratio was 8.1 per cent compared to 5.1 per cent in 1958. 'It is difficult to assess the extent to which inflationary conditions are undermining the capacity of weak policy-holders to keep their policies alive. More important than that perhaps is the fact that life insurance is being extended to new sections of the population among whom the insurance habit is yet to take root. But to a great extent the high lapse ratio is also a reflection on the work of the LIC's field staff. It is well known that most of the new business is done by agents and field officers in a rush during the last quarter of the year in an attempt to fulfil targets and quotas, often with little attention to quality.

Lower Premia vs Higher Bonus

A REVISION of the mortality table used by the LIC has been long over-due. At its inception the LIC just took over the Oriental life table and set premia at a flat rate of one rupee below the rates quoted on its basis. Even then these rates were somewhat higher than those of other private insurance companies before nationalisation. Mortality experience has improved vastly since the twenties but premium rates are still practically pegged at the old levels.

The LIC has completed a preliminary investigation into the mortality of assured male lives and a life table based on the experience in 1961 of nine of the Corporation's major Head Office Units, accounting for about three-fourths of the entire business in force of all insurers prior to nationalisation, has been prepared. According to the Chairman, the results of this investigation have confirmed that there has been "considerable improvement" in the mortality of assured lives since the publication of Oriental's 1925-35 experience.

Even while admitting this, Shri Kaul virtually rules out the prospect of a lowering of the LIC's premium rates. He says :

> "As regards the mortality basis underlying the premium rates the same can be reviewed only when the low rates of mortality now being experienced are stabilised. This would be known only in 1966 when the results of the detailed investigation into the mortality experience for the years 1961-64 undertaken by the Corporation are expected to become available."

Even should the detailed investigation confirm the improvement in mortality experience, as it almost certainly will, Shri Kaul is not in favour of reducing the premium rates. Instead, he feels that "changes in experience as regards mortality, interest and expenses can more equitably be handled under 'with profit' policies by changes in the bonus rates than by changes in the general level of premiums". It is true that 90 to 95 per cent of the Corporation's new business is under 'with profit' policies so that the benefit of the improved mortality experience can be passed on as well through higher bonus as through lower premia. But has the Corporation fully considered the implications of the choice between higher bonus and lower premia for the expansion of life insurance among the low income groups ?

A Calcutta Diary

How Calcutta Took the News

TO judge Calcutta by its processions, as Jawaharlal Nehru did, or by its smoke, as Valentina Tereshkova did more recently, is to miss the essence of the city. (Every true city has one; in New Delhi one does not even look for one.) A more rewarding criterion, it is suggested, is how a particular city reacts to a great event, tragic or otherwise; better still, how it reacts to something in which the citizens' personal interests are not involved. A catastrophe like the Bengal Famine in 1943 caught many curiously callous—until a foreign journalist decided to dramatise death, despite the Defence of India Rules. Yet this writer, in Calcutta since 1936, can remember occasions on which Calcutta reacted sharply to the most remote happenings, such as Korea or Hungary. The Bengal that believed in terrorism had no reason to be surprised or unduly grieved when Mahatma Gandhi was assassinated; Bengal, to begin with, always took Gandhism with a sizeable pinch of salt and, secondly, assassination is, surely, the logical conclusion of the basic assumption of terrorism anywhere : that I am right to kill somebody with whom I do not agree. Another of Bengal's endless contradictions became apparent when President Kennedy was slain by an assassin in distant Dallas; and Calcutta mourned as it had rarely mourned before. It was, I suggest, the reaction of a city.

The Contradictions

Early on Saturday morning the news came. In the morning, you were lucky to be able to buy a newspaper, any paper. In the afternoon at least one English daily came out with a special edition. And all day the people of Calcutta spoke of nothing else. What was Kennedy to Calcutta or Calcutta to Kennedy? It is probably true that American munificence has so far been the least in West Bengal in general and Calcutta in particular. Then there is Calcutta's supposedly incorrigible bias towards Communism or some form of leftism or extremism. How then did the death of President Kennedy so touch the heart of Calcutta ? It just does not add up, until you take into consideration Calcutta's special essence or genius, something not easily defined.

There is no way of defining an intellectual or the quality of intellectuality. The first essential, it is suggested, is that, to be an intellectual, a man, or a woman, be capable (and by nature be so inclined) of thinking of events in terms of ideas and not as things of personal concern in the physical sense. Such events, external to oneself, must then by alchemy and reason be made intensely personal, one's very own. This is what Calcutta is capable of, insofar as you can say such things about an enormous city drawing its population from every part of the country, many from what is no longer India. This attribution of a personality to a city is not at all fanciful; and Calcutta's personality comes out, often at its best and sometimes at its worst, when something really big hits it. "Best" and "worst" are usually valueless "value-judgments"; the point is that Calcutta reacts with an intensity not to be experienced everywhere in India or abroad.

John F Kennedy's death by assassination was such an event. Even if he came to India next year, it is not at all certain that he would have come to Calcutta. If memory serves, President Eisenhower did not, nor Jacqueline Kennedy. (Khrushchev did; and, again, in a different way, Calcutta proved its "cityness" as no other place did.) Many still think, wrongly in my view, that Calcutta is anti-American; in a sense, Calcutta is anti-everything. But the moment of great tragedy arrived; and Calcutta wept. Not the intellectuals alone, who might know about Kennedy and might have some affinity with his ideas, but ordinary citizens who now wanted to know about the dead man.

New Frontiers

The man's death was terrible enough; his physical departure from the American and world scene will have consequences which today cannot even begin to be calculated; with the best will in the world and all the assistance from the New Frontiersmen, Lyndon Johnson cannot hope to replace John Kennedy's personality. Yet what touched Calcutta most was perhaps the snuffing out of certain ideas that had come to be associated with Kennedy who expressed them with a rare mixture of elegance and eloquence. He was President for only a brief thirty-four months. Apart from the "hot line", the limited test ban treaty (which the Republicans had promised too), the Peace Corps (which has yet to be evaluated) and the Civil Rights Bill (still a Bill), it is not, off-hand, easy to think of many positive achievements. (On the debit side stands Cuba against which there were shrill protests in Calcutta). That One Great Act, with which men become great and part of history, had yet to come — until death came. Through another's hand, admittedly; but the death became an act, that One Great Act.

The high drama of it all continues to fascinate Calcutta as I write. When district magistrates and police officials were victims of killers' bullets, Bengal was on the other, delivering, side of the transaction. The terrorists shot to kill and often got killed in the process. Why, then, so much spontaneous sympathy and admiration for another man that has been killed ? The contradiction, one suggests, is wholly apparent and not at all real.

Killer Killed

It is true enough that Oswald, or whoever it was, killed Kennedy with a gun. Look at it a little differently; and you may see, as I imagine Calcutta sees, that President Kennedy was no less a killer. He was out to kill all those who are habitually out to kill; ever since he took office the numerous warmongers in the U S A and elsewhere have been subdued. He clashed with General de Gaulle, who is bent upon adding to the world's nuclear dangers. He quarrelled with Adenauer whose ideas are not all peaceful. In his own country McCarthyism dared not raise its head again; Barry Goldwater got no concessions from Kennedy, as McCarthy had from

Eisenhower. Then Kennedy was out to kill all those south of the Mason-Dixon Line who still cannot bear the thought of having to treat the Nigra as a human being. He was out to kill all those who profited from that *immobilisme* into which the American society was drifting. And a killer such as this, though he use Presidential powers rather than a crude gun, must be ready to be killed. Kennedy showed that he was : courage, full-face now and a profile no more.

The parallel with Bengal's terrorism must not, of course, be taken too far or too literally. But, to look at Kennedy's face in the television film of a Press conference was to be reminded of some faces this writer saw in his early boyhood in East Bengal. There was a certain "something" in those terrorists' faces; and it was there again in Kennedy's face. It is futile to try to describe or define it. Is there a clue in it to Calcutta's grief over the assassination of John F Kennedy, the thirty-fifth President of the United States of America ? That's the quality of a city : to make a public occasion its personal joy or sorrow.

— *Flibbertigibbet*

Letter from South

Kerala's Continuing Crisis

THE Kamaraj-Shastri compromise award making Madhavan Nair President of the Kerala Congress has settled nothing. Nor has Pandit Nehru's "satisfaction" that there was nothing shady about the activities of Chief Minister Sankar. These two decisions have, however, confirmed the conclusion that the Congress High Command always chooses the greater of the two evils when it comes to any decision on Kerala.

The rival Congress groups continue their manoeuvres and the rallying of their respective clans. It is not yet clear, for instance, what is to happen to the disciplinary action proposed against nine PCC members. Sankar claims that the High Command is for dropping the issue while the leaders of the organisational wing state that there have been no instructions whatsoever and that discipline has to be upheld.

In retaliation 16 members of the ministerial group, who are also MLAs, seem to have made up their minds to cut their noses to spite their faces. They have threatened to stay away from the Assembly session. With the present mood of the opposition, this could precipitate a crisis. All this is pure blackmail but it is quite likely that it will have its effect on the High Command and pressure it to compel the organisational wing to beat yet another retreat.

It might appear that the organisational wing of the KPCC is being held up as a great progressive force in Kerala. Nothing of the sort. It, too, is riddled with careerists and has set its sights on ministerial power. It poses no issues of principle, no set of radical policies, to demarcate itself from the Sankar-Chacko group. The average Congressman is sick and disgusted with these unseemly wranglings while the public watches with anger and knows that none of its problems is getting even the minimum of attention.

Perhaps, it can be said, however, that the organisational wing is the lesser of the two evils and that some glimmerings of national ideals and national policies do exist here and there among some of its members. It can, perhaps, best be put in a negative way: the recruits to the Swatantra are likely to be less from among its members. And at Jaipur its leader, C K Govindan Nair made quite a spirited speech in favour of a more definite socialist commitment by the Congress.

To Make Tenants Pay More

The weakness of the organisational wing is plainly revealed by its total failure to summon enough energy after the factional brawls to demonstrate even the most minimal interest in the Land Reforms Bill. Yet it could scarcely have been unaware of the resentment that this Bill has evoked in Kerala and elsewhere. It is widely reported that Shriman Narayan, on behalf of the Planning Commission, has again addressed a letter to the Kerala Government seeking clarification of some of its provisions. The Orissa Chief Minister, Biren Mitra, is also reported to have criticised at the recent meeting of the National Development Council the Kerala Government's move in promulgating a new Bill when the old Act of the Namboodiripad Ministry was "on all accounts, judged by all standards, a model piece of progressive land legislation". Sankar was upset but, with the blanket approval of the High Command, decided to go ahead. And so a most retrograde piece of agrarian legislation is getting through simultaneously with Pandit Nehru thundering about the need for radical land reforms.

Take the provision enabling the landlords to enhance rent, in certain cases, up to 100 per cent. Universal criticism compelled the Revenue Minister to announce during the first reading that he was prepared to concede the opposition demand to scrap this provision. What he did, however, was to put in a substitute clause wherein the benefit of paying contract rent or rent calculated at the rate fixed under the provisions of the Bill, whichever is less, will accrue only to tenants of landlords who are not small holders. Small holder landlords will have the right to demand rent calculated at rates laid down by the Bill or to demand rent under any enactment in force before January 21, 1961 or 75 per cent of the contract rent. Since more than 90 per cent of the landlords in the States have been categorised as small holders this means that the vast majority of tenants will now be deprived of the benefit of the "whichever-is-less" clause. It has been calculated that in Malabar the new provision will mean that tenants of garden lands will pay 10 to 25 times the rent they are paying now.

Many other clauses of the new Bill can be similarly cited to make the point that it is an unabashed piece of pro-landlord legislation. And a challenge can be confidently made to anyone to prove that even a single clause, different from any in the old Act, has meant more rights and benefits for the tenants. We have here a pretty pure case of the pro-landlord composition of the Congress ministry manifesting itself in a pro-landlord piece of legislation. Those who pontificate about the outmoded nature of the concept of class and class struggle might do some rethinking.

Move to Postpone Election

Against the background of this organisational crack-up and political retrogression, another move is planned by Sankar and his group. They have begun the campaign against the holding of the mid-term elections which are due in January 1965. Their argument is that as in the case of Andhra in 1960, the Kerala elections may as well be postponed till 1967 when the General Elections are due and that in conditions of emergency by-elections may pass muster but to put the existence of a State government in doubt would be going too far.

Actually, Kerala's requirement is exactly the opposite — not postponement of elections but, if possible, holding them even earlier than scheduled. It is time that the people of Kerala are allowed to pronounce on their experience under a Government which sailed in under the flag of stability and seems to have worked under the slogan of stagnation. The frenzy that was whipped up in 1960 and which clouded judgment cannot now be repeated. A more rational and sagacious choice is possible. The opportunity to make it must now be provided.

Capital View

A Fateful Week

Romesh Thapar

A DEEP gloom has settled on official Delhi. The killing of President Kennedy, the destruction of the alleged killer, the still unclear picture of the motivation, and the uncomfortable feeling that Lyndon Johnson is not the man to tackle a troubled and complicated domestic and international situation, combine to paralyse thinking.

The sudden elimination in an helicopter accident of the ground and air command on the western and north-western front sharpens the shock. And, then, Chief Minister Kannamwar of Maharashtra passes away so suddenly that Y B Chavan may have to return to his State, creating another embarrassing vacuum in the Defence Ministry.

Small wonder that from the Prime Minister downward everyone looks gravely disturbed.

Anxiety about Johnson

It has been a grim week of deaths, so grim that even the passing of Aldous Huxley, a popular figure in India, was not commented upon by many a newspaper. But, clearly, President Kennedy's assassination will continue to condition events for many weeks and months. The fear widely expressed here is that unless the US administration takes a firm control of the investigation of the killing there is danger that it might become the starting point for a series of vendettas with highly dangerous implications. The theories about the assassin, his motivations and linkages multiply each day. There is little point in recording this speculation. We must wait for the authenticated story.

India has reason to be worried. Her economy, still heavily dependent on foreign aid, can be grievously hit if Lyndon Johnson is unable or unwilling to give her the priority attention which Kennedy was so anxious to ensure despite obstructions from various powerful lobbies and from the US Congress. Even when misunderstandings vitiated Indo-US relations, Delhi always comforted itself with the thought that Kennedy was a friend. Now there is much anxious debate as to the attitudes Lyndon Johnson will adopt.

Similarly, in foreign affairs. The *detente* for which Kennedy and Khrushchov worked, despite sustained opposition from determined groups within their mutually-opposed systems, could be prevented by ill-conceived moves during the critical election year ahead. A slide-back to the old tensions would buttress sectarian strength in both the blocs to the detriment particularly of the interests of the non-aligned. India would again find herself in the throes of these new polarising tensions which would cast their shadow on the under-developed world and disrupt the beginnings of new and more fruitful collaboration among the non-aligned.

The Kennedy assassination, it is believed in informed circles in the Capital, will not have any immediate repercussion on US policies. President Johnson, as was to be expected, has declared his full support to the policies sponsored at home and abroad by his predecessor. Kennedy's team of advisers will continue at their posts. And, presumably, the rationale behind the established policy cannot overnight become irrelevant. But there is no denying that the Kennedy touch gave US policy that extra sophistication and sensitivity, a refinement which Lyndon Johnson may not be able to provide, particularly during what is bound to become a rather tense, uncertain election year.

Chavan for Bombay ?

At home, the trials of the Defence Ministry are engaging our special attention. The situation in the Western Command, following the helicopter crash in Poonch, is further complicated by the uncertainty about Chavan now that the Chief Ministership of Maharashtra is vacant. Of course, Chavan, anxious to make his political future at the Centre, might yet be able to consolidate the Maharashtra Congress. But he cannot afford to expose his political base to infiltration, what with S K Patil on the prowl. If he is unable to establish a secure Government, he may well have to return to Bombay. In fact, the Prime Minister, facing factional

disruption in several States, will insist on his return.

If a pointer were needed, speculation has already begun about a successor for Chavan at the Defence Ministry. The selection of Pratap Singh Kairon, it is said, might solve several embarrassing problems — that is, after he has been cleared of the charges levelled against him. Then Swaran Singh would have to be transferred to the Punjab. Of course, the ambitious Patnaik hovers in the background. But will he be trusted by the Prime Minister? His present role is enveloped in mystery. What's more another Chagla-type personality is unlikely to be accepted by Congress MPs who are, for differing reasons, very critical of the appointment to the Education Ministry.

The renewed anxiety over the affairs of the Defence Ministry is rooted in the suspicion that adventurist elements in Pakistan are making an increasing impact on Rawalpindi. The assassination of President Kennedy, it is felt, might encourage them to become even more active — and particularly at a time when they have been disappointed by what they consider China's reluctance to start offensive action along the Himalayan border. The Pakistan press is in a hysterical state at the moment, and for no apparent reason. Indeed, in more ways than one, the western front holds our attention.

Meanwhile, we are studying the mid-term assessment of the Third Plan which was made available to MPs some days back. It confirms what has been known for the past year — that there is a serious lag in the Third Plan. As against a 5 per cent rate of growth envisaged (considered the minimum necessary to ensure *some* economic advance), the annual rate of increase in national income in the first two years is estimated at only 2.5 per cent. The explanation given is that there has been a set-back in agriculture.

The National Development Council meeting earlier had established two committees — one on land reform and the other on agricultural production — to tackle this setback. In the present condition of the ruling party, it is very doubtful that these committees will be able to act decisively when confronted by vested interests in the States. And, today, the Prime Minister lacks the power to impose decisions.

Time for Review of Policies

While there are those who refuse to accept the statistics of the Planning Commission, and who maintain that the rate of growth is below 2 per cent, a large number of specialists are wondering how the projected 7 per cent rate of growth for the Fourth Plan will be achieved — and this at a time when several of their long-accepted economic policy concepts are under scrutiny and revision. The feeling is, therefore, growing that a thorough review of our economic policies is long overdue, that economists, sociologists and political scientists who are agreed on the perspectives of our plans be associated with this detailed study, and that the views of those active in field and factory be brought to bear on our experience.

Asoka Mehta, the new Deputy Chairman of the Planning Commission, will have to head this search for clarity on his return from the United Nations. His 'refresher course' in international problems at this critical juncture will prove immensely useful, for our economic attitudes can no longer be divorced from our activity in world affairs. This aspect is likely to be highlighted at an important seminar on non-alignment to be held in Delhi shortly. The deliberations, in which guests from abroad will participate, should help to surmount some of the problems facing the non-aligned.

In this context, information has been received in Delhi that China's Premier Chou En-lai and Foreign Minister Chen Yi are undertaking intensive tours to leading Arab and African nations with whom they have diplomatic relations to reforge damaged links and to project Peking's ideological line. They plan to meet in Geneva on the completion of these tours and to conduct prolonged negotiations with European States on trade and related matters. This is part of the drive to 'discipline' Khrushchov. Delhi will have to activate her foreign missions which, by and large, have reflected the lethargy of a leaderless External Affairs Ministry.

Meanwhile, we are still waiting for the winter. The weather is balmy, despite occasional showers.

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Book Review

Other Side of Affluence

Frederick F Clairmonte

Challenge to Affluence by Gunnar Myrdal; Victor Gollancz, London, 1963. Pages 160, price 21 s.

ONE book is seldom the gravedigger of another, but Professor Myrdal's brilliantly articulated lectures have not merely nailed an obituary to Galbraith's "Affluent Society" but have blazed new vistas for the more imaginative of American social scientists.

Myrdal's values are not those of such implacable critics of the American democracy as the editors of the *Monthly Review*. Yet it is astonishing, allowing for their divergent outlooks, how their diagnoses of sick America run along parallel lines, although their final solutions are irreconcilable.

The underlying basic malaise of modern America is creeping stagnation. If its growth were calculated with the same rigour as is done for the less developed countries the nation's ailing health would long have been more perceptible. All too often we have ignored the demographic upsurge in the United States, which has one of the highest fertility rates in the Western world, in calculating its G N P. Annual additions to the labour force are about 1.5 million. In Myrdal's view, if American growth rates are deflated in the same manner as is done for the Third World, the U S growth rate figure in the decade upto 1962 would come out at 1 per cent — or a rate comparable to that of India in the corresponding period. "But I cannot close my eyes to the fact that even the present low rate of economic growth," he writes, "is preserved only by an extraordinary expansion of armaments, and one that is still rising".

High and Sustained Unemployment

One of the depressing symptoms is the high and sustained level of unemployment which the official unemployment data do not accurately measure. This implies that the figure of six per cent, which naturally excludes the four per cent of the active population in the armed services, could easily be raised to 10 per cent. Among the negro population the official volume of unemployment is 12 per cent or twice the national average. The unemployment coefficient should also take into account those employed on short time and those persons who dropped out of the employment race because of an overcrowded labour market.

This prolonged unemployment has led Myrdal to his concept of 'the underclass', embracing the underemployed, the unemployed and the unemployables. Relentlessly the labour force grows. By 1970 there may be 12.5 million more people at work or job-hunting than there were in 1960. The corresponding increase in the 'fifties was 8.5 million. The demographic implications are overpowering : 26 million young men and women will be catapulted into the labour market in the sixties; about 50 per cent of the additional entrants in the work force will be under twenty five. This is unprecedented. And there will be 45 per cent more people under 25 available for work in 1970 than in 1960.

Economic Tools Unused

Under the present institutional anarchy automation will intensify the ravage. That it need not do so is argued trenchantly by the author who draws the parallel with Sweden where the shocks of rapid technological change are being absorbed by a social order strenuously dedicated to the maintenance of full employment. To be sure, the geographical, cultural and economic contours of the two economies are different, and the social democratic party has been in power in Sweden for about a quarter of a century. Further, Sweden possesses a permanent and dedicated civil service of an extremely high order of administrative competence and probity, qualities that are not conspicuous at the various echelons of the American bureaucracy.

New economic tools have come to the fore in the postwar period, one of the beneficient by-products of the Keynesian and Soviet confrontation, perfected and machined to meet the specifications of a plural society in western Europe. That the planning mechanism functions efficaciously within the exiguous framework of private ownership can hardly be questioned, as evidenced by French and Swedish experience. Whether it provides the definitive alternative of an open society to the monolithic Soviet planning model with its ideological commitments will be tested in the crucible of history — in the not too remote future. Yet this sum of knowledge and continuously enriched techniques are available to all; even the effete laggard that is Tory Britain is, at least, going through the motions of experimentation. Yet it is in America, a land endowed with exemplary statistical services, that this body of knowledge remains unexploited and seemingly unexploitable.

The structural unemployment that now rages and whose kingdom of violence may well be extended will erode the economy. Such a contention is not defeatist. As Schumpeter was always fond of saying, defeatism denotes a certain psychic state that has meaning only in reference to action. "Facts in themselves and inferences from them can never be defeatist or the opposite whatever that might be. The report that a given ship is sinking is not defeatist : the crew can sit down and drink. But it can also rush to the pumps".

Depth of American Poverty

It was part of Galbraith's campaign of mystification to have ignored the depth of American poverty with its pathological concomitants. To speak of an 'affluent society' in the United States and vestigial pockets of poverty even when Galbraith composed his work was sheer travesty. The grotesque caricature of American 'affluence' was once again dramatically detonated last year, amongst others, in an official study entitled, "Poverty and Deprivation in the United States". If poverty is defined as having to live on an annual income of $ 4,000 for fami-

lies and $ 2,000 for individuals, 38 million Americans were grovelling on the poverty line in 1960. Living in the wings of deprivation (defined as above the poverty line, but falling short of what is deemed a comfortable standard of living) were more than 39 million or more than 20 per cent of Americans. Utter destitution, categorizing those below the poverty income line hover around 7 per cent or 12.5 million Americans. To speak of the satiation of wants adds insult to injury. There is not only public poverty but private poverty as well on a vast scale — and it is growing. "Income distribution did follow a tendency towards gradual equalization until the last decade" notes Myrdal, "but then the relative economic stagnation began to reflect itself in a new tendency to increasing economic inequality".

Long Range Planning

Effective long range economic planning is Myrdal's retort to such stagnation : conscious and purposive public interference with market forces, directing the economy to certain specified goals by raising not only the level of public consumption but by coherent national investment and labour policies. It may be asked : is such a democratization of the American economy possible, given the interests of the power oligarchy, or what President Eisenhower judiciously warned against when he stigmatized the acquisition of unwarranted influence "of the military-industrial complex" ? Myrdal does not think so as the species of planning he envisages is destined to harmonize the expectations of corporate capital with the aspirations of the nation as a whole. His is not a grand design involving expropriation or an extension of the public sector; it is planning with the concurrence of the power oligarchy and hence does not involve an *epreuve de force.*

In this reviewer's opinion the desired changes can be achieved by scrapping the archaic constitution with its overlapping and confused federal and state jurisdictional power. In a changed constitutional frame it may even be possible to harness the appetites of the power oligarchy with a minimum of friction. Admittedly, this an extreme view, but I cannot see how the mutations so passionately advocated by Myrdal are implementable.

Myrdal's faith in the American people and his belief in their capacity to confront the real challenge of our time is immense. At this point divergences with the author may become sharp. Planning to be effective implies participation and discussion that is free and uninhibited. Gaullist France notwithstanding its conservative tinge and the blunting of its parliamentary axe remains the free-est nation on earth. And the French university presents a vivid contrast to the sterility prevailing in our North American universities. There is no genuine controversy for controversy is dangerous. The dialogue between Schlesinger and his critics is a phoney one — and no one understands this better than Schlesinger himself. Our budding instructor with his eye on a permament appointment is keenly aware of it. The survival of Paul Baran and C Wright Mills of Colombia university are exceptions that do not prove the rule. Nor is this surprising. As an American dean put it to me this summer : "There must be controversy, but we must make sure that it does not get out of hand". The dean need not be apprehensive on this score. Socially our university teachers come from bourgeois backgrounds. American academics know full well the price of controversy and its limitations. The cautious eye is on the house mortgage not on academic freedom. I have seldom met a North American academic who genuinely gave a tinker's cuss for academic freedom, save in their largely anti-communist rantings before television audiences and the Rotary Club and Chamber of Commerce and this as a means of cultivating their public image and hence their private pockets.

Misplaced Faith

Our values within our universities are those of Madison Avenue and the 13 billion dollars annually spent (four times the expenditure on education) on admass ballyhoo. A university is a microcosm of the civilization in which it is implanted. The avalanche of drivel that is being turned out by our universities in North America is revealing and self-reinforcing. Space prevents my elaborating this point. I disagree vehemently with Myrdal who pins his hopes, amongst others, on the American universities and the American people.

Another view is that of the American negro James Baldwin presented in his superb essay, "The Fire Next Time" :

> "I have met only a very few people — and most of these were not Americans — who had any real desire to be free. Freedom is hard to bear. It can be objected that I am speaking of political freedom in spiritual terms, but the political institutions of any nation are always menaced and are ultimately controlled by the spiritual state of that nation. We are controlled here by our confusion, far more than we know, and the American dream has, therefore, become something much more closely resembling a nightmare, on the private, domestic, and international levels. Privately, we cannot stand our lives and dare not examine them; domestically, we take no responsibility for (and no pride in) what goes on in our country; and, internationally, for many millions of people, we are an unmitigated disaster".

Negro — the Only Hope

The only hope and energizing dynamic in contemporary America is the negro — overwhelmingly if not exclusively a prisoner of the underclass. Admittedly, it is a minority, but it takes only a small quantity of ferment to effectuate a change in a considerable volume of matter.

Unlike the bulk of social scientists who, like cuttlefish, are endowed with the genius of spreading darkness, Myrdal has brought the glitter of gold on every aspect of social research. In this respect he is not unlike the late tough-fibred visionary that was C Wright Mills. This slender volume deserves to be read, above all by the power oligarchy; they may not be able to grasp the lineaments of his reasoning, far less remove his blueprints from the drawing board to the realm of reality; but it may be within their capacity to wrestle with the second part which illumines "the international implications of economic stagnation".

Death of a Maharani—II

An Annal of Rural Bengal

Barun De

In 1962 Dr B C Roy, acting on premises entirely similar to those which had inspired him in 1952, prevailed upon the Maharani of Burdwan to stand for election to the West Bengal Assembly on the Congress ticket.

This was greeted with general scepticism.

If the traditional charisma of the Maharaja had not succeeded, how could the Maharani stand any chance of ousting the new tradition-based communists from the constituency?

Burdwan was the centre of the State's new industrial belt, and industrialisation led to proletarian polarisation and thus to the strengthening of 'communist subversion'. How could the wife of a defeated candidate and ex-absentee landlord shake the hold of such forces?

As the actual election worked out, logic and argument were confounded. The Maharani defeated her communist opponent.

The Congress had swept communism out of Burdwan town, it was claimed.

The success of Dr Roy's experiment in grafting local traditions into democratic processes, however, was short-lived.

AN interesting case-study in political sociology might yet be done on the reasons why the Maharajadhiraja of Burdwan was defeated. The record of the victor must have had something to do with it. Also the attributes often linked with absenteeism, which were ascribed by opposition parties to the defeated candidate. Besides, the present Maharaja lacked his father's popular appeal in the villages. This was connected with the growing sense of independence from the old landed hierarchy, a development in which the economic resurgence of the Aguris constituted a vanguard.

Freedom from Old Bonds

But it would be very mechanistic to see in the defeat of the Maharaja, the triumph of the Ugrakshatriya caste. Rather it is true to say that Communism meant to the bulk of its supporters in Burdwan freedom from the old social bonds, which many intelligent people had chafed against on the ground that they were not necessarily rational. The possibility of freedom of choice between traditional social leaders who had been always imposed from above, due to collaboration with the ruling authority, and leaders who came straight off the soil and the lack of stable sympathy for the Raj family in Burdwan : there factors appealed to many people apart from castes like the Aguris.

The militancy of pro-Communist feelings was an artifact of the conditions outlined: in the current political situation, it served as a spearhead of the opposition, an iron tip only, to a lance which was fashioned of more brittle wood. The defeat of the Maharaja did not connote any basic stability of communist ideology in Burdwan. But it did connote that political parties who had propagated anti-feudal doctrines in the period of the freedom struggle could not, by virtue of their pre-eminent position in the country, necessarily bank on the support of electorates to return feudal rulers to Parliament. It also connoted that Communism in 1957, the year of its victory in Kerala, had come to stay as the major political alternative not only to the Raj, but what was much more important, to the Congress in Burdwan.

Comparison with 1957

In the 1957 General Election, Narayan Chaudhury, who is believed to be a leading light of the Atulya Ghosh group of election-controllers, was made the Congress candidate. The Maharajadhiraja was dropped, and possibly his high place on the Turf and in Company Boards and elsewhere squared his inclinations with his political retirement. The Congress experiment with the fossilisation of quasi-feudalism and return to values of the Raj seemed to be over. But Atulya Ghosh's style of democracy was no more successful than Dr Roy's ideas in Burdwan. The results are given below: the number of electors was 67, 612; 31, 925, i e 47.22 per cent voted.

	Votes	Per cent of total
B K Chowdhury (Communist)	15,529	**48.64**
N Chaudhuri (Congress)	15,136	**47.42**
N N Ganguly (Jan Sangh)	1,260	**3.94**

The voting interest had certainly grown in this election: from 42. 63 per cent of the total electorate in 1952 to 47.22 per cent in 1957. There may be a correlation with greater Congress vitality: for instead of the Maharaja's 42.19 per cent, Narayan Chaudhuri had 47. 42 per cent of the total votes polled. The clientele for the Mahasabha-Jan Sangh brand ideas certainly dropped in 1957: and so, we must admit, did Benoy Chowdhury's vote from 50.93 per cent of the total to 48.64 per cent.

Voting Pattern Repeated

But the changes in voting structure were marginal. The core of the Communist vote remained untouched: and it may be that the main blocks remained as they had been in 1952, with the difference that more people in the Congress were willing to vote for a common man than a Maharajadhiraja — at least in Burdwan, where distinct industrialisation was on the threshold, if not elsewhere as, for instance, in less industrialised Midnapur. This fact, in itself, has a lesson in it somewhere.

But it was, of course, little help to Congress in Burdwan in 1957, for Benoy Chowdhury remained the elected representative.

The Years the Locusts Ate

The years from 1957 to 1962 were, speaking generally for India, the years that the locusts ate. When Communism was dissolved by Presidential fiat in Kerala, its defeat served as a tocsin to anti-Communits elements throughout the country; and the general propaganda that either Communism reflected particularist interests or it was out to subvert the "democratic", "general", "popular" interests of the people. Indian Communism in general failed to fight these charges; and by the same token, was unable to strengthen its agrarian base or revitalise its theories about capturing power by any evolution of new ideology. But a sense of determination was not very obvious in the Congress ranks, either.

From 1959 to 1961, there was an uneasy truce in the political polarisation of Burdwan. A new University came into being; it was an affiliating University, i e, like Calcutta of which it formed a hived-off part. It examined, up to the B A level, students of colleges in its area and taught as well as examined post-graduates. Its standard-setting functions were the source of great hopes in West Bengal, for apart from some progressive hopes that it would set a good example in the academic anarchy of Bengal, in a chronically poverty-stricken academic environment, many teachers hoped for larger slices of the examining or text-book-selecting cakes, or even for the prestige of more official positions in the University than they had held before. A few got what they wanted; many remained breadless; and the wailing and gnashing of teeth continues — though it is, nevertheless, true that in many subjects, average standards are as good as they are in the parent university or are, already, better. In any case the patronage and administration of part-timerships and of examinations and access to information about what goes on in the new hierarchy, has, to a limited extent, supplanted interest in extra-local politics; though this is perhaps a passing phenomenon.

Experiment Renewed

In 1962 Dr B C Roy, acting on premises completely similar to those which seem to have inspired him in 1952, prevailed on the Maharani of Burdwan to stand for election on the Congress ticket. Binoy Chowdhury once again stood for re-election. Among all mofussil elections in West Bengal, this evolved the greatest amount of press interest and gossip. The general idea was that where a Maharaja had been stopped, his much less-known wife should fear to tread. The idea at the back of this was perhaps that the Maharani had been more or less a *purdah-nashin* lady before Independence and was little known personally even in the town. If the traditional charisma of the Maharaja had not succeeded, then would the Maharani stand any chance of ousting the new tradition-based Communists from the constituency?

Such at least was press logic, and I think it reflected the blase intellectualism of the Calcutta press, which becomes so marked in our post-Communist decade. Most political predictions were based on rationalisations of urban experience or on stories from the outposts; and among the industrialised intellectuals of Calcutta, the northern outposts nowadays begin after Rishra. In any case, the logic continued inexorably, Burdwan was the centre of the new industrial belt which was spreading southwards from Asansol along the Durgapur stretch of the railway line; and industrialisation led to the growth of proletarian polarisation and thus to the growth of 'Communist subversion'. How could the wife of a defeated candidate and ex-absentee landlord shake the hold of such forces? This type of historicist thinking was to be found among people who objected to any frank belief in the existence of trends of historical development.

Campaign Policy

The Maharani's campaign policy was simple. There was mounting talk of the princely and self-extinguishing gift of her family to the people — i e, the premises for the University. No one spoke of the consideration taken for collateral parts

CONSIDER

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of life are threatened.

PRESERVE UNITY AND PROTECT FREEDOM

DA63/F 20

of the property — any mention of this was considered *infra dig*. Then she began to make frequent visits to the town, dressed simply, and openly telling meetings she addressed that she had, of course, no house in which to live in the town, so she was staying in the local Inspection Bungalow, or with the family of a faithful Naib — invocations of present as well as past loyalties. Then large cloth banners stretched across the big roads in the bazaar area appeared; they exhorted everyone to vote for Radharani Debi *and thus* for the Congress; only in some posters would it be explained, in smaller type, that the candidate who solicited votes for Congress was, always giving the sonorous title, Maharaniadhirani of Burdwan. Generally when the rider was given, the Congress candidate for Parliament would also be mentioned below — Gurugobinda Basu, head of a Calcutta audit firm of whom no one knew much and spoke even less. His neck-tie-clad picture could still be seen looking rather forlorn on Burdwan walls till the end of last year; but few pictures of the Maharani were generally circulated.

Common Emphasis on the Individual

Benoy Chowdhury's name also appeared on the large cloth banners blazoned in white or gold across a revolutionary red field. In his case, the C P I advertised its presence perhaps to the same extent that it was advertised that Radharani Debi was the Maharaniadhirani. This emphasis on the individual was common to both parties, and not to Congress alone. Perhaps the Communist Party leaders believed that the individual record of the sitting M P would continue the Communist run of parliamentary victories in Burdwan. At the beginning of the campaign the cycle-rickshaw men of Burdwan were being spoken of as the most monolithically-organised trade union in the town. A group of people, who speak a frontier admixture of rural Bengali and rural Hindustani (the language of many migrants who seek occupation in the town), they are as aggressive a group as the merchants. They were vociferous in their support of Benoy Chowdhury. When queried, most would say that he was known to be a good man; the Raj had done nothing for them as individuals, so why should they change allegiance; and in any case, they stood by Communism. If questioned further, most would say that to them Communism meant unity; strength in fighting for their rights; and the confidence to deal democratically with the far richer people, whom they transported with the strength of their knotted feet and their straining shoulders. Communists spoke to them as equals; but they recked little of any philosophy beyond the call to the proletariat to unite and stand.

Feudal Charisma Revived

But slowly, the pattern of affiliations began to be eroded. As the date of the elections drew nearer, the rickshaw-men started telling cynical stories of how the Maharani herself had begun to suddenly appear from a jeep at the door of their huts and ask to speak to their wives — as if, they said, she meant to show any warmth by this approach! There was hurt anger in the cynicism — that people who were so much part of the superstructure should show a warmth, that seemed patently insincere, for purposes of gaining loyalty which was not felt. But some began to doubt their own realism. There were stories their wives told of the Maharani asking about the day's cooking and then wistfully mentioning that she had no home of her own in Burdwan. The personal image of Radharani Devi became a somewhat misty one in the minds of even the Opposition; and Benoy Chowdhury never had a positive image to push it out again.

It is possible to explain the nebulous formation of this sort of political image by calling it the process of personal identification between candidate and voter. It is certain that in Indian political conditions, this process of personal identification is still generally the best technique for a victory in rural or *mofussil* elections and, who knows, in elections in the most densely-populated lower middle-class constituencies in an industrialised city, as well. But the formation of the political image cannot be explained merely in terms of group or caste. These ingredients are of course ever-present. Though democratic politics was so a little a part of the democratic idiom in Burdwan, even in 1962, yet the shifts in alignment could not be predicted or explained in terms of the alignment of groups or castes. The feudal charismata we have referred to must still have been strong and Congress as much as the supporters of the Swatantra Party has played its part in reviving them in India.

Success of the Experiment . . .

As the actual election worked out, logic and argument from-what-had-happened-before were confounded. The Maharani defeated Benoy Chowdhury. Gurugobinda Basu also came into Parliament. The Congress, it was said, had swept Communism out of Burdwan town. The jubiliation in the Congress office was great. The Maharani was in Puri resting when the counting took place. She was wired to come to Burdwan to triumphantly enter the town as a mark of victory. Burdwan was rife with rumours that she was coming: and she did come, two days late, perhaps in time for the villagers to get to town, proceeded in procession along the streets, to the accompaniment of firecrackers — not to the blare of feudal horns any more — and evoked a blase response from a girl in a history classroom in the University, who when asked by a teacher deafened by the noise outside, why she was not watching the *tamasha*, said, what was the good of seeing the Rani Ma any more, she would be in Switzerland in a week's time!

That I suspect was the sophisticated reaction to the election — all right, she had won, but so had many landlord's wives, all over India, and so what? They went to Parliament or to the Assembly, and at best were active in question-time, or even became Deputy Ministers, so that they could be trained in public affairs — this was what Dr Roy had promised in the case of

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the Maharani, following an example set by Mahatab Babu in Orissa. Even so? It would not mean a change in political conditions in India. This, of course, is the response to stagnation. In actual fact, the executive results of elections in India are more responsive to sophisticated predictions than the electorate itself. The Maharani was given high status in social work — that popular pastime of the lady-elite in Calcutta—as Deputy Minister for Jails and Social Welfare. She was seen no more in the public eye of Burdwan; or at least heard of not at all. She was photographed among the group of leading Calcutta ladies who used to garland the Chief Minister annually on his birthday — much as Pandit Jawaharlal mingles with the children on similar occasions. Her activities as representative of Burdwan are chronicled in the files of the Jail and Social Welfare Department. But in Burdwan, one memory of her candidature was heard.

Early this year, a cyclone passed through Burdwan one afternoon. It smashed the large trees on the Grand Trunk Road, uprooted telegraph poles and blew off the roofs of the huts in which the poorest people live. The next day, looking at the devastation, as he peddled past, a rickshaw-cyclist commented that it had been the worst cyclone since 1942; dryly noted that his family no more had a roof of their own over their heads; but said cheerfully that there was small cause for worry since "one of the Rani Ma's people" had been among people like himself the next day paying doles to the sufferers. The Rani thought of them, he said, though her financial disbursements were often misdirected.

. . . And Its End

The Maharani died in late June, as we have said. Her last days were troubled by a suit in which she and her sons were embroiled regarding disturbances alleged to have been created in her name against some of her tenants in Calcutta — shades of *zamindari* feeling in urbanised Calcutta. She died before the suit was settled. In Burdwan University, at least, loyal references were made to the high social standing and the *desire* for social work of the Badhurani, daughter-in-law (of Bijoy Chand Mahatab).

It was reported for some time that Janab Abdus Sattar who, neglected by Congress as much as the Maharani was built up in the 1962 Election, was defeated by the Communists in a rural constituency, and whose elbowing out by Narayan Chaudhuri is linked with the Communists getting toe-hold in 1952 and 1957, wished to seek Congress nomination for the vacant seat. This meant the desire of progressive Congress elements to take the seat, and then the control of Burdwan, from the Atulya Ghosh group. Meanwhile Gurugobinda Basu has been unseated from his Parliamentary seat for holding an office of profit without declaration. Whatever happens, it seems that Dr Roy's experiment in grafting local aristocratic traditions into popular representation and thus blocking the breaching dykes in Bengal has ended.

But many questions remain. Politics in Burdwan is wide open. Of course, in a sense it is closed, for many of the local Communists are in prison for allegedly pro-Chinese sympathies. Harekrishna Konar is not free to cast his weight in the elections for both Parliament and the Legislative Assembly seat. Nor is Benoy Chowdhury. Congress has not given the nomination to Abdus Sattar either. They party machine seems to have prevailed. One is left to wonder, not who will win the election, but in the stagnating feudal-commercial conditions of Burdwan, does any road leads to salvation? Burdwan is not unique: nor is it the only detour in the labyrinth that is Bharat.

(Concluded)

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Capital and Labour Inputs in Agriculture

Har Pal Singh

Capital and labour, far from being competitive and mutually replacing, are at the present stage of development of our agriculture, highly complementary.

The data collected by the Farm Management Studies show that generally with an increase in capital input, labour input also increases.

In the absence of matching capital input, even abundant family labour, which has little or no opportunity cost, is withheld from employment on the farms.

IN underdeveloped countries, and particularly in the farm sector, there exists a high degree of complementarity between different resources. The striking complementarity between irrigation and fertilizers, and better farm management and superior cultural practices are well known. Perhaps there could not be a better instance of the recognition of this crucial relationship than the Intensive Agricultural District Programme (commonly known as the package-programme) whose underlying assumption is that a package of inputs will give more output than the sum total of output resulting from the use of these individual inputs.

Serious Implications

The implications of this relationship for the development of agriculture during the early stages of growth, when the full complement of resources are not available, are serious indeed. The abundance of certain inputs like the labour, the relative scarcity of some others like capital normally results in low marginal productivity of the abundant resources. The result is either the use of abundant resources at a very low and even zero level of marginal productivity or withholding of these resources from the process of production. Confining ourselves to only labour and capital inputs it is suggested here that in a given technological context and in a short span of time, capital inputs, the scarce complementary resource, influence the extent to which the available abundant labour resource can go into the production process. In such a situation the impact of increasing the input of scarce capital resources will be direct by contributing to increased production by itself and indirect through raising the marginal productivity of labour, the abundant resource and thereby stimulating the diversion of idle labour from leisure to production.

High Correlation

Professor John W Mellor has mentioned the case of Japan, where the labour inputs per acre are 3½ times larger than in comparable types of farming in West Bengal. Ample labour is available on West Bengal Farms; it simply does not enter the process of production presumably because of its low marginal productivity.[1] The Farm Management studies conducted in Punjab, M P, U P, West Bengal, Maharashtra and other States provide evidence of a positive correlation between capital and labour inputs. With an increase in inputs, labour inputs increase and with a decrease, labour inputs also decrease in sympathy. Generally speaking, capital inputs decrease with an increase in the size of holdings, and so also labour inputs. In West Bengal the coefficient of correlation between capital and labour inputs in Hoogly district was as high as +.93.[2] Punjab and the districts of Ahmednagar and Nasik show equally high coefficients of correlation between capital and labour inputs.

When Capital Stimulates Labour

This relationship will hold true, however, when all available labour resources have not been put into production process leaving little to be influenced by capital resources and when the level of technology on all the farms where the coefficient of correlation between capital and labour inputs is studied is the same. For different levels of farm-technology, the relationship between capital and labour will be 'inverse', i e, with growing investment of capital labour inputs will decrease because of the substitution of the former for the latter. Actually in some cases, the same level of capital inputs may be accompanied by lower inputs of labour, due to a change in quality and efficiency of capital. The Farm Management Studies, which have been analysed, satisfy both the assumptions of the availablility of idle labour and comparative uniformity of technology in use on the farms. In these conditions, far from replacing labour, capital stimulates its use on the farm.

Types of Capital

Capital is a heterogeneous concept. It includes fixed and traditionally available forms of inputs as well as circulating or non-traditional and new types of inputs.[4] Table 1 shows the coefficient of correlation between these two types of capital inputs and labour inputs. The table shows a very high degree of co-variation between capital and labour inputs. The coefficient of correlation is higher between non-traditional capital inputs and labour, than between traditional capital inputs and labour. This difference

Table 1 : Coefficient of Correlation between Traditional and Non-Traditional Capital and Labour

Region	Non-Traditional Capital		Traditional Capital	
	Different Crops	Different Size of Holdings	Different Crops	Different Size of Holdings
Punjab[3](i)	+ .94	+ .95	+ .77	+ .86
Ahmednagar[3](ii)	+ .95	+ .96	+ .89	+ .73

holds true even when the categories of inputs are observed for different crops and different size of holdings. The relatively lower covariance between traditional capital inputs and labour is perhaps due to their indivisibility and the resultant over-allotment of some of them.

The input of labour days varies widely among different crops and on different sizes of farms in close association with capital inputs. Abundant labour resource went unutilized in all the three regions as shown in Tables 2, 3 and 4. The tables suggest that a substantial proportion of farm family labour remained unemployed, withheld from entering the process of production presumably due to its low marginal productivity (which resulted in opting for leisure) in the absence of scarce non-traditional and traditional capital resources in matching quantities.

Table 2 : Employment of Family Members

Region	No Work of Any Kind (in days)	Attending to Social and Family Affairs (in days)
Ahmednagar	77.23	26.71

Table 4 : Extent of Unemployment, Unproductive and Productive (Family) Labour in West Bengal

Unproductive Labour	Unemployed Labour	Productive Labour
35.3	33.7	31.0

Not Competitive

The implications of our analysis are that capital inputs, particularly of the non-traditional nature notably fertilizer, etc, determine to a large extent the actual input of available family labour. At a given time, fuller utilization of labour will depend on the availability of scarce capital resources. Lack of a pair of bullocks, to give an example, will withhold inputs of family labour, even if it is abundant and has no or little opportunity cost. C H Hanumantha Rao, in his paper "Wage Profit Relations in Agriculture" (*The Economic Weekly*, September 21, 1963) says: "Some scope for increasing profits in the region may still lie in increasing the average per acre input of fertilizers, which may result in lowering the relative share of wages" (presumably in total profit). Indirectly he concedes that the employment of wage labour is conditional on inputs of fertilizers. Going one step further, the relationship analysed above shows that even abundant family labour, not to speak of wage labour, will be withheld in the absence of matching scarce capital resources. Capital and labour, therefore, far from being competitive and mutually replacing, are at this stage of development highly complementary.

Table 3 : Average Annual Employment of a Permanent Farm Worker*

Holding Size Groups (Acres)	Crop Production	Exchange or Gratis	Hired Out	Social and Family Affairs	Tending of Cattle	Total
0–5	91.6	15.1	4.3	19.7	107.5	238.2
5–10	114.8	7.6	1.1	25.2	96.7	245.4
10–20	144.4	6.6	1.1	25.7	103.3	281.1
20–50	172.6	5.1	0.1	28.0	105.1	311.1
50 and above	28.37	2.3	—	12.7	146.4	445.3
Total	150.1	6.5	0.8	26.0	103.8	287.2

* Permanent farm workers include family adult men labourers and permanent hired workers.

Notes

1 Mellor, John W, "Development in Low-Income Countries", Journal of Farm Economics, The American Farm of Economics Association, Vol XLIV, No 3, August 1962, Page 703.

2 "Studies in the Economies of Farm Management", West Bengal, Report 1953-56.

3 (i) "Studies in the Economies of Farm Management," Punjab, Report 1955-56.

(ii) "Studies in the Economies of Farm Management", Bombay, Report 1955-56.

4 Non-traditional capital input includes the value of bullock labour, fertilizer, implements, irrigation, manure, etc. Traditional inputs include the seed, and revenue, other cesses, rent paid, and rental value of owned land, etc.

New Fertiliser Process

A PROCESS adapted and perfected by Fertilizers and Chemicals, Travancore, for double utilisation of sulphur in the production of ammonium fertilizers was warmly commended at the ECAFE Fertilisers Conference at Trombay.

The ECAFE region except perhaps for Japan, is short of sulphur, and all sulphur requirements have to be met from imports. The usual procedure is to produce sulphuric acid from imported sulphur which is then converted into a fertilizer like ammonium sulphate.

In the process perfected by FACT, the same quantity of sulphur is used twice by the ingenious device of first using the sulphuric acid to make phosphoric acid, which is then converted into ammonium phosphate with ammonia. The resultant gypsum (calcium sulphate) is again used to produce ammonium sulphate. Thus the same sulphur is used for making two separate fertilizers.

FACT has taken this economic double utilisation even one step further. After ammonium sulphate is made, calcium carbonate is obtained as a residue which is now proposed to be utilised for the manufacture of cement by Travancore Cement, which is putting up a plant for this purpose.

Under-Developed Non-Alignment Or...

Romesh Thapar

The debate in India on non-alignment, sparked by the Chinese aggression, has become relevant for all non-aligned countries.

From it are bound to emerge more practical, hard-headed foreign policy concepts linked to the economic and social needs of the developing nations.

It is for all those who value the spirit of non-alignment to encourage this debate, to participate in it with sympathy and to project it to sections hitherto unaffected by it.

Then we will no longer speak of under-developed non-alignment.

IT is one of the ironies of our situation that we begin to debate thoroughly the fundamentals of our political and economic belief only when they are menaced by the onrush of unexpected events. Such a reassessment was sparked by China's attack on India in October 1962 — that extraordinarily adventurist act which struck a grievous blow at Asian solidarity and which was sought to be justified on the plea that the Government of Jawaharlal Nehru had refused to accept the slow Chinese penetration of borderlands long considered to be part of the Indian sub-continent. No one — except, perhaps, the psychopathic anti-communist — expected a communist power to behave in this manner against an uncommitted nation. In a flash the policy of non-alignment enunciated by India was under severe trial.

New Urgency

This debate also assumes a new urgency as a result of the foul murder of President Kennedy who, in just over two years, managed with remarkable success to alter the sectarian attitudes of his countrymen to the appeals of the non-aligned. In this way, he was able to prepare the way for the *detente* with the Soviet Union despite the contrary pressures exerted by Peking.

Today, a relapse into the old attitudes is possible in both the USSR and the USA, although it will be difficult to wipe out altogether the impact of the Khrushchev-Kennedy dialogues. This is a challenging situation in which the non-aligned powers can play a decisive, consolidating role. Each of these nations, to be effective, must begin the re-assessment. In India, this re-assessment has at last started.

There is little point in tracing the remarkably cynical way in which many protagonists of non-alignment within the ruling party in India were prepared to abandon the concept and to declare that 'the situation has changed'. This ideological collapse at both official and non-official levels, reflected in a panicky swing towards commitment even at the cost of abandoning the tactically vital support of the Soviet Union, rudely shocked the non-aligned friends of India in Asia, Africa and Arabia.

The Suez Analogy

But even today, a year after the tragic events of October 1962, when the policy of non-alignment is again being stressed, no sustained effort has been made to probe its viability in the kind of conditions which confronted India during the Chinese push into Indian territory.

To advance the example of Nasser's Egypt at the time of the Suez Crisis, as some did with considerable impact during the Sino-Indian collision, is not enough. True, in both the Egyptian and Indian situations, junior partners of the opposed blocs were involved and had acted against the wishes of their dominant partners. But the attempt to draw parallels between the confrontations was rather mechanical; India and China, both potential big powers, were not fundamentally hostile and the political ramifications of their collision were qualitatively of a different kind.

However, even the crisis in which India found herself, militarily outgunned and out-numbered by a neighbour who was believed to have abandoned war as a method of settling minor territorial disputes, could have been resolved if the full implications of a policy of non-alignment for an under-developed country had been understood and acted upon. And if these implications had always been understood, no crisis would have developed. Let me try to explain.

Why Non-Alignment?

To begin with, it might be useful to comprehend the major motivations behind the policy of non-alignment. It was not something born in a distant past or inspired by the practices of antiquity as suggested by some Indian theorists. Non-alignment was the skilful, calculated answer of a very large section of the two-thirds of mankind who, rising from colonial bondage into freedom after the second world war, faced the demand that they take sides in the battle of the blocs, in the cold war. It was not only a passionate desire for peace which dictated the acceptance of non-involvement, but a dogged determination not to be contaminated by the respective ideological aberrations of the two blocs, aberrations based on the denial of either economic or political rights. Positively, the newly-freed sought to evolve social structures which would fuse the economic egalitarianism of the socialist-communist world with the humanistic and liberal traditions of 'capitalist' societies in the West.

This task, formidable even for the most advanced societies, was made immensely complicated in the under-developed world because political democracy was preceding economic growth. Almost inevitably, the democratic apparatus collapsed under the weight of tribal, revivalist, chauvinist and nationalist pressures. Only in certain parts of Asia, notably in India, was it possible to discern a still conscious movement for economic egalitarianism coupled with a huma-

nistic and liberal striving. But even in these parts, the policy of non-alignment became confined increasingly to the realm of inter-national affairs; its earlier relationship to domestic policies was soon forgotten. Significantly, Africa and Arabia are also beginning to witness this one-sided development of non-alignment because the lessons of the past, and particularly of the India-China collision, are not fully grasped.

India's 'Success Story'

India, under the leadership of Jawaharlal Nehru, rightly came to be regarded as the foremost exponent of the non-aligned position. Her policies in the international field were an effective combination of a sustained and positive assertion in favour of peaceful initiatives to lessen cold war tensions together with a hard-hitting espousal of anti-colonialist positions. This 'mixture' gave India a moral stature and prestige out of proportion to her actual influence in international policy-making. In a world increasingly obsessed by the cold war, Jawaharlal Nehru became for the enlightened in the committed nations the fearless standard-bearer of man's noblest aspirations.

His domestic postures also won acclaim, for they constituted a refutation of the theory that Asians were incapable of nurturing the democratic process; the millions of India began to conduct themselves with a decorum which startled even the British who had departed. A comparison with neighbouring Pakistan, which until only yesterday was part of India, was more than flattering. And, over the years, India became increasingly a catalytic rallying point for the newly-freed. If there was criticism, it was only because India sometimes failed to live up to the high standards set by her admirers — as happened so strikingly over the much-misunderstood Goa developments.

As is so often the case, only a few were able to detach themselves from India's 'success story' and to detect the developing threat to the policies popularised by Prime Minister Nehru. This threat lay in the field of economics. Over the years, despite talk of building a 'socialistic pattern of society', the ruling political elite in India had been increasingly tempted to skirt the class-tensions and cleavages (which would result from any rate of growth near or higher than 5 per cent) by exploiting the possibility of mobilising foreign aid from both blocs. The international situation, with its heavy emphasis on bloc competition, was particularly favourable for this kind of activity — and India had the political and economic sophistication to embark on it without damaging her national dignity or sovereignty.

Admittedly, no sizeable advance can take place in an underdeveloped economy without some sustained foreign aid. But this foreign aid must be of the right sort and conditioned primarily by the needs of the receiving country. By and large India was able to obtain this kind of aid through a subtle stress on the need that both blocs had for her support and goodwill, an attitude for which sometimes she has been accused of political opportunism. However, short-sightedly, the development of the heavy industrial sector which should have taken place in the course of the First Five-Year Plan (1951-56) was initiated belatedly during the Second Plan (1956-62).

Misuse of Foreign Aid

In other words, foreign aid was made to serve only a part of India's vital needs; the still-dominant private sector of the economy made planned development and foreign aid subservient to its profit motive, diverting funds from fundamental development to non-priority consumer production. This trend, noticeable towards the middle of the Second Plan became more accentuated as the Third Plan (1962-67) was launched. Nevertheless, India's comparative prosperity among under-developed countries, and the sharpness of the right-wing attack on 'doctrinaire planning', prevented a correction of the growing shift towards non-essential, profit-oriented production. China's limited invasion, however, was able to highlight what had been well-known among independent economists and observers.

It became clear that, despite a long period of uninterrupted planning, India's 'mixed economy' was unable to sustain a combined effort for both defence and development, that massive military and economic aid would have to be mobilised from foreign sources, and that questions of sovereignty might well have to be loosely interpreted until such time as the nation could discipline itself to meet the new challenges spawned by the aggressive Chinese presence along the northern border. Indeed, if it were possible accurately to 'take a reading' of national moods, then it would have been seen that thinking India in October-November 1962, with the exception only of a tiny group of Nehruists, was demanding a full commitment to the so-called anti-communist West as the only guarantee of survival. Fortunately, a combination of circumstances helped that tiny group of Nehruists to prevent a full retreat into commitment, but they also realised that the policy of non-alignment would have to be re-structured and re-linked to the domestic, economic and social programme if it was to remain relevant and dynamic in the situation now unfolding.

Intellectual Bankruptcy

But there was more to this problem than we at first imagined. Efforts on the part of some of our forward-looking policy planners failed to find a proper ratio of spending between defence and development which would serve our national interests and also extend the gains of fifteen years of planned economic growth through the complicated processes of democratic functioning. Political parties soon despaired of finding the elusive ratio.

Indeed, several economists, hitherto described as enlightened, were tempted to play with the idea that the China-India-Pakistan tension could be made to release forces which might ensure a rising rate of economic growth! This dangerous thinking, together with the rise of Hindu revivalism in various fascist forms, underlined the bankruptcy of the Indian intellectual following the essentially minor military set-back in the north-west and the north-east, in Ladakh and NEFA.

Even as political and military pressure was mounted for a massive build-up against China, and there was talk of possible collusion between Pakistan and China, it became clear that unless this rapid drift into futile defence spending was halted India would over the years do irreparable damage to her economy and destroy the prospects of democratic growth. We were also conscious of the rise to power of military machines in Asia, and their appetite for concordats with suspect 'defensive' alliances.

Slowly, too slowly, the truth was reluctantly accepted that we would have to evolve a different, but effective, kind of answer to aggressive neighbours if we wished to preserve our non-aligned position. Fifteen years of comparative security and the rather idealistic acceptance of the principles of co-existence had made the Indian mind sluggish.

New Thinking Sparked by Foreigners

Interestingly enough, it was foreign specialist opinion which encouraged the new thinking. Terrified at the prospect of a continuing military involvement between India and China which might become the basis for international conflict, aware of the need to preserve the economic and political stability of India at a time when a significant disengagement was taking place between the USSR and the USA, determined to do nothing which might extinguish the democratic experiment in India, the western policy-makers were persuaded to advise the Nehru government to avoid a massive and wasteful military commitment against China.

They argued that an alert India, with a compact, well-equipped and properly-trained army and air force (not very much larger than at present) and able to deploy this force rapidly to any point along the Himalayas, could guarantee an *internationally-recognised* frontier and deter the Chinese from any future adventurism.

Inherent in this argument was the theory that whereas it is possible to defend ourselves effectively at little cost, the expense of a war against China to recover lost territories would be prohibitive and self-destructive; moreover, it would be denounced by a majoriy of powers as a threat to international peace. The *rationale* of the argument appealed to an India in a cruel dilemma over the contrary pulls of defence and development.

The Soviet Union, helpless witness of China's assault on her Indian friend and ally, also warned against those who talked of arming to the teeth — an attitude which is zealously maintained despite the breach with China. To help resolve the dilemma over defence and development, Khrushchev offered to step up economic aid for vital projects and even indicated that military supplies would be available; the Soviet Union also persuaded a number of communist countries — particularly Poland, Czechoslovakia and Yugoslavia — to assist India militarily. This tangible support from an unexected quarter, support which the politician wedded to non-alignment saw as the vindication of his stand and a re-strengthening of his bargaining position *vis-a-vis* the West, had the effect, certainly not intended by Khrushchev, of blunting the effort to forge an independent foreign policy for an under-developed India.

Unimpressive New Image

But events were moving rapidly, and the sharpening in the thinking process which had earlier taken place soon asserted itself as the new image of India appeared to suggest a helpless figure propped up by a number of powers who were motivated by their selfish interest. A socialist leader, known for his anti-Nehru postures, described the foreign policy of non-alignment as based on 'alternate slavery' to the USA and the USSR. The army staff, hypersensitive over the denial of equipment in the past which had made them impotent in the face of a Chinese atack, ridiculed the idea of building strength on the left-over military hardware of both the blocs. Politicians of various persuasions, now able to take note of the dangers inherent in military commitment to either of the blocs or to both, also began to demand a policy of self-sufficiency in defence based on the concept of a limited and effective deterrent. At the moment, we are at this stage of diffused consciousness. But if there is to be a break-through to clarity, it cannot be long delayed.

For an under-developed economy, self-sufficiency in defence to support an independent foreign policy of non-alignment dictates a rapid expansion of the public sector or industry. Whereas on the surface a statement of this kind sounds mechanical it will be seen that the creation of an industry to support the defence effort cannot be entrusted to the indigenous private sector for the simple reason that this sector would be compelled to rely on foreign collaboration to deliver the goods and in the process of collaboration would succumb to the always more powerful foreign partner. The public sector, government-led, would also seek foreign collaboration, but it is in a distinctly more favourable position to discipline the foreign collaborator and to ensure national sovereignty should it be threatened. In any case, the democratic pressures in India would permit only public development for defence. This fact, together with the deep and widespread conviction that private enterprise must not encroach into the armaments field, determines the pattern of development once the country is embarked upon a limited defence programme to reinforce an independent foreign policy of non-alignment.

Foreign-Dominated Private Sector

In other words, the effort to preserve a sovereign non-aligned position in the situation projected by the clash along the Himalayas can have a tremendously revolutionary impact on the formulation of India's economic policies. A growth of the public sector to sustain and nourish normal peace-time development, and now also a limited defence system independent of the blocs, forces the pace of socialism in our under-developed economy. This prospect is quite clearly seen by the organised private sector which agitates for 'a full and ungrudging military commitment' to the West as the only possible way of avoiding 'socialist thraldom' at home. This realisation is not as clear to, or is conveniently ignored by, political circles which declare themselves to be socialist but are fearful of the polarising effect of such policies on their amorphous, untutored following.

The desparate attempt to run away from this brutal fact is seen in the effort to encourage foreign investors to enter India in sectors hitherto denied them while the pub-

lic sector concentrates on armaments. In this way, it is believed the 'inevitability' of the drift to socialism can be disproved. But, again, thinking elements point to the political repercussions which will follow the growth of a foreign-dominated private sector; there can be no denying that it will devote its energies to modifying those policies of the Government of India disapproved by it, and it will have the money and influence to do so. In other words, the more one studies the question of securing the policy of non-alignment in the setting of an under-developed country like India, the stronger the conviction that the public sector will have to take over what Prime Minister Nehru used to call the 'commanding heights' of the economy.

We have seen how it is possible to reconcile the contradictory demands of defence and development given a fairly coherent and widespread understanding on the viability of a policy of a limited deterrent, and how this kind of rational approach permits a further consolidation of the concept of non-alignment for an under-developed or developing country, but this implies more than just a few crucial shifts in economic and political emphasis. Too long have the under-developed nations of Asia and Africa been content to see non-alignment merely as a large envelope which encloses a mass of anti-colonialist aspirations. Now, an increasingly positive and constructive direction has to be given to the concept if the non-aligned nations desire that their special role in international affairs should assist the disengagement between the still-opposed blocs, strengthen the defences of peace among the nations and redress the imbalances between the rich and poor nations. And this can be done only if the non-aligned nations reorganise relations among themselves to serve their purposes better.

What is involved in this reorganisation?

First, we have to realise that mere co-existence is not enough within and without the non-aligned world; it must be replaced by an organised programme of co-discovery at every level which will puncture many accepted dogmas now standing in the way of ideological growth.

Second, and following from the first, we have to direct our concentrated attention to the economic and social relations between our countries which have been neglected although they alone provide the foundation for sustained co-operative endeavour; in other words, there is no reason why it is not possible *within* the non-aligned world to tackle many of the economic problems which hitherto we have attempted to surmount with assistance from the committed world.

Permanent Machinery for the Non-Aligned

Third, we should discipline ourselves so that we do not become enmeshed in artificial controversies and tensions rooted in national chauvinism; these aberrations tax the limited energy of the non-aligned world and blunt the struggle of the people for a better life, a truth sharply highlighted by the India-China collision.

Fourth, the realisation has to be spread that broadly the interests of the non-aligned and under-developed are best served by the mobilisation of the forces for peace and the defence of the United Nations and the expansion of its agencies, particularly those which attempt to reduce the gulf between the rich and the poor nations.

And, *fifth*, an attempt must now be made to establish a permanent machinery to tackle the alarums and eruptions within the non-aligned world, a machinery which will insulate the area from the pressures of the committed.

This programme of reorganisation will have to be undertaken at a time when not only the hostile blocs are themselves undergoing deep transformations sparked by the clash of national interests, but when the non-aligned world, largely a world of small countries, is likely to see the emergence of larger and fewer power units — e g, Greater Indonesia or Maphilindo, a bigger U A R or an Arab Federation, a giant Ghana or a West African Federation and an East African Union, and so on. These new groupings might well attempt to tilt the balance of world forces this way and that to help the advancement of their respective interests. In other words, we must keep these perspectives in view as we attempt to reorganise our relations, to dissolve the warring postures of the existing blocs and to clear the way for healthy, meaningful dialogues between them.

We are today entering a remarkably flexible period in international relations, seriously complicated by President Kennedy's assassination. In such a situation, when the rights and wrongs of various policies may well be hidden under many layers of contradictory and equally persuasive arguments, a policy of non-alignment cannot be applied mechanically and without perspective, nation-wise and region-wise. This fact will place heavy strains on the leadership of the under-developed world unless it is able to establish a structure of research and consultation to support its policy-making. It is an aspect which has been thoroughly neglected in the past, reliance being placed on the 'hunches' of charismatic leaders. To continue to neglect it is to invite disastrous setbacks.

And, so, the debate on non-alignment sparked by China's assault on India has become largely relevant for all non-aligned countries. From it are bound to emerge more practical, hard-headed foreign policy concepts linked to the economic and social needs of the under-developed or developing nations. It is for all enlightened people, who value the spirit behind non-aligned policies, to encourage this debate, to participate in it with sympathy and to project it to those sections so far unaffected by it. Then we will no longer speak of under-developed non-alignment.

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From the Chair

The Life Insurance Corporation of India

Statement by the Chairman, Shri B K Kaul, ICS

THE following is the statement made by Shri B K Kaul, Chairman, at the Ninetieth Meeting of the Life Insurance Corporation of India held in Bombay on November 25, 1963:

The draft of the Annual Report and the Statement of Accounts for the period 1st January 1962 to 31st March 1963 have been circulated and are now before us for our consideration.

New Business

During the accounting period our new business amounted to Rs. 746 crores under 17.68 lakhs policies as against Rs. 609 crores under 14.70 lakhs policies in the year 1961. At the present accounting period comprised of 15 months as against 12 months in the previous year, a direct comparison of the figures is not possible. However, the new business performance during the accounting period may be evaluated by a comparison of the business completed during the year 1st April 1962 to 31st March 1963 with that completed in the year 1st April 1961 to 31st March 1962. In that year the Corporation completed a business of Rs. 617 crores; and now for the 12 months period 1st April 1962 to 31st March 1963, it has completed a new business of Rs. 708 crores. The progress may be considered satisfactory.

It is gratifying to note that as many as 12.22 lakhs policies issued during the accounting period were taken by persons who were insuring for the first time. This shows the growing insurance consciousness amongst our people and also the effort made by our field force to spread the message of insurance to people who had not so far availed of this benefit.

Rural Development

Out of the total new policies, as many as 6.77 lakhs policies assuring Rs. 233.45 crores were issued to people in rural areas. Thus, about two-fifths of our total policies and about one-third of the total sums assured were written in the rural areas.

As a result of a recent amendment to the Insurance Rules 1939, it will now be possible for us to appoint Co-operative Societies and Panchayats as our agents. Depending upon the co-operation that we can get from this source this should give a fillip to rural business.

The main difficulty in regard to rural business is lack of facilities for collection of premiums. We had launched early in 1962 a pilot scheme in the Jaipur District of Rajasthan for collection of premiums through post offices. Efforts are being made to extend this scheme to other areas, where no collection facilities are available, in consultation with the postal authorities. We have also made arrangements with the Government of Madhya Pradesh for Block Development Offices to collect life insurance premiums at their headquarters.

We now have an office in each of 253 out of the 312 districts and in 5 out of the 11 Union Territories in India. In 1963-64, we proposed to open offices in 2 more districts. Besides these offices, we have development centres in 27 of the remaining districts and in one of the remaining Union Territories. We are proposing to open 16 Branches and sub-offices during 1963-64. Our organisation is now spread fairly wide in the country.

Non-Medical Business

Paucity of medical examiners for conducting medical examination of the lives to be assured in rural areas has always been a difficulty in extending our activities in the rural areas. This has been got over to a large extent by a wider application of the non-medical scheme.

Under the general scheme, which now extends throughout the country, medical examination is waived in respect of proponents within certain age groups, provided the total insurance on their lives does not exceed Rs. 2,000. Under this scheme, new business of Rs. 43.44 crores under 2.87 lakhs policies was completed during the accounting period.

Besides the general scheme, we are also insuring without medical examination special categories of persons in civil employment upto a total sum assured of Rs. 5,000 which limit was increased in 1961 to Rs. 10,000 in the case of eligible persons whose ages at entry do not exceed 30 years nearer birthday, and also in the case of category "A-1" of the commissioned officers in the Armed Forces. Under this scheme, new business of Rs. 112.23 crores under 4.25 lakhs policies was completed during the accounting period bringing the total non-medical business to Rs. 155.67 crores under 7.13 lakhs policies.

Foreign Business

The political and economic changes in some of the foreign countries where we operate have had their effect on the development of our business. Due to various reasons our progress in Fiji and Malaysia has not been satisfactory, but in U.K. and Aden we have made good progress. We have been able to maintain our position in East Africa and Mauritius. Due to the sustained efforts of our officers and agents, our total foreign business during the accounting period came to Rs. 11.24 crores under 9,498 policies as against Rs. 10.03 crores under 8,056 policies in the year 1961. Special mention must be made of our London Branch which wrote during the accounting period a new business amounting to over Rs. 2 crores.

Business in Goa

We started transacting new business in Goa, Diu and Daman in 1962 and up to 31st March 1963 we issued 2451 policies assuring Rs. 1.28 crores. Policies issued by the erstwhile Portuguese companies to Indian citizens which are now being serviced by the Corporation, will be taken over by us after the Life Insurance Corporation Act is made applicable to these territories.

Group Insurance and Group Superannuation Schemes

During the accounting period, new business amounting to Rs. 10.49

crores was written under the Group Insurance Schemes, and under the Group Superannuation Schemes, Life Annuities of over Rs. 5 lakhs and Annuity Certain of over Rs. 1 lakh per annum have been granted. This business has made considerable progress in the Western Countries. We can also write larger business under these schemes if we get the necessary support from the employers of the bigger undertakings. These schemes provide the benefits of life insurance at cheaper rates, and with the employer contributing a part of the premiums, the burden on the employees is further reduced. I am sure enlightened employers will come forward in larger numbers to make the benefits of these schemes available to their employees.

Business in Force

The total business in force as at 31st March 1963 was Rs 3,168 crores under 95 lakhs policies as against Rs 2,737 crores under 86 lakhs policies at the end of 1961, thus recording an increase of 15.7 per cent during the period.

Lapse Ratio

The ratio of net lapses to the mean business in force was 8.1 per cent during the period 1st January 1962 to 31st March 1963 as against 7 per cent in 1961 and 6.6 per cent in 1960. The tendency of the net lapse ratio to rise in spite of the efforts put in to improve the quality of business is disquieting. There is hardly anything an insurer can do to prevent lapses attributable to factors beyond its control. At the same time, efforts to improve the quality of business so as to minimize lapses attributable to new business of doubtful quality must be continued to be made; if anything they need to be pursued more vigorously. With this end in view it has been recently decided that a fresh proposal, from any person whose existing policy has lapsed within the preceding 3 years, would be entertained only if such lapsed policy is first revived by him for which purpose special facilities are now given.

Valuations

During the period under review the Third Biennial Valuation of the Corporation's business as at 31st December 1961 was completed. As a result thereof Rs 32.73 crores were allocated to the participating policies; the rates of reversionary bonus allotted to policies issued by the Corporation, as well as policies issued by the erstwhile insurers, were the same as those declared in respect of the first two valuations as at 31st December 1957 and 31st December 1959 respectively. The amount allocated to the Central Government was Rs 1.72 crores.

Consequent upon the change in the accounting year of the Corporation it has been decided to make the Fourth Valuation of the Corporation's business as at 31st March 1963 and the same is in progress. It is expected that the results of this valuation would be available early in 1964.

Mortality Investigations

The Corporation has taken on hand a detailed investigation into the mortality of assured lives during the years 1961-64. It is proposed to construct a Life Table, on the basis of the experience during the years 1961-64 of medically examined male lives accepted at ordinary rates under Whole Life and Endowment Assurance plans. It is also proposed to investigate separately the experience of male lives assured under the non-medical scheme, and of the female lives assured with the Corporation.

During the period under review a preliminary investigation into the mortality of assured male lives has been made. A Life Table based upon the experience during 1961 of nine major Integrated Head Office Units, accounting for about three-fourths of the entire business in force of all the insurers prior to nationalisation, has been prepared and incorporated in the Report. The results of this investigation confirm that there has been considerable improvement in the mortality of assured lives in India since the publication of Oriental's 1925-35 experience. The investigation into the mortality experience of lives assured with the Divisional Offices of the Corporation also confirms the same.

Premium Rates

It has often been suggested that in view of the favourable experience of the Corporation, particularly in regard to mortality, the premium rates should be reduced. I may mention in this connection that when most of the insurers effected substantial reductions in the rates of premium in 1954 a considerable part of the current favourable experience with respect to mortality and interest was anticipated and taken into account. Further, in adopting in 1956 the premium rates of the "Oriental", after further reducing them by Rs 1/- per thousand sum assured or 5 per cent of the premium, whichever was less, the Corporation anticipated economy in expenses. However, in view of the increasing pressures of inflationary forces it would be too much to expect any significant reduction in expenses in the near future.

As regards the mortality basis underlying the premium rates the same can be reviewed only when the low rates of mortality now being experienced are stabilised. This would be known only in 1966 when the results of the detailed investigation into the mortality experience for the years 1961-64 undertaken by the Corporation are expected to become available.

Apart from this it is the general practice among insurers even in foreign countries not to revise frequently the premium rates for with profit policies. The general view of the insurers is that changes in experience as regards mortality, interest and expenses can more equitably be handled under with profit policies by changes in the bonus rates than by changes in the general level of premiums. This is particularly significant when 90 per cent to 95 per cent of the new business is generally under with profit plans as is the case in this country. Moreover, passing on the benefits of favourable experience in the form of reversionary bonuses to the policy-holders rather than reductions in premiums is desirable as an anti-inflationary measure.

Premium and other Income

The premium for the accounting period amounted to Rs 150.38 crores against Rs 112.30 crores in the year 1961.

The total income for the accounting period was of the order of Rs 185 crores as against Rs 141 crores in 1961.

Life Fund, Investments and Total Assets

The Corporation's life fund as at 31st March 1963 was Rs 720.70 crores registering a handsome rise of Rs 91.94 crores after taking into account the adjustments made to the life fund at the beginning of the year.

Of the total investments in India of Rs 623.64 crores the public sector accounted for 76.8 per cent and the private sector 23.2 per cent. During the year, 58 new issues were underwritten to the extent of an aggregate sum of Rs 19.53 crores.

The total assets of the Corporation as at 31st March 1963 amounted to Rs 785.94 crores as against Rs 696.31 crores at the end of the year 1961. The net increase in the assets of the Corporation, since its inception, amounted to Rs 371 crores.

Rate of Interest

The Income from interest, dividends and rents before deduction of income-tax rose to Rs 39.38 crores during the accounting period from Rs 27.95 crores in 1961. The gross rate of interest realised on the mean life insurance fund was 4.76 per cent per annum as against 4.80 per cent per annum during the previous year.

The net rate realised also fell from 4.68 per cent in 1960 to 4.08 per cent during the period. The marked fall in the net rate of interest is mainly attributable to the fact that, whereas the tax refund accounted for in the Revenue Account for the year 1961 comprised refund in respect of two years, in the accounting period under review such tax refund comprised refund in respect of one year. Had only one year's refund been received in 1961, the net rate of interest for that year would have been 4.20 per cent as against 4.08 per cent per annum during the period of 15 months ended 31st March 1963.

Again, dividends on Preference or Ordinary Shares are generally declared once a year. There are comparatively few declarations of dividends during the months of January, February and March. Thus, the total quantum of dividends declared during the period of 15 months, which included, besides the calendar year 1962, the first quarter of 1963, was not proportionately higher. As a result, the yield for the entire period of 15 months was depressed. Since the annual rates of interest, gross as well as net, were derived by adjustment of the respective rates for the 15 months period, the same have shown a fall by comparison with the normal accounting period of one year.

Expenses of Management

The overall expense ratio of the Corporation for the accounting period is 29.3 per cent as against 28.0 per cent in 1961. The renewal expense ratio, for the period is 14.13 per cent as against 12.42 per cent in 1961. The increase is largely attributable to the addition to the expenses on salaries and allowances due to revision in the salary scales of employees in Classes III & IV with effect from 1st January 1962 as a result of the settlement with the two Associations representing these employees.

Claims

Claims for the accounting period inclusive of bonus addition amounted to Rs 31.40 crores under matured policies and Rs 12.56 crores under policies becoming claims by death. The total claims for the period amounted to Rs 43.93 crores as compared with Rs 34.11 crores in 1961. Outstanding claims as at 31st March 1963 amounted to Rs 13.55 crores as against Rs 13.93 crores as at 31st December 1961.

Building Activities

We have on hand construction of a large number of buildings to house our offices and also for investment purposes. Although the shortage of building materials has hindered our building activities to some extent, special efforts are being made to complete the various buildings, at different stages of construction, as early as possible. The housing of our offices in our buildings would relieve the present congestion and would lead to more efficient working. Suitable plots of land have been, therefore, purchased for our Divisional and Branch Office buildings at various centres.

Mortgages

The scheme for grant of loans on mortgage of immovable properties has been extended to 5 additional centres and is now in operation in 26 cities. The revised scheme for grant of loans to policyholders for construction of houses termed "Own Your Home Scheme" has since been finalised. It will come into operation in 26 selected places in early 1964 and will be extended to 30 more places during the course of that year. This Scheme will enable the middle class people to own their homes with the help of loan facilities.

I have always received sincere co-operation and valuable advice from my colleagues on the Board and on the Investment Committee. I offer my grateful thanks to them. I take this opportunity to record my appreciation of the services rendered by the officers and staff at all levels. It is their services which have solely contributed to the fine results achieved by the Corporation. Finally, I thank all the agents who have done such excellent work in spreading the message of insurance to people, thereby enabling the Corporation to maintain the steady increase in the new business.

J K Cotton Spg & Wvg

A PROLONGED labour strike, loss in importing raw materials under the export promotion scheme, increased cost of production, additional excise duties, dislocation in the working of a Unit and unsettled trade conditions have all contributed to a sharp fall in the profits of J K Cotton, Spg & Wvg Mills during the year ended December 31, 1962. Sales dropped from Rs 5.17 crores to Rs 4.83 crores. Net profit receded sharply from Rs 25.09 lakhs to Rs 69,748. Taking into account the balance of the previous account, the Directors propose to pay preference dividend amounting to Rs 1.38 lakhs and pass over the dividend on equity shares.

The Mills have added during the year six combing machines, one Calico Manzle Curing machine and one water softening plant. The Mills are manufacturing defence requirements also. The Directors state that the present selling prices of rayon yarn are uneconomic especially for a 5-ton capacity plant.

Around Bombay Markets

The Drift Continues

Thursday, Morning

DALAL STREET beat a further retreat last week. The retreat was small and orderly and considering the week's news, the stock market could well be said to have put up a brave show. The sudden and tragic death of President Kennedy sent a tremour through the market and it was felt that his exit might harden U S attitude towards India. The market's anxiety has been greatly relieved by President Johnson's assurance that he would continue the policies of the late President. But it was in its reaction to the various bills introduced in the Lok Sabha by Shri Krishnamachari that the stock market has showed amazing calm. The market had been looking for fiscal concessions to tone up the investment market and restore the confidence of the corporate sector. But what it has got instead is a series of measures which aim at a stricter control over the private sector.

Gold control which was thought to have been relaxed by TTK is being tightened up. Under the Gold Control Bill, the Government is seeking powers to fix a limit on ornaments, which is very necessary if the gold policy is to make much sense. The Banking Companies Act is being amended to strengthen the Reserve Bank's control over the country's credit and monetary system. The proposed legislation has been described by the banking community as a step just short of nationalisation. The Companies Act is being amended to empower the Government to remove managerial personnel found guilty of fraud and other malpractices from positions of authority. Another important provision empowers the Government to convert a loan to a company into shares of that company on fair and equitable terms. Another bill relates to the establishment in the public sector of a unit trust for investment.

The proposal for setting up a unit trust is about the only measure which could cheer the stock market. But if the market has not been unnerved by the other proposals aimed at stricter policing of the activities of the private sector it is not because the market is impressed by the laudable objectives behind these measures. The stock market has not yet given up hopes that TTK will not take long to redeem his assurances he had held out in his October broadcast that he would take effective steps to revitalise the investment market and accelerate the industrial and economic tempo. And if the market's expectations in this regard are not quickly realised, the process of technical adjustment that is now well underway will turn out to be a very painful affair.

Cotton

Dull and Subdued

TRADING in cotton last week was an extremely dull affair, particularly in the spot market. Spinner interest remains restricted and only the needy mills figure as buyers. Arrivals are picking up, though rather slowly. They have not yet had any significant impact on the market. Spot prices have not registered any noticeable setback recently. The general tendency, however, is subdued. Prices should ease with the increased tempo of arrivals in coming weeks if spinner inquiry does not revive appreciably. Mills are known to have been eating into their stocks over the past few months. It would be reasonable to expect that the mills would like to replenish their stocks when the crop movement gets into swing but in view of the fairly comfortable supply position — the 1963-64 crop is currently estimated between 57 lakh and 59 lakh bales — mills will be able to bargain. A great deal will, of course, depend on how the much-talked-about buffer scheme is going to be implemented.

While the spot cotton market was dull and subdued, futures moved rather erratically because of fluctuating weather reports. After easing from Rs 704.25 to Rs 699, the March contract recovered to Rs 705.25 but declined quickly to Rs 698.25 and at its Wednesday's closing of Rs 698.75 the contract showed a net loss of Rs 3.75 over the week. In view of the improved supply position and the likely increase in the pace of arrivals in coming weeks, speculators are reluctant to 'bull' the market. But bears too are in no mood to be aggressive because of the continuing uncertainty about the buffer stock scheme. Not many people will perhaps regret the decline in the volume of speculative activity. Few people really believe that the facility of futures trading is being availed of for genuine hedging purpose.

While the general tendency is subdued, Bengal Deshi prices have continued to display a firm tendency because of the fairly good off-take by mills and export houses and the not-so-very-satisfactory pace of arrivals. The statistical position of Deshi cotton seems rather tight. Export sales are estimated around 75,000 bales and overseas buyers continue to evince good interest in Indian Deshi cotton. It should not take long for the entire export quota of two lakh bales to get exhausted.

Oilseeds

Groundnut Firm Again

THE downward trend in groundnut futures, which carried the January contract to a new low of Rs 212.12 — the lowest for the season — on 18th November has been halted and possibly reversed. The January contract was up again at Rs 215.87 by the week-end (27th). Far more significant than the price rise was the improvement in market sentiment. The turn in sentiment was not due to any exciting performance on the export front; nor did it represent any revision of crop ideas because of the recent rather unseasonal rains in some of the producing centres. The groundnut crop is good — larger than in the previous season, though not perhaps large enough to take care of increased internal demand and export requirements. Notwithstanding forecasts of a larger crop, arrivals are said to be smaller than what they were at this time last year.

Market reports suggest that certain north Indian bulls have gained an upper hand over the financially more powerful Bombay bears and they are now out for a showdown. Because of the relative strength in the spot material due to sustained good demand from crushers and vanaspati manufacturers and fairly encouraging export prospects, the bulls do not seem much bothered by the approach of delivery period. It is worth noting that the inferior Kanpur Bold ready which was quoted last year at a discount of about Rs 14 per 250 kgs below the futures contract is quoted only about Rs 5 lower at present. This is an important point in favour of the bulls of groundnut. The volume of outstanding business in groundnut futures is said to be quite heavy. It is too early to predict the outcome of the present bear-bull tussle.

Except for groundnut, speculative business in other oilseeds was extremely poor. Fluctuations were narrow and net changes over the week were negligible. Castor March moved between Rs 165.25 and Rs 163.75, linseed March between Rs 36.06 and Rs 35.84 and cottonseed January between Rs 93.50 and Rs 95. The slightly steadier tendency was due more to scarcity of offerings than to any revival of fresh bull support.

The reported failure of a big American firm dealing in vegetable oils and their end-products and its impact on some of the prominent U K firms having close business relations with India were the main topic of discussion among the Indian shippers last week. Exporters were inclined to mark time and adopt a cautious attitude in regard to fresh business. Export activity during the week was therefore restricted. Groundnut extractions were barely steady. Buyers were reserved. Czechoslavakia, Poland and Bulgaria made small purchases. Groundnut expellers were easier due to improved offerings because of increased crushing activity. Prices are expected to steady up when Russia and some of the other Communist countries enter the market for extractions. Groundnut HPS were inactive, with the U K and the Continent picking up modest quantities. Hardly any business was reported in groundnut oil. Sales in castor oil were estimated around 500 tons, mostly to the U K. Castor oil Commercial fetched about £ 107 per ton. Stray business in linseed cake added up to a few hundred tons and the price was mentioned around £ 36-10 per ton. Cottonseed cake continued to evoke good interest but the prices realised were easier, January-March shipment being quoted around £ 31-10.

Business Notes

Scindia Steam

THE operating results of Scindia Steam Navigation Co for the year ended June 30, 1963, have shown satisfactory improvement. The earnings of the Company rose by Rs 1.21 crores to Rs 18.22 crores. Freight and passage income contributed Rs 1.19 crores to the additional earnings. Income from investments was up by Rs 13.89 lakhs, but other receipts were down by Rs 12.25 lakhs, these two sources adding between them only Rs 1.64 lakhs to the extra revenues. On the debit side, expenses and provisions also shot up by about Rs 1 crore. A rise of Rs 68 lakhs was due to taxation which was nil in the previous year. The rest of the increase was spread over items like floating and shore staff costs (Rs 20 lakhs), cargo and steamer working expenses (Rs 13 lakhs), establishment and other charges (Rs 2 lakhs) and Directors' fees and remuneration (Rs 1.4 lakhs). Depreciation absorbed Rs 3 lakhs less and interest payments were also lower by Rs 1.8 lakhs.

The balance of profit was thus higher by Rs 21.48 lakhs at Rs 70.24 lakhs. After including the previous year's balance of Rs 2.83 lakhs and transferring Rs 9 lakhs to Special depreciation, the amount available for disposal came to Rs 64.07 lakhs from which the Directors have recommended dividend at Re 1 per share, subject to tax, (as against 60 nP per share last year) absorbing Rs 56.32 lakhs. Of the dividend proposed, 18 per cent has been provisionally determined to be exempt from tax.

The improvement in the Company's freight earnings has been due to increase in freight rates in different routes such as America, U K-Continent, including the Indian coast, at different times since end-1961, by 10 to 12.5 per cent. From August 1, 1963, an increased rate has become operative even on the west-bound freight in the India-UK-Continent trades. Coastal operations also gave a better account than before due to improvement in Hooghly drafts, absence of strikes and higher freight rates. Apart from higher freight rates, rationalisation of the Company's fleet and services in the overseas trades also contributed to the improvement in the results.

The Chairman of the Company, Shri D M Khatau in his statement circulated with the Annual Report feels that coastal shipping is still not on a proper economic footing and therefore pleads for restoring the cut of 5 per cent in the coal freight from Calcutta to ports upto Cochin. While Shri Khatau concedes the need for developing tramp shipping, he recommends acquisition and/or building up ships of appropriate size, say about 30,000 d w t if they are to run economically. However, he is not in favour of tramp shipping interests running a parallel service to that of liner vessels, as this would cause a setback to Indian shipping which has now achieved considerable progress in the international trade on account of development of liner services. The Chairman looks forward with confidence to the steady and planned progress of the Indian shipping industry in view of the spurt in the international freight rate and the possibility of a reasonable upward revision in coastal freights which may ensue as a result of examination of the question at present by a Government-appointed Commission.

Jay Engineering Works

JAY Engineering Works has cut the dividend on its equity shares from 15 per cent to 10 per cent for the year ended March 31, 1963. This has been necessitated by a fall of 33 per cent in its net earnings from Rs 30.79 lakhs to Rs 20.65 lakhs. The reduction in net earnings reflects a fall in gross earnings by 18 per cent from Rs 90.26 lakhs to Rs 73.76 lakhs. Although taxation provision was lower at Rs 15.20 lakhs compared with Rs 26 lakhs in the previous year, net profit could not rise as the advantage has been

partially offset by larger depreciation of Rs 32.51 lakhs (Rs 31.47 lakhs) and higher development rebate reserve at Rs 5.40 lakhs (Rs 2 lakhs).

The setback in profits is in spite of larger sales which, including exports and hire purchase, were up by 14 per cent at Rs 10.79 crores, because of a substantial increase in excise and import duties on raw materials and railway freight, the emergency war risks insurance, provisions for provided funds, bonus, etc, and losses incurred by its Hyderabad factory which began operations during the year. A satisfactory, though unprofitable, feature of the Company's operations is its extensive export drive. Exports were up by 20 per cent and were valued at Rs 1.1 crores. This figure would have been higher still but for import restrictions in countries like Burma, Ceylon, Egypt, Cambodia, Yugoslavia, etc. The loss suffered in exports was partly covered by the Company by selling part of its import entitlements.

The Company's subsidiary in Ceylon, the Usha Industries, started operations in April 1962, but not satisfactorily, being very much hampered by import restrictions imposed by the Ceylon Government.

Rajagiri Rubber

RAJAGIRI Rubber and Produce Co has stepped up dividend on its equity shares from 20 per cent to 21.25 per cent for the year ended June 30, 1963. This higher dividend has not stemmed from improved operating results, but is due to a substantial fall in the incidence of taxation. On the credit side, the crop harvested during the year was marginally higher at 845,000 kgs and the yield per hectare improved from 871 kgs to 887 kgs. But on the debit side, cost of production turned out to be higher at Rs 1.90 per kg as against Rs 1.68 per kg, and the average price realised was less at Rs 3.16 per kg as against Rs 3.23 per kg. Rubber sales for the year were well maintained at Rs 26.91 lakhs (Rs 26.69 lakhs), but increased estate expenditure depressed the gross profit from Rs 13.05 lakhs to Rs 10.86 lakhs and also the pre-tax net profit from Rs 10.69 lakhs to Rs 8.05 lakhs.

After taxation provision, which was pruned from Rs 6.60 lakhs to Rs 2.80 lakhs, there was a higher net profit of Rs 5.25 lakhs as against Rs 4.10 lakhs and this enabled the Company to step up the dividend as stated above. The incidence of tax was lower because of the exemption from taxation of the Rehabilitation-Depreciation allowance of Rs 9 per 100 lbs included in the price of rubber, as per the recommendation of the Tariff Commission and the Central Government which the Kerala State Government has accepted effective from the year ending June 30, 1962.

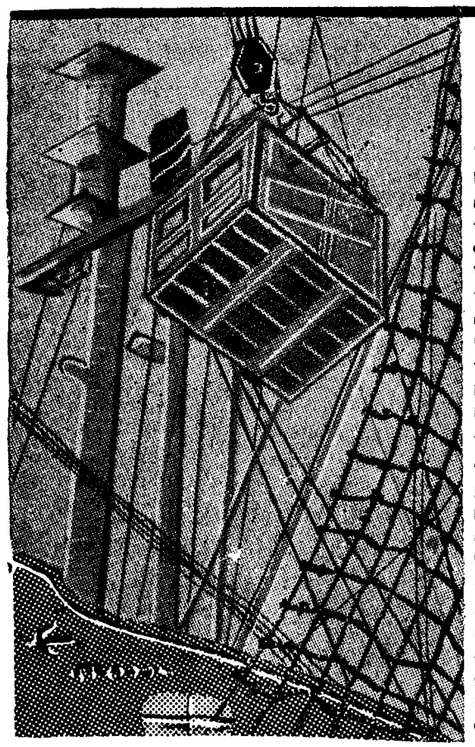
The crop harvested so far in the season 1963-64 is reported to be satisfactory at a cost of Rs 1.91 per kg.

Nelliampathy Tea

NELLIAMPATHY Tea and Produce Co has maintained the dividend on its equity shares at 15 per cent despite a depletion in profits during the year ended June 30, 1963. The tea crop harvested for the year was less at 4.45 lakh kgs (4.69 lakh kgs in the previous year), due to adverse weather conditions and yield per acre was also lower being only 662 kgs as against 698 kgs previously. This apart, the cost of production increased from Rs 2.69 per kg to Rs 3.16 per kg because of higher costs of labour and materials. But the average price realised was also higher at Rs 4.33 per kg compared with Rs 4.22 per kg in the previous year. In respect of the other crops of the estate, production of cardamom was larger while that of coffee went down. On the whole, sales realisation turned out to be somewhat lower at Rs 26.49 lakhs (Rs 27.84 lakhs).

With a general rise in estate expenditure, gross profit receded by Rs 1.38 lakhs to Rs 9.45 lakhs and the net profit almost by a like amount to Rs 6.43 lakhs. However, the Directors could repeat last year's dividend because tax provisions absorbed a smaller amount of Rs 3.20 lakhs (Rs 4.00 lakhs) and, besides, no provisions were made for development rebate reserve or General Reserve and the amount transferred to the dividend equalisation reserve was cut by Rs 30,000 to Rs 1.10 lakhs.

During the 1963-64 season crops harvested so far are reported to be satisfactory.



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CBI/3A/63

Money Market

Thursday Morning,

THERE has been no change in the inter-bank call money rate for over a week now. At the quoted rate of 2.5 per cent demands of banks were fully met. The stringency that was witnessed in the first half of last week did not persist. And the supply position improved in spite of an aggregate fall of Rs 11.74 crores in the deposits of scheduled banks during the two weeks ended November 15, and a rise of Rs 15.64 crores in bank credit during the same period. The demands on scheduled banks have been met by them mostly from their balances with the Reserve Bank and through sale of investments. During the week ended November 15, against an expansion of Rs 7.03 crores in bank credit and a fall of Rs 2.39 crores in deposits, the investments of the banks contracted by Rs 10.11 crores, but their balances with the Reserve Bank showed a smart rise of Rs 12.18 crores. Call and short notice funds raised or advanced by scheduled banks during the same week continued to swell, rising by Rs 2.61 crores to Rs 68.50 crores.

The fall in deposits during the last two weeks referred to above was mainly on account of withdrawal of demand deposits to the tune of Rs 16.11 crores. Time deposits on the contrary rose by Rs 4.57 crores. Heavy withdrawals of demand deposits are to be attributed mostly to beginning-of-the-month requirements and to tax payments due this month, the latter being reflected in the rise in the Central Government's deposits.

Crop movement seems to have been delayed somewhat on account of unseasonal rains and credit demand on that account has been slow to pick up. Even otherwise, since the resources position of scheduled banks is generally comfortable at present there is no reason to expect that money will get stringent in the near future. Call money rate, therefore, may be expected to rule steady around the current rate.

The easy monetary conditions were also reflected in larger tenders for Treasury Bills during the week. As against Rs 2 crores invited, the amount offered was Rs 4 crores, but the tenders fetched a higher discount at 2.320 per cent as against 2.318 per cent on the previous occasion. Intermediates sold during the period from November 20 to November 23 netted Rs 2.57 crores a slightly smaller amount than earlier (Rs 2.64 crores).

Call money rates in Calcutta moved within a higher range than in the previous week, between 1.5 and 3 per cent, but the market betrayed no signs of stringency.

The prevailing slackness in the demand for funds is also reflected in the latest statement of the Reserve Bank for the week ended November 22. Notes in circulation contracted by Rs 10.95 crores as against an expansion of Rs 42.62 crores during the preceding two weeks. Note issue was less by Rs 9 crores, the balance of Rs 1.95 crores having gone to the till of the Banking Department. Rupee securities of the order of Rs 10 crores, therefore, have been withdrawn from the Issue Department, but rupee coins of the value of Rs 1 crore have been acquired by the Issue Department to make up the deficiency. Investments of the Bank show a corresponding rise of Rs 9.77 crores.

The Central Government's deposits have recorded a sharp rise of Rs 22.30 crores while those of State Governments show a fall of Rs 8.93 crores. However, loans to Governments have increased by Rs 3.97 crores. Scheduled banks' deposits fell by Rs 10.26 crores during the week, but their borrowings were also reduced by Rs 2.06 crores. Bills purchased or discounted by the Bank have also gone down by Rs 7.22 crores. Balances held abroad have moved up by Rs 1.06 crores.

Steady conditions prevailed in the securities market during the week. The 3 per cent Conversion Loan was done upto Rs 66. Short-dated loans improved fractionally. State loans continued to evoke enquiries at quoted rates.

CURRENT STATISTICS

BANKING RETURNS

(Rs crores)

Reserve Bank	Nov 22	Nov 15	Oct 25	Nov 23, '62
1 Note circulation	2275.59	2286.54	2251.38	2067.90
2 Rupee coin	119.34	118.35	120.65	123.86
3 Deposits				
(a) Central Govt	73.05	50.75	47.97	65.32
(b) Other Govts	11.62	20.55	14.80	5.71
(c) Banks	87.43	97.59	120.57	83.17
(d) Others	165.53	164.23	161.13	163.46
4 Foreign securities	92.46	92.46	92.46	88.08
5 Balance abroad	10.34	9.28	9.94	6.06
6 Rupee securities	1959.31	1969.31	1939.31	1753.29
7 Investments	273.30	263.53	236.79	203.33
8 Loans and advances to Govts	58.30	54.53	63.48	42.42
9 Other loans and advances	139.63	142.80	138.79	148.18

Scheduled *Banks*	Nov 15	Nov 8	Oct 18	Nov 16, '62
1 Aggregate Deposits (net)	2230.94	2233.33	2216.07	2050.25
Demand (net)	970.42	977.52	962.80	801.89
Time (net)	1260.52	1255.81	1253.27	1248.36
2 Cash in hand	53.86	56.04	56.98	49.80
3 Balance with Reserve Bank	92.82	80.64	75.20	84.90
4 (2)+(3) as % of (1)	6.57	6.12	5.96	6.57
5 Borrowings from Reserve Bank	2.25	0.61	1.94	2.48
(a) Against usance bills and/or promissory notes	0.17	—	—	0.41
(b) Others	2.08	0.61	1.94	2.07
6 Advances	1244.05	1239.85	1246.51	1152.51
(a) State Bank	239.60	235.93	236.60	240.90
(b) Others	1004.45	1003.92	1009.91	911.61
7 Bills discounted				
(a) Inland	181.19	178.98	173.10	162.60
(b) Foreign	58.22	57.60	56.39	51.40
(c) Total	239.41	236.58	229.49	214.00
(i) State Bank	18.69	17.97	14.95	17.02
(ii) Others	220.72	218.61	214.54	196.98
8 (6)+(7) as % of (1)	66.41	66.11	66.60	66.65
9 Investment in Govt securities	763.26	773.37	769.09	684.65
10 (9) as % of (1)	34.21	34.63	34.71	33.39

Bombay Money Rates

(Per cent per annum)

	Nov 15	Nov 8	Oct 18	Nov 16, '62
Call money from Banks	1.83	1.55	2.37	3.67
Deposits				
Seven days	3.00	3.00	3.00	3.00
Three months	—	—	3.50	—
Six months	3.75	3.75	3.75	3.75

Summary of the Latest All-India Crop Estimates 1962-63

Area (thousand acres)

	Current estimate	Previous year's corresponding estimate	Percentage increase or decrease
Rice	80,496	79,624	+ 1.1
Jowar	42,281	41,211	+ 2.6
Bajra	25,569	27,211	— 6.0
Maize	10,738	10,735	—
Ragi	5,079	5,064	+ 0.3
Small millets	10,324	10,441	— 1.1
Wheat	33,018	32,995	+ 0.1
Barley	7,590	8,020	— 5.4
Gram	22,835	23,250	— 1.8
Tur	5,648	5,611	+ 0.7
Other kharif Pulses	13,046	13,247	— 1.5
Sugarcane	5,489	5,954	— 7.8
Tobacco	940	941	— 0.1
Potato	854	768	—11.2
Groundnut	16,407	15,869	+ 3.4
Sesamum	5,989	5,547	+ 8.0
Rapeseed and mustard	3,090	2,721	+13.6
Linseed	3,076	3,001	+ 2.5
Cotton	19,041	18,648	+ 2.1
Jute	2,095	2,280	— 8.1
Mesta	861	960	—10.3
Sannhemp	782	822	— 4.9

Source : Economic and Statistical Adviser to the Government of India, Ministry of Food and Agriculture.

Joint Stock Companies

New Registrations and Liquidations

(Rs Lakhs)

	Aug '63	July '63	Aug '62	1962 (Average)
Incorporated and registered				
No of companies	104	89	158	128
Authorised capital	41,94	12,39	23,20	25,82
Ceased to work				
No of companies	33	97	79	94
Paid-up capital	105	52	95	55
Over-all variation in paid-up capital of all companies	—	+23.26	+15,32	+15,05

Source : Department of Company Law Administration, Ministry of Commerce and Industry.

Foreign Exchange Reserves

(Rs Lakhs)

End of	Amount	variations over the previous year/month
1963: Sep	267,13	+ 9,92
Aug	257,19	— 5,04
1962: Sep	245,78	+ 5,35
Aug	240,44	— 2,92
1962-63	295,10	— 2,21
1961-62	297,31	— 6,30
1960-61	303,61	— 59,26
1959-60	362,87	— 16,05
1958-59	378,92	— 42,30
1957-58	421,22	—259,86
1956-57	681,10	—143,51
1951-52	786,69	—164,72

Source : Reserve Bank of India.

RAILWAY WAGONS LOADED

(In Terms of '000 4-Wheelers)

Aggregate from April 1 to September 30, 1963

	Broad Gauge			Metre Gauge		
	1962-63	1963-64	Increase (+) or decrease (—) percentage	1962-63	1963-64	Increase (+) or decrease (—) percentage
Revenue-Earning *Traffic*						
Coal and coke for public	774.2	883.4	+14.1	135.4	157.0	+16.0
Grains and pulses	207.6	243.6	+17.3	188.4	202.0	+ 7.21
Oilseeds	26.6	28.3	+ 6.41	28.3	30.9	+ 8.83
Raw cotton	10.3	9.7	— 5.75	9.2	7.9	—13.9
Cotton manufactured	5.5	4.8	—12.4	1.3	1.6	+15.8
Raw Jute	31.8	24.1	—24.2	33.1	26.2	—20.9
Jute manufactured	3.0	3.4	+13.8	2.9	2.1	—27.6
Sugar	35.8	32.9	— 8.20	40.7	38.2	— 6.20
Sugarcane	11.7	0.2	—98.7	72.3	2.9	—96.8
Cement	94.5	107.6	+13.9	87.9	86.8	— 1.81
Iron and steel						
Pig iron	20.6	26.2	+27.4	3.7	3.0	—19.9
Others	166.4	201.3	+21.0	36.7	36.3	— 1.23
Tea	5.8	6.4	+10.9	10.5	10.3	— 1.69
Metallic ores						
Manganese ore	30.8	24.0	—22.0	7.5	5.2	—31.0
Iron ore	289.3	342.6	+18.4	34.2	37.6	+ 9.97
Others	14.4	15.1	+ 5.13	12.1	9.8	—18.9
Limestone and dolomite	134.2	127.5	— 5.00	38.2	36.6	— 4.27
Miscellaneous full wagons	797.7	894.0	+12.1	620.8	681.4	+ 9.75
Miscellaneous smalls	163.6	160.3	— 2.04	136.6	131.1	— 4.02
Non-Revenue Traffic						
Coal for home line	144.3	156.8	+ 8.63	138.9	136.1	— 2.02
Coal for other Govt, railways and *manufacturing* units	247.2	264.1	+ 6.82	10.8	20.6	+90.7
Other stores	102.2	130.8	+28.0	74.9	111.4	+48.9
TOTAL	3317.5	3687.0	+11.1	1724.5	1774.2	+ 2.88

Source : Ministry of Railways (Railway Board).

INDUSTRIAL FINANCE CORPORATION

Liabilities and Assets

(Rs Lakhs)

	Figures for the last Friday of			
	Sep '63	Aug '63	July '63	Sep '62
Liabilities				
Reserve funds	2.85	2.85	2.85	2,16
Reserve for doubtful debts	14	14	14	14
Provision for taxation	1,44	1,44	1,44	1,17
Bonds and debentures	28,24	28,24	28,24	22,24
Borrowings	27,07	27,07	26,93	20,47
(i) From R B I	—	10	—	—
(ii) From Govt	24,75	24,75	24,75	19,75
(iii) In foreign currency	2,32	2,22	2,18	72
Other liabilities	24,12	23,91	22,90	20,43
Total liabilities or assets	83,87	83,67	82,52	66,05
Assets				
Cash in hand and balances with banks	52	1,65	1,94	90
Loans and advances	60,47	59,52	59,58	51,02
Other assets	22,88	22,49	21,90	14,13

Source : Reserve Bank of India.

STATE FINANCE CORPORATIONS

Liabilities and Assets

(Rs Lakhs)

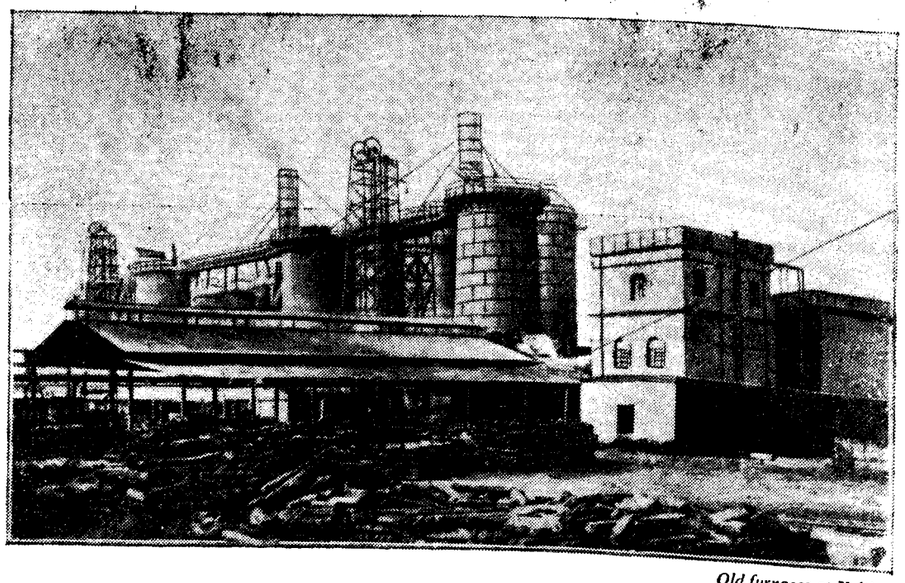
	Figures for the last Friday of			
	Sep '63	Aug '63	July '63	Sep '62
No of SFCs	15	15	15	15
Liabilities				
(i) Paid-up capital	15,32	15,32	15,32	15,11
(ii) Reserve fund	17	17	17	14
(iii) Provision for bad and doubtful debts and other reserves	39	38	35	21
Bonds and debentures	18,48	18,48	18,48	16,48
Other liabilities	18,53	18,01	17,67	11,44
Total liabilities or assets	52,89	52,36	51,99	42,98
Assets				
Cash in hand and balances with banks	3,39	3,71	4.33	5,99
Investments in Government securities	4,34	4,34	4,29	4,42
Loans and advances	35,40	34,78	33,82	26,41
Debentures	22	22	22	23
Other assets	9,54	9,31	9,33	5,93

Source : Reserve Bank of India.

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THE FLUX AT KULTI



Old furnaces at Kulti

By general consensus of opinion, Josiah Marshall Heath, a superannuated civil servant of the East India Company, was the first to produce steel in India by modern methods at the Indian Iron, Steel and Chrome Company which he set up in 1830 at Porto Novo in south Arcot.

India's nascent steel industry blundered on through many heart-breaking errors and failures until 1876 when the Bengal Iron Works erected, in the jungles of Kulti, two small open-top furnaces powered by a single blowing engine and charcoal-fired boilers. Welcoming this "economic revolution in the country," *The Statesman*, in its issue dated March 8, 1876, said: "... if these new works are but successful with the flux, India will at no distant date supply herself with her own iron, in place of importing it from Europe" thus speeding "the redemption of the people from poverty".

In 1892, the managing agency of these early works at Kulti passed to Martin & Co. Progressing steadily since then and continually expanding its iron-making and foundry facilities, the Kulti Works were merged in December 1936 with The Indian Iron & Steel Co. Ltd., already in operation at Hirapur under Burn & Co.'s managing agency.

Today, The Indian Iron & Steel Co. Ltd., with fully modernised and integrated works at Burnpur and Kulti and with their own ore-mines and collieries, stand a fitting monument to the perseverance and toil of the early engineers and pioneers and as an abiding testimony of the vital role played by the Company in the development of India's foremost basic industry.

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Kamaraj Plan for Planning

IT is rare indeed for Parliament to be concerned, not to speak of being excited, about the performance of the Plan. The Lok Sabha or the Rajya Sabha usually gets excited only about something specific, concrete and definite, about a particular order or policy, relating often to comparatively trivial things. The concern of the Parliament in matters relating to the public at large rarely goes beyond high prices of foodgrains in particular, or misbehaviour of prices in general. Rural unemployment, the supply of drinking water in the villages or non-availability of credit for small-scale industries, unemployment among goldsmiths resulting from gold control, and above all, the price of sugarcane — such specific, limited problems concern Parliament. Not the progress of the Plan or shortfalls in Plan performance taken as a whole. Who bothers? The Plan is safe in the hands of Nandaji and Tarlok Singh. There is little to be gained by harping on the jolts and jerks with which the Plan is proceeding.

It is for the first time that Parliament has been made to sit up and take notice — so dismal have been the results of the mid-term appraisal of the Third Plan. The members of the Congress Parliamentary Party Executive are reported to have expressed concern at the serious shortcomings noticed and some of them have given notice of a resolution that a Committee should be set up to suggest steps for the effective implementation of the Plan. Some of the members went so far as to suggest that the Planning Commission should submit an annual report on the progress of the Plan.

No longer an angry young man, Pandit Nehru temporised. True, there were shortfalls in several spheres, but the achievements, he said, were not inconsiderable and should not be overlooked. He admitted, however, the need to get the administrative machinery of the Plan out of the rut into which it has fallen, but added that there was nothing wrong with the personnel concerned. If the Plan is all right and if there is nothing wrong with the Planning Commission, how come that the performance is so poor? Among the members of the Congress Parliamentary Party, the voices of dissent continue to be heard, which is hopeful.

That Shri Asoka Mehta takes over as the chief executive of the Planning Commission in a situation like this is all to the good. It is something that the Parliament is at last getting concerned. Foreign aid and American agricultural surplus have given the country such a long rope that the Indian economy seemed to be able to drag on indefinitely, bumping along the bottom, retaining for itself the unique distinction of having the best of expertise, generous foreign aid, a near perfect Plan and about the lowest growth rate among the underdeveloped countries of the world.

Commenting on the then prevailing grim situation, a contributor made the gloomy forecast in these columns a year-and-half ago that "It would only need a bad harvest to submerge the country under a crisis much more ominous than the one of five years ago. The first year of the Plan has gone by, and there is as yet scarcely any sign

that the economy is gathering adequate momentum for reaching the posited aggregate rate of growth of around 30 per cent" ("Overhaul Planning", June 23, 1962). Instead of the first year, more than half the Plan period has gone by. It is now certain that the aggregate rate of growth expected for the Third Plan will never materialise. And we had another bad harvest. But nothing much has happened. There were food riots in Calcutta, sugar is even today unobtainable in many parts of the country. But so what? The country jolts along and so does the Plan.

Does Asoka Mehta's appointment as the Deputy Chairman of the Planning Commission presage something like the application of the Kamaraj Plan to the sick process of planning? Does it hold out the hope of some day pulling planning out of the rut into which, even Pandit Nehru admits, it has sunk? The new executive of the Planning Commission will have a herculian task to perform. He has the country's goodwill behind him. Let us hope that he will have Panditji's fullest support in carrying out the hard decisions the execution of which cannot be painless but without which planning cannot be lifted from its present rut.

Changing Cambodian Wind

CAMBODIA does not feature large or frequently in the world press, yet recent events there are indicative of the general realignments taking place in the world and, in particular, in South-East Asia. Prince Sihanouk, Chief of State, has achieved a certain uneasy stability amid the tumult of Indo-China, and, despite some lack of realism in financing, his first Five-Year Plan (launched in January 1960) is beginning the slow task of building communications and industry, as well as intensifying the drive to educate the people (the literacy rate is already claimed to be 90 per cent). The Cabinet formed in October under Prince Norodom Kantol (a cousin to Prince Sihanouk) reflects the earnestness of the economic endeavour — its average age is under 35 years, and many of its prominent members, entirely new to Ministerial office, are drawn from the leftist opposition and are among Cambodia's leading technical experts. Indeed, this combination of a technocratic and progressive Cabinet governing a country ruled in the first instance by a virtually feudal aristocracy must inevitably lead to some friction, and, in the context of Indo-China, probably a domestic power struggle that fits into the familiar pattern of Communist-neutralist-American factions, as in Laos. In June, the legislature sought to censure two prominent leftist Ministers, and, in one case, succeeded.

It is thus hardly surprising that the vagaries of domestic power have impelled Cambodia to tack back and forth between the two giants that overshadow Indo-China: China and the United States. Prince Sihanouk's immediate need is for peace (if only to secure his own rule), yet his borders touch two pillars of American orthodoxy, Thailand and South Vietnam. This contiguity along with general instability inevitably impel allegations and counter-allegations of border violations. Thai and Cambodian claims to the Preah Vihar temple were settled (with difficulty) in Cambodia's favour by reference to the Hague Court, but this has not stopped friction. In August, Sihanouk accused Thailand of threatening open aggression, and reported to the United Nations the presence of a Thai fifth column in the south-west province of Kah Kong (a charge denied by Bangkok). Similarly, while Sihanouk has criticised Viet Cong pressure on South Vietnam, his main target has been alleged violations of his border by Saigon forces. In addition, Sihanouk accuses the United States of supporting a South Vietnam-based rebel organisation, Khmer Secret, which beams anti-Government broadcasts to Cambodia. On August 27, Cambodia severed all relations with South Vietnam.

Like his Laotian brother Prince, Souvanna Phouma, Sihanouk earlier saw a solution to his problems in a Great Power agreement to guarantee Cambodian neutrality and, therewith, the domestic *status quo* (including the power of the Sihanouk family). Although the Communist powers favoured this (presumably on the calculation that the *status quo* was the best they could hope for at present), the West was unenthusiastic (presumably on the reverse speculation) and consequently the plan died. But friction continued and was intensified by the coup in South Vietnam which vividly demonstrated the mortality of those who defy Washington. Expanded US aid to Saigon increased Cambodian fears, much as aid to India increased Pakistani hostility.

US aid to Cambodia, some modest bribe by Washington to smooth the Balkan friction, was running in 1962 at some 29.1 million dollars of economic aid (roughly comparable to civil US aid to Laos or Taiwan) and 9.4 million dollars of military aid. However, Cambodian dependence was not as complete as that of some countries — for example, only 15 per cent of her imports were met with American funds. In the April Budget, imports of some consumer goods attracted steep new taxes, and Sihanouk stressed the need to meet his current Budget deficit from internal resources and by spreading Cambodian dependence very wide. Czechoslovakia (not China) is the biggest current Eastern supplier of goods to Cambodia (and received in return equal value in agricultural produce, mainly cereals). France is still the largest overall source of Cambodian imports. Japan is third after the United States. However, since the 1956 commercial treaty with China, ties with Peking have been strengthened. The treaty was recently extended upto June 1964, and in February last Prince Sihanouk visited Peking. China is currently supplying substantial technical help, and has undertaken the construction of four projects (one, an iron mine, had recently to be scrapped for shortage of fuel). In addition, the Russians have helped, delivering early in September three MIG-17 fighters, and 24 radar equipped anti-aircraft guns.

This multi-dimensional dependence permitted Cambodia (unlike Pakistan) to cash its threats — Cambodia has now renounced all US aid, and ordered American (and French) troops to leave, at the same time asking China to supply technical experts to guide Cambodia's public sector. In addition, Sihancuk suggested that "the France of De Gaulle" might replace some of the assistance from Washington. Whether this apparently violent change was an immediate response to an attempted CIA-sponsored coup is not clear. Certainly, there have been rumours of an imminent coup, and Sihanouk, to foil any attempt to defeat his policy by assassinating him, has appointed his eighteen-year old son, Prince Narapido (currently studying in China) as his successor to the leadership of the ruling Sangkum party (Popular Socialist Community).

On the face of it, then, Cambodia has taken a step towards the East. Yet if Sihanouk and his family remain in power, this step is not likely to mean very much. France is as prominent as China in Cambodia and the two cancel out each other (unless, of course, the two rebels of East and West achieve their rumoured *detente*). Sihanouk's potpourri, 'a nationalist policy within the framework of Buddhist Socialism', it appears, may have a few more years in which to prepare his country for release from the past.

Voting Rights of Trusts

IN the discussions of the Bill to amend the Companies Act, in Parliament and outside, attention has been almost wholly concentrated on the changes proposed in the institutional set-up for administering company law. In the process, a vital and far-reaching change proposed in the Bill has been virtually ignored. This is the move to take over the voting rights of trusts.

The Bill requires trustees to declare the beneficial ownership of shares held in their names (section 153 A) and confers upon Government the power to take over the voting rights of the trustees (section 187 B). Under section 153 of the Companies Act, a trust cannot be registered as a shareholder and neither the company nor the Registrar can receive notice of any trust, express, implied or constructive. Under the new section 153 A now proposed, a notice of trust will have to be given by trustees to the company in which they are registered as shareholders as well as to the Registrar. This notice is required when the trust is created by instrument in writing and when its investment exceeds a specified amount. Presumably, the new section 153 A will not, therefore, apply to the shares registered in the names of banks or nominees. To that extent, the practice of *benami* ownership will continue. The purpose of the amendment is, apparently, limited to securing, wherever necessary and desirable, the voting power attached to trust holdings, without taking over the holdings and paying compensation for them.

The creation of trusts is a widely used device to perpetuate family wealth and control over business and relieve the assets thus held of the tax burden. It is impossible, in view of section 153, to estimate precisely the extent of trustee ownership of share capital in India. In the 20 groups of companies which he studied, R K Hazari estimated trustee holdings at a *minimum* of 3 per cent of the total share capital of 1,079 companies, and 8 per cent of the controlling block in 888 companies, in 1958. Since trust holdings are not registered as such, the actual holdings of trusts must be much higher than these proportions suggest. In the Tata, Birla, J K, Shri Ram and Mafatlal groups, particularly, trusts play a key role in the holding of controlling blocks. The new section 187 B will, at one stroke, make this device inoperative, so far as the ownership and control of companies are concerned. Tata Sons, which is the fountainhead of control in the Tata group, and more than 80 per cent of the share capital of which is owned by trusts, has already announced its intention to change the pattern of its ownership "not involving any change in the controlling interest" (further details have not been disclosed). The shares can be transferred to other companies in the group in order to prevent Government from acquiring majority voting rights.

There is room for doubt about the constitutional validity of this amendment. That is a matter for legal experts to thrash out and finally for the Supreme Court to decide. It is certainly a revolutionary and far-reaching piece of legislation with deep social import, which only an intelligent and imaginative Finance Minister could have proposed. Its stated purpose of "preventing the use of trust funds to advance the personal interests of donors" can, however, be negatived to the extent that 'crucial' trust holdings are transferred to companies within the same controlling group. This will lead to a further growth of inter-corporate investment, the dividends from which will at least be liable to tax, unlike trustee holdings which are exempt from tax.

What does Government propose to do with the voting power which it will acquire and who will exercise this power on behalf of Government? These questions have neither been raised nor debated. The Life Insurance Corporation is a large shareholder in many companies. It owned nearly 5 per cent of the total share capital of the companies studied by Hazari in 1958, 3 per cent of the equity and 13 per cent of preference shares. The proportion must be higher now. This has made no difference to the management even in those companies in which the LIC holds large blocks of shares. LIC is just an investor and hardly ever uses its voting power. Government will now acquire voting rights without actually holding any shares. Its role, therefore, cannot be purely that of an investor as in the case of LIC. In what sort of situation will the Goverament exercise its voting powers, for what purpose and to what effect?

The Economic Weekly

Foreign Subscription Rate

Due to increase in foreign postal rates it has been found necessary to revise our foreign subscription rate. With effect from July 1963, the annual foreign subscription is Rs 34, 50s or $ 7.

A FERNANDES
Business Manager

Weekly Notes

Nagaland

NAGALAND, formally inaugurated by the President of India on last Sunday, is the youngest and smallest State of the Union — and, incidentally, also the only non-Hindu State. For, the majority of the population of 3.7 lakhs — less than that of many cities in other parts of the country! — are Christians.

The progress of the Naga people towards State-hood began in 1957 when the Naga Hills District was detached from Assam and all Naga areas were consolidated into one territory directly under the Central Ministry of External Affairs. The agreement with the leaders of the Naga National Convention followed in 1960 under which the Government of India formally accepted the demand for a separate Naga State within the Indian Union. A beginning was made towards self-government with the setting up of an Interim Body and an Executive Council whose powers were progressively enlarged till the Council began to function virtually as a Cabinet with a fu'l-fledged secretariat, headed by a Chief Secretary, at Kohima, and the Interim Body became a *de facto* Assembly.

In September 1962 Parliament passed bills amending the Constitution to create Nagaland as a separate State. Nagaland will be represented in the Lok Sabha and the Rajya Sabya by one member each and will have a Legislative Assembly consisting of 46 members, 40 of whom wi'l be directly elected from two of Nagaland's three districts — Kohima and Mokokchung. The remaining six members will be from the third district, Tuensang; they will be elected, however, by the regional council of the district. As in other States, the executive will consist of a Council of Ministers. Nagaland will, however, share its Governor and High Court with Assam. Elections to the Assembly are scheduled for early next year. In the meanwhile, the interim Government will carry on.

The abnormal conditions prevailing in Nagaland, mainly created by the activities of hostile Nagas, and the re'ative backwardness of the Tuensang district compared to the other two districts, have made it necessary to write certain special provisions into the Acts creating Nagaland. For the time being the Governor of the State will have special powers in regard to law and order and finance. These powers will be relinquished when the President of India decides that the situation in the State has become normal. The other special provision relates to the district of Tuensang which will have a separate regional council. No act of the Nagaland Assembly will apply to the Tuensang district unless the Governor, on the recommendation of the regional council, specifically permits it.

Agriculture is the mainstay of the Naga economy, with 80 per cent of the population directly dependent on it. Yet, out of a total cultivable area of 7 lakh acres less than 2.2 lakh acres are at present cultivated. Of this, a large part is under a type of shifting agriculture, known as jhum farming. Immediate efforts to develop agriculture must take the form of shifting the agricultural population from jhum farming to settled terrace farming which is practised on a significant scale only in the Kohima district at present. As for industrial development, the only readily available source on which industries can be based are the forests of the lowlands. Other natural resources remain to be mapped, even roughly.

For the time being, however, the focus of interest will continue to be the problem created by the Naga rebels, led by Phizo, who demand complete independence for the Nagas. As a result of the folly of the Government's policy, in the immediate post-independence period, of trying to assimilate the Nagas into Assam, the situation had so deteriorated by 1956-57 that it could be said that there were few Nagas who were not hostile to India at that time. It took the Government a decade almost to realise the futility of this policy and to reverse it in 1957. If the Government can today claim that the number of active Naga rebels has been reduced from 15,000 to less than 2,000 the credit must go, whatever the success of the Indian army's military operations, to this reversal of policy.

The problem, however, is by no means solved. What has been achieved is the isolation of hostile Nagas, but the resistance of these hard-core rebels is not broken yet as was evident from the almost total failure of the Interim Government's offer of amnesty made earlier this year. Military operations against the rebels will, therefore, continue, but the degree of immunity of the mass of the population to their blandishments will depend largely on the success of the popular Government which will come into being after the elections next year. Fortunately, the experience of the past three years gives much cause for optimism.

Africa Shows the Way

A Correspondent writes from Addis-Ababa :

FRONTIER disputes are as old as settled human existence. Each century has produced its own disputes and the history of the world up to the nineteenth century is replete with frontier conflicts. The League of Nations during its existence handled some 27 major disputes concerning frontiers, but managed to solve just one, that between Greece and Bulgaria in 1925.

The Extraordinary Session of the Council of Foreign Ministers of the Organisation of African Unity called to discuss the frontier dispute between Algeria and Morocco was a turning point in the contemporary history of Africa. It took the representatives of 31 States exactly twenty-four hours to appoint an *ad hoc* seven-nation Commission of Arbitration. Of course, much of the preparatory work among the Arab countries had already been done in Bamako — significantly enough, by the leaders of black Africa south of the Sahara. Why then did Foreign Ministers of thirty-one States take the trouble of gathering here ?

The reason is simple enough. Ever since the African Heads of States' Conference in May, there has been much talk of the failure of the efforts to unite Africa. It has been said that African unity is a 'myth' and that African leaders are 'immature', 'infantile' or 'dreamers' — the last epithet being used in a derogatory sense. But, in fact, within a short period of six months, the newly-established Organisation of African Unity has to its credit a series of successes, notably the creation of a Liberation Committee in Dar-es-Salam. Despite these achievements, Western diplomats have expressed their 'amazement' at the successful outcome of the meeting of the Council of Foreign Ministers, for their basic assumption that "immature" Africa, left to itself, cannot solve its problems was challenged.

The keynote of the Foreign Ministers' Conference was African unity; the emphasis was on solving African problems "within the framework of the OAU Charter". No speaker failed to refer to the "Africanness" of the problem under consideration and the solution. The atmosphere of goodwill at the conference was unmistakable. The fact that the specific dispute before the Conference was from the Maghreb lost its prominence and there was no indication, if one is to judge from this Conference, that Arab and African nationalisms are mutually exclusive.

The Algerian Foreign Minister referred to the Moroccans as 'brothers' during press conferences. He reduced the frontier question to insignificance when speaking of an "African solution for African problems". Throughout the press conferences, African spokesmen took the position that if two parties said there was a dispute, it existed. There were several references to those who had created the frontiers between African countries. It was emphasised that the politico-economic reasons for which they were drawn no longer existed today and it was reiterated that any problem, minor or major, could be solved according to the provisions of the OAU Charter. Africans had great problems of development to absorb their attention instead of getting involved in petty squabbles over frontiers.

No one who sat through this conference could miss its principal lesson. This was that never again will Africa tolerate outside interference in its problems, no matter what form such interference took. It was repeatedly emphasised that it is foolish for Africans to fall into the traps set by 'outsiders' and start fighting over legacies left by the imperialists. This is a lesson which statesmen in Asia would do well to learn.

Company Law Administration

A CAREFUL reading of the provisions of the Companies Amendment Bill, now available, does not support the tall claims made by the Finance Minister in Parliament when introducing the bill. The proposed Company Law Board is not meant to integrate the regulation of company affairs. On the contrary, it clearly appears to be a move to fragment and 'personalise' the administration of company law.

The Board will be a statutory body all right, but it will not be the autonomous body that was recommended by the Bhabha Committee. It will not even have the powers which were vested in the Company Law Department. The Company Law Department exercised all the powers of Government under the Companies Act. The Board might be given the power to regulate stock exchanges which the Company Law Department did not have but, as the amending Bill specifically lays down, it will not have any of the discretionary powers possessed by Government under the Companies Act.

Section 637 of the Companies Act 1956 provides that Government may, by notification, delegate any of its powers to a specified authority but shall not delegate its powers and functions in regard to some fifty-two important sections and sub-sections of the Act. These sections cover nearly all the powers of approval, exemption, investigation and prosecution that the Government has. The more important ones relate to :

Approval of appointment and remuneration of Managing Agents, Managing Directors, etc., and change of constitution of Managing Agents;

Approval of inter-company investments, and loans to Managing Agents, Directors and their associates;

Preventing undesirab'e persons from taking over control of a company, and permitting reinstatement of directors disqualified on grounds of criminal offences, bankruptcy, etc;

Exemption of certain companies from provisions requiring (i) termination of disproportionate voting power; (ii) standardised presentation of accounts; and (iii) disclosure of interest in subsidaries, and related matters;

Preventing directors from voting at board meetings on matters in which they are interested;

Inspection, investigation and prosecution of companies on the initiative of shareholders or Government itself; and prevention of oppression of minority shareholders;

Prohibition of appointment of managing agents in specified industries; and

Presentation of an annual report on the administration of the Act to Parliament.

Since the Company Law Department was a Department of the Government, this reservation did not limit its powers under the Act. With the setting up of a Board, one would have expected Government to delegate to the Board all the above-mentioned powers, except in regard to the last two, which involve matters of policy and accountability to Parliament. The Bill explicitly withholds all these discretionary powers from the Board. Where we had a single department before, we will now have

(1) A Department of the Ministry of Finance (i) to look after policy matters, (ii) to seek the advice of the Company Law Advisory Commission on matters specified under the Act, e g, appointment of managing agents, their remuneration, etc, (iii) to refer cases of mismanagement to the proposed Tribunal which is to try company offences. and (iv) to appoint and, presumably, supervise the work of Registrars;

(2) A Company Law Board to perform high level clerical work; and

(3) A quasi-judicial Tribunal which will take over nearly all company law matters from courts and also advise Government on the removal of offending persons from the management of companies.

If this is integration, then the Finance Minister has made a distinct contribution to semantics.

The organisational set-up of company law administration is a matter of minor importance, which is not worth much discussion in Parlia-

ment or by the public — that is how the Finance Minister wants to let it appear. Behind the facade of a quasi-judicial Tribunal, the Finance Ministry will do what needs to be done in the matter of company law administration. The purpose of constituting the Company Law Board is not to delegate authority to a body of competent and independent persons but to separate power from responsibility, and to concentrate power in the hands of the Finance Ministry.

EEC's Meagre Concessions

INDIA'S disappointment at the long-awaited tariff concessions by the European Economic Community is two-fold. First, the concessions are very much smaller than what had been promised during the negotiations for British entry into the E E C. Even the very modest recommendations of the E E C Commission to the Community's Council of Ministers, made in October, have been diluted in the face of pressure from the Community's African Associated Territories. Second, by announcing the concessions unilaterally, without formally consulting the Government of India, the Community has given notice that it has gone as far as it can for the time being and that nothing further can be gained by negotiations between India and the Community. This appears to be a conclusive rebuff to India's moves for a comprehensive agreement covering trade as well as general economic relations between India and the Community.

Under the provisional agreement reached during the U K - E E C negotiations, the Six had agreed to abolish or reduce their common external tariff on a number of products, mostly primary products, and, besides, had undertaken to negotiate a comprehensive trade agreement with India by the end of 1966 at the latest, but earlier if possible. No less a person than Professor Walter Hallstein, President of the E E C Commission, had held out the assurance, in his first address to the European Parliament after the breakdown of the Brussels negotiations, that the offer of a trade agreement with India stood. Britain's failure to join the Community notwithstanding.

Judged against the hopes raised by these promises and the frequent protestations of the E E C's anxiety to liberalise trade with developing countries, the concessions which have now been announced are paltry. It has been estimated that the commodities on which tariffs are to be abolished or reduced account for no more than three per cent of India's exports to the Community. The list leaves out manufactured goods as well as all semi-processed goods of any significance. The reason advanced is that since these goods are also exported by countries other than India any reduction in tariffs on them will apply to these countries as well and should, therefore, form part of a general trade liberalisation by the EEC. This, it is argued, is not a matter which can be settled through discussions between the Community and India alone.

The reluctance of the Six to make any substantial concessions to India outside a multilateral framework stems from their unwillingness to make any concessions which are not matched by other industrialised countries. Much depends, therefore, on the progress of the Kennedy round of trade talks at Geneva. Unfortunately, negotiations between the E E C and the United States have got bogged down and the possibility of the Kennedy round dragging on inconclusively cannot be ruled out.

The success of the negotiations between the E E C and the United States is vital for the world conference on trade and tariffs next May. Insofar as this is in doubt and the industrialised countries are unable to agree on reciprocal tariff cuts, it needs to be considered whether the problem of increasing the exports of the developing countries should not be delinked from that of trade arrangements among the industrialised countries. This can be done by waiving the "most favoured nation clause" so as to enable special treatment to be accorded to the developing countries. At present this clause is waived for groups of countries like E E C and E F T A, which aim to establish complete free trade among themselves eventually. It can be readily admitted that to permit departures from the most favoured nation principle with a view to making possible freer trade among particular countries or groups of countries is an inferior alternative to a general reduction in tariffs and free trade all round, but till such time as this becomes possible, it is a practical course to promote restricted free trade without reducing the impetus towards freer world-wide trade.

Unit Trust

THE debate on the Unit Trust of India Bill, passed by the Lok Sabha on Thursday, was not among the liveliest. Understandably, because unit investment trusts are not an innovation, but have worked with conspicuous success in other countries. To the Swatantra party and other spokesmen of the private sector, T T Krishnamachari could point out that the trust would help to bolster up the stock markets by pumping money into them from a hitherto largely untapped source. At the same time, he could tell the socialists that by enabling the middle classes and the man of small means to invest in shares, it would help to diversify shareholding. So all that either side in the Opposition could say was that it would depend on how the scheme worked and with this T T K could readily afford to agree.

The trust is to start operations, modestly enough, with a capital of Rs 5 crores contributed by the Reserve Bank, the L I C, the State Bank and other scheduled banks and financial institutions, though the Finance Minister hopes that eventually its funds would swell to Rs 100 crores. The trust will buy and sell securities, including bonds, shares or other stock of statutory corporations, companies or other bodies corporate. Its investments will be split into units which will be sold to the public. The Bill provides that the value of these units will not be less than Rs 10 or exceed Rs 100. With the proceeds of the sale of its units, the trust will, at its discretion, eventually repay the original contribution to its capital.

The two provisions in the Bill of particular significance to the potential investor in the trust are those relating to the distribution of profits and exemption from taxation. The trust will be obliged to distribute at least 90 per cent of its net income, dividends being declared and distributed to the unit-holders once every year. The tax concessions granted to the trust are two-fold. First, the trust itself is completely exempted from paying tax on its income. Second, income derived from the trust by a unit-holder is exempted from income tax, and from super tax in marginal cases, upto a maximum of Rs 1,000 per annum. T T K expects that in view of these provisions, the trust should yield an income of 8 to 10 per cent to its unit-holders. This is higher than the yield on any form of investment at present available to the class of people for whom the trust is primarily intended. There is no limit on unit-holdings in the trust by any individual but the ceiling on tax exemption will ensure that holdings beyond a limit will be less profitable. Similarly, while institutions and corporate bodies are not precluded from investing in the trust, the tax concessions available to individuals will not extend to them, except that in the case of the initial contributors to the trust's capital, their income from the trust will be exempt from super-profit tax.

Apart from the yield, the attractiveness of investment in the trust will depend upon the negotiability of its units. The Bill provides that the trust will purchase back its units at prices announced by it from time to time. Transfers of units are also to be permitted, subject to certain conditions. The buoyant receipts from the Government's small saving schemes, to which T T K drew attention while introducing the Bill, is a hopeful portent for the trust provided, of course, the returns on its units compare favourably with other forms of investment available to the small and medium savers, particularly the latter, and the potential investor can be convinced of the negotiability of the units. Whether the trust will merely divert savings from other forms of investment is not the important question that it is often made out to be since the provision of more, and increasingly attractive, avenues of investment is necessary if people are to be induced to save more.

Not unexpectedly, the demand has been raised in Parliament and in the press that unit trusts, enjoying similar tax privileges, should be permitted to be established in the private sector. At its most sophisticated, the argument advanced is that concentration of investment resources in the hands of one or two institutions, whether belonging to the private or public sector, makes for narrower markets in shares and exaggerates movements in their prices, whereas the existence of a number of investment institutions, each following an independent investment policy and competing with the others not only contributes to the stability of stock exchanges but also gives a wider choice to small investors.

The Finance Minister's answer to this argument was, first, that it was unlikely that there would be immediately enough business for a number of competing organisations and, second, that it was quite likely that the control of private trusts would pass into the hands of managing agency houses or big business groups. In view of this possibility, he felt that the Government was well advised to avoid the risky experiment of creating a number of weak organisations and trying to exercise over them only such control as could be provided by a general law. It would also be almost impossible to extend to any private organisation the tax concessions that have been provided in the Unit Trust Bill.

The Finance Minister, however, indicated that it would be possible eventually to broaden the management of the trust, which will be initially controlled by the Reserve Bank through its nominees on the Board of Trustees and the Executive Committee of the Trust, by the appointment of nominees of unit holders to these bodies, once the number of such holders becomes sizeable.

Capital View

Cleaning the Image

Romesh Thapar

KASHMIR has again been occupying some of our time and attention. This is no doubt due in some measure to the bellicosity of a frustrated Pakistan, but it is also due to the rather dramatic suspension of some ninety-odd officials in the State by Bakshi Ghulam Mohammad's successor, Shamsuddin. It is not easy to act in this manner. What about rules and regulations, and the processes of the law? But then, anything is possible in Kashmir!

At first, the once-bitten-twice-shy elements were inclined to believe that Shamsuddin was getting rid of his opponents in the administration *a la Bakshi*, that probably a number of honest men had been conveniently branded as corrupt. This impression, however, was short-lived. Shamsuddin apparently had acted against men known to be guilty.

But what about the others? What about Bakshi's most trusted lieutenants in the administration? Shamsuddin was quick to explain to Delhi that he could not deal with them in this slap-dash manner because Bakshi had made them full-fledged members of the administrative service, unlike those who had been dismissed. But, to emphasise his determination to continue the good work, Shamsuddin appointed a Deputy Chief Secretary to clip the wings of the all-powerful Chief Secretary, who during Bakshi's regime, was known as 'the boss' even to Ministers in the Government. This move is probably aimed at corrupt elements hiding behind service privileges.

Delhi Taken by Surprise

Shamsuddin has certainly acted before anyone in Delhi expected him to. He is assured a warmer welcome on his next visit from those policy-making Indians who have developed a guilt-conscience about Kashmir, and not without reason. When he met the Prime Minister last time, the defeat of G M Sadiq was still too fresh to encourage cordiality. Not without reason, the Prime Minister found it difficult to believe that an unknown politician, and a nominee of Bakshi at that, would launch the urgently-needed clean-up in Kashmir. Now, the position is somewhat changed.

Visitors returning from Srinagar suggest that there is every possibility of a concordat between Sadiq and Shamsuddin, that once this *rapprochement* takes place the stage will be set for the termination of the trial of Sheikh Abdulla and his release. For the moment, however, Shamsuddin has promised to speed up the unnecessarily long drawn

out proceedings and to cut out those aspects of the trial which many consider to be undignified. Of course, Shamsuddin must move cautiously. He cannot take on all the ambitious contenders for power in the valley at the same time. Nor would the Prime Minister want him to.

The cynics, and they are not a few, continue to point to the skeletons in Shamsuddin's cupboard. Yes, without a doubt, during the coming months Shamsuddin will have to decide whether he wants to give Kashmir a clean Government or whether he would rather follow in the footsteps of those in the National Conference who are beginning to see him as a threat to their elaborate web of corruption. He cannot dilly-dally for long. And, maybe, he will need to change the National Conference into the National Congress to break through.

Who Will Expose Whom ?

The corrupt leader, the corrupt bureaucrat, the corrupt politician, the corrupt academician, the corrupt hangers-on — all these are under constant discussion in the Capital. Corruption takes a multitude of forms among those who control the power levers. A few bottles of whisky regularly from a diplomat friend; a scholarship in a foreign university for a son or daughter; an industrial license; a free trip abroad; a percentage in the profits of a business venture; an affluent directorship in a new or old concern; a free holiday in the hills; an attache case full of bank notes; a ball point pen; a transistor radio; a gift of a gadget smuggled through customs. These forms of corruption, and others too numerous to list, envelope so large a section of the Establishment that there is a reluctance to get involved in 'exposures'. There is confusion as to who will expose whom. So the discussion thrives underground, as it were.

Is it possible that even as it prods the States into action against the pockets of corruption, the Centre will convince itself of the need to clean the administrative stables nearer home? Home Minister Nanda would like to see this happen, but the task is forbidding. As for those who have been surveying the spreading infection, they are hoping that the practices in Bakshi's Kashmir are not emulated elsewhere!

Delhi, for the moment, is enjoying the arrival of winter. And with winter, conferences, seminars and visits by VIPs begin. The time-table is, as usual, rather impressive. Officialdom, however, continues to be tortured by the rise in prices, sugar shortages, the food muddle and the declining rate of economic growth. But the debate in Parliament fails to throw up a plan to tackle these inter-locked crises. The Prime Minister seems to be of the view that a toning up of the administration is all that is required. Others speak of reviving the 'dedicated spirit' now dormant throughout India. The trouble is that no influential person or group is prepared to go beyond peripheral issues.

Mass Contacts by Congressmen

Over the past few weeks, and particularly since the Jaipur session of the A I C C, the feeling is growing in leading Congress circles that no real change in the situation can be achieved unless the organisation of the ruling party at the base is galvanised. The present inactivity not only prevents a proper projection of Governmental policies among the people but also destroys the possibility of a feed-back to the Government of the feelings and reactions of the people. There was a time when the Congress Party organisations were able to perform this dual role; in fact, it was this role which always gave the ruling party a tremendous lead over others.

Surprisingly enough, this realisation is one of the by-products of the so-called Kamaraj Plan. Mass contacts by party leaders who have 'renounced' ministerial office and by those who were compelled to resign, like Menon and Malaviya, have been strikingly successful. Indeed, even unpopular fiscal and gold policies have lost some of their odium as a result of persuasive explanations. A leadership, which over the years became obsessed with its legislative functioning, is now being reminded that effective Government is not possible in present-day India without a continuous dialogue with the people at every level.

So serious is this isolation from the people that very often decisions are taken on the basis of supposedly accurate analyses of the moods of the public in the English language press! Mass contacts by senior Congressmen have at last convinced them that the press knows next to nothing about the reactions of the people. They are now only too chary about becoming the victims of what someone called 'the Roman alphabet'!

If the Bhubaneswar session of the Congress Party, to be held early in January next year, is able to break the apathy which grips the organisation at the base, it may well succeed in salvaging the economic plans and perspectives which are today in danger. Other parties, too, need this kind of challenge and confrontation; for some odd reason, they inevitably reflect the flabbiness of the party in power. The crisis facing the Congress Party today is not one of defining socialism, but of implementing it.

Errata

In the article, "Algeria's Unfinished Revolution" by Frederick F Clairmonte *(The Economic Weekly*, November 23, 1963), on page 1929, in column one, para three, please read "century" for "country" in the sentence ending : ". . . one of the authentic revolutions of our country". The error is regretted.

In part II of the article, "Death of a Maharani", by Barun De (*The Economic Weekly*, November 30, 1963), on page 1962, in column three, the fourth sentence beginning "Nor is Benoy Chowdhury . . ." should be substituted by the following :

> "Benoy Chowdhury, who had been evading a police warrant for his arrest issued in November last year, appeared in public last month and was arrested. He has just been released to fight the Legislative Assembly seat once again as the Communist candidate. The Congress nomination has gone to a lady, and not to Abdus Sattar. Narayan Chaudhuri is the Congress candidate for the vacant Parliamentary seat which Gurugobinda Basu was unable to fill".

The correction was received too late from the author to be incorporated in the text.

— *Ed.*

From the London End

Control on Commonwealth Immigration to Continue

WITH all eyes on Washington, the renewal of Britain's Commonwealth Immigrants Act last week went almost unnoticed. The Act, which came into force on July 1, 1962 was due to expire, unless renewed, at the end of this year. It was the first step Britain had ever taken to curb the free entry of Commonwealth citizens, and when first introduced it was vehemently opposed by the Labour Party as a racial measure. Their protests last week were significantly milder.

The reason was partly political: an election is approaching, and there can be little doubt that curbs on immigration are on the whole, approved of by the electorate, especially by the working class which bears the full brunt of the burden in terms of housing and jobs. But the change was partly also a comparatively honest reflection of a situation which in some of the large cities is tending toward that of the cities of the northern United States.

Labour's Changed Attitude

Labour's new line was that they were prepared to accept some control on immigration, but they would prefer it to be by a quota system agreed with the Governments concerned. It is hard to see how this could be carried out without having the effect — whatever the wording or the intention — of racial discrimination, and Labour has not found it easy to answer the charge that they are as ready as their opponents for discrimination, provided someone else has onus of carrying it out. In any event, Government spokesmen knocked down the Labour argument pretty smartly by pointing out that controls, under a quota system, at the source of immigration had already been tried and had failed. If the need for restriction was accepted, they said, it was the British government's responsibility to carry it out and to carry it out effectively.

Is there a real need ? The Conservative answer is to point to the figures of immigration before and after the Act came into force. The statistics that originally justified the Act were given by R A Butler in November 1961. The net inflow of immigrants from what he politely called the "new" Commonwealth countries (that is, except for Cyprus, the non-white) was as follows : From 1955 to 1957, a yearly average of about 43,000. In 1958, 30,000. In 1959, only 21,000. But in 1960 the flow increased to 58,000 and in 1961 it became a flood : the final figure for that year was about 136,000. The Government announced its intention to bring in restrictions in the autumn of 1961, and the first half year of 1962 saw a net inflow of 95,000 of whom some, no doubt, were rushing to get in before the barrier came down.

Rise in Immigration from India

The Act introduced a voucher system, (for those who wish to work : students and visitors are uncontrolled) under three categories: A, those with jobs already arranged; B, those with special skills; C, those with neither jobs nor special skills. Any voucher-holder can bring his immediate dependants. The figures that follow, of application for and grant of vouchers from July 1962 to October 25, 1963, are for all Commonwealth countries, but the weight of the white countries in them is slight.

Category	Applications	Issued
A	15,000	9,500
B	14,500	13,500
C	289,500	37,000

The issue of vouchers, of course, does not necessarily mean that all have been or will be used. Applications are now being made, the Home Secretary said last week, at a rate of 10,000 a week.

The net immigration since the Act came in has been : July 1962 to June 1963, 34,000; July 1963 to October 1963, 30,000. These figures cover arrivals and departures of every kind, including those not subject to control.

One interesting feature is the massive growth of immigration and, still more, attempted immigration, from India and Pakistan. The Act was originally provoked largely by West Indian immigration : they provided 66,000 of the 1961 figure of 136,000. In contrast, as late as 1960 Indian and Pakistani immigration was only 8000. In 1961 it was 49,000. By now these two countries account for nine-tenths of the applications (284,000 out of 319,000 up to October this year) and about two-thirds of actual arrivals. 147,000 Indians have applied for C vouchers, of whom 15,000 have been granted, while some 6,000 have received A or B vouchers. From Pakistan have come 130,000 applications, in all categories, of which 17,500 have been allowed.

One reason — we are told here —for the pressure that has brought applications to the staggering yearly rate of half a million is that valid vouchers are virtually a marketable commodity in India, which suggests that many of the half million may have no serious intention of coming here. Another, conceivably, is that the more extensive kinship systems of Asia provide a built-in multiplying factor : one Indian already here is likely to be followed by a larger number of relatives than would the corresponding West Indian. A third undoubtedly is that Asians at both ends of the pipeline have been quicker than West Indians in seeing the commercial possibilities of immigration, acting in effect as combined travel, accomodation and employment agencies.

New Dimensions

The swing to Asian immigration adds new dimensions to the argument in Britain. The simple numerical one, on which our restrictionists are apt to harp, is the gigantic population of the Indian subcontinent. Proportionately far fewer Asians than West Indians come here. But suppose the proportion were to rise ? The British labour market has been able to

absorb the influx of unskilled labour over the past few years, and indeed has greatly profited by it. Could it absorb a steady annual inflow of, say, 250,000, particularly when we are on the threshold of the technological unemployment which already plagues the United States ?

Certainly our housing stock could not. Britain builds about 300,000 houses a year, and the housing position is poor in comparison with other western living standards. The immigration to date has been largely contained by what is (by western standards) shocking overcrowding, which has provided a rich harvest for racketeering landlords of all races. These are serious economic questions, independent of race, though of course the argument is seldom conducted in purely economic terms.

Racial Prejudice

The directly racial issues are complex. The general context is one in which crude and violent racism is rare, and its overt political expression, the fascist Union Movement, singularly unsuccessful. At the other extreme, those who positively welcome the new arrivals are also uncommon. (If one reads Hindu-Muslim for white-black, I think one finds both extremes more widely represented in India than the equivalent here). Perhaps the commonest reaction among those most affected by the immigrants, is the feeling that "they're different", and the habit of seeing them as members of a race and in unfavourable racial stereotypes. It is this that produces the alarming proportion of 'room to let' notices which specify "sorry no coloured" or "English only". It would be nice to claim that the landladies of England do not represent the public at large, but it would be optimistic. The racial stereotype may, of course, be accompanied by warm feelings towards particular immigrants.

Here, in short, we have a classical situation of prejudice, in which what may be perfectly reasonable objections to individuals are transferred to a group at large; a prejudice which is not strongly felt, but which could obviously become stronger, and which no doubt already impinges unpleasantly on those exposed to it.

Asians and West Indians

Within this situation, the Asians stand in a rather different position from the West Indians. They had the initial advantage that the image of the Asian here is, on the whole, that of a more educated man: a large proportion of Britain's hospital doctors are Asians, and there have always been many Asian students (not that students are Britain's most highly esteemed class). On the other hand, as a community — except for the anglicised upper class — they are far more 'different', to the average Englishman, than are the West Indians.

All the West Indians speak English; in broad terms, their behaviour is not unlike that of a more boisterous and friendly Englishman (the 'Tommy', I mean, rather than the pukka sahib); and they make no attempt to keep themselves to themselves. In contrast many of the recently arrived Asians speak little English; their customs and religion are strange; and they tend to be reserved and to stick to their own community. (This aspect is very fully discussed in "Indian Immigrants in Britain" by R H Desai, recently published here by Oxford University Press.)

This of course means that they impinge less on their English neighbours (not always: Indian readers must forgive me for reproducing the savage comment of a Midlands housewife printed in a daily paper inquiry into native attitudes to the Asian immigrants — "They spit. We don't". Those four words reveal as much — on both sides — about inter-racial misunderstanding as many long reports). But it seems likely that the Asians will remain essentially apart: if Britain is ever integrated, it will be with the West Indians.

So long as the Asian community arouses no strong feelings (and of course there is no parallel with East Africa here) no harm may be done. But if some catastrophe enabled strong racial feelings to be whipped up, the exclusive Asian might find himself no more popular than the gregarious West Indian. Even short of that, this phenomenon may have long-term implications for British Government policy. I should guess that even a hypothetical Labour administration which positively welcomed Commonwealth immigration would much less welcome the establishment of a really large community that would remain, in a real sense, alien.

Race Prospects Gloomy

Overall the race prospects here are gloomy. In the near future integration of the new immigrants, who now total about 1 per cent of the population, seems unlikely. It is, alas, certain that tensions will grow as their number grows, and the Labour Party's proposal to make racial or religious discrimination an offence in law will not change private attitudes (the solution of the housing problem would do far more). In this position, there are sincere differences of opinion between those who argue that immigration control tacitly encourages racial feelings, and those who say that such feelings will be far more exacerbated by a continued flood of immigrants, and that control is a lesser evil. Both groups would undoubtedly be glad if the pressure of immigration could miraculously ease of its own accord.

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Letter from Japan

A Vote for Stability

THE general elections have left both the ruling Liberal Democratic Party and the Socialists, the leading opposition party, with reduced seats (see table below).

The Liberal Democratic Party had hoped to win two-thirds of the total seats in the Diet so as to be able to change the Constitution. But now it cannot do this even with the support of the Independents, most of whom are conservative supporters. The Socialist Party too, far from improving its position as a result of its "structural reform" policy, has lost ground and some of its leftist members have demanded the resignation of the Chairman, Kawakami Jotaro. The Democratic Socialist and Communist parties as well as the Independents have registered significant gains. But while the Democratic Socialists' share of the poll has dropped, the Communists and Independents have won more seats and improved their share of the poll. It appears as though the more or less total commitment of the Japanese Communist Party to the Chinese position in the Sino-Soviet dispute has not affected its position in the least.

Change in Strength of Factions

The election has slightly changed the relative strength of the main factions in the Liberal Democratic Party:

	1963	1960
Ikeda, Prime Minister	50	48
Miki, Chairman of Minister	46	35
Miki, Chairman of LDP Policy Board	37	32
Sato, Minister for Olympics	47	52
Ohno	29	30
Fujiyama	22	25
Koyu Club	20	25
Ishii	14	14
Tory "Reformers"	21	20

The Japanese electoral system is based on two or three-member constituencies so that every vote given to the top candidate over the minimum required for victory is a vote wasted. It is vital, therefore, to arrange for a party to transfer its votes from its popular candidate to its marginal candidates. Faction rivalry within a party, leading to competition for votes among its candidates in a constituency, can be disastrous. Further, the number of invalid votes in Japanese elections is usually very high, sometimes no less than 6 per cent. The ballot paper is a blank sheet, suitably numbered, in which the voter has to write the names of the candidates either in characters (*kanji*) or in a special Japanese phonetic script (*katakana*). Since many Japanese surnames have the same sound, it is a favourite trick of political parties to confuse the voters by nominating candidates with similar-sounding names.

Dos and Donts for Candidates

Japanese electoral law is very comprehensive and lays down in great detail what candidates can and cannot do. The legal restraints on a candidate's conduct are so stringent — even house-to-house visiting is forbidden — that it is impossible for any candidate to strictly conform to the law and yet carry out a poll campaign. The electoral law is enforced by the police independently of the electoral commission and a candidate could be arrested if one of his supporters stuck a picture of his on a lamp-post!

The electoral constituencies need to be redistributed so as to reflect the rapid large-scale movement of the population to the towns. There is no constitutional provision which ensures such redistribution automatically. The only way of doing it is to get an act unanimously passed by the Diet which is, of course, near-impossible.

The key to success in the Japanese elections lies in organisation and in getting in touch with every one of the voters. The *Jiban*, or area of influence, system is still the chief method of election to the Diet and these *jibans* are carefully tended. The Socialist support comes mainly from well-organised Sohyo (the trade union congress) chapters, the Democratic Socialists owe much of their support to the Domei Kaigi (confederation of labour) and the Liberal Democrats have local supporters through the Chambers of Commerce and the various employers' Federations.

The great increase in the strength of the Kono and Miki factions of the Liberal Democratic Party can be attributed to the distribution of money through the Liberal Democratic party organisation and through public works subsidies. The weakening of the Eisaku Sato faction is undoubtedly due to Sato's loss of influence as a result of being outside the last Ikeda cabinet until the final reshuffle. His anxiety to join the cabinet though he is an outspoken critic of Ikeda confirms this.

Policies Matter Little

A foreigner looking at the political scene in Japan is likely to be misled into thinking that the electorate is influenced by the specific policies and programmes of the political parties. In fact, success or failure of particular programmes has little bearing on the relative position of the parties.

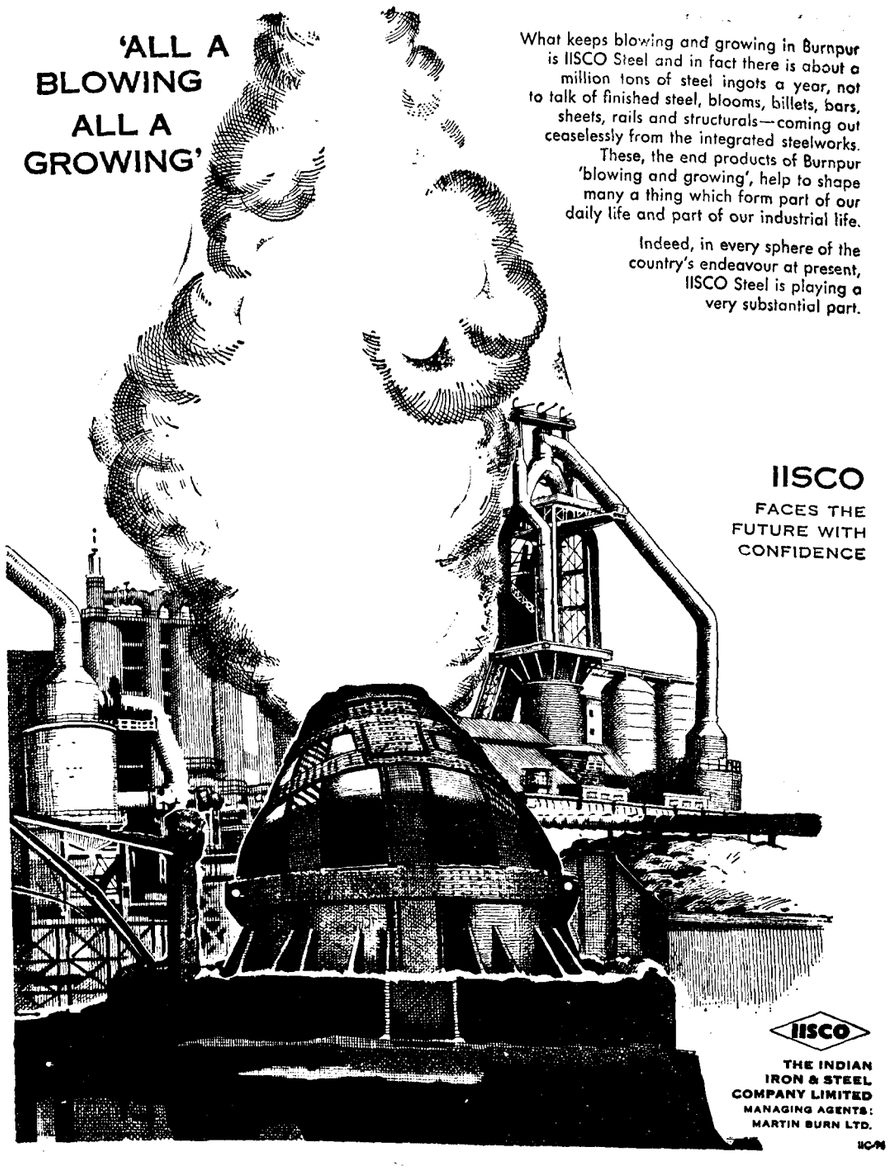
For instance, the rapid increase in the cost of living (10 per cent during the last year) is an issue uppermost in every one's mind. We recently took two guests from England to a department store. They found prices so high compared with those in England that they bought nothing. Yet when I first came to Japan four years ago, prices of most goods compared favourably with prices in England.

General Election Results : 1963 and 1960

Party	1963 Seats	1963 Percentage of poll	1960 Seats	1960 Percentage of poll
Liberal Democratic	283	54.6	296	57.56
Socialist	144	29.03	145	27.56
Democratic Socialist	23	7.37	17	8.77
Communist	5	4.01	3	2.93
Independents	12	4.92	6	3.18
	467		467	

In any other country a rise of over 10 per cent in prices in a single year would be a burning political issue, but the opposition parties here have hardly exploited it. There have been no major demonstrations nor have the Socialists advanced any proposals for curbing the price rise. The Liberal Democrats' contention that rise in prices is part of the cost of rapid industrialisation has not been challenged.

Similarly, the disastrous Fukuoka mine explosion in which over 400 miners lost their lives on account of poor safety precautions and overworking of the mine to make up for loss of production during a previous strike has not affected the Liberal Democratic Party's standing at the polls. Apparently, the average Japanese voter does not yet regard his vote as representing his interest in national policy. If he or his district succeeds in securing a small fraction of the nation's national income, he is satisfied.



A Calcutta Diary

Unpopularity of Popular Will

IN Calcutta on Monday the West Bengal Cabinet decided to exclude industrial townships from the operation of the State Panchayat Act. Tea gardens and reserve forests, we were reminded, had already been excluded from the scope of the measure. Promptly sprang to mind the absence of local self-government in New Delhi, where permanent damage was done by Chowdhary Brahm Perkash when he knew he would be out of office in another twenty-four hours. The Government of the U S A, champion and defender of democracy throughout the world, also denies democracy in Washington D C. Democracy, Winston Churchill has told us, is the worst form of government — except for the others. It must still be too good for areas that matter, politically or economically. It is a little surprising — is it not? — that critics of democracy have not worked on the theme. Even in Calcutta, where civic democracy is to be seen at its worst, the acknowledged but unemphasised limits of the popular will have received too little intellectual attention.

Between the idea and the reality, Eliot told us long ago, falls the shadow. It is here suggested that the shadow, in India, has been lengthening alarmingly, with few alarmed (which is another alarming factor). Monday's decision in West Bengal, outlawing democracy from industrially important areas, only symbolised a contradiction that has been going on, at great expense, in this country since independence: the contradiction between our political superstitions and our economic aims, our economic superstitions and our political aims.

Town Planning

West Bengal also decided, on Monday, to introduce legislation on town and country planning to control land speculation, unrestricted building operations and unplanned growth of towns. Asansol and Raneegunge, the main industrial zones, are to have planning organisations. Dr Roy's "Ruhr of India", Durgapur, has already seen the consequences of rapid but unplanned growth; next door to handsome quarters are slums and tea shops. If the Government of West Bengal has at last woken up to the problem, it is to congratulated; but there is reason to fear that the new restrictions may only inhibit growth, without stopping ugly constructions in or around industrial installations. But that is a matter of detail.

What deserves more earnest consideration is why panchayats are good enough for certain villages while they cannot be applied to places where things are happening. The planning organisations, or units, contemplated by the Government of West Bengal for industrial townships will presumably be constituted by Government servants, experts of sorts, pretending to represent nobody except the Government. They will not, in other words, be elected. Perhaps the panchayat-ruled villages should be proud of their democracy and look down upon "developing" areas for their incapacity to organise their affairs through popular will and direction. Are they proud? Or do they envy the development taking place in the "undemocratic" areas?

Deeper Dichotomy

The dichotomy goes deeper. In theory and wasteful practice this country clings to certain Gandhian ideas. It was left to certain Gandhians lately to admit and expose the prodigious waste over the Ambar charkha in particular and khadi in general. The loss through Prohibition goes into millions. India's three plans have, for all their industrial bias, invested, uneconomically, millions of rupees in the villages where the harvest has been mainly political. All this in obedience to Gandhi. Panchayats were his idea too; and every State has enacted legislation to bring them about without for a moment pondering over their relationship with or relevance to the economic ambitions the country has developed under Nehru. These ambitions are overwhelmingly industrial, with which this writer is in sympathy. Panchayats are *not*; not because the people do not want cheap and mass-produced consumer goods but because they have been told that "the good life" is at variance with comfort, let alone affluence. Nehru has pursued the modern path, without ever disowning the old superstitions which Gandhi, with his peculiar magic, introduced into twentieth-century thinking. (A handicap Africa does not suffer from).

Those who deplore the inefficiency of democracy and plump for the apparent decisiveness of other forms of government forget that for one efficient totalitarian government there are and have been at least ten incompetent dictatorships. Criticism of panchayats need not, therefore, stem from a lack of faith in democracy. It rests, rather, on a certain doubt about the compatibility of the articulate popular will and the unstated and very material desires of the people. Panchayats represent the former, where caste and hypocrisy are the chief ingredients. The people's greed for goods has yet to find its spokesman. The chimneys of Durgapur, Asansol and Raneegunge do speak their own language; but it is a language without a script and, so, has remained unwritten and unread. Hence the proliferation of panchayats over most of India, unindustrialised, while Durgapurs and Asansols, undemocratised, have to be treated as isolated exceptions.

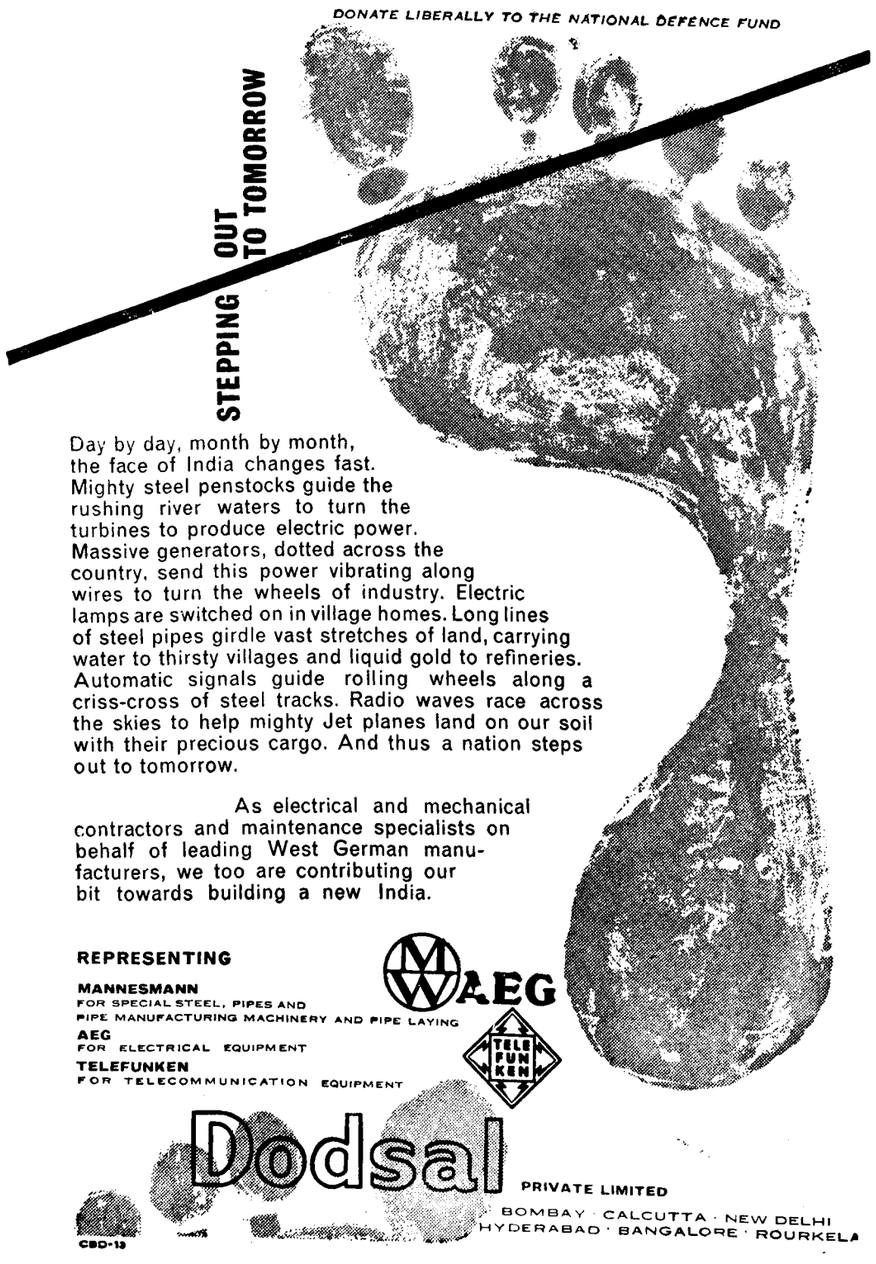
No Conflict

Any suggestion of an inherent conflict between democracy and industrial progress is the last thing intended. Even the widely believed conflict between agriculture and industry is thoroughly disproved by the American experience; less than 8 per cent of Americans are engaged in agriculture and yet they have a permanent and embarrassing surplus while in Russia more than 35 per cent of the people work on farms and then have to buy wheat from the U S A and Canada. It is equally untrue that rural development is an enemy of industrial advance; the most beautiful villages are to be seen in industrialised Europe and America, not in India. Why, then, are we in this country constantly told that this has not

been done because that has been (which remains doubtful)? Somebody somewhere is trying to conceal a basic failure.

Experience remains the ultimate teacher; any system is all right if it works and the best is not good enough if it doesn't. For a thousand and more reasons, some pertaining to what must be called the national character, municipal democracy has in this country failed. At monstrous expense to the poor people, its structure is still being maintained for certain parties' political profit. It is not deplored that Durgapur will have no panchayat. Must Calcutta have its panchayat. called the Congress Municipal Association?

— *Flibbertigibbet*



Day by day, month by month, the face of India changes fast. Mighty steel penstocks guide the rushing river waters to turn the turbines to produce electric power. Massive generators, dotted across the country, send this power vibrating along wires to turn the wheels of industry. Electric lamps are switched on in village homes. Long lines of steel pipes girdle vast stretches of land, carrying water to thirsty villages and liquid gold to refineries. Automatic signals guide rolling wheels along a criss-cross of steel tracks. Radio waves race across the skies to help mighty Jet planes land on our soil with their precious cargo. And thus a nation steps out to tomorrow.

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Book Review

Black Flame

The Fire Next Time by James Baldwin, Michael Joseph, London, 1963. Pages 112, price 13 s 6 d.

WHEN the literary effort of a member of an "inferior" social group is widely acclaimed, one has to be a little wary. Not infrequently, the work is praised not so much because it is done well as because it is done at all and when the book in question deals with tensions caused by discrimination against the author's group, this possibility is even stronger. People have a peculiar fascination for their prejudices and like to be "analysed", however imperfectly.

With James Baldwin, whose literary ability is beyond question, the case is different. His novels, set in contemporary America, deal with other social and moral problems besides the colour question. But he is a Negro, though not from the South — Harlem was his home. As he himself puts it, a Negro does not have to be "very bright to realise how little he could do to change his situation"; nor does he have to be "abnormally sensitive to be worn down to a cutting edge by the incessant and gratuitous humiliation". Endowed not only with high intelligence and fine sensitivity but exceptional talent besides, Baldwin has turned to leading language to the "horrors of the American Negro's life" and to the "privacy of his experience" for which there has been "almost no language".

This slender volume is not Baldwin's first non-fiction work nor the first such work to deal with the racial issue. But perhaps because the century-old problem came into sharper focus in the past year, the book has proved a persistent best-seller. The titles of the book and of the two essays it contains are taken from Negro spirituals and hymns. Their dramatic and ominous ring echoes the central theme of the volume.

Here, in taut, powerful, beautiful prose — not a word seems superfluous nor sounds inappropriate — is a picture of the racial situation that is America's most urgent and complex problem. What does it mean to be "coloured" in a "white" country? It means being born in conditions "not very far removed from those described by Charles Dickens in the London of more than 100 years ago". It means that the course of one's life is prescribed, with "the limits of ambition . . . set for ever". It means that one is conditioned from childhood to a separate and unequal existence, with elders preparing every child for "a fate from which they cannot protect him", watching lest he strays beyond the boundary. Even so, it means meeting hatred in every walk of life, coming home after fighting a war for one's country, only to find that country unchanged. It means, in a terrible negation of the content of faith, the conviction that even God is white. Baldwin suffers for and with his people and his final verdict is that "the brutality with which Negroes are treated in this country simply cannot be overstated".

But Baldwin is too sophisticated a thinker, too true an artist, to stop with just such a dramatic personal "account" of the Negroes' tragic plight. What he attempts is a deeper analysis, in terms of social philosophy and psychology, of the whole racial issue. The fact that he is deeply, personally, "involved" in the struggle does not rob his voice of the ring of authenticity; in fact, his suffering makes the tone clearer. His bitterness does not deprive him of objectivity. He notes, for instance, that the Negroes too share some white prejudices — as illustrated by the attitude of the Christian Negro to the Jew. He also sees that the question of race has assumed other and even uglier forms as in the persecution of the Jews by the Nazis.

White Man's Fears

Significantly, Baldwin rejects what could be called an economic interpretation of the problem. He maintains that the social treatment accorded to even the most successful Negroes has proved that what is needed for freedom is "something more than a bank account". He thinks in terms of social rather than economic power; and this social power he equates with the power of retaliation. Only this can cause people to treat you as they would wish to be treated. Analysing white American attitudes, he finds that they are basically terrified of "sensuality" — which to him is simply the capacity to "respect and rejoice in the force of life". The weak, uncertain whites, unable "to renew themselves at the fountain of their own lives", are divorced from reality. And, concludes Baldwin, "whatever white people do not know about Negroes reveals, precisely and inexorably, what they do not know about themselves". (But then, as he says in another context, there are too many things that people do not wish to know about themselves). Also Baldwin sees racial tension as something that has only "symbolic" connection with colour and which rises from the very depths of the whites' mental states, with their "unadmitted private fears and longings" projected onto the Negro.

All this may seem somewhat precious to the average reader. But the socio-political analysis in the book is sure to appeal. America, so well placed to demonstrate to the world "the uselessness and the obsolescence" of the concept of colour, has not only missed the opportunity but has even failed to recognise it. If she is to be a true leader of the western nations — and Baldwin is convinced that she is uniquely suited for this role — she has to pay a price: come to terms with herself, accept that she is not a "white nation" and ensure the "unconditional freedom of the Negro".

And how do the Negroes view this freedom? Certainly not as a gradual process, a slow and spontaneous change of heart. Time is too short and the transformation has to be both radical and immediate. Baldwin puts it thus: "total liberation, in the cities, in the towns, before the law and in the mind". The last phrase does *not* mean "acceptance". Baldwin upholds the dignity of not only the Negro but all mankind when he denounces this impertinent and patronising goal that the whites have set for themselves. But in raising the question whether the Negro is will-

ing to accept the white, whether he really wants to be "integrated into a burning house", he clearly goes to the other extreme. He finds nothing worthy of emulation in the white man's public or private life. He asks, "How can one respect, let alone adopt, the values of a pepole who do not live the way they say they do or the way they say they should". And the emotion that he is at pains to stress is not anger or despair, but pity — for the white man.

The power and the beauty that are the principal qualities of this book are genuine, stemming from the author's suffering. But does he sometimes overstate his case? Despite what he says of the uniqueness of the American Negro, social tensions of this sort are not peculiar to America or to the black-white relationship. Even in America there are other minority groups—Jews, American Indians, Puerto Ricans, Mexicans, Japanese, even Italian immigrants—subject to discrimination in one form or the other, quite often as intense as that suffered by Negroes. What makes the Negro case different is not merely their larger numbers or their social origin. Unlike the other groups, Negroes have no distinctive cultural affinity. Except for physical characteristics, their Afrian origin has lost all significance for them as a people. What keeps them together now is just that which they are fighting. It is a little difficult then to see Baldwin's point when he says that he cannot accept the "present level of the American civilisation" as the goal of the Negro, and his "refusal" to change over from the African witch doctor to the American psychiatrist. Actually, Baldwin's witch doctor left him long ago at the psychiatrist's door.

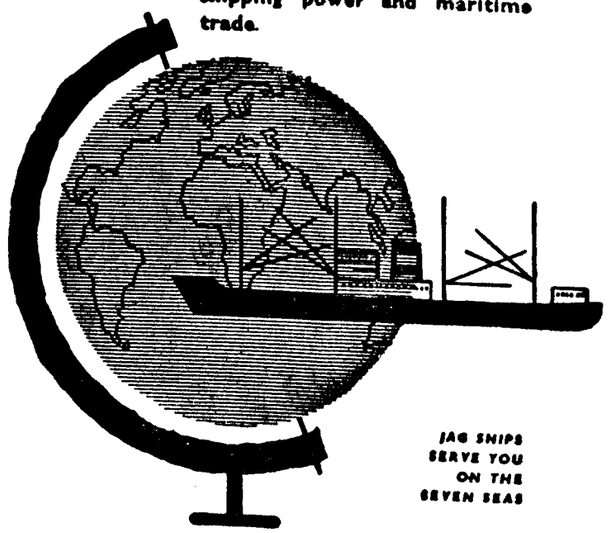
New Identity, New Symbols

One of the principal aims of the Black Moslem movement is to change this situation and to provide the Negro with a new background of his own. Hence the adoption of Islam, substitution of family names, which are a relic of slavery, by the letter 'x' and the demand of a separate State. When the second essay in this book originally appeared in the *New Yorker*, it was widely publicised for the account it contained of Baldwin's meeting with Elijab Muhammad, leader of the Black Moslems, and much was made of his rejection of the group's ideology. Baldwin does indeed see this situation in perspective and finds the idea of a separate Black-American-Moslem nation impracticable. This does not mean, however, that he has no sympathies for their entirely understandable desire to provide the Negro with a separate identity and his cause with a new set of symbols. But Baldwin is wholly American and sees the possibility of a great future for America. He has a dispute with his country, true, but he does not reject her.

In its central theme, the book goes beyond America's racial problem; it is a testament for change and progress, for understanding and for the love that follows understanding. And considering the general recalcitrance, it is a prophesy of doom. Baldwin feels that white Americans are too "slothful" to even envision the change so urgently needed in their society. But more than deeply ingrained in human nature—a fear that turns obsessive when change means the loss of real or imagined privileges. The consequences of prolonging an intolerable *status quo* are seldom understood. People are congenitally myopic. The fire next time? Well, they say, so what?

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Communication and Anomie

Irawati Karve

Sociologists have described a condition in society called 'anomie' — 'a state of lawlessness'. All societies have a kind of moral or value order. 'Anomie' is supposed to be the failure, in part or whole, of this basic order.

The author, however, thinks that 'anomie' is not a failure of moral order striking at the basis of society, but is itself a peculiar type of communication.

Communication is a two-way process. Many times, those in power wish to communicate their ideas in the field of education, economics and religion, but the other-way communication is debarred deliberately.

Recurring anomie or permanent anomies occur because communications, instead of being free, general and two-way become restricted, one way grooves.

The violent oscillation which tries to establish the lost normal mode of life is, according to the author, 'anomie' — a violent type of 'other' sided communication to correct skewness of the established couse. The balance which is sought to be established may not be action at all in terms of an older concept of structure but may be at a different point in a new way.

'Anomie' is thus not destruction of law but an assertion of the fundamental relativeness of human law and human value structures.

COMMUNICATION is a vital biological process. The term as it is used today in social sciences is taken from servo-mechanics. The concept in mechanics turns out to be something which is necessary for a 'normal' life. Life processes are more complicated. On the other hand what a machine is supposed to perform, is built into it consciously by human makers. The communication system of a machine is a simple two-way process. The classical example is that of a ship set on a particular course. Something — a current, a stiff breeze—may make the ship swerve to one side of the course. There is a built-in system of communication which takes in this fact of swerving and takes the ship to the other side. In this attempt the ship may go too far to the other side. Again the system steps in to correct. If the ship's course is put on a graph paper the resultant figure is never a straight line but a zigzag representing successive aberrations, corrections and counter corrections. This zigzag can be represented also as oscillations.

The behaviour of all living organisms can also be interpreted in terms of communication. What was called action and reaction in older terminology is but an aspect of communication. Reaching out for food, withdrawal from danger, are such communications. The very act of walking or reaching out with our hands to pick up an object illustrates communication as described above. The direction to be reached is set and corrected all the time until the objective is reached. The corrective mechanism is set going when the eye sees that the objective might be missed. Sometimes the eye cannot see, or the message cannot be transmitted to the nerve centres or though the message is received and transmitted the muscles are incapable of carrying out the message. One can watch some of these processes when a child learns to walk or brings its hands together, or forms its vision or when in certain nervous diseases the hands or legs cannot reach the goal intended by the eye and the brain.

Violent Oscillation

Disturbances in the communicative and corrective systems may lead to over-or under-compensation of actions or reactions. The swing on one side may become so great that the goal may be entirely missed and the organism may be set on quite a different course. The swing back in some cases of error instead of being too violent may not be sufficient, so that the wrong course, instead of being brought into the original channel, continues its primary swerve becoming more and more fixed in it as each swing becomes weaker. In both these cases an organism is set on a course which is 'abnormal' or 'anomalous' from the point of view of the present direction. It might weaken the organism, might destroy the organism or might set it on a new course with new adjustments. In certain cases one can envisage conditions where compensations and recompensations i e the swings and oscillations might become very great for sometime and the organism may ultimately gain its normal course and normal rhythm.

The communication system is a two-way process. We need not consider here the micro-world of the cell interior with its nucleus as the center, its protoplasm as the immediate peripherie and the environment as the ultimate world and the chain of communications in the nature of chemical reactions which are set up. These are not yet experimentally worked out, but we can think of an organism in an environment where messages go out in the form of urgent needs and where messages are received back in the form of the various impacts with the environment so that the ways and means of reaching goals are altered from moment to moment and sometimes the very needs are modified. The communication is two-ways in different manners. It is two-ways between the center and the peripheral organs — the messages go to and fro between these. It is two-ways between the environment and the organism. The messages of the environment are taken up by the organs, transmitted to the center and interpreted.

The life of an organism will depend on the favourableness of the environment, but internally on the efficiency of the communicating system which might even be able to triumph over some type of un-favourableness of an environment.

This preliminary description was necessary to understand what is meant by 'communication'. In social sciences and among social planners it has become a favourite new word. Many times the word denotes — "the efficient ways and means of transmitting a new idea or device to the people".

All people who are in some position of authority as heads of religion, state, political party or business concern, are seeking the most effective means of getting the attention of what is termed "the masses". The interest in communication is confined to this goal and the research also tries to gauge how far



modern means of communication fulfill this goal.

The present writer wishes to draw attention to the fact that communication in its biological and mechanical environment is a two-way process and that it takes for granted a certain elasticity between the communicating ends. Not only is an organism labile but environment also is labile. An environment is a particular environment because of the receptivity and reactivity of an organism. It is wrong to think of the two as quite separate. Neither has meaning apart from the other except as an abstract analytical concept.

In society the 'communication' system is of importance as between individuals and between groups. Sociologists have described a condition in society called 'anomie' — a state of lawlessness'. This may affect the whole society or parts of it or may manifest itself again and again as a sporadic occurrence in certain societies or might become a sort of an outlawed part of the society having its own structure, defying the society but living off it. All societies function and have a structure which is some kind of a moral or value order. 'Anomie' is supposed to be the failure in part or whole of this basic order.

The author thinks that 'anomie' is not a failure of moral order striking at the basis of society but a peculiar type of communication. As pointed out above, communication is a two-way process. Many times those in power wish to communicate their ideas in the field of economics, education and religion. The other way communication is debarred deliberately. The frame work of values becomes rigid — is sought to be made rigid and absolute. Human values, because they arise in particular time and space and in particular societies are always relative. The structures through which such values are realised must not become rigid. Also as societies become larger and more complicated, the overall value-reference gets lost as group moralities emerge and blur the value structure of the society as a whole.

A few recent and historical examples will make this clear. People suffer and make representations. Their voices are not listened to. Then they riot; ordered, normal life comes to a standstill; chaos ensues and then the powers that be listen and people get what they want. The last twelve years of disturbances in Calcutta have been of this type. The last of the series were the riots of rice and fair prices. Each time the people got what they wanted through a process which bordered on anomie, which paralysed civic life for the time being. The usual channels of communication were barred, proved useless, and so violent communication had to take the place of normal channels.

Here again it must be made clear that in the present context communication is not something written and read or spoken and heard without any action following. In the process as described with regard to machines and living cells, a communication is not merely a two-way process of information but information which is invariably followed by action. If a machine or a ship persists in going on a wrong course, its communication mechanism is supposed to have gone wrong and it is corrected in such a way that the information is followed by action so that the ship going off-course swerves back again. In the same way, when a living organism meets with an inimical environment, it reacts to that information and tries to withdraw immediately.

Social Communications

As regards social communications, we use the word without the action complement, which is always present in mechanical and biological systems. A Government receives a deputation and listens to what the people have said without trying to understand it or following it up with proper action. The proper action would be different depending on the type of communication. If the demands are extravagant or of a nature which cannot be fulfilled immediately, the proper action would be to make people understand why these could not be fulfilled immediately. If parts of the demand could not be fulfilled, the proper action would be part fulfilment and part effective return information of inability. If power centers fail in these actions and fail continuously, then riots, sabotage, revolutions are resorted to as the anomic and crises modes of communications. Socialistic agrarian policy has failed in Russia; the latest evaluation reports show its failure in India also. But the communication has not reached the policy makers. For them socialism is not a 'means' for social good but an absolute value. The communication might be a general revolt or, as in the case of China, a general starvation of large masses of people, which even a dictatorial Government cannot ignore. In such conditions if the powers are two tyrannical riots and disturbances, strikes and satyagrahas of various types become a frequent mode of communications because it is unconsciously realised that that is the only way to establish communication.

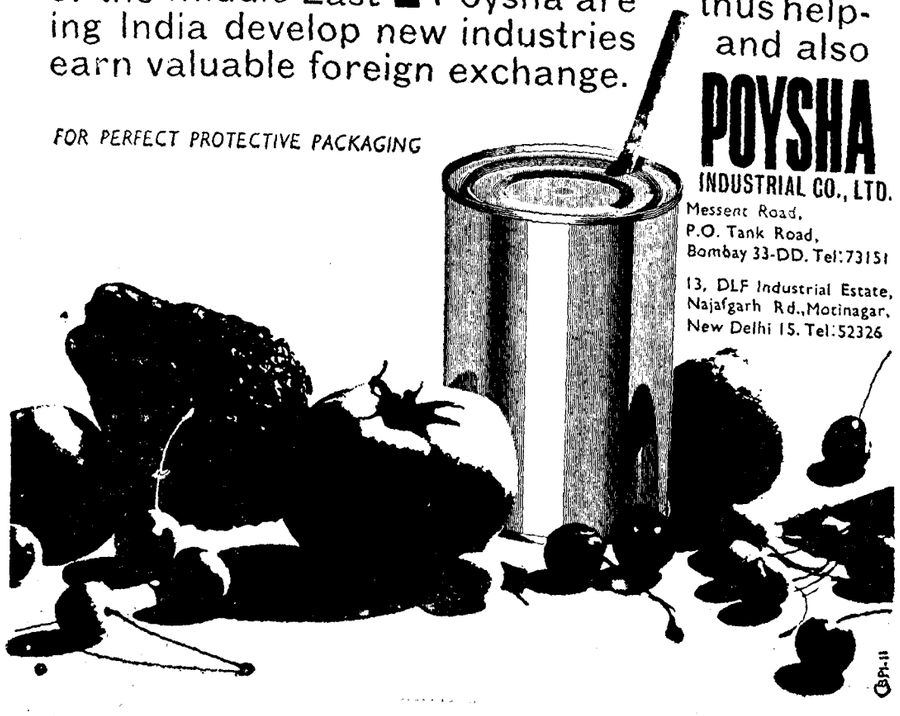
As regards communicability, there would be maximum two-way communicability in very simple societies bordering on ideal anarchy. In such a society, there are no permanent power centers. The societies are small, the way of life is simple, there is no proliferation of classes within the society. One can imagine communication to be almost of the type of simple machines and simple organisms in such a way that information and action together make the communication. At the other end can be placed very populous societies divided into classes, with monolithic power structures. These power structures may be all-embracing as in the case of the despotic rule of one individual or a party. These may be power structures affecting certain aspects of society like a well-organised church which admits no dissent even in the smallest details. In such societies communication generally means making known the wishes of the power center to the masses. The reaction of the masses, if unfavourable, is sought to be instantly put down in a ruthless way with the hope that the masses may never react but only listen quietly. The history of the world upto now shows that such attempts have failed.

An 'anomie' is a violent communication itself based on value-systems. It might draw attention to the failure of the present value system. It might show a new alternative. Recurring anomie or permanent anomies occur because communications instead of being free,

general and two-way, become restricted, one-way grooves. The violent oscillation which tries to establish this lost normal mode of life is anomie — a violent type of 'other' sided communication to correct the skewness of the established course. Again the 'balance' which is sought to be established may not be achieved at all in terms of an *older* concept of structure but may be achieved at a different *point* in a *new* way. This is the difference between a mechanical system devised to fulfill one purpose and a social system which is made of living organisms with an extremely wide range of new adaptations. A violent 'anomie' communication is a sign of change and adaptability, though in extreme cases it may lead to destruction. An 'anomie' is not destruction of law but an assertion of the fundamental relativeness of human law and human value structures.

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Teaching the Tycoon

Taya Zinkin

"DON'T you ever forget that you are old fuds!" said 'Jack' taking leave of the Advanced Management pupils at the Harvard Business School. They *were* "old fuds", average age 43, average position in their business, Vice-President. Had Professor Glover been an English Professor, he might have said: "Gentlemen, don't forget you have a duty to keep yourselves up to date, you have to set an example". But at Harvard, company directors, colonels, even the designer of the Polaris missile, are "old fuds" just as professors are 'Jack', 'Bob' or 'Ed', allowed to make spelling mistakes, use four letter words, and put one foot on the table, just like their pupils. The Advanced Management Course is a hard taskmaster full of those harsh raps on the knuckles that can only be administered between equals.

The Course illustrates very well both American ruthlessness and American democracy. The constant contempt of their peers for those very few pupils who owed their presence mainly to their family millions was made painfully clear. A paratroop colonel did not hesitate to correct a visiting Under Secretary of State. The faculty themselves kow-towed to the accumulated expertise of the class. "Hell, men! You do not expect *me* to give *you* the answer to that problem, for Pete's sake! I am only a long-haired ignoramus compared with the 1,500 man-years of top managerial experience gathered in this room!"

No Mealy-Mouthed Politeness

When on every problem some pupil may know more than the teacher, then in America's bare handed democracy it leads to a harshness of expression reminiscent of the Gold Rush. Indeed, Americans love outspokenness and are perpetually mystified by the gentility of British understatements. My husband's can mate explained how he had had to cure him of mealy-mouthed politeness:

"Maurice used to begin his presentations with 'We are afraid there has been a certain amount of mismanagement . . .', afraid, my foot! We are not afraid, we are darned sure and we refuse to 'beg to differ', we bloody well disagree! Do you know I had to stand over that Little Eagle's draft like a hawk to take all those hypocrisies out".

British manners look particularly out of place at Harvard because of the system used by the faculty to achieve its self-proclaimed goal of stretching and broadening the minds of its "old fuds" before they get irretrievably rusted by habit and institutionalisation. Indeed, they use the words 'stretching' and 'broadening' so much that one soon begins to think of top executive minds as corsets. To achieve this 'stretching' and 'broadening,' the faculty uses the Case Method.

Dealing with Equals

The Case Method was originally evolved at the Harvard Law School at the turn of the century. For the past two decades it has been used at the Business School with such success that there are now over 50 similar courses in the United States. The Case Method presents the students with an undigested and indigestible conglomeration of facts, relevant and irrelevant, jumbled up and buried in the heavy technoverbose jargon so dear to American academics. As in life, the student has to find the problem before he can try to solve it. The problem itself may relate to anything, from the profitability of a passenger ship, to how to sell a business. Nine times out of ten he finds that his answer is different from that of the other students; yet he cannot simply dismiss their views, as he might that of a subordinate back in the office, since he knows that they too are on the course by virtue of their seniority, ability, expertise and readiness for promotion. He is dealing with equals with whom he cannot be cavalier. In this way it is brutally borne on each participant that no single ideal solution to a human problem exists. For men accustomed to think that their way, or their company's way, is the best, if not the only way, this is a hurtful shock. For the man who had always thought Standard Oil perfection, it was a terrible revelation to discover that there were others who regarded Standard Oil as quite fallible. The Case Method teaches that decisions made under conditions of uncertainty must very often turn out wrong since it is either impossible to get all the facts or else that it would be so time consuming as to be ruinous or paralysing. Sometimes the class is reduced to begging for tutorial guidance but no matter how much it begs, the only guidance it gets comes from itself, for the teachers are there only as catalysts. Indeed, more might perhaps be gained if they were prepared, now that the social sciences are getting more firmly based, more often to give some straightforward instruction.

In addition to the Case Method, the Harvard Course is firmly grounded on a tripod: the mix, the technique and the philosophy.

The Mix

First, the mix. The participants come from different walks of life; they are picked by their sponsors for their experience, ability, promotability. Nearly one man in four comes from the American Government, sometimes from the technical side of the Defence forces, sometimes fighting colonels with a few civilians thrown in; about a fifth comes from overseas, mainly from Britain. The rest are American businessmen of every sort, from the king-size corporations and also from some quite little ones. One man was the owner of his own laundry business; another was a Vice-President of the Chase Manhattan.

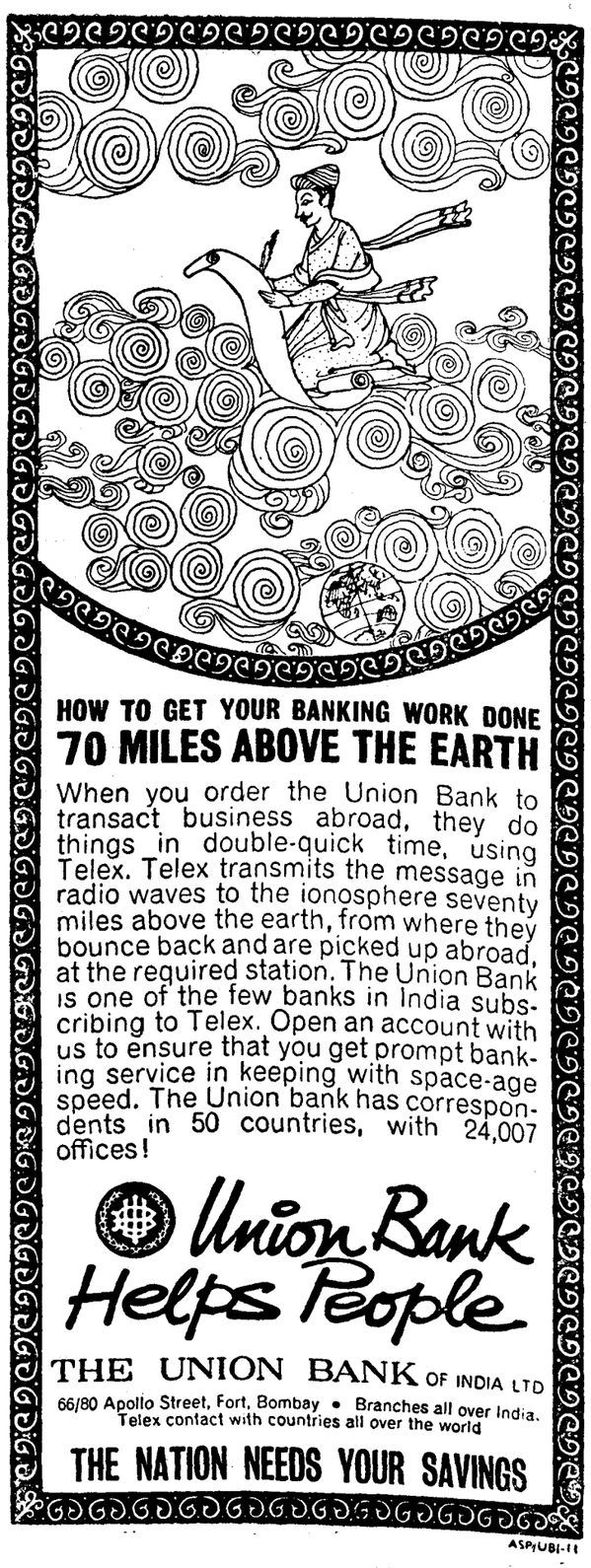
Each participant has his own contribution to make to the common pool of knowledge, and, to get the maximum result out of the "mix", the men are grouped into "cans" of eight, sharing microscopic monastic quarters for the 13 weeks of the course. In addition, ideally, each man should share a study group for a week at least once, with each of his hundred odd colleagues.

"The mix is as much part of our course as the Case Method. It is amazing how much people learn from being canned together like sardines; it broadens their minds, it stretches their horizons. We take infinite care, when we make up the cans to mix expertise and background; each can has at least one foreigner, one Government man, one financial expert, one engineer, one marketeer . . . then we mix the cans into ever changing study groups, and finally, four times during the course we mix the classes".

Sixty - Hour Week

Canned, mixed, stretched, broadened, the AMPs, as they are called on the campus, are worked as they never worked at college; an average of perhaps sixty hours a week. Most of the class work is devoted to the case studies, though there is also a ration of straight lectures. The cases cover all aspects of business, marketing, labour relations, costs and finance, policy, and there are also courses in business history and the relationship of business to the world around it. The idea is to enable men who are often primarily experts in their own field, to take an overall view of the problems facing their organisations. Key to the teaching is the way in which the faculty conducts the case studies, using the knowledge of the specialists and the freshness of mind of the ignorant for the benefit of all. Americans are surprisingly inarticulate and shy, and they have been taught that one learns only by listening; to get them to participate in discussion is a difficult art, but one at which Harvard's superb teachers all excel. Watching a session is like a performance of the Philharmonic, as the conductor, by a nod of the head, a tap of the baton, draws out fud after fud into an orchestral whole.

Behind this attempt to orchestrate the class there is deliberate policy. The idea is to teach the AMPs how to let a discussion roam, how to bring out ideas from their subordinates; the professors are showing them how to teach since so much of senior management is teaching. To achieve this objective requires positive Toscaninis, for American fuds are not only inarticulate, they are also scared of being labelled "egg-heads" and they



are used to treating argument not as an intellectual exercise but as a statement of personal belief, to be backed up, if necessary, by the threat of resignation. Their sense of their work as a personal challenge is much stronger than in Britain; but on the other hand, they do not have the British capacity for academic detachment to anything like the British degree.

To the faculty themselves, the most valuable part of the course is that which relates business to the world around it. "They do not see themselves as prime generators of change" professor after professor groaned, "they have no sense of mission, no idea of the purpose of business in relation to society, they think that their duty is only to squeeze a hundred cents out of every dollar". The Harvard Business School sees business as the social institution above all others which has changed and is changing the world; they want businessmen to be aware of it, and to live up to this lofty conception of their vision. This is not easy, for surprisingly, the businessman, whom every foreigner regards as the lynchpin of American society, is in fact no more highly regarded in America than in Britain. Both his professors and his colleagues from Government accuse him of refusing to take an overall view of the process and the responsibility of creating growth.

Who Cares !

"Businessmen are not interested in politics; they are 'agin' authority in general and fail to realise their own power. Yet if they understood that it is they who make America, that in the last analysis this gives them great power, they could influence Government, run it in order to bring about the kind of society they want. Instead, they wash their hands of it and leave it to the Democrats !" complained one professor. Republican at heart, who added "I hope they will wake up and realise that power and growth are the twin faces of the same coin". And many of the Government men on the Course, who are nevertheless Americans, and therefore essentially rebels suspicious of every form of power, are so shaken by the parochial way the businessman looks at his responsibilities that they finish up supporting the idea of Government as the necessary regulator of change. The Government men are on the whole less parochial than their business colleagues because they have been so much more exposed to the facts of American responsibility in the world. They have been holding the levers of the deterrent, they have manned America's outposts, they are profoundly conscious of the need to take a world view, to trade and aid, to lower stunting tariffs and to invest for freedom. They sneer at the myopia of businessmen who only occasionally think of Asia and Africa's new markets, the importance of balance of payments, or the evils of protection". They are so damned ignorant ! Outside their own little field they know nothing ! They do not even understand how our Government works outside the state limits. For some of them Washington might be in Timbuctoo !" exploded a very senior colonel. Mixing with business tycoons had pushed even the ex-fighting colonels, now in key staff posts, further to the Left.

What the Foreigners Say

The foreigners on the course are probably those who benefit most from it, even though much of what is actually taught has little application in, say, Britain, where Government interferes much less than in America, and where society is much more homogenous. They gain considerably from learning the latest American business techniques; but they gain even more from learning to look at their own societies through American spectacles. Despite their often wider education, their articulateness, their often greater political understanding of world issues, and their training in bachelor parties — the course's theme song became the British "Knees up, Mother Brown!", it is they who are the fuds.

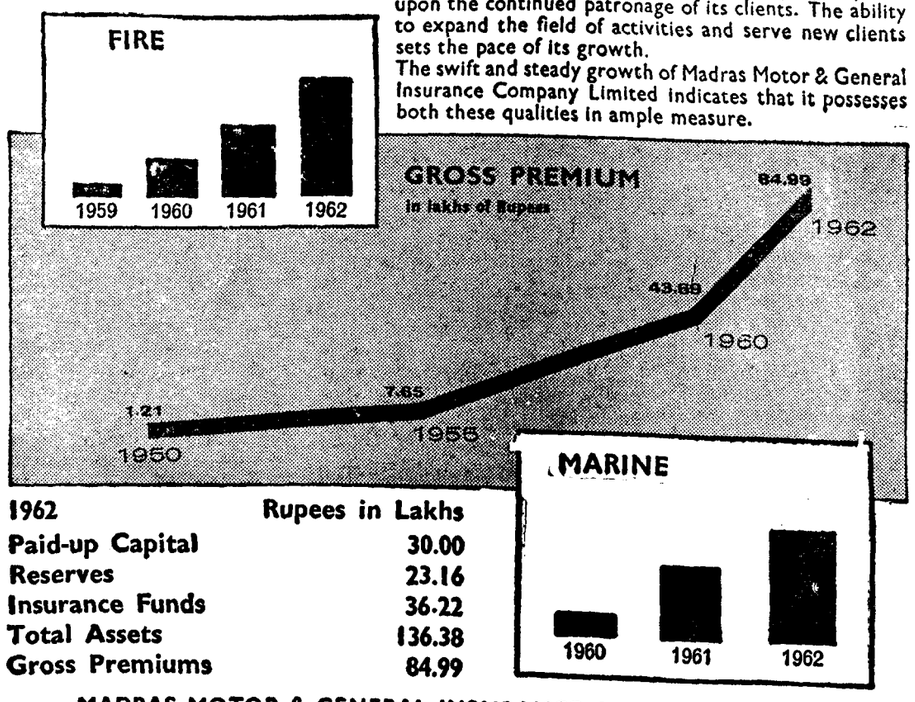
Americans are highly pragmatic. Their humility in the face of facts is truly unique. The most senior professor on the course issued a questionnaire in which he asked for comments on his own classes, including his own conduct as a teacher. He got them; and he will modify his classes and himself accordingly. By comparison with the American willingness to swallow, however painfully, even those facts which go against their most cherished beliefs, even the idea that a deficit might be good for the economy, the foreigners left to themselves would tend to use their mental agility to escape conclusions they do not like, but their can-mates accept no evasions, so that in the end it is the foreigner whose mind is most stretched and broadened by what he learnt from the mix. "My can-mate who is the chief engineer at Lockheeds has under him 18,000 engineers!" mused a Briton, "there would be ne engineers left to go round at home if Ro'ls Royce did the same. No wonder we have to use matriculates as salesmen for chemicals where in America they only use chemical engineers. By Jove, our education *is* behind!" "I have had all my preconceptions of America shattered. Firstly, business is not U, the cream goes to the faculty, the professions, some parts of Government, and only very much last to business" said another. "Americans are truly humble; they accept facts much more than we do; they have even learnt to accept that it is hard and thankless to be the world's greatest power; and they work much harder than we do". "The Americans are a truly formidable people, but although I had been to America many times, I never realised how formidable until I came to Harvard. Whether we like it or not, we will have to change our own society if we want to keep up" said a marketeer adding "it is not just education, it is the whole of their attitude to life; their insistence on the right to stand up and disagree, their freedom of self realisation through work which is so dynamic. One day when I explained to my study group how in England we are governed by a sense of obligation to our juniors, and a reasonable respect for our seniors, they accused me of describing the feudal system. They may be right!".

Can the Advanced Management Programme be repeated elsewhere ? Technically there is no insurmontable difficulty; indeed, India hopes to introduce one next year; but whether it will provide the same challenge in so respectful and hierarchically minded a society is quite another matter.

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National Accounts and Income Analysis for India

J K Gautam

M Z Mogri

An attempt is made below to present, as far as possible from available primary data, a complete set of National Accounts for India, on the pattern recommended by the United Nations, for 1958-59 and 1959-60 and to analyse these Accounts with a view to highlighting certain significant features.

[*In this article the primary tables referred to in Part II and the general findings enumerated in Part III are the work of J K Gautam; M Z Mogriwas responsible for the subsidiary tables referred to in Part IV and the analysis presented in Parts IV and V. The authors wish to express their gratitude to S Sivasubramanian, Delhi School of Economics, and KS Krishnaswamy.*]

PAST attempts at construction of a full set of National Accounts for India have been thwarted by paucity of data, primarily in the fields of private consumption and capital formation. The National Income Committee (NIC), in their first Report, while compiling an illustrative set of Accounts for India for the year 1948-49, had filled the gaps by inserting symbolic expressions for: (a) consumers' current expenditure; (b) provision for depreciation; (c) private capital formation; and (d) private savings. Since then, several attempts, both official and non-official, have been made to fill the gaps in the National Income Statistics and, on the basis of certain assumptions, a series of National Accounts have been prepared. Mention, in this connection, may be made of estimates of capital formation, depreciation and savings recently made by the Central Statistical Organisation (CSO), the Reserve Bank of India and the National Council of Applied Economic Research. On the basis of these data, National Accounts on the pattern laid down by the NIC have been constructed, among others, by B K Barpujari for the years 1951-52 to 1955-56 (Indian National Income Conference Papers [INICP], 1960); K L Narang for the years 1948-49 to 1957-58 (INICP, 1961); and K N C Pillai for the years 1958-59 and 1959-60 (*The Economic Weekly*, December 1, 1962).

The latest set of Accounts presented by Pillai incorporates certain refinements not possible earlier and are based on CSO's (a) Estimates of Gross Capital Formation and (b) Revised Series of National Income Statistics, both issued in 1961. Further, although the accounts presented by him generally follow the pattern laid down by the NIC, they are elaborated, to some extent, in respect of the Rest of the World Sector, where a capital reconciliation account has been shown separately. However, even these accounts fall short of the system recommended by the United Nations inasmuch as:

(a) the Account relating to distribution of national income by factor shares has not been presented;

(b) distinction between enterprises and households has not been shown; and,

(c) capital reconciliation accounts for the private and Government sectors have not been separated.

The practical utility of Pillai's Accounts for formulation of economic policy is also limited on account of their short coverage of only two years; but this was unavoidable because detailed accounts for public authorities presented in the Revised Series of the National Income Statistics issued by the CSO (which, as noted earlier, forms one of the basic sources for Pillai's estimates) are confined to 1958-59 and 1959-60. Thus, even a decade after the publication of the NIC's reports, a complete set of National Accounts for India has not been prepared despite the fact that principal constituents are obtained only as residuals. It may also be pointed out that the present procedure of obtaining private consumption expenditure only as a residual item robs the Indian Accounting methods of their authenticity, since there is no way of cross-checking the reliability of various estimates involved. However, to begin with, even such tentative estimates for the past ten years or so, if properly worked out, can be of considerable value to policy makers. In this sense, even the modest attempt by Pillai marks a significant step. It is attempted here to carry the effort forward.

II

A Set of Accounts for 1958-59 and 1959-60

A full set of National Accounts for India on the pattern recommended by the United Nations is presented on pages 2004 and 2005. These accounts improve upon the ones presented by Pillai in the following respects :

(a) Constructed on the U N model, they give distribution of National Income by factor shares, distinguish between enterprises and households and separate capital reconciliation accounts for all the sectors involved.

(b) Details of financing of gross capital formation in India for 1948-49 to 1959-60 as worked out by the CSO have now been made available, enabling us to show separate primary data in respect of savings, net borrowings and provision for depreciation.

(c) In the CSO's Estimates of Gross Capital Formation, some adjustments have been carried out in the Revised Estimates of National Income to allow for higher depreciation on house property sector and for new rural incomes from land development and irrigation programmes. The present set of accounts have been derived from the Revised Estimates of National Income so adjusted and, thus, modify Pillai's accounts which were based on the unadjusted data.

While studying the present set of Accounts, the following methodological aspects may be kept in view:

(a) Distribution of National Income by factor shares has been worked out on the basis of the assumption that the percentage shares

National Accounts of India for 1958-59 and 1959-60

(Rs Crores, at Current Prices)

Account 1: Domestic Product

		1958-59	1959-60			1958-59	1959-60
1.1	Net domestic product at factor cost (2.9)	12175	12495	1.5	Private consumption expenditure (4.1)	10768	10939
1.2	Provision for domestic fixed capital consumption (3.4+4.14+5.17))	830	871	1.6	General Government consumption expenditure (5.1)	955	1034
1.3	Indirect taxes (5.8)	893	962	1.7	Gross domestic fixed capital formation (3.1)	2153	2276
1.4	*Less*: subsidies (5.2)	—48	—51	1.8	Increase in stock (3.2)	357	258
				1.9	Exports of goods and services (6.1)	719	767
				1.10	*Less*: imports of goods and services (6.4)	—1101	—997
	Gross domestic product at market prices	13850	14277		Expenditure on gross domestic product	13850	11277

Account 2: National Income

2.1	Compensation of employees (4.7)	3653	3749	2.9	Net domestic product at factor cost (1.1)	12175	12495
2.2	Income from unincorporated enterprises (4.8)	5600	5747	2.10	Net factor income from rest of the world (6.2)	—19	—24
2.3	Income from property (4.9)	2736	2777		Adjustment to item (6.7)	—9	—1
2.4	Saving of corporations (3.3)	84	112				
2.5	Direct taxes on corporations (5.9)	54	78				
2.6	Gen. Govt. income from property & entrepreneurship (5.6)	84	103				
2.7	*Less*: interest on the public debt (5.7)	—64	—96				
2.8	Less : Interest on consumers' debt (4.2)	—	—				
	National Income	12147	12470		Net national product at f c	12147	12470

Account 3: Domestic Capital Formation

3.1	Gross domestic fixed capital formation (1.7)	2153	2276	3.3	Saving of corporations (2.4)	84	112
3.2	Increase in stocks (1.8)	357	258	3.4	Provision for fixed capital consumption in corporations (1.2)	97	110
				3.5	Net capital transfers to corporations (5.14+6.8+4.15)	*	*
				3.6	Net borrowing of corporations—(4.18+5.19+6.11)	243	314
					Finance of gross capital formation in corporations	424	536
				3.7	Finance of gross capital formation in non-corporate private sector (4.12)	1481	1363
				3.8	Finance of gross capital formation in non-corporate public sector (5.13)	605	635
	Gross domestic capital formation	2510	2534		Finance of gross domestic capital formation	2510	2534

Account 4: Household and Private Non-Profit Institutions

Current Account

4.1	Consumption expenditure (1.5)	10768	10939	4.7	Compensation of employees (2.1)	3653	3749
4.2	Interest on consumers' debt (2.8)	—	—	4.8	Income from unincorporated enterprises (2.2)	5600	5747
4.3	Direct taxes (5.10)	303	292	4.9	Income from property (2.3)	2736	2777
4.4	Other current transfers to gen. govt. (5.11)	—	—	4.10	Current transfers from gen. govt. (5.3)	160	190
4.5	Current transfers to rest of the world (6.5)	18	16	4.11	Current transfers from rest of the world (6.3)	57	53
4.6	Saving (4.13)	1117	1269				
	Disposal of Income	12206	12516		Income of households & private non-profit institutions	12206	12516

Capital Reconciliation Account

4.12	Finance of gross capital formation in non-corporate private sector (3.7)	1481	1363	4.13	Saving (4.6)	1117	1269
				4.14	Provision for fixed capital consumption (1.2)	670	695
				4.15	Net capital transfers from corporations (3.5)	*	*
				4.16	Net capital transfers from gen. govt. (5.15)	*	*
				4.17	Net capital transfers from rest of the world (6.9)	*	*
				4.18	Net borrowings —(3.0+5.19+6.11)	—306	—601
	Disbursements	1481	1363		Receipts	1481	1363

Account 5: General Government

Current Account

5.1	Consumption expenditure (1.6)	955	1034	5.6	Income from property & entrepreneurship (2.6)	84	103
5.2	Subsidies (1.4)	48	51	5.7	*Less*: interest on public debt (2.7)	—64	—96
5.3	Current transfers to households (4.10)	160	190	5.8	Indirect taxes (1.3)	893	962
5.4	Current transfers to rest of the world (6.5)	—	—	5.9	Direct taxes on corporations (2.5)	54	962
5.5	Saving (5.16)	107	64	5.10	Direct taxes on households (5.3)	303	292
				5.11	Other current transfers from households (4.4)	—	—
				5.12	Current transfers from rest of the world (6.3)	—	—
	Disposal of current revenue	1270	1339		Current revenue	1270	1339

Capital Reconciliation Account

5.13	Finance of gross capital formation in non-corporate public sector (3.8)	605	635	5.16	Saving (5.5)	107	64
5.14	Net capital transfers to corporations (3.5)	*	*	5.17	Provision for fixed cap. consumption (1.2)	63	66
5.15	Net capital transfers to non-corporate private sector (4.16)	*	*	5.18	Net capital transfers from rest of the world (6.10)	*	*
				5.19	Net borrowing —(3.6+4.18+6.11) including capital transfers	435	505
	Disbursements	605	635		Receipts	605	635

Account 6: External Transactions (rest of the World Account)

Current Account

6.1	Exports of goods & non-factor services (1.9)	719	767	6.4	Imports of goods & non-factor services (1.10)	1102	997
6.2	Net factor income from rest of the world (2.10)	—19	—24	6.5	Current transfers to rest of the world (4.5+5.4)	18	16
6.3	Current transfers from rest of the world (4.11+5.12)	57	53	6.6	Surplus of nation on current account (6.7) excluding official donations	—363	—217
	Current receipts	757	796		Disposal of current receipts	757	796

Capital Reconciliation Account

6.7	Surplus of nation on current account (6.6)	—363	—217	6.11	Net lending to the rest of the world —(3.6+4.18+5.19) including capital transfers	—372	—218
6.8	Net capital transfers from rest of the world to corporations (3.5)	*	*				
6.9	Net capital transfers from rest of the world to households (4.17)	*	*				
6.10	Net capital transfers from rest of the world to general government (5.18)	*	*				
	Adjustment made to Item 6.7	—9	—1				
	Receipts	—372	—218		Disbursements	—372	—218

* Figures for capital transfers are not separately available and the same are, therefore, merged with the net borrowings/lendings.

accruing to land, labour and capital during 1958-59 and 1959-60 would be the same as earlier estimated for the previous five years by R Narayanan and Bina Roy (INICP, 1961).[1]

(b) The estimate for 'net borrowings from abroad' given in CSO's 'Financing of Gross Capital Formation', is nothing but the 'net capital inflow' as worked out by the Reserve Bank of India (*RBI Bulletin*, August 1961); this estimate, however, is different from "surplus of nation on current account" as shown in the balance of payments statistics, since the former includes certain items like unpaid imports, retained earnings of foreign companies and savings in the form of gold, which do not form part of the latter. This necessitated a suitable adjustment in the figure relating to 'net borrowings from abroad' adapted by us.

(c) On account of non-availability of data, unilateral capital transfers could not be shown separately in the various capital reconciliation accounts and the same were merged with net borrowings.

(d) In the absence of any better alternative,[2] the estimates of private consumption expenditure in the present set of Accounts too continue to be derived as residuals.

III

Some General Observations on the National Accounts for 1958-59 and 1959-60

A proper analysis of National Accounts is possible only when these accounts are presented for a series of years. If after their "Proposals for Revised Series of National Income Statistics", are finalised, the CSO undertakes to publish regularly detailed accounts on the lines of the "Proposals", then National Accounts for a series of years would be available. For the time being, however, we have to content ourselves with the following general observations.



All this happened over 300 years ago. At the Gol Gumbaz in Bijapur, King Mohammed Adil Shah and the exquisite Rambha are climbing the stairs of the building to test its fantastic acoustics. Rambha stops midway while Adil Shah goes right to the top.

"Do you love me Rambha?" whispers the King. The words echo down to his beloved. "Very much, my lord", she replies. "More than your life?" whispers Adil Shah. "Do you doubt me, my lord?" Rambha asks passionately. The King's eyes twinkle with mischief. "Would I ask you if I didn't?" Suddenly there is a rustle of silk as Rambha throws herself down on the floor below....

As you walk into the Gol Gumbaz, your soft footsteps resound like thunder above the graves of the two lovers, while somebody tells you their story. To hear the myths and legends of our country is one of the pleasures of motoring. And you discover so much more when you go by road.

DUNLOP *Founders of India's Tyre Industry*

DC-588

(a) The principal National Income aggregates work out as follows:

Item	At Current Prices (*Rs Crores*) 1958-59	1959-60
1. National Income	12,147	12,470
Less : Net factor income from abroad	—28	—25
2. Net domestic product at factor cost	12,175	12,495
Plus : Depreciation	830	871
3. Gross domestic product at factor cost	13,005	13,366
Plus : Indirect taxes net of subsidies	845	911
4. Gross domestic product at market prices	13,850	14,277

(b) The percentage distribution of expenditure on gross domestic product is as follows:

Item	(*Percentages*) 1958-59	1959-60
1. Private consumption expenditure	77.8	76.7
2. General Government consumption expenditure	6.9	7.2
3. Gross domestic fixed capital formation	15.5	15.8
4. Inventories	2.6	1.9
5. Excess of imports over exports of goods and services	—2.8	—1.6
Total	100.0	100.0

(c) Assuming the population of India to be 416 and 425 millions for 1958-59 and 1959-60, respectively, per capita private consumption for both the years works out to about Rs 260 or about 70 naye paise per day per person.

(d) The gross capital formation in the corporate sector (both public and private) was financed from internal and external sources in the following proportions:

Item	(*Percentages*) 1958-59	1959-60
Internal sources (Savings and depreciation)	42.7	41.4
External sources (borrowings both within the country and from abroad)	7.3	58.6

(e) The proportion of gross capital formation in the corporate sector to the total gross capital formation in the country works out to be about 17 per cent in 1958-59 and 21 per cent in 1959-60; the share of the non-corporate sector, on the other hand, was as high as 59 per cent in 1958-59 and 53 per cent in 1959-60. However, the corporate sector's share was increasing and the share of the non-corporate sector was on the decline.

IV

Analysis of Variations between 1958-59 and 1959-60 in the National Accounts

On the basis of the set of Accounts presented earlier, a set of Tables showing variations in the National Accounts for India have been prepared.[3] These Tables attempt a marginal analysis showing only the differences in 1959-60 compared to 1958-59 and are presented in a simplified form. Thus accounts 1 and 2 have been consolidated in a single Gross National Income and Product Account. The capital reconciliation accounts have been omitted in view of the fact that the utility of such accounts from an analytical point of view is limited, since, as mentioned earlier, capital transfers could not be shown separately. Thus, accounts 2, 3 and 4 respectively show current accounts of: (a) household and private non-profit institutions sector, (b) Government sector and (c) rest of the world sector. Account 5 shows the Gross Savings and Investment account which takes the form of a resting account incorporating the residual items of the preceeding four accounts.

The simplified set of accounts relating to variations during 1959-60 is re-arranged below in the form of a transactions matrix.

Transactions Matrix

Payments by / Receipts by	Producers	Consumers	Government	Foreign Countries	Sub Total	Gross Investment	Total
Producers	X	171	114	43	328	24	352
Individuals	284	X	30	—4	310	0	310
Government	112	—11	X	0	101	0	101
Foreign Countries	—105	—2	0	X	—107	0	—107
Sub Total	291	158	144	39	632	24	656
Gross savings	61*	152	—43	—146	24	X	24
Total	352	310	101	—107	656	24	680

* Allows for a minus adjustment of Rs 8 crores on account of "Statistical adjustment".

Variations in the National Accounts for India for 1959-60 (Rupees Crores, at Current Prices)

Account 1 : Gross National Income and Product

1.1	Payments by producers * to individuals (2.5)	+ 96	1.10	Private consumption expenditure (2.1)	+ 171
1.2	Income fron unincorporated enterprises (2.6)	+ 147	1.11	General Government Consumption expenditure (net) (3.1)	+ 79
1.3	Income from property (2.7)	+ 41	1.12	Gross domestic fixed capital formation (5.1)	+ 123
1.4	Income retained by corporation (5.4)	+ 28	1.13	Net change in inventories (5.2)	— 99
1.5	Provision for fixed capital consumption (5.4)	+ 41	1.14	Exports of goods and services (4.1)	+ 48
1.6	General Government income from property and entrepreneurship (3.8)	+ 19	1.15	*Net* factor income from abroad (4.2)	— 5
1.7	Direct Taxes on Corporations (3.5)	+ 24	1.16	(*Less*) Imports of goods and services (4.5) (—) — =	+ 105
1.8	Indirect taxes (3.7)	+ 69	1.17	Statistical adjustment (5.7)	+ 8
1.9	(*Less*) Government subsidies and interest on public debt (3.2) (—) + =	— 35			
	Gross National Income	+ 430		Gross National Product	+ 430

* Including Government producing services.

Account 2 : Personal Income and Outlay

2.1	Consumption expenditure (1.10)	+ 171	2.5	Payments by producers to individuals (1.1)	+ 96
2.2	Tax payments by individuals (3.6)	— 11	2.6	Income from unincorporated enterprises (1.2)	+ 147
2.3	Current transfers to foreign countries (4.6)	— 2	2.7	Income from property (1.3)	+ 41
2.4	Personal savings (5.3)	+ 152	2.8	Current transfers from General Government and from abroad (3.3+4.3)	+ 26
	Personal Outlay and Savings	+ 310		Personal Income	+ 310

Account 3 : Government Receipts and Outlay

3.1	Consumption expenditure 1.11	+ 79	3.5	Direct taxes on corporations (1.7)	+ 24
3.2	Subsidies and Government interest (1.9)	+ 35	3.6	Direct taxes on individuals (2.2)	— 11
3.3	Transfers payments to individuals (2.8)	+ 30	3.7	Indirect taxes (1.8)	+ 69
3.4	Surplus (+) (5.5)	— 43	3.8	Income from property and entrepreneurship (1.6)	+ 19
	Government Outlay & Surplus	+ 101		Government Receipts	+ 101

Account 4 : Foreign Trade and Payments

4.1	Exports of goods & services (1.14)	+ 48	4.5	Imports of goods and services (1.16)	— 105
4.2	Net factor income from abroad (1.15)	— 5	4.6	Current transfers to foreign countries (2.3)	— 2
4.3	Current transfers from abroad (2.8)	— 4			
4.4	Net borrowing from abroad (5.6)	— 146			
	Receipts from abroad	— 107		Payments abroad	— 107

Account 5 : Gross Savings and Investment

5.1	Gross domestic fixed capital formation (1.12)	+ 123	5.3	Personal savings (2.4)	+ 152
5.2	Net change in Inventories (1.13)	— 99	5.4	Income retained by producers (1.4+1.5)	+ 69
			5.5	Government surplus (3.4)	— 43
			5.6	Net borrowings from abroad (4.4)	— 146
			5.7	Statistical adjustment (1.17)	— 8
	Gross domestic Investment	+ 24		Gross Savings available for domestic investment	+ 24

Since the above analysis relates to variations during a single year 1959-60, its usefulness from a policy formulation point of view is somewhat questionable.[4] Further, the marginal analysis presented here would have been more meaningful, if the basic data were in terms of constant prices. Since the original data are in current prices, variations will be exaggerated by price changes over the year 1959-60 during which the general index of wholesale prices rose by about 4 per cent. The following general trends, therefore, should be read in the light of these limitations:

(a) The major part of the additional income accruing to producers emanate from private and Government consumption expenditures; receipts from gross investment constitute a small proportion of about 6.5 per cent;

(b) Out of the additional allocation of receipts disbursed by the producers, about 27 per cent is paid out as wages and salaries to individuals; another 42 per cent accrues to individuals as income from unincorporated enterprises;

(c) Nearly half of the additional personal incomes accruing to the consumers is saved; (it may be noted here that in absolute terms, the proportion of total savings of households to the aggregate disposable income during 1959-60 was as low as about 10 per cent);

(d) Increase in exports and decrease in imports push down the net borrowings from abroad and this is the largest single item responsible for the small increase in the amount of gross savings available for domestic investment (Account 5);

(e) Although gross domestic fixed capital formation increased by as much as Rs 123 crores, gross investment increased only by Rs 24 crores on account of disinvestments in the form of depletion of inventories to the extent of Rs 99 crores;

(f) Personal savings together with the undistributed profits of producers increased by as much as Rs 221 crores; this would have made possible much higher levels of both gross domestic fixed capital formation as well as of gross investment, but for the fact that a part of these funds (Rs 43 crores) was offset by Government deficits on current account, and most of the rest (Rs 146 crores) was utilised in reducing our foreign exchange liabilities.

V

Some Economic Trends Emerging from the Analysis

It has been indicated above that a substantial portion of domestic savings was diverted, in 1959-60, to lower the level of external liabilities. In later years, reduction in external aid coupled with payments of interest due on past borrowings might take the form of decline in foreign savings available for domestic investment. In this context, the implications of some of the findings for 1959-60 are of some analytical interest.[5]

In 1959-60 a part of gross domestic savings was devoted to reducing foreign exchange liabilities and this greatly restricted the net increase in gross domestic investment. The level of gross domestic investment, however, will not be lowered if it is ensured that gross domestic savings increase at a rate faster than

that of the decline in net borrowings from abroad. Some of the obvious implications of such an assumption are:

Increase in exports and/or decrease in imports, other things being equal, raise the gross domestic product and, in turn, tend to raise gross domestic savings, *if* consumption expenditures are pegged to the same level. The basic issue, therefore, is whether it would be possible to restrain domestic consumption. Even if we were to ignore exogenous factors such as increase in population or pressing demands for bettering the living standards of the masses, this condition appears difficult to satisfy when consumption is viewed in physical terms.

The decline in imports arising from import restrictions is likely to affect adversely the supply of consumer goods; further, part of the increase in exports would be through diversion to the foreign market of consumer goods or raw materials required for production of consumer goods. But what happens if domestic consumption expenditures do not go down? We shall then be left with two alternative courses of action. A substantial part of the productive resources will have to be diverted to production of consumer goods, and this may adversely affect the level of real investments. On the other hand, if real investments are to be kept intact, then the prices of consumer goods would tend to go up. The latter alternative would involve an element of forced savings which may, of course, enable us to reduce foreign exchange liabilities.

A step-up of the short-run supplies of consumer goods generally involves, in an under-developed economy like ours, quick utilisation of idle capacities, over-utilisation of working units and/or a substantial draft on stocks-in-hand. In a dynamic and developed economy, on the other hand, such a phenomenon would have witnessed a smaller initial step-up in the output of consumer goods but a more systematic laying down of new capital assets essential for sustaining higher supplies of consumer goods in the long run.

The National Accounts presented above supports the contention that effective demand resulting from high levels of domestic consumption does involve substantial disinvestment in the form of depletion of inventories. Since there is an obvious limit to which such a situation can extend, it is bound to bring pressure on prices through increased costs of production, decreased quality of products and/or short-supplies.

Thus, both from the point of view of our financial objective of reducing foreign exchange liabilities and the physical need to step up and sustain at higher levels output of consumer goods in order to contain inflationary pressures, it appears necessary to clamp down on domestic consumption[6].

Notes

[1] The percentage share of 'compensation of employees' (item 2.1) could be obtained directly from this study; share of 'income from unincorporated enterprises' (item 2.2) was assumed to be the same as of 'income from self-employed enterprises'; 'income from property' (item 2.3) is a residual item.

[2] The consumption expenditure data collected by the National Sample Survey at present differ considerably from those derived from the official estimates issued by the CSO. As and when these two sources come closer to each other, it would be possible to use NSS data and provide for an item like 'Statistical Discrepancy' to cover any minor inconsistencies between the two independent sets of estimates.

[3] The methodology and terminology used in this section broadly follow the pattern laid down by Richard and Nancy Ruggles in their book : "National Income Accounts and Income Analysis, McGraw-Hill, New York; 1956.

[4] Marginal analysis for a short period tends to magnify the trends since it does not eliminate temporary non-recurring oscillations. Our intention, however, is merely to focus attention on one or two findings which, in our judgment, appear to be of some analytical interest.

[5] In reading this section, it must be remembered that the statistical foundation on which the Basic Accounts of India are constructed at present is inadequate. Any analysis of the type attempted here therefore can be only suggestive, not conclusive. The authors aim only to advance a hypothesis to be tested and improved upon as and when detailed primary data become available.

[6] If the present levels of per capita consumption in the country are deemed to be too low to permit this course of action, then the alternative would be to defer our objective of reducing external liabilities. Consideration of this alternative would, however, take us outside the field of economics and, therefore, we have preferred to conclude here.

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Value through Exogenous Distribution

A Comment

Arun Bose

MAY I offer a few comments on Krishna Bharadwaj's interesting review article on Sraffa's "Production of Commodities by Means of Commodities" (*The Economic Weekly*, August 24, 1963)?

First, the reviewer agrees that with no changes in outputs or input proportions provided for, the question of returns to scale is irrelevant (p 1451). But in a foot-note on the same page doubts are expressed that for construction of (a) the Standard System; and (b) the Sub-Systems, "one gets the feeling as though the assumption of constant returns to scale is necessary". Of course, the first doubt is expressed only to be disposed of immediately by recalling that Sraffa makes it quite clear that the Standard System is a purely auxiliary construction, having no physical existence. But, "More ambiguous is the case of the Sub-Systems which are used to derive the direct and indirect labour content of commodities (at zero profit rate), thus implicitly attributing to the Sub-System the qualities of actual production relations" (p 1451). Actually, there is no ambiguity involved. It can be shown without much difficulty that in the construction of the Sub-systems the problem of returns is completely bypassed by leaving (a) aggregate commodity outputs in the whole system, and (b) input proportions, unchanged. In fact the construction of Sub-Systems involves nothing more than a purely "drawing board" regrouping of the productive facilities of the actual system.

Second, on page 1452 we read that a "land theory of value" can be fitted into the Sraffa analysis as a special case by superimposing on the assumptions of zero profits and fixed subsistence wages the assumption that land is a "non-basic". But as it stands, on the assumptions made in this passage, we would get a system of production without a surplus (and with free land) where a pure "commodity theory of value", with any one commodity chosen as a standard of value, would rule.

Third, it is far more important, at this stage, to discuss the validity and usefulness of the Sraffa theory on its own merits, than to decide which family of value theories known in the history of economic thought it belongs to. We shall be in a much better position to undertake the latter task after we have examined the many implications for theory of the Sraffa analysis and found them acceptable. But it is perhaps not entirely inappropriate to point out that an important issue is too hastily prejudged in the statement on page 1452 of the review article which reads "the labour theory of value becomes a special case of Sraffa when the rate of profit is zero and the entire net production goes to wages". Implicit in this statement is a particularly narrow definition of the labour theory of value as a theory which says that value is determined exclusively by labour cost, with the rate of profit playing no part. But no important exponent of any of the theories usually known as labour theories of value would deny that labour cost would be the exclusive determinant of value only in the special case where the whole net product goes to labour as wages. And a theory of value which deals only with such special cases can hardly be called a theory of value applicable to actual situations. Actually, the more interesting question is how Sraffa's theory compares with the sophisticated versions of the labour theory which seek to tackle situations where the whole net product does *not* go to labour as wages, where "organic compositions of capital" differ from industry to industry, where the role of land is explicitly recognised, and where in consequence prices are *not* proportional to labour cost.

Reply

Krishna R Bharadwaj

I AM glad that Arun Bose has raised certain interesting issues connected with my review of Sraffa's book.

As far as the construction of the Sub-System is concerned, I now agree that no assumption regarding constant returns to scale is necessary. I have been doubly assured on this point by Sraffa himself in a private communication.

Regarding the land theory of value, I may point out that it was mentioned not out of any particular interest in fitting it into the Sraffa analysis. I had Samuelson's contribution (to which I have referred in the foot-note on page 1452) in mind and wanted merely to indicate, in passing, that by choosing appropriate and convenient assumptions one could derive a land theory of value, if one were interested in it. For me, it does not seem attractive analytically.

My rather hasty treatment of the labour theory of value was not out of any prejudice against treating it on a more sophisticated basis and certainly it was not intended to cast it summarily aside as too naive for consideration. In a small article that had the modest aim of presenting some of the central propositions of Sraffa's work, a thorough discussion of all the ramifications of the labour theory of value could not be incorporated. The question raised by Bose in his last paragraph is certainly worth pursuing as an independent piece of research.

From the Chair

The Delhi Cloth and General Mills Company Ltd

Speech of the Chairman, Lala Bharat Ram

THE following is the Speech by Lala Bharat Ram, Chairman, Board of Directors, Delhi Cloth & General Mills Co, Ltd. delivered at the 75th Annual General Meeting of the shareholders of the Co, on the 2nd December, 1963, at Bara Hindu Rao Delhi-6 :

Ladies & Gentlemen,

I am happy to welcome you to the 75th Annual General Meeting of your Company. I cannot, however, help making a reference at the beginning of this meeting to the memory of my respected father, the late Lala Shri Ram. The growth and prosperity of DCM are largely the fruit of his hard work and devotion, and the inspiration his integrity and high ideals gave to the rest of us. No greater homage could be paid to his memory than that all of us should continue and carry on his great work with the same devotion and high integrity which he showed. We met last year under the cloud of the Chinese aggression. The Chinese aggression had various repercussions. There was on the one hand a spontaneous patriotic upsurge in the country, and on the other, various friendly countries extended financial and military assistance. Even though there is, at the moment, a ceasefire, the danger of aggression has not altogether receded. The country has to keep itself prepared for any eventuality and it would be dangerous to relax our preparation. The Chinese aggression was bound to have its repercussions on our economy. Some of our efforts had necessarily to be diverted from civilian needs to military requirements. It is however unfortunate that instead of there being a spurt in production, there has been a slowing down in the economy. The mid-term appraisal of the Third Plan is a matter of concern; for it reveals that the economy is dragging at a time when it ought to be pushing forward with greater speed. The shortfall in the agricultural sector, which is not only a sizable component, but on which depends the productivity of the industrial sector as well, is reflected in the total national output. In the industrial sector also, while development effort has been larger and more broad-based, the general index of Industrial production fell short of the average increase of 11% visualised in the Plan to 6.5% in the first year and 8% in the second year. It would seem that the only effort that has exceeded the target is in the field of additional taxation, which is expected to be in excess by Rs 1100 crores by the end of the Third Plan, the yield being at Rs 1900 crores as against Rs 800 crores. I am sure, this excessive taxation is greatly responsible for the slowing down of the tempo of development.

Shortage of Foreign Exchange

Apart from the requirements of defence, with the fast growing population and the need for improving the standard of living of the people, we have before us a gigantic task. This can be accomplished only if the production increases considerably faster than the population. One of the most important factors affecting our rate of development is the perennial shortage of foreign exchange. While we should be grateful for the assistance which various friendly countries are giving to us in the form of loans and grants, we cannot with any certainty depend on the assistance continuing at these levels indefinitely. We must, therefore, depend on our own efforts to bridge the gap between our imports and exports. To my mind, there is no other way except to work hard, produce more and export more. We must not think in terms of exporting only our surpluses. With the growing population and demand we shall never have surpluses except in a very few commodities. Therefore, we will have to restrict in many cases our own consumption so as to export. In order that we succeed in our export effort, we have to be competitive and produce goods of quality which would be acceptable in other countries. It is necessary to ensure that costs do not go up. The costs can remain low if output per man, whether in the industry or on the farm, increases. While I am not against increases in wages, I would emphasise that if there is not more than a corresponding increase in productivity per man, the costs will continue to go up and we will be wiped out of the world market. It is unfortunate that India's share in world trade has declined from 2.1% to 1.1% during the last decade of planning. When compared with other developed countries, the value of India's exports as percentage of national income works out to about 7% as against 19% for U.K., 21% for West Germany and 12% for Japan. I do not propose to spell out in detail here the various measures necessary to put our economy on an even keel, but shall only reiterate the important fact that the standard of living consists not of money but what the money will buy and money will only buy more goods and services provided the productivity per man increases.

In spite of all our efforts we shall still need more foreign capital and it is necessary that everything is done not merely to provide incentives to foreign investors but also to create a feeling of confidence in our fiscal policies. The stability in our fiscal policy is the biggest factor in creating confidence for the foreign investor. Frequent changes not only upset the programme of financing but also create a feeling of uncertainty.

I have every faith in the country's capacity for quicker growth provided we all work hard and our economic policies are practical and not affected by ideologies.

Larger Sales, Lower Profit

Coming back to the Company's affairs, although there has been an appreciable increase in total sales, profits have been lower due to rising costs of raw materials, stores and wages. In the case of sugar, unfortunately, like the rest of the industry, your factories also had a very short season which increased

the cost of production and considerably reduced the profits. In addition, Government's fiscal measures like Super Profits Tax, Emergency Risk Insurance etc have further reduced the profits. The Company has continued to follow a policy of expanding its activities. Our Project for the manufacture of plastics to which I made a reference last year is nearly complete. One of its products, namely, caustic soda, is already in the market and it is expected that PVC will be in the market within a short time.

Likewise, the Rajasthan Rayons Project is also progressing satisfactorily and it is expected that the factory will start producing high-grade rayon tyre-cord by about the end of 1964.

Expansion Schemes

Last year I had refererred to two major schemes of expansion. One, the spinning mill at Hissar, and the other, the expansion in sugar mills at Mawana . The extension of our Hissar spinning unit is continuing at a rapid pace and it is expected that the capacity will increase from 37,000 to 63,000 spindles by the beginning of the next year. The expansion of the Mawana Sugar Works from 1500 tons crushing capacity per day to 3000 tons per day has been done. We are, of course, facing a few teething troubles, but I hope they will soon be over. Apart from these major expansions and new projects we have been continuing to renovate our existing equipment. I have no doubt that as soon as the new projects have come into production and the expansions have been completed the profits of the Company will increase.

The record of exports of your Company has again been satisfactory. While on the subject of exports, I would like to refer to a new Organisation which we propose to set up for handling our export business. It is proposed to set up a new export Company. This would be a subsidiary of your Company. While in the first instance, it would export the products of Delhi Cloth Mills, in course of time, it would take up the export of other manufacturers' products also. It would thus grow into a trading company, the benefits of which will accrue to our shareholders.

Shortage of Personnel

One of the problems facing the industry in the country today is shortage of personnel. As your Company is also expanding its activities, it had also felt these shortages. The Management now is busy concentrating on training our management personnel at all levels. Today the science of management has made great advances and it has become a great science. Your Company has started a separate department for not only training fresh people but also to teach the modern techniques of management to the existing staff. In addition to starting our own department for training, your Company has been sending people to various management courses to other places. I am sure, this policy will pay rich dividends.

I am glad it has been possible for your Company to maintain the same rate of dividend as last year in spite of lower profits. In addition to this, the benefit of undistributed tax-exempt profit under Section 15(c) of the old Income-tax Act has also been passed on to the shareholders. In effect, 34% of the dividend will be exempted from tax in the hands of the shareholders. Thus, most of the shareholders will get a higher net dividend than last year. I may, however, make it clear that this is in the nature of a windfall for this year only.

Before concluding, I would like to record our sincere appreciation of the good work of all our workers and staff whose efforts have enabled us to achieve satisfactory results during the year.

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

Business Notes

Investment Corporation of India

THE Investment Corporation of India has weathered very well the crisis that overtook the financial and investment markets as a result of the Emergency and the unprecedented burden of new taxes imposed in the 1963-64 Budget.

In his statement circulated with the Annual Report of the Corporation for the year ended June 30, 1963, the Chairman, Shri J R D Tata observes that the crisis was greatly and unjustifiably aggravated by the severity of the Budget, not merely in the additional burden of taxation it imposed but also in the psychological impact of such unpopular measures as the SPT, and the Compulsory Deposit Scheme. In his view the damage caused to the economy in drying up capital formation, inhibiting investment, retarding economic growth and in creating a deep and widespread crisis of confidence has been totally out of proportion to the additional revenues accruing to Government.

Public confidence in the soundness of the economy and in fiscal policies, which if shaken often will take longer each time to revive, Shri Tata points out, has to be protected and nurtured; instead it has been more than once ignored in our country during the last fifteen or sixteen years with disastrous results. He, therefore welcomes the present Finance Minister's readiness to modify policies which has brought back confidence to the financial markets.

A modern industrial economy, says Shri Tata, cannot be built on the basis of a weak and stagnating agricultural sector; industries cannot run without adequate raw materials, transport, power, technical skills and capital; exports cannot be built on high costs of production; and large-scale employment opportunities in industry cannot be created by excessive concentration on monumental capital-intensive projects which have been the basis of our planning.

While welcoming the formation of a Unit Trust in the public sector as a useful first step, Shri Tata is of the opinion that such Trusts should be allowed in the private sector also for the reason that a concentration of investment resources in the hands of one or two institutions, whether they belong to the State or are privately-owned makes for narrower markets in shares and securities and exaggerates movements in their prices. The existence

Investment Corporation of India

	1958-59	1959-60	1960-61	1961-62	1962-63
	(in lakhs of rupees)				
Paid-up Capital	220	220	220	220	220
Capital Reserve	29	91	106	114	115
Investments	396	462	505	518	556
Dividend and Interest	20.2	20.2	27.1	29.5	22.7
Other Incomes	9.7	11.2	7.4	8.3	7.8
Expenses	9.5	9.2	11.1	14 0	16.8
Profit before Tax	20.4	22.1	23.4	23.8	13.7
Taxation	6.1	5.2	5.0	1.8	—
Dividend on Ordy Shares, Taxable, Rs	9.25	8.5	8.5	9.5	7.5

of a number of investment institutions each following an independent policy would not only contribute to healthier conditions in stock exchanges but also give a wider choice to small investors.

The Corporation's income during the year dropped by Rs 7.26 lakhs to Rs 30.45 lakhs. Income under the heads, dividend, underwriting commission and agency commission has fallen while that under service charges and interest has shown a small rise. Expenditure, on the other hand, has shot up by Rs 2.80 lakhs to Rs 16.77 lakhs. As a result, profit before taxes has declined by Rs 8.31 lakhs to Rs 13.69 lakhs. The Corporation has to pay no tax for the year as against Rs 1.75 lakhs in the previous year. Net surplus on the sales of investments amounting to Rs 3.12 lakhs (Rs 8.55 lakhs) has been transferred to the Capital Reserve. The amount available for disposal including last year's balance of Rs 1.32 lakhs was Rs 15.01 lakhs of which Rs 15 lakhs are transferred to the Dividend Reserve from which Rs 14.84 lakhs will be paid out as dividends. Due to inadequate profits, no amounts have been transferred to General Reserve and provision for retiring gratuities which got Rs 5 lakhs and Rs 1.27 lakhs respectively last year, and the ordinary dividend has been cut to 7.5 per cent taxable, as against 9.5 per cent taxable, including 1 per cent Jubilee bonus.

In spite of a net addition of Rs 38 lakhs to the invested funds of the Corporation, dividend income has sharply declined during the year from Rs 29.45 lakhs to Rs 22.69 lakhs. The decline is primarily due to an overall reduction in dividend receipts from other companies which have been affected by new imposts of taxation. The bulk of the new investments of Rs 54 lakhs did not fetch any income. The change in the dates of payment by some companies also accounted to some extent for a fall in the year's total dividends. Underwriting was less due to paucity of capital issues. While net earnings were thus less, the aggregate market values of investments as on June 30, 1963 showed a depreciation of Rs 7.63 lakhs on their cost of Rs 5.56 crores. By contrast, there was an appreciation of Rs 35.20 lakhs in the value of investments last year. However, the depreciation is well covered by a capital reserve of Rs 115 lakhs the Corporation has built up so far.

The table above highlights the progress of the Company during the past five years.

Central India SPG

THE improving trend in the profits of Central India Spinning, Wvg and Mfg Co during the past four years has been reversed during the year ended June 30, 1963. The profit for the year amounted to Rs 3.59 lakhs as against Rs 25.87 lakhs in the previous year and has been appropriated for reducing the revenue losses carried forward from previous years. The Company has at the close of the year, still a loss of Rs 40.20 lakhs to wipe out, and also arrears of depreciation upto June 30, 1960, not provided, amounting to Rs 48 69 lakhs. The Company is not on the dividend list for the last 8 years, and preference dividends amounting to Rs 23.39 lakhs are in arrears from 1956-57 onwards.

Production during the year was well maintained and the capacity was utilised to the maximum. Sales of cloth, yarn, etc, were also maintained above last year's level, the total turnover being Rs 614 lakhs as against Rs 599 lakhs in the previous year; but profits were affected by adverse trade conditions for some time, higher cotton prices, rise in overall cost of production and unremunerative exports. Value of exports amounted to 13 per cent of the aggregate sales in the first half of the year against an obligation of 12.5 per cent, but the Company could not fulfil its export obligation during the second half because of disturbed political conditions in Africa.

The Directors intend to revive the scheme for the issue of new equity capital amounting to Rs 46.88 lakhs and a resolution is sponsored for consideration at the Annual General Meeting to empower the Directors to make a fresh offer at the appropriate time.

Sirpur Paper

SIRPUR Paper Mills' production during the year ended June 30, 1963 was adversely affected by a three-month labour strike and it fell from 31,700 tonnes to 24,000 tonnes. Net sales of paper were lower by Rs 1.21 crores at Rs 3.40 crores. Added to this, rise in the cost of raw materials and stores, the emergency insurance schemes, rise in import and excise duties, and taxation eroded profits, which after providing Rs 32.46 lakhs for depreciation (Rs 39.05 lakhs) and Rs 3 lakhs (Rs 7 lakhs) for development rebate amounted to only Rs 2.94 lakhs compared with Rs 37.87 lakhs in the previous year.

A sum of Rs 11 lakhs had to be written back from General Reserve and Rs 5 lakhs from Contingencies Reserve to pay dividends for the year. The dividend on ordinary shares is reduced to 50 nP taxable as against 85 nP in the previous year. The working results of the current year are reported to be satisfactory as a result of settlement of labour disputes. The Company has now announced an interim dividend of 35 nP taxable for 1963-64. Plans for modernisation and expansion of the Mills are in progress following a technical and financial collaboration agreement with Kimberley Clark Corporation of Wisconsin, U S A.

Tractors (India)

TURNOVER of Tractors (India), Calcutta, has very nearly doubled during the year ended June 30, 1963 at Rs 2.18 crores in spite of import restrictions and keen competition. Gross profit rose from Rs

39.18 lakhs to Rs 47.15 lakhs. But other receipts having gone down and overall expenditure having increased, the net profit has turned out to be lower at Rs 21.70 lakhs compared with Rs 22.18 lakhs in the previous year. No allocations have been made to General Reserve or Dividend Equalisation Reserve to which Rs 13.90 lakhs were earmarked last time. Taxation provision has absorbed Rs 17.40 lakhs (as against Rs 10.25 lakhs) which includes SPT of Rs 6.40 lakhs for 2 years. A sum of Rs 13.60 lakhs is lifted to Dividend Reserve from which Rs 7.21 lakhs will be paid off as ordinary dividend at Rs 2.25 per share of Rs 10. This compares with Rs 3.25 per share last year absorbing Rs 10.42 lakhs.

Cole Cranes of India in which the Company has a substantial investment has attained its licenced capacity production within 18 months of its commencing operations and has paid a dividend of 10 per cent.

Saurashtra Cement

NET profit earned by Saurashtra Cement and Chemical Industries rose sharply during the year ended June 30, 1963, from Rs 12.72 lakhs to Rs 34.66 lakhs and brought down the accumulated loss from Rs 50.18 lakhs to Rs 22.70 lakhs after providing Rs 3.30 lakhs for Development Rebate Reserve and Rs 3.89 lakhs to Rehabilitation and Development Reserve. Production of clinker has gone up during the year from 1.47 lakh tonnes to 2.11 lakh tonnes and that of cement from 1.64 lakh tonnes to 2.14 lakh tonnes. After the factory started production in 1961, the Company has made a gross profit to the tune of Rs 123 lakhs and the accumulated deficit in the accounts mostly represents the unabsorbed depreciation and development rebate.

Plans for doubling the output of the cement factory are already underway and the new plant which will expand the capacity to 4 lakh tonnes per year is expected to go into production sometime in 1964-65.

Barium Chemicals

BARIUM Chemicals' imported plant is expected to be commissioned within a month. The Company has made satisfactory arrangements for power, water, coal and raw materials. During the (second) year ended June 30, 1963, the Company imported barium salts of the value of Rs 5.20 lakhs against an *ad hoc* import licence for Rs 10 lakhs and sold a portion of it for Rs 1.46 lakhs earning a gross profit of Rs 77,000. After capitalising a net revenue expenditure of Rs 3.24 lakhs, a loss of Rs 6,019 is shown in the Balance Sheet.

Mafatlal Fine

MANUFACTURE of fluorine chemicals will for the first time be undertaken in India by the Mafatlal Fine Spinning and Manufacturing Company in collaboration with a Swiss firm. This branch of the chemical industry is stated to have a bright future in India. At present the main consumers are the aluminium industry and the atomic energy establishments whose requirements are met by imports. When the Company's proposed plant goes into full production, it will meet the country's entire requirements of fluorine chemicals. The main raw material is a special mineral located at Chhota Udepur. The factory will be located at Udhna (Surat). Production is expected to commence by the end of 1965.

The cost of the whole project is estimated at Rs 2.50 crores of which the foreign exchange component will be about Rs 1 crore, including fees payable to the collaborators. It is the intention of the Company to raise Rs 1.08 crores by making a public issue of shares of Rs 100 each at a premium of Rs 275 per share. Fifty per cent will be alloted as right shares to the existing shareholders of the Company. The new issue is likely to be made early in 1964, as it now awaits the sanction of the Government.

Cooper Engineering

COOPER Engineering has done better during the year ended June 30, 1963 than in the previous year. As against a loss of Rs 9.09 lakhs incurred in 1961-62, the Company has made a small profit of Rs 11,000. The net profit being inadequate, dividend amounting to Rs 7.23 lakhs will be paid out of the General Reserve as was done in the previous year also. Yet the rate of dividend has been stepped up from 7 per cent to 8 per cent as a result of general improvement in operations and prospects.

Sales during the year went up from Rs 194 lakhs to Rs 262 lakhs, and profits from Rs 11.05 lakhs to Rs 22.97 lakhs. Sales of diesel engines expanded considerably and reached a record as a result of wider demand from farmers who were getting taccavi loans from Government. Sales of powerlooms, however, suffered a setback on account of the Government's policy of not issuing any further permits to set up powerlooms.

The Company has now plans to step up production in other lines such as shaping, planing and slotting machines where the demand is growing. It will be shortly entering into technical collaboration with a West German firm to manufacture vertical turret lathes and for this purpose will avail of a loan of Rs 18.50 lakhs in foreign exchange from the ICICI. Besides, negotiations for technical collaboration with Draper Corporation, U S A, for manufacturing automatic looms have been already finalised.

The Company proposes to make a fresh issue of Rs 45.20 lakhs in shares of Rs 100 each to its shareholders on the basis of one share for every two shares held.

Money Market

Thursday, Morning

DEMAND for funds was so heavy in the money market this week that the inter-bank call rate shot up to 4.5 per cent in the first three days from 2.5 per cent at the close of last week — a rate which had remained unchanged for about a fortnight. Though this rise may be regarded as normal in the busy season, yet it deserves closer scrutiny.

During the first four weeks of the official busy season credit was easily available and banks had no difficulty in meeting their normal day-to-day needs, despite an increase of Rs 15.64 crores in bank credit and a fall of Rs 11.74 crores in deposits in the first two weeks of the season. Demand for bank credit was by no means excessive and was easily met from balances in hand and with the Reserve Bank and from sale of investments when necessary, but without special recourse to the Reserve Bank.

During the week ended November 22, the returns for which are the latest available, the position of scheduled banks was even better. Their aggregate deposits rose by Rs 6.41 crores, bank credit fell by Rs 53 lakhs and borrowings from the Reserve Bank were down by Rs 1.79 crores. Investment in securities went up by Rs 8.49 crores which caused a depletion of Rs 6.37 crores in balances on hand and with the Reserve Bank. The overall position during the week did not, therefore, foreshadow any impending stringency.

Again, during the week ended November 29, as per the latest returns of the Reserve Bank, scheduled banks' borrowings were no higher by no more than Rs 42 lakhs; their deposits with the Bank, however, fell by Rs 6 crores; and for the second week in succession active notes contracted by Rs 10.53 crores. Trade demand was so inconspicuous and money supply was so plentiful during the whole of November, that very large amounts flowed to Treasury Biils even to the extent of depressing the discount rates in some weeks.

The sudden and sharp spurt in the call money rate, therefore, could not have been anticipated. It is the result of a sudden upsurge of demand coupled with the unpreparedness of banks to meet it. The latter was an important factor as is indicated by the fact that funds seeking refuge in "intermediates" between November 27 and 30 amounted to Rs 4.77 crores as against Rs 2.57 crores in the previous period. This had to a certain extent dried up floating funds in the market. Besides banks felt the pinch of demand on account of quarterly taxes due by the end of November which did not appear to have them earlier. It is also likely that upcountry trade demand on account of crop movement, which is reported to be picking up, has added to the pressure on banks. Finally, certain special interests were reported keen borrowers in the market. The cumulative effect of all this appears to have created a severe imbalance between demand and supply leading to the spurt in the rate. This, however, may be a passing phase unless the normal seasonal demand assumes very sizable proportions. To some extent, the usual end-year requirements will keep up the rate. What appears likely is that the call money rate will show some erratic movements for some time to come.

Notes in circulation contracted by Rs 10.53 crores during the week ended November 29, as stated above. The entire amount has been absorbed by the Banking Department which has taken in also the further issue of Rs 1.11 crores. The net note issue during the week is covered by an addition of Rs 1.11 crores to the rupee coins in the Issue Department. Foreign securities remained unchanged while foreign balances improved by a mere Rs 5 lakhs. Scheduled banks' deposits were down by Rs 6 crores but their borrowings increased by only Rs 42 lakhs. Central and State Governments' deposits declined by Rs 2.36 crores and their borrowings were up by Rs 54 lakhs. Loans to State Co-operative Banks went up during the week by Rs 4.40 crores. Investments of the Bank fell sharply by Rs 26.94 crores, while bills purchased and discounted were higher by only Rs 44 lakhs.

On towards progress . . .

India Steamship Co., Ltd., has a steady record of progress . . . Since Independence, its tonnage has increased from about 85,000 D.W. tons to over 200,000 D.W. tons—more tonnage being still on order.

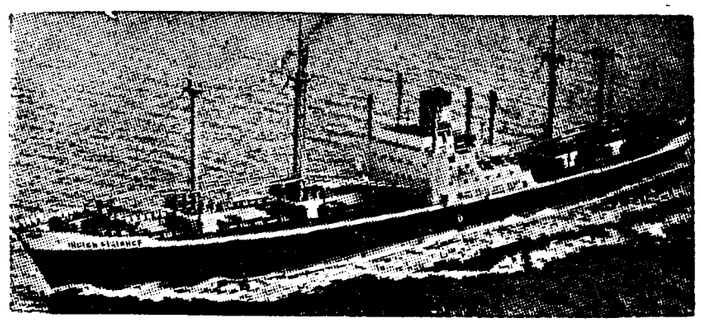
Its services are also extending to various trade routes. After initial consolidation in the India-U.K.-Continent trade—the Company entered the Indo-Soviet service to the Russian Black Sea ports in 1956 and later to Rumanian ports. In 1959 the Company forged still another link in the overseas with South America, and in 1960 it extended its service to Poland.

Their experience and reputation for fast, efficient and dependable service built on the personal care given by their experienced officers and crew to the cargo entrusted to them, have earned them the goodwill of their customers.

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REPUTED FOR ITS CARGO CARE, EFFICIENCY, DEPENDABILITY, SPEED AND MODERN SHIPS BUILT TO SUIT THE NEEDS OF THE TRADE

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CURRENT STATISTICS

Foreign Trade of India

PRINCIPAL IMPORTS

(*Rs Lakhs*)

	Aug '63	Aug '62	Apr '63 Aug '63	Apr '62- Aug '62
Food	451.4	911.4	4544.8	7131.1
of which				
Eggs	1.9	3.0	6.4	5.1
Fish : fresh or simply preserved	44.5	44.9	196.8	182.1
Wheat	337.4	650.1	2173.8	4317.6
Rice	0.5	32.2	1170.5	1600.4
Cereal preparations	0.6	1.4	2.5	7.2
Fruits and nuts, fresh (not including oil nuts)	33.6	51.9	431.2	404.4
Dried fruits	11.8	6.2	158.4	148.2
Vegetables, fresh and dry	0.1	0.7	9.4	5.8
Cocoa	3.0	2.1	9.1	8.9
Spices	2.2	29.3	39.8	77.2
Beverages and Tobacco	1.8	2.5	9.8	13.8
Tobacco and tobacco manufactures	0.1	0.5	1.5	2.8
Tobacco unmanufactured	—	—	1.2	1.8
Tobacco manufactures	0.1	0.5	0.3	1.0
Crude materials, inedible	984.0	1285.2	5309.3	5012.6
of which				
Hides, skins and fur skins, undressed	19.9	15.1	140.1	107.2
Hides and skins (except fur skins), undressed	19.9	15.0	139.7	107.0
Fur skins, undressed	—	0.1	0.4	0.2
Oilseeds, oil nuts and oil kernels	56.6	64.1	346.6	409.0
Wood, lumber and cork	4.8	41.8	32.8	158.4
Wood in the round or roughly squared	3.1	40.2	18.8	100.8
Textile fibres and waste	620.7	869.6	3199.7	2830.7
Silk	4.7	—	26.6	39.8
Wool and other animal hair	143.7	92.9	774.5	552.5
Cotton	415.8	749.1	2028 8	2074.2
Jute	5.0	15.3	92.0	94.1
Vegetable fibres, except cotton and jute	10.8	8.8	67.6	46.6
Synthetic fibres	40.8	3.6	210.1	23.4
Crude fertilizers and crude minerals, excluding coal, petroleum and precious stones	72.5	116.2	497.5	482.8
Fertilisers, crude	12.7	32.7	98.7	128.0
Crude minerals	59.8	83.5	398.9	354.8
Metalliferous ores and metal scraps	6.0	26.9	72.3	66.3
Iron ore and concentrate	—	—	0.3	0.6
Iron and steel scrap	0.2	1.1	3.1	5.3
Ores of non-ferrous base metals and concentrates	2.5	22.3	39.2	31.8
Animal and vegetable crude materials inedible, n e s	12.8	19.1	76.0	88.1
Crude animal materials, inedible n e s	3.8	0.9	17.8	17.8
Crude vegetable materials, inedible n e s	9.0	18.1	58.3	70.2
Mineral fuels, lubricant and related materials	14.6	391.7	4989.3	3132.1
Coal, coke and briquettes	—	0.5	4.4	17.2
Petroleum products	368.8	391.2	2792.0	1731.3
Animal and Vegetable oils and fats	129.9	26.0	264.5	305.2
Animal oils and fats	7.4	6.1	26.8	36.3
Vegetable oils	122.0	19.6	231.7	179.4
Chemicals	592.0	784.2	4117.9	4123.6
Chemical elements and compounds	220.4	374.4	1488.0	1776.9
Inorganic chemicals	82.9	176.1	614.6	748.8
Organic chemicals	137.5	198.2	873.4	1028.1
Dyeing, tanning and colouring materials	56.7	94.9	410.3	508.0
Coal-tar dyestuffs	32.4	64.7	300.5	364.7
Dyeing & tanning extracts	10.9	17.0	54.3	75.3
Pigments, paints, varnishes and related materials	13.3	13.2	55.5	68.0
Medicinal and Pharmaceutical products	60.5	68.4	385.8	432.0
Essential oils and perfume materials, toilets, polishing and cleansing operations	5.7	7.2	36.5	43.6
Essential oils, perfume and flavour materials	5.3	6.8	33.2	38.7
Perfumery, cosmetics etc.	0.4	0.4	3.3	4.8
Fertilisers, manufactured	164.2	123.6	1239.3	762.9
Explosives and miscellaneous chemical materials and products	84.5	115.7	556.9	598.8
Miscellaneous chemical materials and products	67.9	100.6	452.9	461.0
Manufactured goods classified chiefly by material	1453.2	1946.0	7684.5	8621.9
of which				
Leather	0.3	0.9	1.5	2.0
Rubber manufactures, n e s	17.0	17.0	92.4	73.8
Rubber manufactured articles, n e s	15.5	14.3	83.9	65.5
Wood and cork manufactures	6.1	4.1	22.7	19.2
Veneers, plywood etc.	3.5	2.6	12.4	11.1
Paper, paperboard and manufactures thereof	76.6	124.6	479.7	520.8
Paper and paperboard	73.3	122.0	470.0	508.3
Textile yarn, fabrics, made-up articles and related products	121.4	144.2	510.4	637.8
Textile yarn and thread	94.2	122.4	441.3	547.4
Cotton fabrics of standard type	1.3	2.2	3.7	9.2
Textile fabrics of standard type	2.4	3.1	5.6	16.6
Special textile fabrics	23.1	15.4	56.4	60.8
Made-up articles, wholly or chiefly of textile materials n e s	0.4	1.0	3.5	3.3
Non-metallic mineral manufactures, n e s	49.7	53.7	215.0	246.5
Lime, cement and fabricated building materials	0.1	0.7	5.5	12.5
Clay construction materials	13.3	22.7	49.6	77.4
Mineral manufactures	26.5	20.3	100.1	100.7
Glass	5.8	5.9	36.7	33.0
Glassware	3.9	3.6	22.0	20.9
Silver, platinum, gems, jewellery	11.6	14.0	66.0	94.8
Precious and semi-precious stones and pearls	5.8	11.4	50.6	83.4
Base metals	1160.0	1390.5	5645.1	6292 6
Iron and Steel	671 0	733.4	3597.4	3665.7
Copper	101.4	391.0	337.7	1185.6
Nickel	24.8	13.1	51.3	56.0
Aluminium	50.9	139.8	313.3	561.7
Lead	38.8	24.9	131.9	119 8
Zinc	85.9	62.7	393.4	396 8
Tin	75.7	16.2	275.9	262.9
Manufacture of Metals	110.4	196.8	651.2	733.5
Machinery and transport equipment	2889.5	3403.7	16592.2	16064.3
of which				
Power generating machinery	513.7	297.3	1712.9	1776.4
Agricultural machinery	8.7	9.0	68.2	35.7
Metal working machinery	342.2	318.3	1813.6	1489.0
Mining, construction and industrial machinery	1110.1	1527.2	7284.6	6933.2
Electric machinery, apparatus and appliances	602.1	497.4	3478.0	2477.6
Transport equipment	262.3	712.3	1982.2	2992.0
Road motor vehicles	194.7	320.3	1027.6	1198.4
Aircraft	36.7	85.7	353.0	462.1
Miscellaneous manufactured articles	155.1	227.0	963.1	970.5
Sanitary, plumbing, heating and lighting fixtures	3.3	4.0	18.6	31.0
Professional instruments, optical goods, clocks etc	81.8	124.0	457.3	528.4
Printed matter	27.7	22.4	125.8	121.5
Manufactured articles	40.3	74.3	347.4	274.7
Miscellaneous Transactions and commodities, n e s	39.4	47.0	231.3	301.8
of which				
Postal packages	6.1	22.3	67.4	131.8
Returned goods and special transactions	33.3	24.7	163.5	167.5
GRAND TOTAL	8160.2	9024.7	44728.3	45676.8

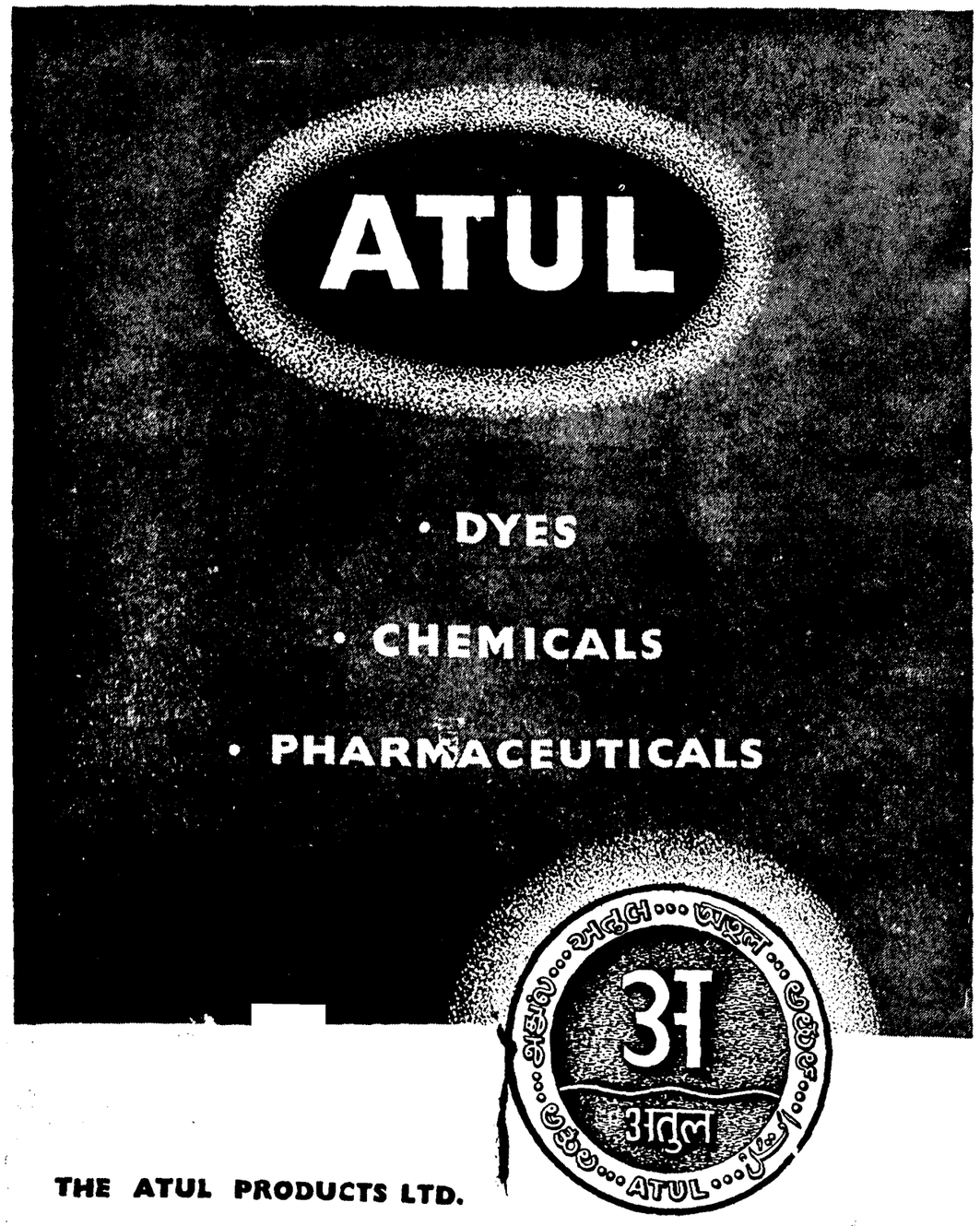
Source : Department of Commercial Intelligence and Statistics.

BANKING RETURNS

(*Rs Crores*)

Reserve Bank	**Nov 29**	**Nov 22**	**Nov 1**	**Nov 30, '62**
1 Note circulation	2265.05	2275.59	2243.92	2071.31
2 Rupee coin	120.45	119.34	120.95	124.65
3 Deposits				
(a) Central Govt	71.14	73.05	48.68	57.90
(b) Other Govts	11.19	11.62	7.37	10.23
(c) Banks	81.07	87.43	101.10	70.52
(d) Others	166.41	165.53	163.77	162 05
4 Foreign securities	92.46	92.46	92.46	88.08
5 Balance abroad	10.39	10.34	7.31	5.55
6 Rupee securities	1959.31	1959.31	1939.31	1753 29
7 Investments	246.36	273.30	230.10	213.29
8 Loans and advances to Govts	58.84	58.30	64.22	33.78
9 Other loans and advances	144.79	139.63	138.65	152.02
Scheduled Banks	**Nov 22**	**Nov 15**	**Oct 25**	**Nov 23, '62**
1 Aggregate Deposits (net)	2237.35	2230.94	2233.56	2043.95
Demand (net)	971.98	970.42	974.75	805 11
Time (net)	1265.37	1260.52	1258.81	1238.84
2 Cash in hand	57.43	53.86	56.46	48.23
3 Balance with Reserve Bank	82.88	92.82	113.77	78.62
4 (2)+(3) as % of (1)	6.27	6.57	7.62	6.21
5 Borrowings from Reserve Bank	0.46	2.25	1.88	1.68
(a) Against usance bills and/or promissory notes	—	0.17	—	0.41
(b) Others	0.46	2.08	1.88	1.27
6 Advances	1246.07	1244.05	1237.66	1149.78
(a) State Bank	240 25	239.60	233.87	235.98
(b) Others	1005.82	1004.45	1003.79	913.80
7 Bills discounted				
(a) Inland	179.59	181.19	173.98	159.94
(b) Foreign	57.27	58.22	57.31	54.54
(c) Total	236.86	239.41	231.29	214.48
(i) State Bank	18.98	18.69	16.65	17.27
(ii) Others	217.88	220.72	214.64	197.21
8 (6)+(7) as % of (1)	66.28	66.49	65.77	66.75
9 Investment in Govt securities	771.75	763.26	759.34	703.68
10 (9) as % of (1)	34.49	34.21	34.00	34.43

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Planning Debate

HOW keen is the interest of the Parliament in planning, the many failures of which have come into limelight in the mid-term appraisal? The Parliament set apart six days for the debate on the mid-term appraisal. On two occasions, however, once when the session was extended in order to enable the debate to be carried on longer and again on the last day of the debate, the Lok Sabha had to be adjourned for lack of quorum. Against this, there were the meetings of the executive committee of the Congress party and of the Parliamentary party to discuss planning, meetings addressed by Pandit Nehru, one of which decided to set up a strong planning committee to watch and review the implementation of the Plan. All these denote considerable interest in planning and in the Planning Commission.

But the decision to set up a planning committee to watch and review implementation of the Plan and the powerful advocacy by influential members like Shri Hanumanthayya that the Planning Commission should consist of only senior members of the Cabinet or by Shri Ajit Prasad Jain that a large number of ministers, especially those in charge of the economic department, should be closely associated with the Planning Commission along with a few experts clearly showed that the Parliament might be interested in planning but it does not understand what it is all about. True, a lone voice of sanity was raised by Sm Renuka Ray when she said that it would have been much better if the Planning Commission had not functioned as a super-Cabinet but as a planning body in the proper sense of the term. She wondered why as many as five Cabinet members should be members of the Planning Commission. But the debate did not take this lead.

There was little disagreement, however, on one point, viz, that it is in the implementation that planning had failed. True, Pandit Nehru attempted a feeble defence and pleaded that the achievements of the Plan should not be ignored or be allowed to be overshadowed by the failures. It did not go very far. Neither did Shri T T Krishnamachari for that matter, though his was the most outstanding speech and a hard-hitting one. Pandit Nehru did not quite get off the point — whether it was planning that was faulty or its implementation — and, in a reflective mood, thought aloud:

"Normally, the planners proceeded on a theoretical approach and recommended the expansion of production in fields where best results could be obtained. That may be very logical and it may produce more, but it is not very human, considering the size of India".

He had begun to think more and more of Mahatma Gandhi's approach in this matter, he added but did not conclude. It was a melancholy reflection, for Nehru knows as well as the others that it is too late for him to cut through the maze that has enveloped the Planning Commission and begin anew.

This bit of reflection points unerringly to the core spot where exactly the Parliament goes wrong. Nehru seems to forget that the Plan has a strategy of economic development and that it is a well considered strategy which has been carefully thought out. This applies

however, only to the broad strategy of the Plan, and not to the detailed working out of targets and ensuring implementation, in both of which the Planning Commission has signally failed. Indeed, judging from what is published, the Planning Commission has not yet addressed itself to its proper task. It is still cogitating and toying with the idea of doing things a little better.

In the recently published outline, "The Planning Process" based upon the paper submitted by Shri Tarlok Singh to the Group on Planning for Economic Development set up by the United Nations, what the Planning Commission has to do is set out lucidly in a manner which can hardly be improved upon. But let no one think for a moment that the Planning Commission is actually doing any of these things. The present position was stated candidly enough by Shri B R Bhagat, the Minister for Planning, in his reply to the debate, when he admitted that "defective planning had led to over-fulfilment of financial targets while physical targets had recorded shortfalls". The Planning Minister accepted the criticism that the techniques of planning were faulty and admitted that "the Commission had not reached a high level of expertise" — not even after these twelve and half years of planning! There was some consolation, however—"Planning was gradually becoming more sophisticated". "The Planning Commission was examining its methods of working and there was no doubt that better techniques of planning would be *evolved*" (italics ours). Mere sophistication, one may be pardoned for saying, would not produce results, and when are the better techniques of planning going to be evolved? What holds back the Planning Commission? The problems are now age-old, the solutions are nowhere in sight. The criticism of Professor D R Gadgil of the agricultural targets that "neither the physical targets nor the monetary values had been built up through any realistic examination from below" is as valid today as it was when the Laski Memorial Lectures were delivered in 1958.

The Planning Commission flounders helplessly because, to begin with, it is no expert body commanding the confidence of the nation. It has become a sinecure for unsuccessful politicians who outnumber the experts. And does it need so many Cabinet Ministers? What new knowledge or how much of fresh thinking are they able to bring to the process of planning? True, logic has to be tempered by commonsense. The Planning Commission has certainly attained a high stature though it is neither a statutory body nor is it created under the Constitution. And this stature it could never have attained if it did not have the Prime Minister as its Chairman. Perhaps one may also concede that the presence of the Finance Minister as a member makes for easier acceptance and implementation of the Plan. But why any others, unless it is felt that the presence of the Prime Minister and the Finance Minister is not enough for the closest coordination with the Cabinet? In that case, the Deputy Chairman, who is the chief executive of the Planning Commission, should be found a seat in the Cabinet. And that should not be too difficult for the Congress party to arrange.

While the Planning Commission plans, it is the Government which executes. That is the theory. Facts are very different. The dividing line between the two gets increasingly blurred with the result that plan performance suffers. So much has agricultural planning suffered from this that Professor Gadgil, was led to remark at the time of the Second Plan that "Looked at from the point of agricultural planning there exists a good case for the abolition, at least the suspension of the activities of the Planning Commission and placing the work with a Policy Committee of the Cabinet".

A small and compact Planning Commission with the highest technical expertise that it can command would nevertheless be able to do little unless it has the assistance of a small body of hand-picked technicians. Instead, the Commission has a sprawling secretariat which goes on expanding while the level of its competence declines in an inverse ratio.

Why the Plan fails is no secret, least of all to the Planning Commission. The targets neither in agriculture nor in industry are worked out in adequate detail, and unless this is done, neither their consistency nor their attainability can be ensured with any degree of certitude.

The exchange crisis which the present Finance Minister had then been instrumental in precipitating saved the Planning Commission from the sort of inquisition over the Second Plan to which it has exposed itself today. Then the immediate problem was to save the hard-core — which was never defined — of the Second Plan, so no question ever arose of checking the performance against the targets set. Planning techniques have not progressed to any extent since then. The industrial targets are just the same notional figures which have never been worked out, resulting in wide divergence between investment and output. Neither have agricultural targets been worked out even today in any meaningful manner from bottom upwards.

In the publication referred to earlier, all this is set out clearly enough. "When a Five Year Plan is approved, large parts of it are already carefully elaborated, but in the experience thus far, some parts of the Plan, including a proportion of the larger projects, are not at the time worked out in adequate detail. Consequently, the Plans have tended to be somewhat weak, at any rate in the industrial sector, in the technical and physical phasing of programmes and in mutual connections and phasing as between related targets of the Plan". Thus far there is no dispute. Dispute arises about what follows. "These aspects are now receiving much greater study and will call increasingly for the employment of more complex tools of planning going well beyond the detailed studies now undertaken for the formulation of sectoral plans and their coordination *inter se*". How one wishes that all this were true!

It is strange that Parliament, overwhelmed by the failures in the agricultural sector, should completely overlook what is the more damaging revelation of the mid-term appraisal, the failure in the implementation of the public sector projects. Alas, for this, the weather cannot be blamed, nor the States nor the pig-headedness of the Indian peasant!

Limits of Self-Sufficiency

Our Calcutta Correspondent writes:

EITHER Shri Subramaniam has not made up his mind on what stand he wishes to take on the Fourth Plan or he is deliberately equivocating. He cannot in the same breath ask for planning "with an ample margin" — a not very clear phrase — and also warn against unrealistic targets which will lead, as he conceded, only to "avoidable disillusionment". Is this to be read as a plea for two sets of targets in relation to the basic industries like steel and coal? If so, it would imply that we go ahead with advance planning on the basis of demand estimates corresponding to the desired rate of income growth—7 per cent a year has been proposed for the Fourth Plan — but trim the objectives to what resources permit. Up to a point domestic resources may be regarded as elastic, but we cannot at the present stage of growth overlook the foreign exchange constraint.

Shri Subramaniam doubtless knows how severe this constraint is, and hence the emphasis he has been placing upon an accelerated advance towards self-sufficiency — in intermediate goods like steel and non-ferrous metals, in capital goods for basic industries, and in technical know-how. Last week in Calcutta, he firmly disassociated himself from those starry-eyed optimists in New Delhi's top echelons who assume continuance of massive external assistance to underpin India's efforts. As he said, the queue for aid is getting longer every year as more and more Asian, African and Latin American countries take up long-term development plans the immediate effect of which is to raise their import needs above their export capability.

Beyond this level of generalisation, Subramaniam's realism seems suddenly and inexplicably to give way. Day in and day out, he has been harping on indigenous equipment manufacture for such industries as steel, in relation to Fourth Plan targets, although he must know that the contribution from the Indian engineering industry can at best be only marginal in the next five or seven years. This holds true even though the Heavy Engineering Corporation's complex of plants was inaugurated with a flourish at Ranchi last month. During the ceremonies, the draping which covered the monument (highly inappropriate and unaesthetic, but we will let that pass) to Indo-Soviet friendship fell away leading to an outburst of the famous Nehru temper. Probably Nehru himself accidentally activated the device set for the formal opening, but this was in a way symptomatic of the unpreparedness and confusion that prevails in Ranchi just now.

According to the Corporation itself, progress on civil engineering and structural work in the four zones of the heavy machine building plant on March 31, 1963, was : Zone I 89 per cent, Zone II and III 55 per cent, and Zone IV 20 per cent. It is to be noted that Zone I, where progress has been the greatest, consists only of the building maintenance and box-making departments, central rough forging and casting store, and the motor garage (!) but no production facilities. These details are given to show (although this is hardly necessary) that even the machine-building part of the complex — the other two projects at Ranchi are way behind — is still far from completing civil construction let alone erection of equipment and then its commissioning. Admittedly some equipment has been installed and is ready to be worked. It is only sensible to get them started to try them out and train up workers, but to talk just now of production from this plant is totally misleading. The utilities like steam, oxygen, gas and power sub-station will be ready only by the second half of next year.

Another distressing aspect is the delay of the foundry-forge part of the project which is to provide the machine-building plant with its starting materials — castings and forgings. No more than 300 tons of structural steel are yet at site out of the 40,000 tons needed — a striking measure of the work that remains to be done to complete the construction of the plant. In normal course, the foundry-forge should have come up first but instead it is trailing behind the machine-building part by two years. There is talk of importing forgings and castings from the USSR during the interim period but what about the completing equipment required to put machinery made at Ranchi to work, e g, electric motors. The sources of supply have yet to be established, the presumption being that the Hardwar heavy electrical plant (for which the detailed project report has only recently been signed) will fill gaps in the limited field it will cover. But what about all the other gaps from raw materials to sub-assemblies to finished components? It was Shri Subramaniam himself who disclosed that the import requirements of Bhopal Heavy Electricals will be Rs 30 crores over the five-year period 1966-71 if it is to produce Rs 20-30 crores of equipment each year. The import requirements of the heavy engineering complex will obviously be much heavier, a factor which comes in the way of planning of production from it because component imports are notoriously more difficult to arrange than complete plants paid for out of project aid.

The point in dwelling on Ranchi's difficulties is to underline the very real hurdles we have still to cross before a significant proportion of plant and equipment for basic industries can be produced in India. Viewed in this light, Shri Subramaniam's claims are rash and decidedly premature; they raise expectations which are impossible to fulfil. It follows, therefore, that the task taken up for actual execution (as distinct from advance planning "with ample margin") should proceed on the basis of realistic estimates of the import content of development. To start on more than what can be accommodated will be to repeat past mistakes when available exchange was too thinly spread to make quick progress on any project. This is not to question either the strategy which requires rapid progress towards self-sufficiency in capital goods or the need for the maximum possible rate of growth, but to urge that what is started should not get held back half way for want of resources.

This plea for caution in respect of new projects has an obvious corollary in relation to those already existing or under construction. Shri Subramaniam's Ministry is credited with the idea of setting up additional machine-building capacity for metallurgical equipment either by setting up a new plant or by doubling capacity at Ranchi. The reasoning behind the idea is that Ranchi will supposedly turn out equipment for a million ton plant but since we should add to steel capacity at 2 mn tons a year, we will obviously need twice Ranchi's designed output. But, as shown above, Ranchi's production will bring no real benefit unless the supporting industries are developed to supply completing equipment. Again, a million ton steel plant requires 105,000 tons of mechanical equipment alone of which Ranchi is designed to supply only 60,000 tons because the rest must come from specialised plants. What is the point in duplicating machine-building until some steps are taken first to ensure that the 45,000-ton gap is closed? The deliberations of the sub-committee (or is it a working group?) which has been going into this matter sadly lack in both a sense of purpose and perspective, as anyone looking into records of the discussion can see for himself. One hopes that Shri Subramaniam will stop to take some outside advice before jumping to conclusions on the basis of such half-baked studies.

Weekly Notes

Wastage in Technical Education

THE wastage in education which troubles Professor D S Kothari is the wastage at the university stage as measured by the high percentage of failures at university examinations. It is but natural and also right and proper that Professor Kothari should be concerned about it, for as the Chairman of the University Grants Commission, it is his task to raise the level of university education in the country. In his very first public pronouncement as the Minister of Education, Shri M C Chagla expressed deep concern at the high rate of wastage in the engineering colleges and polytechnics. The criterion of wastage that he employed was the same as that of Professor Kothari — percentage of failures in examinations.

Yet compared to what it is in the arts and science courses in the universities and colleges taken as a whole, the percentage of failures in the engineering colleges and polytechnics is not high at all. In fact, it is about the lowest, being only 25 per cent for engineering studies and 50 per cent for students of the polytechnics. The average percentage of failures in B A, B Sc, B Com examinations for all the Indian universities taken together is considerably above 50. The wastage in technical education, nevertheless, is deplorable, especially when the country's resources are under great strain. And as he was addressing the All-India Council for Technical Education, what concerned the Education Minister was the wastage in technical education.

Now the daily papers which carried the Education Minister's address, published on another page in the same issue the results of the S S C Examination held in October of the Maharashtra Education Board. The average percentage of failures were not reported but one can infer what it could be from the news that the centre which headed the list had a pass percentage of 48.3 and the centre which fared worst had a percentage of only 19.56 This is at the school-final. If one goes farther down and tries to assess the wastage in primary education, what does one find? At this lowest stage, the wastage would call for more meaningful measurement than is provided readily by the percentage of passes and failures. The real measure of it would be the extent to which primary education benefits the recipients, the percentage of those who lapse into illiteracy and those who eventually go up to the university stage. Of those who begin the race at the primary stage, how many drop off, unequipped to face life's struggles, how many survive the course and are able to turn their schooling to some earthly use?

The reasons for the wastage in technical education are easy enough to detect and should not be too difficult to rectify. There is a serious shortage of teachers, admission procedures and teaching methods are faulty and the system of examination is antiquated. The Minister approved the suggestion made by the Working Group on Education for the Fourth Plan that the Central Government should assume responsibility for training teachers for polytechnics. There is also need for reorganisation of the courses, for a better curriculum and for proper textbooks, and, he suggested to the Council to consider the feasibility of setting up a first rate research institute to investigate these issues.

Investment in Man

BUT why for technical education alone? The need for educational research today is very great indeed and so much more urgent, because it is not one which attracts much public attention or excites large number of people. This is one of the areas where the Education Ministry at the Centre would be fully justified in taking the initiative. And the Union Minister is not the minister for technical education only.

There is a keener concern about scientific and technical education because trained scientists and technicians in adequate numbers have to be turned out to meet the requirements of planned development. No one has to argue any more the utility of investing in science and technology. But first things must come first. Before there can be 'Investment in Science' there is to be 'Investment in Man'. "The prerequisites for investment in science are, first, scientists, and, second, a public opinion sufficiently well informed and enlightened to give financial support to scientists. Both these prerequisites are acquired through education. To invest in science you have first to invest in man". It is as simple as that, as Sir John Cockcroft put it in his presidential address to this year's meeting of the British Association for the Advancement of Science.

After all even Alfred Marshall had never any doubt in his own mind that the most valuable of all

capital was that invested in human beings. Economic development starts from the desire to economise and to apply reason in the every day affairs of life. To disclaim the need for primary education because it has no immediate productive value, as *Flibbertigibbet* has done in this issue, is short-sightedness which is fatal for any country aspiring to development. True enough, literacy is not education, it is only its by-product. Hence the need for improving the system of schooling from the village school upwards. That is very far from saying that there is no need for any further expansion of primary education at this stage. Development can wait, but education cannot. In fact, development has to wait until there is education.

Goan's Verdict

FREE Goa's first elections have been inconclusive insofar as no party has won an absolute majority of seats — though the Maharashtrawadi Gomantak with 14 seats out of 30 is likely to form the Government with the support of 2 independents — but they have established beyond doubt that the most important issue exercising the people was the political future of the territory. The elections, in fact, took on the shape of a plebiscite with the people voting for either separate statehood or merger with Maharashtra.

Not that Goans did not have complaints against the Central administration of the territoty during the two years since liberation. Prices have gone up, a measure of economic austerity has been haphazardly imposed, import of consumer goods has been reduced to a trickle and at least one leading Congressman has threatened to clamp down prohibition. The administration, probably no more slothful, inefficient or bureaucratic than elsewhere in the country, irked the Goan used hitherto a minimum of governance. These complaints were reflected in popular disaffection with the Congress Party though, technically, it was no more associated with the administration than any of the other parties.

However, it was not this that caused the Congress rout, but the fact that among the three principal contenders in the election it alone took no definite position on the political future of Goa. On this vital question, the Congress manifesto was non-committal:

> "The question of integration of Goa into the adjoining territory has been raised. The Government of India has made it clear that the future of Goa and whether it should be merged into the adjoining territory of Maharashtra will be ultimately decided according to the wishes of the people of Goa. For the present, this question does not arise, as we have to stabilise and strengthen the economy and facilitate the changes that are taking place because of the integration of Goa in the Indian Union".

This attitude was obviously dictated by the need not to embarrass the Central Government and the Congress High Command. But Congress leaders in Goa themselves had no illusions about its appeal to the voters. In fact, just a month before the elections, in November, a number of Congressmen, including the vice-president and secretary of the Goa Congress, resigned from the party complaining that "the situation as it stands today only ensures the failure of the Congress in the coming elections with total loss of prestige and makes the battle easier for established reactionaries and anti-national forces". Some of the dissidents actually joined the Maharashtrawadi Gomantak. Later on, however, a few of them rejoined the Congress after persuasion by the Congress General Secretary, K K Shah, who, incidentally, was the one who had claimed that the Congress would win 18 of the 30 seats.

In contrast to Congress ambivalence, the other two parties took definite positions: the Maharashtrawadi Gomantak for merger with Maharashtra and the United Goans for separate statehood. The split among the voters was sharply along communal lines, with the Christians (35 per cent of population) voting for the United Goans and the Hindus (60 per cent) supporting the Gomantak. This was not surprising since the Christians understandably fear that merger with Maharashtra would mean the end of their pre-eminence in the territory's public life — a legacy of Portuguese colonial rule.

The Central Government, including the Prime Minister, have always maintained that the future administrative set up for Goa will be determined according to the "wishes of the people". Well, the people have now expressed their wish: 40 per cent of those who voted want merger with Maharashtra and 28 per cent separate statehood. Maharashtrawadi Gomantak leaders, preparing to form the Government, have declared that they would go all out to achieve their objective, while the United Goans have threatened to do everything to prevent Goa's assimilation into Maharashtra. What does the Central Government propose to do? Finding the contending forces more or less evenly balanced, the temptation will be to continue the *status quo* — a course unequivocally rejected by more than two thirds of those who voted in the elections.

Free Kenya

JOMO Kenyatta's rallying call to his people consists of the words *uhuru* ("freedom") and *harambhee* ("let us pull together"). Freedom has come to Kenya and with it has begun the hard task of learning to pull together.

Independent Kenya's immediate problems all stem from the heterogeneity of its people. The population of about 9 million has more than a sprinkling of Asians (180,000), Europeans (60,000) and Arabs (34,000). The Africans themselves are split into some 50-odd tribes, culturally distinct and speaking different languages and dialects. The smaller tribes' fear of domination has been a constant factor in the politics of Kenya and has been partly responsible for Kenya's relatively late entry into independent Africa. Finally, there are the 200,000 Somalis in the northern-most part of the country who disavow being Kenyans at all and want to secede to the adjoining Republic of Somalia.

The Constitution under which Kenya became free this Thursday, the product of much mutation, is designed to preserve the territorial integrity of the country and to enable the Central Government to maintain law and order while, at the same time, ensuring the tribes and the regions a measure of autonomy. It provides for a bicameral

legislature with a lower House elected by universal adult suffrage and an upper House to represent the regions. To safeguard regional interests the upper House is given special powers in respect of bills to amend the Constitution which requires a 75 per cent majority of both Houses except where the amendment affects the rights of individuals, regions, tribal authorities or districts in which case it will have to be approved by a 90 per cent majority in the upper House. The Constitution also privides for decentralisation of administration with Regional Governments which will derive their powers directly from it, not from the Central Government in Nairobi. The seven regions into which the country is divided will have certain exclusive powers in such spheres as finance, law and order, local government, education, public health and control of agricultural land. The Constitution is the product of compromise between the centralist Kenya African National Union, Jomo Kenyatta's ruling party, and the regionalist Kenya African Democratic Union which represents some of the smaller tribes.

The constitutional guarantees, however, affect Kenya's population of Europeans and Asians only formally How they fare under the new dispensation will depend on the attitude of the national Government and its ability to keep under check sections of the African population less tolerant than itself of the symbols of erstwhile political domination. The non-African sections of the population today occupy, for not unjustifiable reasons perhaps, an economic position superior to that of the Africans and the fact has to be faced that any Government concerned with the advancement of the Africans will find it necessary to discriminate in their favour in employment, industry, trade and so on. This is unavoidable considering the very unequal positions from which the Africans and the non-Africans start today. Race harmony in Kenya will, therefore, depend very much on a realistic acceptance by the non-Africans of the inevitability of their loss of privilege and, to some extent, their economic dispossession.

Constitutional remedies provide no solution to the Somali question either. The Somalis had demanded that simultaneously with Kenya's independence they should be allowed to secede and to join the main body of their racial kin across the border. The Government of Somalia naturally supports this demand. At present both the Kanu and the Kadu are determined to keep the Somalis in Kenya. But such a course can only lead to permanent friction between Kenya and Somalia — a possibility which cannot be regarded with unconcern by the Kanu Government of Kenya which is committed to fostering friendly relations and even political association with neighbouring African countries.

Unyielding Fertilisers

THE general consensus of opinion emerging from the deliberations of the ECAFE Conference on fertilisers was that increased production and application of fertilisers to the starving soil of the ECAFE countries, which has been cultivated for thousands of years without proper nutrient, is one of the main steps for solving the problem of shortage of food in this region. For India, the Third Plan has set the following targets of consumption of fertilisers to be achieved by 1965-66:

	(*Tons*)
Nitrogen (N)	1,000,000
Phosphorous (P_2O_5)	40 000
Potash (K_2O)	200,000

These targets are not likely to be achieved, judging from the present position of production and imports. The targets of production, import and total supply of nitrogenous fertilisers, which is the main item in our fertiliser programme, is given in the table below.

It has been found through research conducted by the Indian Council of Agricultural Research that 1 lb of nitrogen as fertiliser gives a yield of about 10 lbs in the case of food grains. Cash crops like sugar, cotton, potatoes, tea, etc, give different types of responses. The ratio of nutrient to the production of food grains can be brought down to as low as 1:15 when proper modern agricultural methods are followed and the most scientific techniques of fertiliser utilisation are applied.

It will be seen, however, that in the years 1960-61, 1961-62 and 1962-63, we have progressively added more than 70,000 tons of nitrogen as fertilisers every year but without any response in the form of growth of food grains production in the country. Before fertilisers are accepted as the major means of increasing our food grain production, the reason for the disappointing progress of food grain production in spite of the use of increasing quantities of fertilisers should be investigated properly. The poor response cannot be wholly explained by the lack of rains in parts of the country.

High Cost

IT is not enough to produce fertilisers, they should be made available to the farmers at economic prices. Ammonium sulphate is sold in India to consumers at about Rs 340 per ton against Rs 148 in UK and Rs 164 in USA. At the beginning of the Second Plan, the retention price of ammonium sulphate produced at Sindri was Rs 270 per ton and the pool price Rs 315 per ton. In 1957 the retention price was raised to Rs 280 per ton and the pool price to Rs 350. In 1959, the Tariff Commission, after an enquiry into a fair retention price for ammonium sulphate, recommended that the retention price be further raised to Rs 300.

Availability of Fertilisers
(*Tons of Nitrogen*)

	Production		Imports				
	Plan Target	Actual	Plan Target	Actual	Total Availability	Total Distributed	Plan Target for Consumption
1960-61	—	99,928	—	121.090	221,018	212.638	370.000
1961-62	140,000	145.820	260,000	140,500	286.320	280,598	400 000
1962-63	200,000	182,258	325,000	242,597	424,855	360,944	525,000

The progressive increase in price has been justified on the ground that the production cost of ammonium sulphate has gone up because of rise in the price of raw materials and deterioration in their quality. Deterioration in the quality of materials like coal and gypsum has resulted in a higher consumption ratio per ton of ammonium sulphate than anticipated in the design of the equipment. The cost of packing materials, i e gunny bags, etc, have also gone up, causing an increase of about Rs 50 per ton of ammonium sulphate. The fact is that there is little possibility of an appreciable reduction in production cost of ammonium sulphate as long as the gypsum process is not replaced by the direct neutralisation process. This is only possible when the pyrite process for manufacture of sulphuric acid is developed.

The cost of production of fertilisers can be reduced by: (a) producing fertilisers with high nitrogen concentration such as urea, ammonium nitrate, etc; (b) selecting the sites for the new fertiliser projects carefully so that the minimum cost is incurred on transport of raw materials and finished products; (c) shifting to petroleum-based production, since it is well known that the capital as well as current costs of plants based on coal and on electrolysis are much higher than of those based on petroleum and natural gases.

The Planning Commission's study team has recommended a target of 2 million tons of nitrogen and 1 million tons of phosphorous fertilisers for the Fourth Plan. It has suggested an investment of Rs 264 crores on four new nitrogenous fertiliser units at Udaipur, Rihand, Goa and Madras, besides Rs 24.5 crores on the expansion of the existing public sector plants at Nangal and Sindri. It is presumed that the proposed factories at Goa and Madras will be based on petroleum naphtha from the refineries at Bombay, Cochin and Visakhapatnam. But the selection of Udaipur and Rihand as sites is difficult to understand since the petroleum raw materials will have to be transported from the Gujarat oil fields to Udaipur and from Barauni to Rihand. Moreover, the recommended capital investment of Rs 264 crores for four fertiliser factories seems to be very much on the high side, being double the investment on, say, the Trombay plant. The Fertiliser Corporation's coal-based factory at Korba, Madhya Pradesh, also appears to be an expensive proposition and the site selected is not very suitable as it is far away from the main consumption points. Shri Subramaniam's announcement at the ECAFE Conference that two fertiliser factories will be put up in every year of the Fourth Plan is no doubt very encouraging, but considering the cost estimates of the proposed plants, one is left in doubt whether this is a realistic target.

Capital View

The Police and the State

Romesh Thapar

THIS is the season in the Capital when the ruling elite attempts — at least, partially — to return the hospitality it received during the summer months from other ruling elites abroad. Conferences and seminars follow one upon the other. Foreign VIPs arrive to 'take in the sun'. Ministers pontificate. The 'organisers' make merry, winning support for meaningless resolutions and amendments.

And, so, through this rather pleasant activity in the Capital, India is made to feel that she is still a leading member of the world community. This is good for morale, good for the democratic way of life. What does it matter if the truth is very different.

Critics Too Become Amorphous

Only the other day the Prime Minister was inaugurating a seminar on world peace sponsored by a group of local parliamentarians. Innocent enough—but the National Marxist Association, comprising former Punjabi C P I members, was busy outside Vigyan Bhavan shouting slogans to the effect that the participants were 'stooges' of the communists. Equally gullible foreign newspapermen concluded that Nehru was pushing India into the Soviet orbit, that perhaps this has been the main motivation behind the so-called Kamaraj Plan.

All very democratic, but, judging from the vague papers produced by the seminar, we are nowhere nearer world peace; only Nehru has appeared on a 'left platform' — whatever that might mean — after many, many years.

But, then, within a few days, the Prime Minister was opening the Asian Population Conference sponsored by ECAFE — something which could be described as ideologically incompatible with communist thinking, national or otherwise, or so we believe for the moment. Nehru's feelings about the need for population control also vary depending on the success or failure of planning at home — and failure is very much on his mind these days.

In this manner the GOI, through the Prime Minister, moves from one amorphous position to another. This is, we are told, democracy. It cannot afford to be precise. And the critics seem to have become willing victims of imprecision. Small wonder that the all-knowing observers and commentators throw up their hands in despair and begin to react sympathetically to the only section which speaks clearly — the section composed of ACCI, FICCI and AIMO, the letters which stand for the world of money, the world of business, the chambers of commerce, the organisations of the manufacturers. They have had a field day jousting at the Planning Commission because there were no communists or socialists or plain liberals to steal their thunder by sharper appraisals of our failures.

Growing Police State

And, now, there is danger that another battle may be lost if the few independent men we have do not stir the national conscience by

focussing attention on the growing Police State which we, by our apathy, are helping to nurture. Emergency powers, preventive detention powers, security powers are piling up in the hands of Government at a time when democratic or popular institutions to check and supervise these powers either do not exist or have become moribund because of corrupted patronage. The belief, once widely held, that the Prime Minister would prevent the misuse of these powers is also dissolving, and dissolving fast.

Only a few days ago, Delhi was the scene of an incident which highlighted the kind of police excesses which take place all over the country and which usually go unnoticed. A peaceful student agitation to get the Tibbia College, founded by Ajmal Khan and inaugurated by Gandhiji, affiliated to the University escalated into a clash with the police resulting in injuries to some one hundred students. In the normal course, this would have earned a headline or two in the daily press and then would have been forgotten. But fifteen girl students were seriously manhandled and injured; towards them the police are reported to have behaved in a manner calculated to incense even our comfortable citizens who are in the habit of finding excuses for official aberrations.

The demand for an investigation rose from many quarters, including Parliament, and Home Minister Nanda was quick to realise that he must do something about the incident. But, significantly, the protest of the student organisations did not crystallise.

This lack of organised and sustained agitation by representative organisations encourages officialdom to temporise on all remedial actions which it is compelled to take as a result of unorganised or spontaneous public pressure. This is particularly so when individuals who do not have powerful connections are victimised or sought to be punished wihout due process of law.

A Calcutta Spy Story

Several cases of this kind have been reported recently, including the 'police action' against the Managing Director of the premier State-run hotel in the Capital who refused to bow to the 'advice' of his hostile Board of Directors. But of special interest is a rather involved story from Calcutta which has many ramifications.

Some three months ago, a well-known figure in the advertising world was arrested following sensational disclosures by someone from East Pakistan who had moved around India under various assumed names. The Indian was described as the master-brain of a Pakistani spy ring. The story had all the trappings of high drama, particularly after the Calcutta police, said to be operating on the basis of the sensational disclosures by the East Pakistani, searched numerous homes in Bombay and cross-examined leading personalities in the world of advertising and films. The searches apparently yielded nothing to incriminate any of these people.

All this was perhaps necessary considering the prevalent state of security in India, but it has still to be explained why the police exerted so much effort to publicise the names of those whose homes were searched and those who were cross-examined. Publicity should follow after evidence has been collected. In this particular case, many professional reputations were damaged or compromised despite the explanations of Home Minister Nanda in Parliament. And, unfortunately, under the prevalent law, there is no redress for a citizen so abused.

Press Silent

The Calcutta story has other facets. The alleged master spy was kept in jail for some three months and denied bail. Now he is out on bail, but no charges have been framed and he will not be able to get a job until it is all over, and probably not even then. Yet the man upon whose disclosures the Calcutta police acted has declared in court that he made a false statement implicating the Indian advertising executive and others.

All these facts are believed to be known to the magistrate trying the case, but there has been no serious questioning of police procedures. As for the national press, it has remained totally disinterested; indeed, the reporting of the case has been scrappy and disjointed — which is surprising, considering the nature of the story.

No Sanction for Rights

These and other incidents are recalled not with the intention of passing judgment on the merits of each case but to point to a dangerous apathy in our approach to the problem of justice. We are repeatedly emphasising the rights embodied in our Constitution, but there is no parallel effort to create the sanctions for these rights either at Governmental or popular level. Those who imagine that the mere inscribing of rights in a Constitution is an adequate guarantee of liberty should spend some time studying the dour struggles waged in countries like England to establish these rights. We seem oblivious of this aspect, for we have seen how even members of Parliament can be jailed, and denied a trial, without Parliament even filing a protest.

It is, however, good to know that at last a number of thinking people in the Capital are becoming aware of what such a state of affairs could lead to if a future leadership decides to misuse the powers now concentrated in the Government, to ride roughshod over a disorganised people. When critics speak of the misuse of police powers in various States these days, they should for a few moments reflect on what would happen if the Centre too were to function in similar fashion. It does not take a great deal of political expertise to read the writing on the wall.

The Economic Weekly
Foreign Subscription Rate
Due to increase in foreign postal rates it has been found necessary to revise our foreign subscription rate. With effect from July 1963, the annual foreign subscription is Rs 34, 50s or $ 7.

A FERNANDES
Business Manager

Home Minister Nanda, now busy setting up his vigilance committees against corruption, will have to address himself to the problem of the police and the State sooner or later if he is genuinely concerned about the growth of a healthy socialist democracy. He is conscious of the problem but it is widely felt that he is too inhibited about investigating violations of the judicial process for fear that such a step might create new problems of law and order.

To this extent, leading citizens who value the democratic gains of the past sixteen years of freedom could help by building popular institutions to defend the fundamental rights enshrined in our Constitution. Perhaps a start could be made by reviving the Civil Liberties Union which played such a notable part in the freedom struggle before it was sabotaged and splintered by the factional fights of the Right and the Left.

Too Many Issues

The trouble with Delhi is that it is not the place for sustained thought on any problem. Too many issues are competing for attention. The Goa election results, now coming in, have shocked the Congress Party and suggest that the people of Goa apparently held very definite views on Goa's future. Education Minister Chagla has espoused the cause of English with a boldness which might get him into an embarrassing tangle with the chauvinists in the party. Industries Minister Subramaniam has spoken about 'optimum controls', a banal phrase which can be interpreted to mean anything and everything depending on who is at the helm. Oil Minister Humayun Kabir, still depressed about his transfer from Science and Culture, continues to fight for control over the Akadamis. Finance Minister Krishnamachari seems to be trimming his sails to calm an increasingly suspicious Prime Minister. And Asoka Mehta is already tiring of the routine discussions of the Planning Commission. Only Defence Minister Chavan is silent, supremely indifferent to all that goes on around him.

Life in the Capital is made up of such stuff — and little else. When will we grow up?

Without Comment: The State Trading Corporation and private traders are together making fantastic profits on what are officially described as 'non-basic but highly profitable' articles which include betel nuts, cloves, cinnamon, camphor and mercury. According to the STC, betel-nuts are selling at the 'scarcity price' of about Rs 800 per 100 kilograms as against its import cost, including insurance and freight, of Rs 77. The customs levy is Rs 330. The STC states that it intends to 'stabilise' the price at Rs 600 per 100 kilograms, so that traders may have a margin of Rs 200! Jai Hind!

Letter from America

The Whole Sordid Affair

GRIEF alone does not make a complete drama, it has to be punctuated by other moods. And one could not accuse the Americans that they lack a sense of drama. President Kennedy was dead and gone and all would have been taken easy. For, after all even on the Sunday after that Friday and Saturday the National Football League played its full schedule; the Yankee Stadium did not have one seat that was not filled with a mourner. On Arlington Street, Boston, three gentlemen heard the news of the President's assassination from a taxi driver. They dashed right back to their hotel to attend their investments. In theatres and aeroplanes the talk of business went on as before.

Fortunately the assassin had to be trailed and the place was Dallas and every house had a TV. "He is a Russian spy." Five minutes later: "Correction. He is a spy married to a Russian." Ten minutes later: "Correction. He is not a spy, but he is a Communist anyway". Next announcement: "He was a Marxist, he admitted that." Moments later: "He is pro-Castro." And then finally: "He was a member of the Fair Play For Cuba Committee."

So the drama began to be manufactured, thanks to the NBC–CBS differentiated duopoly. The hourly news commentator announced that Castro had made nasty remarks on the dead President. Those nasty remarks of course came out much later in the New Republic which carried a report from its Havana correspondent who had been with Fidel Castro the whole day Friday. Castro, the report says, heard the NBC broadcasts from Miami and reacted immediately: "This is bad news ... For us Latin Americans, death is a sacred matter; not only does it mark the close of hostilities, but it also imposes decency, dignity, respect. If you write all those things I told you yesterday against Kennedy's policy, don't use his name now; speak instead of the policy of the US government." Yet that Friday evening the 'bad guy' Castro looked far more diabolical, and the excited Americans soon decided that what had happened was mighty serious and kept their TVs open.

For the rest of the weekend Jacqueline Kennedy's tantalizing performance would have been enough food for TV–watchers. How much more they wanted to know about the difficulty she was having in getting rid of her bloodstained stockings. They argued on whether her weeds as a widow should have been a strawberry or a raspberry coloured suit. Wasn't that mantilla she wore just hideous? And so on.

On Sunday afternoon Washington again got a chance to be busy. People awaited the passing of the cortege. Then with undiminished exuberance a bunch of housewives shouted, "See, there he is". Once again the shooting of pictures became the most important thing in life. Everybody asked everybody, "Did you get any good pictures?" Perhaps they had already got news about the sudden fortune of the Dallas citizen whose movie camera had caught the murder scene at the basement of the local police headquarters. He sold the films to *Life* for $40,000. Respectable looking pressmen moved from one teen–ager to another in the crowd with a stuck–out microphone and

kept asking, "On this day of national mourning how do you feel?"

Death Sentence — from the T V

Back in Dallas, the master of ceremonies of Jack Ruby's strip parlour paid glowing tributes to the latter's patriotism. People seemed to be convinced. After all, weren't the NBC-CBS reconstructions of the Kennedy murder sequence enough proof that Lee Oswald *was* the culprit? A few felt that something was fishy somewhere, though, and muttered that the Oswald murder was a matter of national shame. What did they mean?

Oswald had been in police custody for two days. The police kept on entertaining legmen of the press, TV and radio, who hung around the corridors of the headquarters. They could even see and heckle the prisoner whenever he was being transferred from one cell to another. It was clear that the police officers had greater responsibility toward these cameramen and microphone manipulators than toward the prisoner.

Out of a slum of jumbled police statements one could gather that Oswald's life was marked by bitterness, frustration and political disillusionment. He possessed a rifle which resembled the type used for the Presidential murder. His movement on the day of assassination until his capture was suspicious. He shot down a policeman at the theatre and allegedly attempted on another's life. He had access to the tall building which was under police supervision. And so on. The evidence against him was strong indeed. But any modern society, with good standards of law, would look upon such evidence as utterly inadequate. And if so, why didn't the police care to talk less and try to make the Oswald case less of a public property? If a vile person like Ruby suddenly became a desperate 'patriot' it is certainly the Dallas police who are responsible for that. Even if there were no Ruby and no murder at the jail basement, could the nation hope to find an unbiased jury after such indiscriminate broadcasting of evidence and tendentious statements by police officials?

During his confinement Oswald was repeatedly subjected to inquisitorial pressures of the public. Before he was dragged to the police station, TV-watchers across the nation could see him (in his undershirt) being interrogated on the open street. Surely there were at least some who felt that the way a Presidential assassin-suspect was being treated reflected the nation's callousness about the dignity of the situation. There was no concern for the law's standards. The exact time when Oswald was to be removed to another jail was made known to the public. The transferring was scheduled in the daytime, apparently because of a request from the TV business. During earlier hours the crowd outside was heard several times to curse the prisoner. Yet there were no officers to walk before him at the time of transference. Nor was there anyone to notice that an extremely familiar character (whose presence in the basement was absolutely unwarranted) was approaching the accused slowly, openly and steadily. The drama that followed became a hit for the next couple of days. The NBC and the CBS vied with each other in trying to present the scene, once in regular motion, then in slow motion, and back again in regular motion. Children got a great kick out of it for it was the first authentic 'TV Western' they had ever seen.

The people of Dallas are now saying: How could it all happen *here?* The question is, do they yet know what did happen there? Technically, the assassination of a U S President is not a federal, but a local, case. Fortunately, however, the new President has ordered a thorough federal enquiry. A number of sensible questions about the Dallas police, which are still shrouded in mystery, may find shocking answers in the course of such an enquiry.

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Letter from South

Public Sector on Sale

ANDHRA Congress has apparently taken the debate on socialism at the Jaipur session of the A I C C in its stride. These is no evidence even of discussion within the State Congress of the controversial issues. Yet the stability that Sanjeeva Reddy manages to maintain is not as firm as it looks. There is discontent even within his own group in the party.

The proposed denationalisation of Andhra Paper Mills at Rajamundry, for instance, has caused some excitement. Andhra's Congress Governments have had quite an enviable record of sale of public sector projects to private tycoons, especially the Birlas, Sirpur, Sirsilk and Allwyns have been handed over to the Birlas over the years. All these concerns, especially the last-named, are now doing well and are making plans for expansion. If they had remained in Government hands, their profits may have made some of the regressive indirect taxes unnecessary.

Government Has No Money !

For some ununderstandable reason Sanjeeva Reddy's Government has not drawn this conclusion. On the contrary, it seems determined to carry on the denationalisation of potentially highly lucrative projects. In the case of the Rajamundry Mills the Government's argument is that cost of modernisation and expanding the mills is too heavy for the State Government to bear. And since the Industrial Policy Resolution does not reserve the paper industry for the public sector, the Centre will not help out. The argument is also advanced that the money saved by denationalisation as well as money from the sale of the mills can be used to start rural-oriented small-scale industries with a high employment potential.

The Secretariat at Hyderabad has been virtually invaded by the Birlas and the Somanis, according to reports. The narrow cunning of the landlord-rich peasant is no match for the high-power salesmanship of the big monopolists. As the Cabinet meets to consider the proposed sale of the paper mills, their representatives wait outside with their expensive cigarettes and attractive calendards, diaries and, of course, tips of various sizes and kinds.

Some observers feel that Sanjeeva Reddy has changed a lot from the days of his previous Chief Ministership. His short and quite inglorious stint as Congress President gave him the feel and the vision, not of the power of politics, but of the real big money that politics would command and which, in turn, could command accommodation from politicians. It was no longer a matter of a few thousands for the party coffers but of many lakhs for real politiking in the manner of C B Gupta or Dr B C Roy.

It is this changed attitude which is reflected in the stubbornness with which the Andhra Chief Minister is going through with his denationalisation measure. He even took the extraordinary step calling a hurried meeting of the Congress M L As, ostensibly to discuss some urgent pieces of legislation and the usual "any other business". The latter turned out to be the sale of the Rajamundry mills. Only 70 M L As out of the total of 210 attended and with Sanjeeva Reddy at his militant best the result was "unanimous approval" of the Government's sagacity.

Even Congressmen Oppose Move

This extraordinary move was necessary in the face of the determined opposition to the Government's proposed action during the Assembly debate on the Governor's address. The Swatantra, naturally was all praise that the Congress leadership was moving its way. But all the other opposition parties were loud in their protest. The prominent independent member, Tenneti Viswanadhan, in particular, was very effective in his defence of the concept and possibilities of the public sector. His critique of the ways and inefficient procedures of the private sector, many of whose luminaries had money but little else, was devastating and knowledgeable. What alarmed Sanjeeva Reddy, however, was the attitude of some Congress M L As, including the member who seconded the vote of thanks to the Governor's address. One of the Congress members went so far as to say that what was being sold was not a paper mill but national policies — and that on the heels of the reaffirmation of faith in socialism at Jaipur.

Some M L As of the Sanjeevaiah group saw their chance in all this and came out with a public statement challenging the unanimity of the "spurious M L As' get-together" which Sanjeeva Reddy had manipulated. But their opposition not only scares off the neutrals but unites the Chief Minister's own group, making any reversal of policies the more difficult.

What is significant, however, is that the overwhelming majority of Congress M L As, to say nothing of Congressmen, is not in the least bothered whether the paper mills are sold or whether the Government decides to have a few more paper mills in the public sector. Denationalisation as a betrayal of socialist professions, and nationalisation and extension of the public sector so as to capture the commanding heights of the economy —they are just the same for the average Congressman. This is because there has been absolutely no education of Congress cadres; and, of course, life under the Congress dispensation scarcely teaches any socialist lessons.

Morarji's Visit

Encouraged by Sanjeeva Reddy's attitudes and actions, Morarji Desai has decided on a fairly extensive tour of all the districts of Andhra just a few weeks before the Bhubaneswar session. After the bad behaviour of the Utkal Congress Executive, it must be manna from heaven for Morarji to come upon a denationalising Chief Minister. His visit will, undoubtedly, serve to give some ideological stiffening to the amorphous drift to the Right.

What is of especial importance, however, is the fact that Sanjeeva Reddy is one of the closest followers of Kamaraj and an openly favoured lieutenant. Any illusions that the man who produced the 'hatchet plan' is socialistically motivated should be shed here and now.

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A Calcutta Diary

Another Creator as Critic

OSCAR Wilde wrote of the artist as critic and of the critic as artist. It was left to India's Jawaharlal Nehru to translate the idea into reality. He speaks not only as the country's Prime Minister but also as its Leader of the Opposition. In no other terms can one explain the cruel nonchalance with which he so often criticises the many shortcomings of his own Government. It just does not occur to him that he is, in the final analysis, the author of the failures he deplores so eloquently. This duality has perhaps done well by Indian democracy, for the Opposition is by itself divided and feeble. It remains, still, an anomaly.

The fashion set by the Prime Minister was bound to be imitated in the States. Near Calcutta this week Prafulla Sen, West Bengal's Chief Minister, told the tale of the muddle his own Government had made of education in the State. In terms of literacy, he revealed, West Bengal had fallen from the third place to the sixth in the country, with some 71 per cent of its population unable to read or write. This, he explained, was the result of neglecting the needs of primary education and laying greater emphasis on secondary and higher education. The Chief Minister also disclosed that, out of an annual budget of Rs 117 crores, his State allocates only Rs 22 crores for education; the State, he said, needs Rs 60 crores a year for education. He also regretted the emphasis in West Bengal on liberal rather than technical education. Well, well.

Wasted Effort

Let it be said straightaway that the alleged emphasis on secondary and higher education may have, in terms of financial allocations, resulted in some neglect of primary education; it has done nothing to maintain, let alone improve, standards of secondary or higher education. An M A or B A from the University of Calcutta today means exactly nothing to potential employers; they are still mass-produced, like sausages, and to get anywhere candidates have mostly to live down their degrees. If the incidence of illiteracy has meanwhile increased, the State Government can fairly be indicted on both counts: it has neglected primary education and wasted its meagre resources on unimproved secondary and higher education. It needs to be added that West Bengal is by no means unique in its lack of thinking on education.

It is generally unfashionable to relate problems of education to economics; learning and earning are supposed to be two independent questions. The fact is that every sensible society devises its system of education with a sharp eye on its economic and political desiderata. If the scene of Indian education is confused and muddled beyond belief, it may be because our social, political and economic objectives are yet to be defined with clarity and firmness. The new Education Minister, M C Chagla, has already said several sensible things about English and technical education. He had better be told that, with no political base of his own except that transient and fickle constituency, the Prime Minister's House, he is making formidable political enemies. Equally important, he deceives himself if he imagines that he can build educational institutions which will be insulated against the asphyxiatingly corrupt air all around. As an ex-Judge he must be bitterly aware of the galloping erosion that has overtaken even the judiciary of the country. Universities are far more exposed to the elements.

There is no greater exercise in futility than deploring a system without first spelling out what one had expected of it. It is this first task which has not been performed about Indian education; and P C Sen's laments about advancing illiteracy in West Bengal followed the familiar pattern of lack of thinking on the subject. To Education Minister Chagla this writer commends an article written by Neil McInnes in the annual supplement to *Capital* in December 1960. It is a saddening symptom of the comatose state of our thinking on education that so original and challenging an article on so important a subject attracted so little attention. A less doped administration than India's would either have accepted McInnes's ideas or repudiated them as an insult to Indian democracy. New Delhi just took no notice.

McInnes pointed out the irrelevance of primary education to India's economic ambitions. It does not make better farmers or workers; the rate of literacy, which is all primary education achieves, was not very high in Britain or Germany or the United States when they were industrialised. Apart from owners of Indian-language newspapers, nobody stands to profit from universal primary education. What this country needs, McInnes argued, is better education rather than wider literacy. Primary education may or may not make political sense; the Congress may find its obsession with universal primary education a thoroughly suicidal investment. Economically, primary education is a virtual waste of the country's very limited resources.

Higher and Better

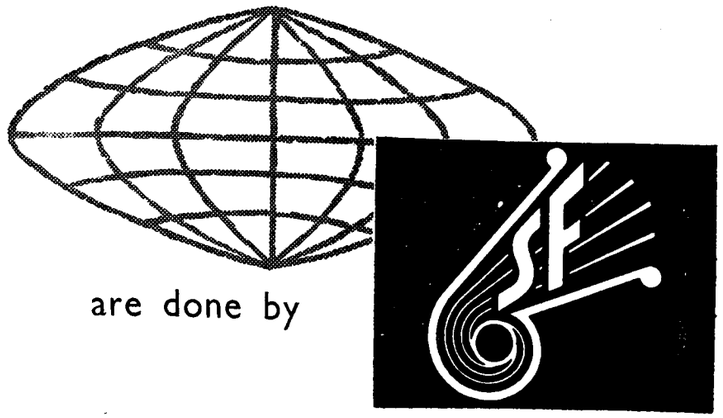
McInnes made the point that a bare ability to read and write, to provide which vast sums are being spent in India, gives no economic return at all. If, instead, India could produce a larger army of technicians and, simultaneously, improve the quality of secondary and higher education, in the arts as well as the sciences, the money would be far better spent. In other words, better education for fewer. One saw recently in Afghanistan, of all places, how the emphasis had shifted from primary education to secondary and higher. If resources were in abundance the need to decide on priorities, seemingly heartless such as McInnes's, would be less pressing. Where P C Sen, among so many others, has missed the bus is in knowing that only so much and no more can be spent on education and not knowing that primary education, literacy, is the wrong investment.

The idea of better education for fewer must seem nauseatingly reactionary, anti-egalitarian and undemocratic. Call it what you like; this writer's withers are unwrung. Many are the essential economic functions to the performance of which literacy has little or nothing to contribute; many are the jobs to which the semblance of an education without its substance is a handicap. Political feasibility is the concern of politicians; it may be impracticable to divert funds from primary education to secondary and higher. Education Minister Chagla's strongest and weakest point is that he is not a politician; as an educationalist, he may find the McInnes idea as revolutionary as the Macaulay "Minute on Education" of the thirties in the last century. The need today is not to create "a class of persons, Indian in blood and colour, but English in taste, in opinion, in morals and intellect", but a class which is truly educated in academic as well as economic ways — and another which fulfils its economic role without the dubious benefits of literacy. Two cultures? Again, this writer's withers are unwrung.

— *Flibbertigibbet*

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Ajyara Sr. 24

Book Review

Indian Political Anatomy

Nigel Harris

Politics and Society in India (Studies on Modern Asia and Africa-1), edited by C H Philips, George Allen and Unwin, London, 25s, 190 pp.

THE study of Indian politics is particularly confusing for anyone whose immediate experience is West European or American. As one of the contributors to this book suggests, superficially Indian public affairs fits fairly comfortably into well-worn Western categories, but those categories do not explain what is actually happening. One is always aware of a key dimension that one cannot see but is frequently vital in the pattern of events, particularly the closer one gets to the local level. Currently, State Congress Parties are gripped by internecine warfare between factions, without it being very clear in any State exactly what issues are at stake. One is aware of a dimension of meaning beyond the immediate description of factionalism which will allow one to understand precisely (which includes predictively) the composition of factions A and B and why they fight so bitterly.

The present volume is a preface to examining some aspects of this phenomenon — peculiar not to India nor to modern times, but to conventional political science. It does so by combining contributions (all from Britain) by political philosophers, historians, political scientists and anthropologists. Though the contributions are of a high order, the effect is less unified than might have been hoped — the historical pieces do not quite dovetail into the essays on contemporary Indian politics. Two contributions, one considering ancient Hindu theories of State and Government, and the other Muslim conceptions of legitimate authority, are followed by an interesting excursion into Muslim Indian history, sketching briefly three phases of Islam which culminate in the erosion of its temporal power, creating a new kind of corporate spiritual authority, the 'ulemas'. To these pieces can be added a contribution concerning the 1917 Montagu Declaration, an exercise in British political history rather than Indian. These contributions relate only very indirectly to the current Indian scene although they are all of general interest both for Indian history and for study of the cultural concomitants of social change.

Caste and Politics

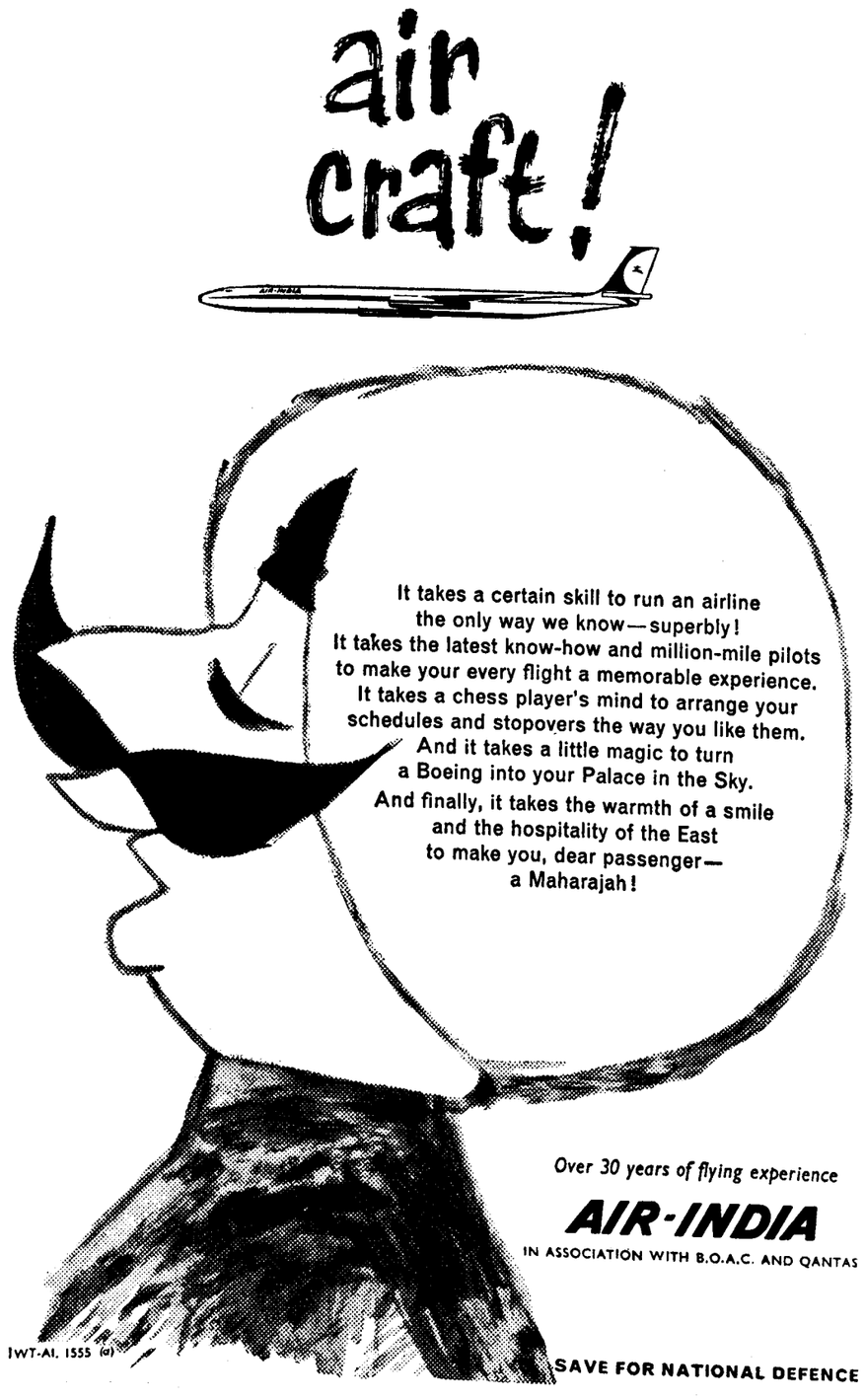
The remaining five contributions deal specifically with modern India, and in one case, Pakistan. Professor Von Furer-Haimendorf discusses the importance of caste in Indian politics, how its forms have shifted, from an accepted vertical hierarchic pattern (which was itself in the process of slow mutation) to something more like competing horizontal groups, without weakening the institution (indeed, in some cases, strengthening it) or necessarily eroding the power of localised majority groups. In addition, he discusses the reformulation of ostensibly Western-oriented political thought (in this case, Selig Harrison's case study of Andhra Communism) in terms of local caste conflict.

Dr Bailey reminds the reader of his excellent Orissa studies in order to demonstrate that while locally tenacious, in contemporary Orissa State politics caste is probably not as generally important as competition between classes. The vast gap which separates politicians (and those actively concerned with political activities) and the mass of ordinary voters, prompts the electorate to behave rather more like dependents than rational judges of affairs not immediately related to their own interests — pressure-group-jostling for marginal advantages becomes the prototype activity rather than rational participation. Dr Mayer examines municipal elections in Dewas (Madhya Pradesh) and confirms some of Bailey's points.

Dr Tinker examines the shift in the significance of local government, and shows both India's and Pakistan's efforts to use local government as an instrument for a new sort of participation more closely related to a peasant society — an attempt which might be seen as some synthesis of a rural ideology (for example, Gandhism) with the modern concern with economic development.

Finally, Professor Morris-Jones gathers together some of these strands, suggesting that Indian politics operates (and can be described) in three 'styles' or 'languages': the modern (and Western), the traditional (both meeting in the union, or not, of the political institutions of a nation-state and the structure of an ancient society) and the saintly, pre-eminently demonstrated in the 'political style' of Gandhiji or Bhave. Morris-Jones uses his classification perceptively, showing in particular the gap between what is accepted as significant in public affairs (in the press, books, Lok Sabha) and what is the actual practice at the roots of Indian politics. An example Morris-Jones might have cited as a peculiar combination of parts of all three styles is the Kamaraj phenomenon. Morris-Jones notes the objections to his use of the term 'language' — he makes it encompass both behaviour and descriptions of behaviour (where it is most plausible) — without seeing these objections as fundamental.

Yet the term 'language' does throw the emphasis of analysis into the realm of form rather than content — the same thing can be said in different languages and the use of a particular language does not suggest any particular political aims (which are crucial for Morris-Jones' use of the term). Again, with this term, he is seeking to encompass both the cleavage between a Western oriented 'idiom' and a traditional one, and the gap suggested by Bailey between those with explicit political concerns and those without, between the politicians and the masses. But expressing these two gaps in terms of the manner



with an awe and reverence for age. The present industrial programme, on the other hand, requires that every opportunity should be given to young people, contrary to all the existing 'rules and procedures'. As the dead hand of the past is still too strong upon us we find that young men with ideas are fleeing this country in large numbers whenever they can. Traditionally in India, initiative, improvisation or ingenuity, has been systematically discouraged. Just as social values and patterns had been fixed by Manu and others for all time to come, so also everything else. It is assumed that there is a fixed norm for everything, be it music or cooking or the crafts. No one must deviate from it. Experimentation cannot but be folly. There are set standards of excellence in all activities which masters in the past attained. It is our duty now to try to reach that standard. Not that we can really hope to do so. Still it is good to try. History is, therefore, not only assumed to be repetitive, it is widely and deeply believed to be cyclical. Things do not change basically for techniques do not change. Events follow one other cyclically as the seasons do. This is, or at least this has been, the assumption till recently.

Obsession with Rules

The system built by the British in India fitted in perfectly with this traditional approach. As the British authorities in India did not trust Indians, they left no place for individual initiative or inventiveness. They framed elaborate rules and regulations covering all aspects of administration down to the minutest detail. Observance of these rules was made completely obligatory, even at the cost of efficiency, so that Indians looking up at the top from the lower depths came to regard the observance of the rules and regulations as an end, quite often the end of administration. It was like observing caste rules, which have to be observed and not questioned. As British Indian administration was largely devoid of any social purpose, this obsession with rules and regulations largely substituted the need for any purpose. It made the business of administration purposeful to the administrators.

How else can one explain or even comprehend the monumental folly of the Indian Government that built national laboratories and created Research Councils with expensive apparatus, staffed them with qualified people and then framed rules for them as though these institutions were like any other Government department meant to collect revenues or sell judicial stamps. The same audit rules that throttle initiative in the Government departments were also made effective in these highest bodies of scientific research and learning in the land. As a result one has to fill up endless forms, obtain sanctions from all sorts of functionaries to get a simple piece of machinery without which research is held up or may be even suspended.

Individual Initiative Not Encouraged

The treatment meted out to young scientific workers is equally unimaginative and exasperating. Promotion is by seniority. One always has to obtain the permission of higher authorities to do anything and there is little encouragement for any individual work done out of schedule. Above all, the atmosphere in these institutions is very much like that prevailing in Government departments where there is little human contact between people at the top and at the bottom. This dries up the very spirit of research. A lot of effort is wasted at lower levels because of the absence of contact, and individual initiative is hardly ever encouraged. Everybody is tapped by rules and maimed by regulations. The cumulative effect of all this is that young Indian scientists leave for abroad whenever they can and do not return ever afterwards.

The Prime Minister of India often urges the students to march with the times. One can only hope that the Government under him would do the same. We have inherited a static society, and a stagnant economy from the past. On top of it, we have an administration whose purpose was to perpetuate and stabilise this stagnation. Its rules were framed to achieve that purpose. With independence, we have rightly started planning for economic growth which means, among other things, fairly rapid industrialization, application of scientific methods in agriculture and use of more effective methods of public health and sanitation. All this requires concentrated scientific research over a wide field and, of course, mobilisation of popular forces in an organised manner in support of the targets set. It does not require any great perspicacity to realise that the old administrative machinery, working under its old and outmoded rules and regulations, is not suited to the purpose now set before it. Economic development and social regeneration and development cannot be brought about with the help of rules designed for tax collection. It is necessary that this machinery is now overhauled along with its rules. All rules of the Government beginning from recruitment to super-annuation, and certainly those for promotions, should be framed anew, so that the goal now set can be achieved.

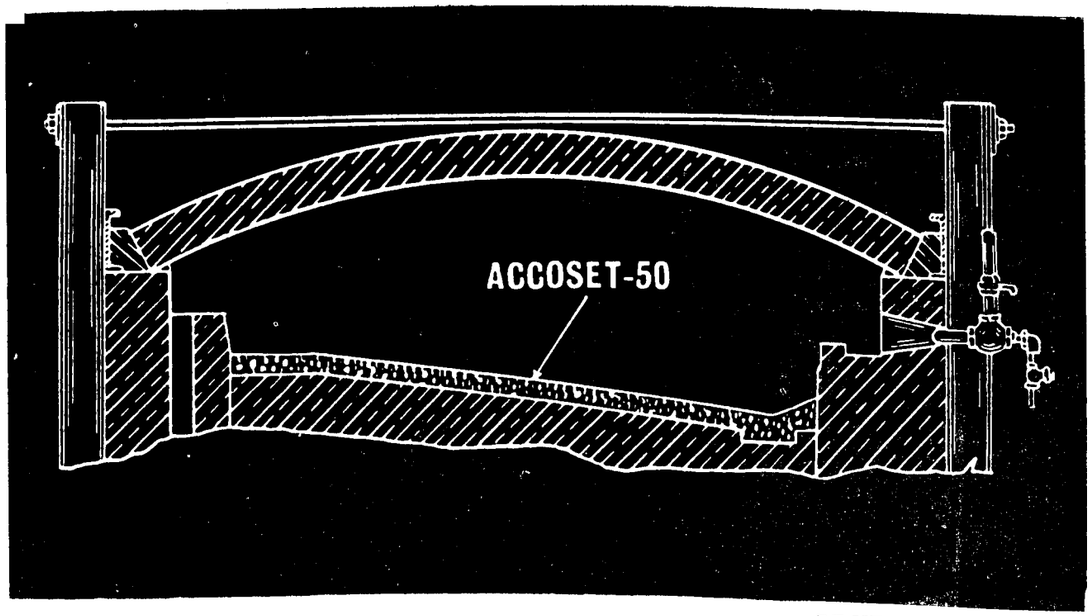
Government Should Reorganise Itself

The exodus of young scientists is only an indication of the malaise from which India suffers today. It fits in with the general picture of a moribund Government machinery misguidedly geared to the task of achieving progress. The series of failures in achieving Plan targets point to the same source of inadequacy. You cannot have scientific research while treating the scientific workers as the poor relations of a colonial administration. Nor can you expect a successful fulfilment of an economic plan with the help of bureaucrats to whom certain set rules inherited from a discredited past are sacrosanct and utterly inviolable. If it is reorganise the country, the Government should start by re-organizing itself.

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Case for an Ombudsman in India

J B Monteiro

Discussion of corruption in government, which has received an impetus from the concern expressed by the members of the Congress party at the Jaipur session of the All-India Congress Committee, has been largely centred on the most suitable machinery to investigate alleged instances of corruption and to bring to book the guilty.

One suggestion that has been widely made is the creation of a functionary corresponding to the Scandinavian Ombudsman who has achieved a large measure of success in dealing with maladministration and corruption in Sweden and Denmark.

IN his convocation address at the Indian School of Public Administration Justice P B Gajendragadkar, Chief Justice of the Supreme Court, made out a case for an Indian Ombudsman to protect the public from corrupt administration and who would investigate allegations of dishonesty and intervene to give relief in cases where no legal remedy was available.

The suggestion has found wide favour. The Chairman of the All-India Manufacturers' Association, Shri Prabhu V Mehta, speaking at a meeting of the Central Committee of the organisation in Madras last month, referred to the Ombudsman and said: "India has an urgent need for such a 'people's agent'. I earnestly request the Speaker of the Lok Sabha and the Members of the Parliament to consider the possibility of creating an office of Parliamentary Commissioner on lines similar to those in Sweden, Norway and Denmark. I am convinced that such an office at the Centre to start with should prove a great help to the people and will be beneficial in improving the efficiency of the administration".

Not a New Idea

The idea of setting up an Indian Ombudsman is not new. Shri C D Deshmukh, then Chairman of the University Grants Commission, had pointed out in 1959 that "an uneasy public hears of nepotism, high-handedness, gerry-mandering, feathering of the nests through progeny, and a dozen other sins of omission and commission and yet is helpless for lack of precise data, facts and figures, evidence and proof". He called for the establishment of "a high-level, impartial, standing judicial tribunal to investigate and report on complaints", adding that, if such a tribunal were set up, "I shall be happy to make a beginning by lodging half a dozen reports myself".

Vital Issue Avoided

The Government's response to this demand, growing increasingly insistent, has taken the form of vague pronouncements on "cleaning" the administration, "rooting" out corruption, "attacking" graft, "ending" nepotism and what have you. Committees and reports have multiplied but the vital question of creating a permanent agency to deal with the problem has been consistently avoided. At a press conference in January 1960 the Prime Minister went so far as to say that "If such a tribunal is appointed, there will be charges and countercharges as we are a gossiping people". On another occasion he told Parliament: "Either this Parliament believes in the personal integrity of members of the Government as a whole or any personal integrity or it does not", adding, "if it does not, naturally it has a right to say so, and a right even to remove me from office".

Similarly, in his Feroze Gandhi Memorial lecture in September 1962 the then Minister without Portfolio, Shri T T Krishnamachari, said: "The nature and work of an Ombudsman is somewhat negative and might afford relief to citizens injured by the improper exercise of executive discretion of positive maladministrative procedures. I do not, therefore, consider the institution of an Indian counterpart of the Ombudsman as having any positive role to play in the determination and functioning of the relationship of the citizen and the executive".

Of late, however, official resistance to setting up some sort of authority to deal with corruption and maladministration is wearing down. Addressing the members of the AICC at Jaipur in November, Pandit Nehru admitted that unless corruption was rooted out from every walk of life, all talk of socialism would be meaningless and conceded the need to set up an "anti-corruption machinery" covering ministers, public men and all those employed in the administration.

Nanda Acts . . . and Retreats !

The appointment of a commissioner for investigation, or an Ombudsman, with powers to enquire into complaints of irregularities, etc, against Ministers and high officials has also been recommended by an administrative reform committee appointed by the Rajasthan Government, in its report submitted in September. At last on November 26, Home Minister Shri G L Nanda told the informal Consultative Committee of Parliament for his Ministry that the setting up of an Ombudsman type of authority suited to Indian conditions was under consideration. He conceded that there should be some authority which could deal with corruption without being subject to pressures or interference. The authority should be given the same independence as that of, say, the Union Public Service Commission. Shri Nanda further said that the Ombudsman should be a person of high stature and the channels of communicating complaints to him should be free from influence at any point. Shri Nanda did not think that a central agency would be adequate to deal with corruption throughout the country and so there should be similar agencies in the States also. Shri Nanda's definitive statement was widely melcomed, but, alas, within a week, he seemed to beat a hasty retreat. On December 4 addressing newsmen at Ahmedabad,

he was once again talking of a nebulous "vigilance Commission".

The Ombudsman is a Scandinavian institution. Just over a year ago New Zealand adopted it and several other countries may follow suit. In Sweden there are two Ombudsmen. The *Justie Ombudsman* or 'Prosecutor for Civil Affairs' was introduced in 1915, to deal with military justice and administration. The Danish Ombudsman, defined in the constitution of 1953 as "a parliamentary commissioner to supervise civil and military administration of the state", began functioning in 1955.

A Parliament Official

The Ombudsman is considered an official of Parliament. The Danish Ombudsman is required by statute "to keep himself informed whether any one subject to his authority commits injustice or acts negligently in performance of his official duties". The Swedish Ombudsman is required to exercise general supervision over courts and civil service. He is required to investigate charges of illegality, negligence or misuse of official position and to pay particular attention to offences involving fraud, abuse of power, or actions which impede the course of justice.

The Ombudsman is given vast powers. As the first Ombudsman of Denmark, Professor Stephan Hervitz, put it in a BBC talk: "I have the right to see the files of ministers or other authorities that deal with the question concerned; and I ask the police to help me; and can summon people to give evidence in court". He has powers to raise questions involving maladministration of justice before superior courts and to investigate cases involving detention of persons and deprivation of liberties. All State establishments are open to his personal inspection.

The Ombudsman may initiate enquiries on the basis of written complaints from the citizens, filed within one year of the alleged offence, or on his own initiative on the basis of press reports or confidential complaints. Cases of corruption, etc may also be discovered during the inspection tours he undertakes periodically.

The Ombudsman's wide powers of investigation are balanced by a virtually complete lack of executive authority. He can only bring cases of miscarriage of justice to the notice of superior courts. This is done by instructing the public prosecutor to start criminal proceedings against the guilty or by recommending the plaintiff for legal aid in pursuit of civil remedies.

No Executive Authority

The Ombudsman has no executive power. He is just a national counsellor and a custodian of public conscience in matters of private rights. He stands on the sideline of the government to observe, appraise and censure. Where then lies the basis of his power? As a report by the British section of the International Commission of Jurists, entitled 'The Citizen and the Administration', explains: "In practice the real sanction is the publicity which is given to the Ombudsman's criticism of the administration in his annual reports to Parliament but more specially to the daily press". The report makes a distinction between complaints relating to bad law or policy and official conduct. The former is a matter of ministerial responsibility. The latter relates to official misconduct, i e, failure of the administrative authority to observe proper standards of conduct and behaviour in exercising its administrative powers. A public official, for instance, may show unfair preference when allocating a government contract. Or inefficiency, negligence or error on the part of an official may cause loss or damage to an individual. More rarely, official misconduct may consist in a decision so harsh and unreasonable as to offend natural justice.

The report recommended the establishment of a British counterpart of the Ombudsman to supplement, though not supplant, the existing vigilance machinery and to make it more effective by providing a ready and simple means of securing an impartial investigation of complaints of maladministration by an officer of Parliament who is independent and enjoys the same status and prestige as the Comptroller and Auditor General. The Ombudsman would submit periodical reports to a select committee of Parliament just as the Auditor General reports to the Public Accounts Committee.

Nehru, Grand Arbiter

In India so far, in the absence of suitable machinery, the Prime Minister has had to act as a grand arbiter, listening to complaints and explanations, defending the respondents and soothing the complainants. Besides diverting his attention from important public affairs, this practice has undermined his personal authority, even his motives being questioned often. Similarly, the value of *ad hoc* enquiries of the Denning variety, to which Pandit Nehru has referred frequently in his note to the President on the enquiry by Justice S R Das into the allegations against Pratap Singh Kairon is doubtful. It is well to remember the speculation which preceded the publication of the Denning report about whether it would be published at all and, if it was, which parts of it would be suppressed. In India Pandit Nehru refused to publish the Das report on the Malaviya-Serajuddin affair on the ground that it was meant solely to guide him. This is the danger of asking *ad hoc* commissions to report: when their reports are favourable to the executive, like the Denning report, they are published and when they are damaging, they are suppressed. Finally, while the Special Police Establishment has been successful in publicising four digit figures of their annual "catch", when it comes to the really big sharks, the S P E is no better insulated against political pressures.

The setting up of a 'Vigilance Commission' which Shri Nanda promised at Ahmedabad will not improve the situation. An Ombudsman, whether we call him Parliamentary Commissioner or Dharmadhyaksha or a plain Grievance Man, is undoubtedly the solution we are looking for. But if on the plea of adapting the system to Indian conditions, the Ombudsman's powers and functions are curtailed, no man of competence and integrity will care to accept the post and it might serve just to provide employment to some incompetent, unsuccessful party politician.

Farm Size and the Economies of Scale

C H Hanumantha Rao

The Food and Agriculture Ministry's Farm Management Studies indicate that 'smallness' of size has not proved a deterrent either to the realisation of high net income per acre or to capital construction through the application of surplus labour.

Of course, the higher net income per acre on the smaller farms cannot be attributed to their 'smallness' as such. It is the result of factors making for more intensive cultivation, such as more irrigation, larger application of family labour, more intensive cropping, etc.

Under the system of family farming and labour-intensive techniques, it appears, therefore, that productivity of land and total output can be raised if the structure of land ownership is altered and a more even distribution of land is secured which would make for greater identity between ownership, management and labour.

IT is argued here that unlike in manufacturing industry, the technical conditions of crop production do not impose the kind of constraints which make the enlargement of farm size indispensable for absorbing improvements in farming techniques or for the optimum utilization of indivisible equipment. The available empirical evidence for India suggests that the costs on account of indivisible factors such as bullocks cannot be considered to be particularly higher on smaller farms where family labour is abundant and that, owing to the labour-intensive techniques of cultivation, managerial and supervisory bottlenecks are conspicuous on larger farms. These factors, together with the fact that under conditions of family-farming the farm production unit is intertwined with the family consumption unit, explain why small farms are invariably characterised by higher capital value of land and larger net income per acre.

According to the theory of the firm the internal economies of large scale arise upto a point owing to (a) specialization and division of labour in the production processes made possible by technical progress; and (b) optimum utilization of indivisible equipment as well as management. Underlying these advantages are certain technical constraints common to manufacturing industries under conditions of factory production. Technical progress and division of labour tend to make the size of the plant bigger. Most of the machinery of the plant is technically immobile so that the optimum utilization of such equipment necessarily entails the expansion of output.

Agriculture, on the other hand, is essentially a biological process, land being the primary agent. Due to the fixed nature of this biological process in regard to the nature of the commodities to be produced, the production period and the technical processes, the scope for specialization and division of labour is very limited. Technical progress, to the extent possible, assumes the forms of external aids to land such as better tilling, improved seeds, fertilizers, insecticides, etc. Since land as a factor of production is perfectly divisible and since many inputs, e g, labour, water, seeds, manures and insecticides, etc, are equally divisible, improved methods can be applied to land, irrespective of the latter's size.

Optimum Utilization Possible

Insofar as equipment, like a pair of bullocks or a machine, is not technically tied up with land and can and has to be removed from land once its operations are over, the optimum utilization of this mobile, though indivisible, equipment is possible by employing it on different farms on a hire or exchange basis. Despite this technical possibility, some element of under-utilization of such equipment can be expected owing to institutional and psychological obstacles to adjustment, especially under conditions of seasonal demand for the equipment.

In the case of management, however, the economies of scale can be realized upto a point, especially in the long run. Since farming processes require close personal attention at each stage and since the scope for division of functions and the delegation of responsibility is very limited, managerial and supervisory bottlenecks arise at comparatively lower levels of farm size. This stage will be reached much earlier under labour-intensive techniques of cultivation, as the human problems of management can be expected to be particularly acute in such a situation.

Under the system of family-farming such as in India, the owners or cultivators are themselves the managers who also perform manual work in most cases. The existing mode of cultivation does not require highly specialized technical skills on the part of these managers. Nor have the entrepreneurial abilities a very significant role to play especially as farming is carried on partly for household consumption. Supervision of farm work is really the most important part of managerial functions under the existing conditions. Viewed thus, management is not a very scarce input among small farms where there is an abundance of family labour. Also, the prevailing labour-intensive techniques of cultivation render managerial or supervisory functions very difficult to perform on large farms. Therefore, from the standpoint of efficiency, the problem is not so much the under-utilization of management input on smaller farms as the diseconomies of large scale operations arising from managerial and supervisory bottlenecks on larger farms.

Bullocks and implements thus constitute the major indivisible factor in Indian farming. The Farm Management Studies have shown that a large number of cultivators in several parts of the country, who belong to the small size groups do

not own any plough-cattle and that those owned by others are better utilized due partly to the larger cultivated area per pair of bullocks on the larger farms and partly to their being used on hire or exchange basis by smaller farmers. In Madhya Pradesh, for instance, about 28 per cent of the cultivators, most of them cultivating less than five acres, do not own any bullocks. About 7.5 per cent of the farmers own one bullock only, while 38 per cent have a pair of bullocks each (Madhya Pradesh Report, 1955-56, p 21). Similarly in Andhra, as many as 40 per cent of cultivators, most of them belonging to small size groups, do not own draught cattle; 29 per cent own one pair of bullocks and only about 13 per cent have two pairs each. (Andhra Report, 1957-58, p 160). In West Bengal, 35 per cent of holdings have no draught cattle and 6.1 per cent have only one bullock each (West Bengal Report, 1954-55. p 12). A similar tendency, though not equally pronounced, has been noticed in Madras and Bombay. In Punjab, the small farmer tries to minimize costs on this item by maintaining bullocks of inferior quality which cost less. The larger holdings, on the other hand, maintain bullocks of better quality which are better fed, with the result that the cost on a pair of bullocks increases with increase in the size of holding (Punjab Report, 1954-55, pp 54-57).

The market prices of bullocks cannot be taken as reflecting the true costs to the farmers. For one thing, a significant proportion of these bullocks are farm-bred, family land and family labour being the main constituents of costs on this item. The practice of valuing farm-bred animals on the basis of market prices for costing purposes without, at the same time, including these values on the output side can hardly be justified. Also, the existing method of rating family labour spent on the upkeep of animals at market wage rates serves to inflate the bullock costs among small size-groups. It is interesting to note in this connection that according to the present mehods of cost calculation, bullock costs as a ratio of gross output are higher wherever the proportion of family labour and family land is higher (see Table 1). In West Bengal, Andhra and Madhya Pradesh where, as noticed above, hire and exchange arrangements for sharing bullocks are common, the proportion of bullock costs to output is very low. Again, it is in these regions that the proportion of family labour to total labour is particularly low. The proportion of family land is also relatively small. It is possible that in view of higher costs on hired labour and rented land, the cultivators in these regions try to minimize the costs on this indivisible equipment. In Uttar Pradesh, Madras and Bombay, where the costs on bullocks are quite high and the practice of sharing them is less common, the bullocks are presumably under-utilized. But the proportions of family labour and family land are quite high. The readiness on the part of the cultivators to put up with under-utilization of bullocks in these regions may be explained, to a certain extent, by the relatively low alternative costs of their family inputs used in maintaining the bullocks.

Comparing Costs and Returns

Size-efficiency analysis necessarily involves some appropriate method of comparing costs and returns. Insofar as the alternative costs of family-labour cannot be regarded as approximating the ruling wage rates, the estimates of total costs based on the imputed values would give an unrealistic and even misleading picture. This is evident from the findings of the Farm Management Studies mentioned above. On the basis of total costs (or cost C) which includes also the imputed values, farm-business is found to be unremunerative. Alternatively, since the true price of family labour cannot be regarded so low as approximating zero, 'cost' consisting of only paid-out items would yield a distorted picture. For, in such a case, the differences in cost-return ratios would reflect not only the differing 'efficiency' but also differences due to inter-farm variations in the proportions of family labour in the total labour input. Similarly, the cost-return ratios may be distorted due to differences in the proportions of family and rented land. Since the community is interested in maximising the net income or net value added from agriculture consisting of the returns on land, labour and capital, whether owned or hired, a meaningful concept of cost would be the one consisting of the inputs to be deducted from gross output for arriving at the above net income. Since land constitutes the single biggest item in total costs and since it is very scarce relative to labour, net income per unit of this scarce factor could serve as a meaningful, though partial, indicator of farm efficiency for economic policy.

Table 2 gives the figures of average net value added or net-income per acre per annum for various size-groups in different regions for which data from Farm Management Studies are available. Net income is obtained by deducting from the gross value of output the input values of seeds, manures, fertilizers, irrigation charges, feed of bullocks

Table 1 : Costs on Indivisible Equipment, the Proportion of Family Land and Family Labour

	Region	Costs on Indivisible Equipment (Percentage of Gross Output)		Family Land (Percentage of total)	Family Labour (Percentage of total)
		Bullocks	Implements		
		(1)	(2)	(3)	(4)
1	Uttar Pradesh	**28.9**	**3.9**	**100.0**	**71.0**
2	Punjab	**15.2**	**3.0**	**65.0**	**77.0**
3	West Bengal	**6.6**	**1.1**	**70.7**	**64.0**
4	Andhra	**8.4**	**2.1**	**74.0**	**25.0**
5	Madhya Pradesh	**11.3**	**2.1**	**70.0**	**24.2**
6	Madras	**17.2**	**3.9**	**79.3**	**75.0**
7	Bombay	**18.6**	**4.0**	**81.2**	**75.4**

Sources: For columns (1) and (2), the same as given below Table 2. For columns (3) and (4), "Studies in Economics of Farm Management"; Uttar Pradesh, 1954-55, p 37; Punjab, 1954-55, p 31 and 71; West Bengal, 1954-55, Appendix Tables, pp 30, 45 and 46; Andhra, 1957-58, pp 60 and 216; Madhya Pradesh, 1955-56, pp 17 and 158; Madras, 1954-55, pp 30 and 63; and Bombay, 1956-57, pp 22-23, 1954-55, p 218.

and the depreciation on fixed equipment, e.g. bullocks, implements, machinery and farm constructions. Wherever possible, labour charges (both family and hired) for the upkeep of animals have been separated from bullock costs. A significant fact emerging from Table 2 is that net income per acre is relatively higher among small size groups and tends to decline among the larger farms. Land is expressed here in terms of simple acres, unstandardized with respect to fertility. But there is no reason to think that the fertility of soil would be lower on larger farms. The declining tendency does exist in regard to the current fertility of land which is made up of the original fertility and fertility resulting from man-made improvements on land — the latter indicating the efficiency of land utilization. The average per acre rental values for each size-holding for some regions given in brackets clearly indicate that the capital values per unit of land must be higher among smaller size groups and that these values decline as the farm size increases. The higher values reflect in part the availability of irrigation which is proportionately higher on smaller size farms (see Farm Management Studies). This itself is an indicator of a higher degree of capital formation. Partly the differences reflect variations in other man-made improvements on land which also represent capital formation. It is reasonable to suppose that the lower the level of income of the cultivator, the greater will be his attachment and concern for his land — the principal means of production — and consequently the greater will be the incentive to make improvements on it.

'Smallness' no Deterrent

These facts indicate that the 'smallness' of size has not proved a particular deterrent to capital construction through the application of surplus labour. Nor has it prevented the cultivators from realizing higher net income per acre. If the element of over-estimation in the present figures of bullock costs for small size groups is eliminated, the net incomes per acre would turn out to be even higher. At the same time, these figures cannot be taken to imply that the higher net-income per acre among smaller size-groups is attributable to the 'smallness' of size as such. Rather, they are traceable to factors making for intensity of cultivation, viz, better irrigation, intensity of cropping and larger application of family labour. It is obvious that upto a point in the size range these factors have little to do with farmsize as such but are prompted by the need to secure a minimum subsistence for the farm-family. The efficiency of the managerial factor among these size-groups may be a contributing factor. Among the large-sized farms, on the other hand, management may be both insufficient to meet the increased needs of supervision and inefficient owing to the dissociation of ownership from management on the one hand and of management from work, on the other. In fact, this may explain why labour input per acre among large size-groups is found to be relatively lower (see Farm Management Studies).

Thus, from the standpoint of efficiency the basic problem is not so much the 'uneconomic' nature of small holdings as the insufficiency of inputs, particularly labour, and the consequent low productivity per acre among larger farms — particularly those above 10 acres which are known to account for over two-

Table 2 : Net Income and Rental Value

(In Rupees Per Acre)

Size-group (acres)	Uttar Pradesh	Punjab	West Bengal	Andhra	Madhya Pradesh	Madras	Bombay
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Upto 1.25			184	354 (204)		132	
1.26 – 2.50	126	130 (73)	188	305 (192)	79	(50)	54 (18)
2.51 – 3.75			184	285 (175)		156 (50)	
3.76 – 5.00			162				
5.01 – 7.50	137	129 (67)	200	236 (168)	69	126 (39)	70 (11)
7.51 – 10.00			195	234 (176)		129 (43)	
10.01 – 15.00	117	119 (59)	136	213 (169)	71	89 (27)	36 (12)
15.01 – 20.00	129			282 (185)	66	45 (21)	36 (13)
20.01 – 25.00	110	104 (55)	163	239 (151)	66	61 (30)	34 (8)
25.01 – 30.00							43 (7)
30.01 – 40.00					67	44 (15)	37 (7)
40.01 – 50.00					71		29 (6)
Above 50.00		109 (49)			67		

Note: The figures of rental values are given in brackets. Size-wise figures of rental values of owned land are not available for Uttar Pradesh, West Bengal and Madhya Pradesh.

Sources: Studies in Economics of Farm Management: Uttar Pradesh, Punjab, West Bengal, Madras and Bombay, for the years 1954-55, 1955-56 and 1956-57; Madhya Pradesh for the years 1955-56 and 1956-57; and Andhra for the years 1957-58 and 1958-59.

thirds of total cultivated area. The above analysis suggests that under the system of family-farming and labour-intensive techniques, productivity of land and total output can be increased if the structure of land-ownership is altered and a more even distribution is ensured as this would, among other things, make for greater identity between the factors of ownership, management and labour. Alternatively, if the existing structure of land ownership is not to be disturbed, then the introduction of mechanized processes would become necessary for a more effective utilization of land, as this would lessen the supervisory and managerial bottlenecks on larger farms. Of these two alternatives, the former has already proved far from politically feasible. The latter, though not quite desirable, at any rate in the immediate future, from the economic point of view, is being gradually adopted in many parts of the country. In view of the existing high man-land ratio and the concentration of land-ownership, the mobility of land, to the extent it takes place from the larger to the smaller or middle-sized groups through sales and purchases and through tenancy on a commercial basis, should be considered desirable.

C. I. PRESSURE PIPES BY IISCO

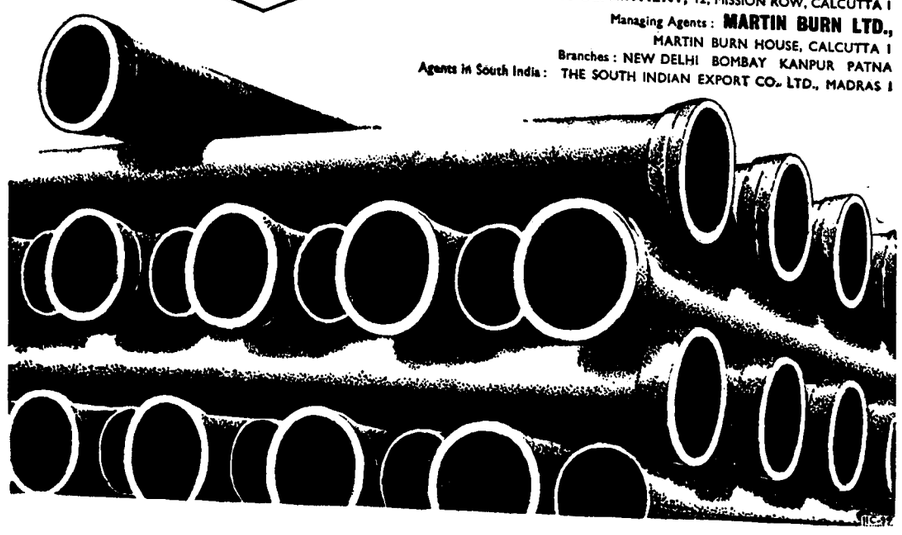
IISCO-STANTON Cast Iron Spun Pipes

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IISCO pipes are used throughout the length and breadth of the country. Among the big projects that have already used IISCO pipes are: the Mattanchery Project at Ernakulam, 8,62,000 Rft; the Water Supply and Drainage Scheme in Madras State, 48,02,000 Rft and the Ajmer Water Supply Scheme, Rajasthan, 3,69,000 Rft. Today, IISCO pipes are being again employed at :

Patratu Water Supply Project A/c. Chief Engineer, P.H.E.D., Bihar, Patna.	4" to 30" Spun Pipes	1,36,050 ft.	5355 tonnes approx.	
Coal Mines Water Supply Scheme A/c. National Coal Development Corporation Ltd.	14" to 27" Spun Pipes	1,25,591 ft.	5456	"
Municipal Corporation of Delhi.	24" to 36" Spun & V.C. Pipes	53,613 ft.	11943	"
Ahmedabad Municipal Corporation.	60" V.C. Pipes	5,676 ft.	2345	"
Fertilizer Corpn. of India Ltd., Namrup Project.	16" to 24" Spun Pipes	22,874 ft.	1461	"
The Chief Engineer, L.S.G.E.D., Lucknow.	15" to 27" Spun Pipes	25,695 ft.	1448	"
Corporation of Madras.	21" to 33" Spun & V.C. Pipes	23,766 ft.	2135	"
The Executive Engineer, P.H., Visakhapatnam.	14" to 18" Spun Pipes	16,405 ft.	196	"
The Public Health Engineer, M.P. Bhopal.	30" to 36" Spun & V.C. Pipes	10,454 ft.	1375	"
Maharashtra State Electricity Board.	21" Spun Pipes	21,000 ft.	1761	"

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Mid-Term Appraisal of Third Plan—I

THE Third Plan was conceived of as "the first stage of a decade or more of intensive development leading to a self-reliant and self-generating economy". Its major targets were an increase in agricultural production of 30 per cent, in industry of 70 per cent and in national income of 30 per cent. The "Mid-Term Appraisal" of the Plan by the Planning Commission, released last month, leaves little room for hope that any of these targets will be achieved.

In the first two years of the Plan the annual rate of increase of national income is estimated to have been about 2.5 per cent as compared to the average rate of over 5 per cent per annum envisaged for the five-year period. At this rate, national income has probably barely kept pace with the growth of population, leaving per capita income untouched. The target of increase of per capita income is 17 per cent over the five years, or over 3 per cent per annum. If the target of increase in national income is to be achieved now, the annual rate of growth in the last three years of the Plan would have to be about 8 per cent — a rate higher than that considered possible for the Fourth Plan on the assumption that the Third Plan achieved all that was expected of it.

The principal reason for the disappointing rate of growth of national income is the set-back in agriculture, which is still the largest proportionate contributor to national income. As against the average annual rate of 5 per cent expected in the Plan, aggregate agricultural production rose marginally by about 1 per cent in 1961-62 and then declined by over 3 per cent in the following year, so that in 1962-63 the index of agricultural production was actually lower than in the last year of the Second Plan. Within the agricultural sector the trends in respect of individual crops have varied. Foodgrains production as a whole showed no increase in the first year, remaining at about 79.7 million tons, the level of the last year of the Second Plan, and then declined to 77.5 million tons in 1962-63. The output of both rice and wheat, the principal food crops, declined significantly in 1962-63. Among the cash crops, output of sugarcane was lower in both years compared to 1960-61, and that of cotton fell sharply to 45 lakh bales in 1961-62 but rose in 1962-63 to the 1960-61 output of 53 lakh bales.

Industrial Sector also Disappoints

While the set-back in agriculture has been the principal contributor to the shortfall in the rate of growth of national income, the performance of the industrial sector has been by no means in keeping with Plan expectations. Compared to the expected average annual growth rate of about 11 per cent, industrial production rose by 6.5 per cent and 8.0 per cent in the first two years. It is true that the rate of growth of output of capital and intermediate goods industries has been higher than that of the general index, but most of even these industries lag behind targets. In fact what is more significant than the set-back in aggregate production is the fact that the shortfalls have occurred in the very industries which are of crucial importance, like iron and steel, aluminium, machine tools, heavy chemicals, fertilisers, etc, and that the gaps are not expected, even by the Planning Commission, to be bridged in the remaining years of the Plan. The Fourth Plan, therefore, will have to start with appreciably lower supplies of vital capital and intermediate goods than postulated in the long-term perspective plan for the economy contained in the Third Plan document.

When one turns from production to investment and outlay, the picture is substantially changed. The total outlay of the Centre and the States during the three years 1961-64 is estimated at about Rs 4,200 crores or about 56 per cent of the five year provision (see Table 1). And judging by the rate at which outlay has been rising during the first three years and in the light of the position in regard to the availability of financial resources, it may be confidently expected that the targets of financial outlay will be broadly achieved, if not exceeded. As for the private sector, while estimates of investment are understandably more difficult to make, data relating to capital issues, bank and other institutional credit to industry, imports of capital goods, etc, lead the Planning Commission to conclude that aggregate private investment in industry in the first two years of the Plan has kept up to Plan expectations.

The Plan visualised an investment of Rs 6,300 crores in the public sector. In addition, there was a provision of Rs 1,200 crores for financing current outlays on the Plan. Thus the aggregate financial provision for the public sector plan came to Rs 7,500 crores. Table 2 indicates the pattern of financing of Plan outlays in the first three years. It is immediately apparent that there have been some significant divergencies from the expected pattern. The contribution of current

Table 1: Outlay by Head of Development

(Rs Crores)

	Plan	1961–62	1962–63	1963–64	Total	(5) as per
	Provision	Actual	Revised	Budget		cent of (1)
	(1)	(2)	(3)	(4)	(5)	(6)
Agriculture and Community Development	1,068	147	187	227	561	53
Major and Medium Irrigation and Flood Control	650	104	120	117	341	52
Power	1,012	139	183	247	569	56
Industry and Minerals	1,520	186	258	365	809	53
Village and Small Industries	264	38	44	44	126	48
Transport and Communications	1,486	302	361	389	1,052	71
Social Services and Miscellaneous	1,300	214	261	265	740	57
Inventories *	200	—	—	—	—	—

* Expenditure on inventories is distributed under various heads.

revenues to Plan financing has so far been negative, as against Rs 550 crores for which the Plan took credit over the five-year period. This is in spite of the fact that normal tax receipts, at 1960-61 rates of taxation, both at the Centre and in the States were under-estimated in the Plan and, on the basis of trends in the first three years, are expected to exceed the Plan estimate by no less than Rs 800 crores over the period 1961-66. That there still has been a sizeable deficit in current revenues is because non-Plan expenditure has exceeded all expectations. A large part of the deficit occurs in the Centre's 1963-64 Budget in which current revenues show a deficit balance of Rs 433 crores, largely due to the steep rise in defence spending. In the light of the experience of the first three years, it may be taken for granted that the contribution of current revenues to Plan finance would be negative over the five-year period.

Tax Revenues Boom

The five-year target of additional taxation to be undertaken by the Centre is Rs 1,100 crores. Additional taxes introduced in the first three years are expected to cover about 68 per cent of this figure so far. Over the Plan period as a whole the aggregate yield from them is estimated at a little over Rs 1,900 crores, exceeding the target by about Rs 800 crores. For the States the five-year target of additional taxation is Rs 610 crores. The effort made so far, however, has been disappointing, the additional revenue likely to accrue over the five years from the additional taxes introduced in the first three years being estimated at Rs 500 crores. Taking the Centre and the States, the yield from additional taxation is thus likely to exceed the Plan target by about Rs 700 crores even if no fresh taxation is introduced in the remaining two years. However, even this substantial improvement would not be adequate to offset the deterioration under the item "balance from current revenues".

In view of the performance in the first three years, it appears likely that the contribution of the Railways over the five-year period will exceed the Plan estimate of Rs 100 crores by Rs 40 to 50 crores. On the other hand, surpluses from other public enterprises of the Central Government are likely to fall far short of the target of Rs 300 crores. Excluding Posts and Telegraphs, the other public enterprises yielded no surplus at all in the first two years. Enterprises within the purview of the States showed a surplus of Rs 75 crores in the first three years, a major part of this coming from State electricity undertakings. On the whole, the contribution of State enterprises is expected to reach close to the target of Rs 150 crores over the five years.

Public Borrowing

In the first three years, the Centre and the States have together covered 69 per cent of the target in respect of market loans. It needs to be noted, however, that the States have been drawing on the market at a rate much faster than that visualised in the Plan. Over the five years, total market borrowings are expected to exceed the target of Rs 800 crores. As for small savings, the collections in the first three years amount to about Rs 327 crores, so that if the Plan target is to be achieved receipts in the last two years would have to be broadly of the same order as in the first three years. Receipts from unfunded debt are expected to be about Rs 50 crores higher than estimated, mainly owing to larger funds being available under provident fund schemes for Government employees.

Table 2 : Financing the Plan

(Rs Crores)

		Five Year Pattern of Financing as Visualised in the Plan			1961-62 to 1963-64			(4) as Per Cent of (1)	(5) as Per Cent of (2)	(6) as Per Cent of (3)
		Centre *	States	Total	Centre	States	Total			
		1	2	3	4	5	6	7	8	9
1	Balance from Current Revenues	410	140	550	—389	+110	—279	—	79	—
2	Additional Taxation	1,100	610	1,710	743	188	931	68	31	54
3	Railways' Contribution **	100	—	100	72	—	72	72	—	72
4	Surpluses of Other Public Enterprises †	300	150	450	67	72	139	22	48	31
5	Market Loans ††	475	325	800	272	276	548	57	85	69
6	Small Savings ‡	213	387	600	135	192	327	63	50	55
7	Unfunded Debt	183	82	265	132	46	178	72	56	67
8	Steel Equalisation Fund	105	—	105	26	—	26	25	—	25
9	Balance of Miscellaneous Capital Receipts over Non-Plan Disbursements	428	—258	170	483	—49	434	113	—	—
10	Total of Items 1 to 9	3,314	1,436	4,750	1,541	835	2,376	46	58	50
11	External Assistance ‡‡	2,200	—	2,200	1,206	—	1,206	55	—	55
12	Deficit Financing	524	26	550	624	—8	616	119	—	112
13	Total of items 10 to 12	6,038	1,462	7,500	3,371	827	4,198	56	57	56
14	Central Assistance for State Plans	—2,375	2,375	—	—1,258	+1,258	—	53	—	—
15	Total Resources	3,663	3,837	7,500	2,163	2,035	4,198	59	53	56

* Includes Union Territories
** Excluding the amount raised by way of changes in fares and freights which is included under item 2
† Excluding the amount raised by way of changes in postal rates which is included under item 2
†† As defined in the Plan, receipts under market loans refer to net absorption of Government securities by the Public. Correspondingly, deficit financing refers to changes in Government's indebtedness to the Reserve Bank.
‡ Including prize bonds, gold bonds and receipts from compulsory deposit scheme
‡‡ Includes net receipts from foreign grants and loans as well as net accretion of rupee resources arising from P L 480 imports during the Third Plan period.

On account of the upward revision of the steel retention prices and the short-fall in steel output, accretions to the steel equalisation fund would be substantially lower than Rs 105 crores expected in the Plan. The excess of "miscellaneous capital receipts" over non-Plan disbursements is expected to show an improvement over the estimate of Rs 170 crores made in the Plan. Similarly, counterpart funds from import of foodgrains under PL 480 available for financing the Plan will be, it is expected, Rs 500 crores over the five years as against the Plan estimate of Rs 400 crores.

It is, however, in respect of deficit financing that the five-year target has already been exceeded. In the first three years deficit financing by the Centre is expected to amount to Rs 624 crores as against the Plan estimate of Rs 550 crores for the Centre and the States together over the five years.

Summarising the general position in respect of internal resources the "Appraisal" states: "On the assumption that external assistance on the scale required would be forthcoming, that every effort would be made to realise the Plan estimate in respect of small savings and that it would be possible to avoid further significant increases in non-Plan expenditure, the overall resources position for the five-year period should, on present indications, show a marginal improvement over the estimate indicated in the Plan". Elsewhere it is stated that "considering the actual pace of implementation in different sectors, it is reckoned that, over the five-year period as a whole, the total outlay in the public sector... might be close to Rs 8,000 crores".

Balance of Payments

The Plan estimate of the gap between total imports during the five years and the capacity of the country to pay for them out of its own earnings is Rs 2,600 crores — Rs 1,900 crores for imports of capital goods and machinery required for Plan projects and Rs 700 crores for non-project imports and re-financing external debt. As against this the gap between import payments and foreign exchange earnings was Rs 390 crores in 1961-62 and Rs 359 crores in 1962-63 which was covered as follows:

	1961-62	1962-63
	(Rs crores)	
I M F drawings	119	12
Private foreign investment (gross inflow excluding retained earnings)	22	26
Disbursement of foreign assistance	243	319
Use of foreign exchange reserves	6	2
Total	390	359

Export earnings in 1961-62 at Rs 667 crores were in keeping with Plan estimates. On the other hand, there was a net outflow of Rs 12 crores in respect of 'invisible' transactions (excluding official donations) as compared to a net inflow of Rs 22 crores assumed in the Plan. Total import payments, excluding PL 480 imports, amounted to Rs 916 crores which was Rs 215 crores less than the estimate of Rs 1,131 crores made in the Plan. The outflow on capital account (excluding official loans and private foreign investment) amounted to Rs 129 crores which was close to the Plan estimate of Rs 133 crores. However, disbursement of external assistance (including private investment) was only Rs 265 crores as against Rs 575 crores expected in the Plan. This necessitated recourse to the I M F to the extent of Rs 119 crores and drawing down foreign exchange reserves by Rs 6 crores. The year 1961-62 was thus one of severe strain on the balance of payments, principally due to the unexpected outflow on the invisible account and the inadequacy of non-project assistance.

The situation improved in 1962-63. Export earnings increased by Rs 15 crores to Rs 682 crores. And while the outflow on account of invisible was about the same as in 1961-62, that on capital transactions was only Rs 58 crores as against Rs 129 crores in 1961-62. Utilisation of external assistance (including private investment) also improved, being higher by Rs 80 crores. These factors made it possible to finance an import bill higher by Rs 57 crores than in 1961-62 without drawing on the I M F except to the extent of Rs 12 crores and with only a marginal reduction of Rs 2 crores in foreign exchange reserves.

External assistance amounting to Rs 703 crores was carried over from the Second to the Third Plan. This included Rs 329 crores of advance commitments, mainly by the U S S R and other Eastern European countries, earmarked specifically for Third Plan projects. The Aid-India Consortium committed Rs 1,126 crores for the first two years of the Plan. In addition, assistance amounting to Rs 20 crores was authorised by non-Consortium countries. Finally, grants by the U S A and Canada outside the Consortium amounted to Rs 16 crores. Thus the total external assistance authorised for the Third Plan up to the end of March 1963 came to Rs 1,865 crores. Of this, Rs 1,470 crores were tied to projects and Rs 395 crores were available for non-project imports. Of the total project aid available, Rs 359 crores (25 per cent) had been utilised up to March 31, 1963. Utilisation of non-project aid was proportionately higher at Rs 215 crores (54 per cent). There was thus a balance of Rs 1,291 crores of authorised aid at the end of March 1963 — Rs 1,111 crores of project assistance and Rs 180 crores of non-project assistance.

Prospects for Last Three Years

An attempt is made in the "Appraisal" to judge the prospects for the balance of payments in the last three years of the Plan. During this period exports (including from Goa) are expected to be Rs 2,300 crores, so that the Plan target of exports of Rs 3,700 crores over the five years will be just achieved. But since this includes actual and expected exports from Goa of about Rs 90 crores, there has been in effect a shortfall of this order in the Plan export target which was exclusive of exports from Goa. The net outflow on invisible transactions is expected to increase in the last three years of the Plan, mainly because of larger interest payment on Government account, and is likely to be about Rs 100 crores. Similarly, the net outflow on account of capital tran-

sactions is also expected to rise progressively and amount to about Rs 400 crores in all during the three years.

Thus from the estimated export earnings of Rs 2,300 crores during 1963-64 to 1965-66, Rs 500 crores will go to meet the outflows on account of invisible and capital transactions; a further amount of Rs 100 crores will be needed to meet payments that will fall due during this period for project imports against commitments out of free resources entered into up to the end of March 1963, leaving a balance of Rs 1,700 crores for financing fresh imports. As against this, the requirements of non-project imports during the three years is placed at Rs 2,400 crores so that even if all the free foreign exchange earnings are used for non-project imports, there will still be a gap of Rs 700 crores. Allowing for the balance of non-project aid available at the end of 1962-63 and the likely spill-over of such aid into the Fourth Plan, it is estimated that additional non-project assistance required for the last three years of the Plan will be about Rs 650 crores. Of this, the Aid-India Consortium has promised about Rs 200 crores of non-project aid for 1963-64, so that about Rs 450 crores of non-project has yet to be secured for the Third Plan.

The "Appraisal" does not attempt to estimate foreign requirements for Plan projects. It is recognised, however, that it would be "considerably larger" than the sum of Rs 2,030 crores mentioned in the Plan. Against this, foreign exchange finance for commitments of a little over Rs 2,100 crores is already "in sight". This figure is broken down as follows :

	(*Rs crores*)
External assistance available at the end of March 1963	1,470
Project aid committed by Aid-India Consortium for 1963-64	301
Commitments already made out of export earnings	200
Private foreign investment available for project imports	150
Total	2,121

It needs, however, to be pointed out that the carry-over of aid from the Third Plan into the Fourth is likely to be "much larger" than the carry-over from the Second to the Third Plan which was itself about Rs 400 crores (excluding advance commitments of aid specifically earmarked for Third Plan projects). The rough approximation of aid already "in sight" to the estimate of total requirements of project aid is, therefore, misleading and gives no idea of fresh project aid required in the last two years of the Plan. According to the "Appraisal" : "The actual requirements of project assistance during the last two years of the Third Plan are being scrutinised in detail at present in connection with the next meeting of the Consortium which is expected to take place early in 1964. A more precise picture of the requirements and the availability will emerge only after the conclusion of this meeting".

Prices

Given the trends in output and outlay discussed above, severe pressure on prices was to be expected. This pressure came to the surface in the Plan's second year. In 1961-62 the general price index declined by 3.6 per cent, mainly as a result of the increased ability of agricultural commodities from the 1960-61 crop. Since April 1962, however, the trend of prices has been upward, with the prices of foodgrains rising more than the general index. The price rise, which was about 3 per cent in 1962-63, really gathered momentum in the current year, the increase in the general index between April and September being no less than 8 per cent. Once again, the bulk of the increase has been in the category of food articles, particularly rice, sugar and gur.

The increase in the general price index since the begining of the Plan has been about 7 per cent. This by itself would not be unduly alarming, but for two reasons. First, it follows the increase in prices that had occurred in the last Plan. During the Second Plan period, the general index of wholesale prices and the index of food prices both went up by about 30 per cent. Second, the principal increase during the last 2½ years has been in the prices of food articles and essential consumer goods.

If the failure of the expected relationships between outlay and output to materialise was the cause of the rise in prices, the latter has itself contributed to widening the gap between investment and production. A part of the reason why a financial outlay of the order envisaged in the Plan, or even slightly larger, will not achieve the expected increase in national income or industrial and agricultural production is that because of the price increase in the meanwhile, in real terms the Plan outlay is lower today than when the Plan was formulated.

This is not to say that the rise in prices is the only, or even perhaps the most important, factor responsible for disrupting the investment-output relationships postulated in the Plan. Shortage of foreign assistance, particularly non-project assistance, has no doubt been a significant factor, though exactly how significant is not clear from the "Appraisal". Similarly, procedural or administrative delays have no doubt taken their toll. But the most important factor responsible perhaps is that a number of the major projects included in the Plan had not been worked out in sufficient detail at the time of the Plan's formulation. The result has been that estimates of costs and of time required to complete the projects have turned out to be highly optimistic. A rough idea of the extent to which cost estimates have gone wrong may be had from the following figures :

	Plan Estimates	Present Estimates (*Rs crores*)	Excess of (2) over (1) (*Per cent*)
	(1)	(2)	(3)
Industry	1,330	1,630	23
Minerals	478	662	38
Transport and Communications	1,630	2,070	27

The outlay on achievements of the various programmes of development will be discussed in some detail in these columns next week. It, however, needs to be said here that considering how tentative the estimates relating to many of the major projects included in the Plan were at the time of its formulation, the overall targets of outlay and output given in the Plan are, to a great extent, notional. In the process of its implementation this has emerged as the principal weakness of the Third Plan.

(To be Concluded)

From the Chair

The Jay Engineering Works Limited

Speech of the Chairman, Lala Charat Ram

THE following is the Speech by Lala Charat Ram, Chairman, Board of Directors, The Jay Engineering Works Ltd, delivered at the 26th Annual General Meeting of the shareholders of the Company on the 5th December, 1963, at Calcutta:

Ladies & Gentlemen,

I have great pleasure in welcoming you to the 26th Annual General Meeting of the Company.

End of an Era

As you are aware, Sir Shri Ram Ji, who could well be called the father of The Jay Engineering Works, passed away on the 11th January this year. This completes one era in the growth of our Company, which started rather humbly in a motor garage. From such humble beginnings, to a widely public owned company, employing nearly Rs 14 crores, is the culmination of the great entreprenurial and management effort which Sir Shri Ram Ji brought to bear on the affairs of the Company. I am fully conscious of the responsibility that rests on all of us now for continuing this process of growth, and the high traditions that we have inherited.

Decline in Profits; Effort of Govt Levies

I owe an explanation for the reduction in profits which has necessitated a reduction in dividends, as well as in the remuneration of Managing Agents and the profit sharing bonus of the workers. I had referred in my speech at the last Annual General Meeting, to the many escalating factors bearing on the cost of production of industrial goods. The situation has continued to worsen during the year, and the incidence of excise and import duties on raw materials, raw material prices, railway freight etc. went up further substantially. Furthermore, the Supreme Court decided that the Company must make Provident Fund contributions on a part of production bonus payments made to employees, and provision has had to be made for this liability, retrospectively from January 1960. The Hyderabad Factory which commenced operations during the year, suffered a loss because of the usual initial troubles, which has also contributed in reducing the overall profits of the Company. I am glad to be able to state, that the operations of the current year as of date, are satisfactory, and the year should end with a much better showing, if no untoward happenings mar the operations. My reference here is to the unfortunate reactions of labour to the reduction in their profit sharing bonus payable on the basis of subsisting terms which have been in operation for all these years. We are attempting to avoid any adverse reactions on this account, but it is uncertain as to what direction the labour leadership will take.

Inflatory Tendencies in the Country

The "cost-price" squeeze situation, in which the Company finds itself, is typical of industrial operations all over the country. There is much talk about holding the price line, and everybody, whether it be the Government, or the labour, or the consumer, seems to be busy enlarging upon the responsibility cast on everybody else, for keeping prices down. The snag is that prices are not a function of surfacial agitation, but of inter-acting economic forces which are not neutralized by the effusion of gratis advice. You will observe that the bulk of increase in costs in our, and for that matter any other operation, is almost entirely due to official imposts, or increase in costs of Government sponsored services like transport etc. I am not unappreciative of the need for additional revenue caused by the violation of our frontiers by Main land China, and for purposes of economic growth. I do hold however, that the steps that are taken to meet these pressures, must not jeopardize the long term economic strategy of a developing country, the foremost requirement of which is that inflation should not eat up the nominal addition to resources. It is my submission that prices will be held in check by abstaining from inflation oriented measures, and not by King Canutish decrees.

Need for Change in Labour Outlook

Our relations with labour during the year under review have been good. I am however apprehensive of increasing tendency in the country to think of industrial labour as an absolute over-riding group in the community, instead of being an integral part of a homogeneous whole whose interests are in definite alignment with those of other components of the community. The industrial worker community forms barely 1% of the total population of the country, and in the national interest it would be worthwhile for this community to consider the impact on the total economy of its policies. Their leadership has led to short-sighted demands in the matter of annual emoluments and working conditions which have little relationship with the requirements of the country's economy. It is saddening to see the image of conflict of interest that is sought to be created between the employees and the industry of the country. It is forgotten that the interests of the two are identical and the primary challenge for both is to enlarge the size of the economic pie, rather than quarrel over one's share in a constant, or a diminishing pie. More and better jobs, improved wages, and better working conditions are possible only if industry is productive and profitable. If planners and politicians are really to solve the problem of unemployment, there is need to understand how jobs come into being. Jobs exist not because of some impersonal automatic phenomenon called "consumer purchasing power", but because of growth of industry.

Motivation of Industrial Growth

Entrepreneurs start new ventures, or expand old ones only when they

see a prospect of profit commensurate with the risks. It is immaterial whether such risk taking entrepreneurial activity is sponsored by the State or by the people; that is a question of social liberty rather than of economics. What is important is to understand that an economic enterprise can perpetuate and expand itself only when it produces a reasonable return on investment for the service that it renders, and ploughs back a considerable part of such earnings. Anything that militates against this process of earning and plough back, cuts at the very roots of the concept of fuller employment. The shares of spoils of either an acquisitive business or an acquisitive labour force cannot sustain for any length of time by increasing the demands on the consumer. They must be generated within the enterprise by increasing productivity and lowering costs. This is the common task of business and of labour, and can only be discharged by an understanding labour leadership unhampered in its decisions by political and agitational considerations.

One cause of the image of conflict of interest to which I have referred above, is the mis-representation by certain elements, that business is made up of a few giant corporations; these elements harangue the imaginary few giant corporations on their "social responsibilities" and "duties". Actually, this picture is quite false, and industrial ownership is increasingly becoming more and more broad based. Far from being the cause of concentration of economic power, business, along with the intelligentsia, the professional people etc. provides a counter-vailing force against the concentration of all power in the ruling apparatus of the country, and thereby helps to keep alive the concepts of individual liberty guaranteed by our Constitution.

Progress of Third Plan — Too Slow

The Planning Commission has been undertaking what may be termed as an agonising reappraisal of the progress of the Third Plan. This appraisal has been revealing, and a matter of concern. Whereas increasing amounts of money are being poured in year after year, the resultant return on these investments is showing a decreasing trend. Productivity of 'investment capital' is of vital importance, and if the fulfilment of an ideology is not more important than the provision of increased quantum of goods, the Planning Commission and the Government might consider reorienting the direction of the investments being made in the country. The general index of industrial production has so far been less than half of what was visualized in the Plan. We can usefully learn some lessons from the war devastated economies of Japan and Germany, for the economic growth and uplifting of our own country. Increasing fiscal allocations in our Plan budgets would be of little avail, if there is a decreasing return from these. The important fact has to be realised that the standard of living is meaningful not in terms of money, but what the money will buy, and money will only buy more goods and services, provided the productivity of investment increases.

I have dealt at length on some of the basic influences relevant to business enterprise, because we ourselves are to intimately affected by those factors. I believe it to be the duty of businessmen, to draw attention to the existence of such basic truths which can be disregarded in policy making, only at the cost of economic stability and growth.

I will now refer to certain aspects of our Company's operations during the year.

Increase in Production

Production of sewing machines registered an increase of over 20% over the previous year, while the production of fans increased by over 10%. The performance would have been better had not the production been hampered by power shedding in Calcutta. Current production levels are maintaining a rising trend. A notable feature of our current year's operations is, that as a consequence of improved production planning techniques, the increase in production is not accompanied by corresponding increases in the capital employed.

Usha Zig-Zag Introduced

Our automatic Zig Zag sewing machine under the name of 'USHA-MATIC' was marketed during the year, and has been well received in the market. This machine is being produced in our Hyderabad Factory and steps are being taken to gradually increase its production. The operations of Hyderabad Factory are however likely to take another two or three years to show satisfactory profitability.

Higher Exports

I am glad that our exports in 1962-63 have exceeded the level of Rs 1 crore, being about 20% higher than last year. Steps are being taken to reorganise our exports set-up for greater sales effort. As a step towards that, an independent division under the name of 'USHA INTERNATIONAL' has been set-up in our Sales Agency. We view with concern the phenomenon that the incremental rise in non-traditional exports of the country is far below the additional effort and expense that is going into export promotion measures. This underlines the need for some degree of persuasive compulsion, to which I had made a reference last year also.

New Outlook on Management Personnel

We have of late been taking a fresh look at our management structure and personnel. It is not an unusual occurrence, that the growth of a company is not accompanied by commensurate development in its management organisation. We have been particularly fortunate in that the personnel policies followed by Sir Shri Ram Ji created a devoted band of executives in Jay Engineering, which has borne creditably the burdens of growth of an expanding organisation. It has however become necessary now to take a long term view of management requirements, and to bring about the necessary rationalisation in the structure and staffing of the organisation.

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

New Central Jute Mills Company Ltd

Speech of the Chairman, Shri A K Jain

THE following is the Speech of Shri A K Jain, Chairman, New Central Jute Mills Company Ltd. at the Annual General Meeting of the Shareholders of the Company held on December 3, 1963:

Gentlemen,

I have great pleasure in extending a hearty welcome to you all.

The Report and Accounts of the Company have already been in your hands. You would have found that the Company has made outstanding progress all round during the year.

In the tragic assassination of President Kennedy, which stunned all of us, the world has lost a great and noble leader and statesman. It was his dynamic leadership that led to the spontaneous supply of arms and equipment to our country at a time of national peril last year. The people of the world will remember President Kennedy as a man who fought for peace and understanding among nations and progressive development in all underdeveloped and backward countries. Our heartfelt sympathies go out to Mrs. Kennedy and the little children and the American people.

A Testing Time

The past year has been a testing time for us from the point of view of preparing for the defence of the country and stabilising the economy's development. The Government, the industrial and business community, politicians and economists have been thinking as to the ways and means of gearing up national effort. The situation demands policies and actions well-tuned to the urgent needs of development, taking into account the lessons of the past. The mid-term appraisal of the Third five Year Plan has indicated that the rate of increase in industrial production has lagged behind the target and agricultural production has fared worse. Against the annual target of 11.1% the actual increase in industrial production was 6.5% in 1961-62 and 8% in 1962-63.

Concerted efforts have been made by your Company's jute mills to build up production and exports for earning larger Foreign exchange for the country. There was an increase of over 21% in the output during 1962-63 over 1961-62. The planned expansion of your Company also contributed to increased employment for skilled and unskilled workmen and technical and supervisory personnel. The complement of broad-looms was increased during the year 1962-63 by 104 to reach a total of 256. During the current year, 71 additional broad-looms were installed raising the total to 327 against the licensed capacity of 350 broad-looms. Your Company thus installed 92% of its licensed capacity of broad-looms. The industry achieved installation of only just over 50% of the licensed capacity, according to available figures. With the implementation of a steady programme of expansion, your Company also made large contribution to export earnings.

All-round Progress

It can, therefore, be legitimately claimed that your Company made substantial and all round porgress. The profit attained in 1962-63 amounting to Rs. 1.32 crores after providing over Rs. 53 lakhs for depreciation is not only an all time record for your Company but is also the highest in the jute industry as assessed from a study of published Balance Sheets of jute companies for the year. The management adopted a policy of large-scale erpansion of the Company's jute mills at a substantial sacrifice of their own managerial remuneration. During the last three years ended March, 1963, the total of managing agents' and directors' remuneration amounted to Rs. 47,176 only.

Simultaneously with the building up of your mills' loomage strength, successful fabrication of broad-looms in the Company's workshop was also achieved. The workshop has been modernised and strengthened to meet the increasing needs of indigenous manufacture. In the year 1961-62, out of the total broad-looms installed, 7% was fabricated in your own workshop; the percentage increased to 33% in 1962-63 and to as much as 92% in the current year. The own fabrication of looms has, apart from expediting your Company's expansion programme, resulted in a saving of Rs. 50 lakhs foreign exchange expenditure to the country and economy to the Company in capital expenditure.

Carpet Backing Manufacture

The future of the carpet backing industry in this country would depend on the growth of consumption in the foreign market. Every effort should be made to encourage the use of double back in carpet backing for which it is very important to improve the quality of carpet backing manufacture in this country. Your Company's production is already well accepted in the overseas markets. In order to propagate the use of double back by supply of better quality carpet backing, your Company has already installed 2 single beam dressing machines.

I mentioned in my last year's speech about the increase in production in Sahu Chemicals & Fertilizers unit. I also referred to the modifications in the plant on the advice of the technical collaborators. I am happy to state that the modifications carried out have resulted in substantial improvement in the output during the year. During the current year, there should be further increase in output as in the period of 8 months ending November, 1963 there is a 25% increase in production as compared to what was achieved in the corresponding period of the previous year. The substantial improvement in the production of last year could not, however, contribute to the total earnings of the Company because of the higher cost of basic materials which absorbed the advantages of increased production. The contribution of the expected improvement in production to the current year's Financial results would also depend on the extent to which the increasing cost of basic materials, over which the industry has no control, is checked and on the price policy of the Government. There is all out effort to keep costs down, increase

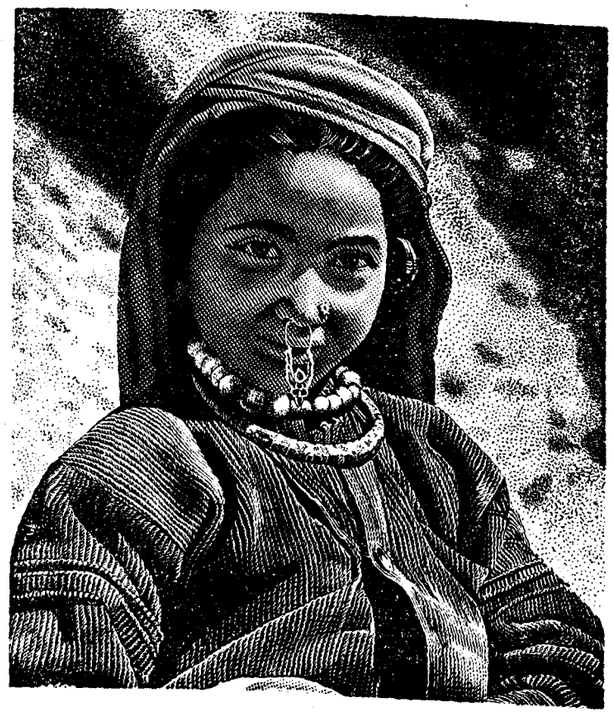
productivity and contribute to the maintenance of reasonable price level. It is hoped that the recent agreement with the employees of the Sahu Chemicals & Fertilizers unit will add to the harmonious endeavour to further stepping up of production in the unit.

The Government and industry in the country have been concentrating on increased exports to augment foreign exchange earnings. An important aspect in the matter of exports especially with reference to lesser developed countries in the Far East is the building up of goodwill by direct contribution to the development of industries in those countries as the urge to develop one's own economy is paramount in every nation. Thailand is a country with large availability of Kenaf fibre. Many countries including the United Kingdom and Pakistan have been trying to enter the industrial field in this country. Your Company has entered into a collaporation arrangement with a Thai company for supply of technical know-how for putting up a jute unit to meet Thai needs. In this project, your Company will also be supplying jute mill machinery and equipment from India. While thus we shall be exporting our machinery and earning foreign exchange, we shall have the satisfaction of contributing to the industrialisation of friendly Thailand. Your Company has also undertaken training of Thai apprentices in your jute mills in Calcutta so that these technicians fully trained and equipped may be able to take up their resposibilities in manning the Thai jute mill. It is a matter for pride that, here again, your Company has given a lead to the Indian jute mills.

All the progress in work, profit and export earnings would not have been possible but for the enthusiastic and willing co-operation of the administrative and technical staff and workmen of the Company, to whom, I convey, on your behalf, our sincere thanks.

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

IN THE HAPPY WORLD OF CHILDHOOD



Lost in her dreams, this little girl expresses all the charm of children everywhere. She is a young Garhwali, but her dreams and hopes and happy games belong not to her particular region but to the separate world of childhood.

The children of India wear many costumes and colours, but all of them bring love and laughter into our lives. In their hands lies the future of our nation — a tomorrow that we, at the State Bank of India, believe to be bright with promise. Tomorrow, as today, the **State Bank of India** will serve the nation through its network of branches throughout the land.



SBISTA'S-SB-60A

Around Bombay Markets

Impressive Recovery

Thursday, Morning

DALAL STREET is again in form, seemingly determined to push its way into new high ground. And it will not perhaps be long before it moves beyond the 5th November peak from where it beat a sizeable retreat in order to gain sufficient strength for the next phase of its upward journey. It has already recovered, within less than a fortnight, most of the ground lost in the preceding fall which had been essentially in the nature of a technical correction of the first major upswing reflecting a basic change in the assessment of equity prospects.

Speculators are full of hope and optimism. The business community feels that T T K is now a changed man, determined to bring about an impressive increase in production before tackling the problem of concentration of economic power. The new Finance Minister has already held out various assurances which, if and when translated into action, should stimulate business confidence and give a new drive to the economy. The Select Committee's suggestions modifying some of the rigours of the Companies (Amendment) Bill have been well-received in business circles and the stock market is particularly pleased with the Committee's recommendation that loans taken prior to the new enactment should not be converted into shares, except if the company has defaulted in repayment and failed to remedy the lapse within three months of the service of notice.

While speculators seem convinced that Shri Krishnamachari will do everything possible to revitalise the capital market, investors are still fighting shy. But this is mainly because investors have had to pay very dearly for their indiscriminate purchases during 1961 and 1962. Notwithstanding official assurances about toning up the capital market, response to new issues is still rather lukewarm. That quite a large number of new firms should be venturing into the market for raising funds is, however, an indication that confidence is returning to the capital market, though rather slowly.

Cotton

Futures at New Peak

COTTON futures last week rose to a new high level for the season. The March contract which could be had at Rs 700 (per 3 quintals) on the last day of November was bid up to Rs 724.25 on 10th December — well above the previous high of Rs 720 recorded on 22nd July, the starting day of the contract. The impressive rise in futures in a matter of few days is due both to heavy short covering and sustained bull support based on a reassessment of the basic outlook for cotton following the downward revision of crop estimates. The 1963-64 crop which was at one time estimated around 59 lakh bales is now placed around 56 lakh bales. Crop ideas have been revised downward mainly due to the damage to the Gujarat crop. Production in Maharashtra and Madhya Pradesh is also believed to be less than in the previous season.

The strength in futures can by no means be attributed to any excessive speculative activity. For the strength has been far more pronounced in the spot material. Certain varieties like CO2 and 197/3 are quoted almost at the ceiling; Other varieties are quoted only Rs 30 to Rs 60 lower. The strength in the market is remarkable in face of the fairly satisfactory tempo of arrivals. Mills which had been keeping off the market for quite some time because of their comfortable stock position have been evincing keen interest in the market recently. The feeling is gradually gaining ground that in view of the likely increase in consumption as a result of increased spindleage, the cotton supply position will become difficult unless the authorities are able to arrange sizable imports. But import prospects do not seem very promising. Compared to the prevailing spot prices, futures look much cheaper; in ready, Moglai fine 25/32" which forms the basis of the hedge contract is quoted only about Rs 20 per candy below the statutory ceiling. Mills have turned their attention to the futures market because of the relative cheapness of the hedge contract.

If the current crop turns out to be around 55/56 lakh bales and if prices continue to show a hardening tendency because of increased consumption, the buffer stock scheme about which so much had been heard until some weeks ago will have to be given up unless, of course, the Government is able to secure large supplies of U S cotton under P L 480; buying cotton for the buffer stock by incurring foreign exchange expenditure seems out of the question.

Bengal Deshi prices have developed further strength because of sustained demand from shippers as well as mills. Export business to-date is placed around 1 lakh bales; not all the sales have been registered. Nearly 60 per cent of the Punjab and Ganganagar crop is reported to have been marketed. Arrivals have passed their peak. There seems little chance of any important setback in Deshi prices.

Oilseeds

Impressive Recovery

OILSEEDS prices have staged an impressive recovery under the lead of groundnuts which have been very much in the news recently. Groundnut January contract which was quoted around Rs 213 on 30th November was bid up to Rs 221.75 on 11th December taking it very close to its previous top of Rs 222.25 recorded on 21st August. Since about the beginning of December, groundnut expellers (January contract) have recovered from Rs 363 to Rs 375, castor March has risen from Rs 163.50 to Rs 166.50, cottonseed January from Rs 94 to Rs 97.50 and linseed March from Rs 35.44 to Rs 36.50. The latest prices are only slightly lower.

The sudden spurt in groundnut futures which has brought about a marked change in the general trading sentiment is due to heavy short covering and renewed bull support

because of the remarkable strength in the spot material. Notwithstanding the fairly satisfactory flow of arrivals, groundnut and groundnut oil have firmed up on active buying by crushers and vanaspati interests. Unlike cotton, there has been no downward revision of groundnut crop estimates. The crop is good, perhaps better than in the preceding season but the country's requirements are always growing. The performance on the export front has also been encouraging though there has been a little slackness recently, presumably because of the uncertainties created by the failure of the Allied Crude Vegetable Oil Refining Corporation of U S A which had world-wide contacts.

For the present, the market's interest centres mainly on the outcome of the bear-bull tussle in groundnut January contract. Notwithstanding the heavy short covering over the past week, a few prominent speculators are known to be carrying a huge "short" interest in the January contract. Will these bears switch over their sales to the April contract or cover their sales or effect deliveries against the sales? The immediate outlook for groundnut depends largely on the attitude of these prominent bears. However, judged by the tempo of demand in the ready market, groundnut prices are unlikely to develop any marked weakness in the foreseeable future. And groundnuts hold the key to the price trend in other oilseeds.

Exporters have been having a rather dull time recently. This is mainly because the U K firms which account for the bulk of Indian business in vegetable oils and oilcakes have not yet completely recovered from the severe shock administered by the failure of the Allied Crude Vegetable Oil Refining Corporation. The losses suffered by the U K firms are said to run into several million dollars. Confidence is, however, slowly returning and it will not perhaps be long before normal trading is resumed. About 5,000 tons of groundnut extractions are reported to have been traded under Andre-STC link deal and Czechoslovakia was also said to have taken fair quantities over the past week or so. Overseas quotations for Indian extractions have improved by about 10 shillings per ton, the latest rates being £ 34-15 for December shipment, £ 34-10 for January and £ 34 for January-February-March shipment. Business in groundnut H P S was negligible but the State Trading Corporation was said to have purchased some 2,000 tons of groundnut oil for Burma. Some business was also done with the U K at around £ 99 per ton, crude in bulk. Spain also took about 500/600 tons of refined groundnut oil and paid about £ 111-10. The U K took small quantities of castor oil Commercial at £ 106. Linseed cake and cottonseed cake were inactive.

Unsettled Again

Hopes that the Companies Act Amendment Bill will be modified as a result of the recommendations of the Select Committee have been blasted. The Cabinet's decision to maintain the original provision for the conversion of past and future Government loans to industrial concerns into equity capital has rudely shaken the morale of the stock market. Near-panic conditions prevailed in Dalal Street on Thursday evening. Equity prices have suffered a sharp decline and have lost a major part of the gains recorded over the past week or so. Trading sentiment has again been unsettled and it is difficult to say how soon the market will be able to recover from the renewed set back to confidence.

Business Notes

Delhi Cloth and General Mills

ADDRESSING the 75th Annual General Meeting of Delhi Cloth and General Mills, the Chairman, Lala Bharat Ram stated that it was unfortunate that instead of there being a spurt in production there had been a slowing down in the economy. The shortfall in the agricultural sector, which was a sizeable component of the economy and on which depended the productivity of the industrial sector, was reflected in the national output. In the industrial sector, while development effort had been larger and broadbased, the general index of industrial production fell short of the average increase of 11 per cent visualised in the Plan. It was only 6.5 per cent in the first year and 8 per cent in the second year. In the field of additional taxation, however, effort had exceeded the target and the yield at the end of the Third Plan would be about Rs 1,900 crores against the target of Rs 800 crores. Excessive taxation, Lala Bharat Ram held, was greatly responsible for the slowing down of the tempo of development.

One of the most important factors affecting our rate of development is the perennial shortage of foreign exchange. The country could not always depend upon various friendly countries for the continuance of assistance at present levels indefinitely but should bridge the gap between imports and exports, the Chairman stated. According to him, hard work, more production and more exports were the only way. We should not think in terms of exporting only surpluses — with the growth of population and demand there will not be surpluses except of very few commodities — but consumption should be restricted to allow export. To succeed in the export effort, we should produce goods of quality acceptable in other countries and at competitive costs. But costs could remain low only by increasing the output per man. India's share in the world trade had declined from 2.1 per cent to 1.1 per cent during the last decade of planning and that our exports as a proportion of national income were only 7 per cent as against 19 per cent in U K, 21 per cent in West Germany and 12 per cent in Japan.

To attract more foreign capital, which the country needs, it is necessary to provide incentives to foreign investors and to create a feeling of confidence in them. Stable fiscal policies are a very important factor in creating that confidence. Lala Bharat Ram was not, therefore, in favour of frequent changes in fiscal policy which upset financing programmes and create uncertainties, and pleaded for practical economic policies unaffected by ideologies.

Referring to the Company's affairs, he explained that in spite of an increase in total sales, profits were lower due to higher costs of raw materials, stores and wages. The project for the manufacture of plastics is now almost complete. Caustic soda is already in the market. PVC is expected to be on sale shortly. Rajasthan Rayon's factory will start production of high grade rayon tyre-cord by the end of next year. The capacity of the Hissar Spinning unit will increase from 37,000 to 63,000 spindles by the beginning of next year. Mawana Sugar Works crushing capacity per day is now increased from 1,500 to 3,000 tons. When the new projects go into production and expansion schemes are completed, the profits of the Company are expected to increase.

The accounts of the Company for the year ended June 30, 1963 and the Directors Report were reviewed in these columns in the issue of November 23, 1963.

Money Market

Thursday, Morning

BORROWERS in the call loan market were able to get accommodation more easily during the week, but the inter-bank call rate continued to rule at 5 per cent though by Wednesday evening it tended to ease to 4.5 per cent. Demand for funds was less than in the previous week and supply was higher.

Aggregate deposits of banks did not increase during the week ended November 29, but were slightly lower by Rs 46 lakhs. Advances increased by only Rs 3.77 crores. However banks' withdrawals from Reserve Bank amounted to Rs 9.95 crores; and their investments were less by Rs 4.77 crores. In these circumstances, though the turnover of money at call increased by Rs 2.93 crores during that week, it did not cause any strain in the market to send the rates up.

The stringency which occurred subsequently during the first week of this month was the cumulative result of some special factors, such as heavy tax payment dues, upcountry demand for funds, etc. which caught the banks unawares. After such urgent demands were met, the pressure on the money market seems to have abated somewhat, which in a small measure is reflected in the present easier tendency. The fact that money supplies for the time being stand augmented is further reflected in the amount tendered for Treasury Bills during the current week which was somewhat larger at Rs 2.12 crores against Rs 2 crores invited, in spite of a generally lower interest yield available from this source than from the call loan market. Such a larger flow of funds to Treasury Bills this week, and that at a still lower discount rate of 2.315 per cent as against 2.320 per cent is rather surprising under the prevailing conditions in the money market. But the "intermediates" sold were only Rs 1.39 crores compared with Rs 4.77 crores last week.

Last week's acute demand for funds is best reflected in the Reserve Bank's statement for the week ended December 6. Active notes which contracted by Rs 21.48 crores during the latter half of November, expanded sharply during the first week of the current month by Rs 48.48 crores, to reach a new level of Rs 2313.54 crores. Notes in circulation a year ago were Rs 190.95 crores less, and the expansion since the beginning of the busy season from November 1, amounts to Rs 69.62 crores. Notes of the value of Rs 1.86 crores have gone out of the till of the Banking Department and this, therefore, necessitated a net additional note issue of Rs 46.62 crores. But then, there has also been an outflow of rupee coins from the Issue Department to the extent of Rs 3.39 crores, with the result that Rupee Securities have been inflated by the transfer of Rs 50 crores from Investments to provide the necessary cover.

Governments' borrowings from the Reserve Bank have fallen by Rs 14.69 crores and its deposits have been marked up by Rs 12.87 crores reflecting tax collections. State Governments' balances are lower by Rs 98 lakhs.

The strain experienced by banks during last week has found reflection in their borrowings of Rs 13.81 crores from the Reserve Bank, though simultaneously the banks have added Rs 4.02 crores to their deposits. Borrowings by scheduled banks against usance bills appear for the first time in this season at a sizeable amount of Rs 4.44 crores. State Co-operative Banks which took away Rs 4.40 crores in the previous week have been loaned a further amount of Rs 4.56 crores during the week. Bills purchased and discounted by the Bank during the week have gone up by Rs 37.34 crores, pumping out money.

Foreign securities continue unchanged while foreign balances show a rise of Rs 2.37 crores. There has been a small but steady rise in foreign balances, aggregating Rs 5.45 crores during the past five weeks, possibly indicating rising exports with the commencement of the season.

The United Commercial Bank Ltd

Head Office: 2, India Exchange Place, Calcutta.

G D Birla
Chairman

Authorised Capital	....	**Rs.**	**8,00,00,000**
Subscribed Capital	....	**Rs.**	**5,60,00,000**
Paid-up Capital	....	**Rs.**	**2,78,00,000**
Reserve Fund and Other Reserves	....	**Rs.**	**3,03,00,000**
Deposits & Bills Payable (30-6-63)	....	**Rs.**	**1,20,39,00,000**

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S T Sadasivan
General Manager

CURRENT STATISTICS

Foreign Trade of India

PRINCIPAL EXPORTS

(*Rs lakhs*)

	Aug '63	Aug '62	Apr '63-Aug '63	Apr '62-Aug '62
Food	2341.8	2342.5	9212.0	7874.2
of which				
Meat and meat preparations	12.1	11.5	76.6	63.8
Fish and fish preparations	42.7	31.8	203.7	122.3
Fish: fresh or simply preserved	32.8	24.3	179.7	91.1
Fish and fish preparations, canned or not	5.0	7.5	23.9	31.2
Cereals and cereal preparations	2.8	1.3	9.7	3.7
Fruits and vegetables	227.3	218.3	1267.6	1088.8
Fruits and nuts, fresh	224.8	178.8	998.6	875.9
Dried fruits	0.9	0.5	8.6	7.5
Vegetables, fresh and dry	46.0	30.7	224.4	174.5
Vegetables preserved	4.4	6.9	30.9	25.2
Sugar and sugar preparations	205.6	194.6	1757.2	766.9
Sugar	205.4	194.4	1756.3	766.3
Coffee, tea, cocoa, spices and manufactures thereof	1537.1	1629.8	4541.5	4706.7
Coffee	53.1	74.9	382 8	342.5
Tea and mate	1392.1	1465.4	3676.8	3872.1
Spices	91.4	88.6	476.7	488.9
Feeding stuff for animals	262.9	253.5	1347.5	1109.4
Beverages and tobacco	317.6	167.0	1492.7	1126.2
Tobacco and tobacco manufactures	317.6	167.0	1492.4	1126.2
Tobacco unmanufactured	309.4	159.2	1460 2	1096.3
Tobacco *manufactures*	8.2	7.9	32.2	29.9
Crude materials, inedible, except fuels	1033.8	967.0	5302.7	4523.5
Hides, skins and fur skins, undressed	79.3	70.2	424.1	416.3
Hides and skins, undressed	79.3	70.2	424.1	416.3
Oil-seeds, oil nuts and oil kernels	17.0	18.4	132.5	138.7
Wood, lumber and cork	17.4	23.8	127.8	128.7
Wood in the round or roughly squared	17.4	23.8	127.6	128.1
Textile fibres and waste	267.8	331.7	1283.7	1296.1
Wool and other animal hair	53.6	37.9	188.3	286.6
Cotton	184.5	243.4	830.5	839.4
Jute, including jute cuttings and waste	0.1	23.8	107.4	30.6
Vegetable fibres, except cotton and jute	20.3	14.1	110.5	94.4
Waste material from textile fabrics, including rags	5.4	6.5	25.3	19.7
Crude fertilisers and crude minerals, excluding coal, petroleum and precious stones	90.5	121.2	494.8	584.8
Crude minerals	90.2	118.5	490.9	576.6
Metalliferrous ores and metal scrap	396.7	225.2	1928.8	1154.5
Iron ore and concentrates	259.9	141.6	1358.9	683.4
Iron and steel scrap	62.0	9.0	218.0	65.6
Ores of non-ferrous base metals and concentrates	73.7	74.4	349.9	403.4
Animal and vegetable crude materials, inedible, n e s	165.0	176.2	891.7	797.7
Crude animal materials, inedible n e s	31.8	44.7	205.9	228.0
Crude vegetable materials, inedible n e s	133.2	131.6	685.8	569.6
Mineral fuels, lubricant and related materials	46.4	77.1	366.8	275.2
Coal, coke and briquettes	25.7	23.4	105.7	135.5
Petroleum products	20.7	53.7	261.1	139.6
Animal and vegetable oils and fats	71.6	113.5	827.2	513.6
Vegetable oils	68.7	109.5	797.1	488.8
Oils and fats processed; and waxes of vegetable or animal origin	3.0	3.8	30.2	24.5
Chemicals	50.8	61.7	273.9	346.8
Chemical elements and compounds	9.0	9.0	63.6	59.4
Inorganic chemicals	4.5	2.5	20.6	18.0
Organic chemicals	4.5	6.5	43.0	41.4
Mineral tar and crude chemicals from coal, petroleum and natural gas	5.0	0.3	13.6	2.5
Dyeing, tanning and colouring materials	2.9	4.2	20.9	12.0
Medicinal and pharmaceutical products	16.4	9.1	48.8	38.0
Essential oils and perfume materials, toilets, polishing and cleansing operations	14.6	36.4	114.7	220.7
Essential oils, perfume and flavour materials	11.4	33.9	99.0	203.0
Perfumery, cosmetics, soaps and cleansing and polishing preparations	3.2	2.5	15.8	17.7
Manufactured goods classified chiefly by material	2531.7	2259.9	11994.8	10691.9
Paper and paper board	3.5	3.0	29.1	25.4
Textile yarn, fabrics, made-up articles and related products	2213.4	1964.6	10492.6	9358.8
Textile yarn and thread	135.8	115.2	554.1	571.5
Cotton fabrics of standard type	362.4	390.6	1859.3	1732.1
Textile fabrics of standard type, other than cotton fabrics	1046.8	857.9	4999.0	4069.9
Tulle, lace, embroidery, ribbons, trimmings and other small wares	8.5	16.6	44.9	60.1
Special textile fabrics and related products	15.3	12.5	72.9	69.0
Made-up articles wholly or chiefly of textile materials n e s (other than clothing and footwear)	556.5	498.9	2541.8	2534.0
Floor coverings and tapestries	88.1	72.9	420.7	322.2
Non-metallic mineral manufactures	7.4	9.9	38.3	50.0
Lime, cement and fabricated building materials, except glass and clay materials	2.6	5.8	11.4	23.6
Mineral manufactures, n e s	1.8	1.7	10.7	8.5
Glassware	2.1	1.4	10.6	8.2
Silver, platinum, gems and jewellery	2.3	7.6	37.6	54.1
Precious and semi-precious stones and pearls, *unworked* and worked	1.3	1.3	7.2	5.7
Jewellery and goldsmiths' and silversmiths' wares	1.5	6.2	28.8	47.9
Base *metals*	52.6	48.4	152.2	91.7
Iron and steel	15.6	47.1	58.0	87.6
Copper	2.7	0.4	11.1	2.4
Manufactures of metals	18 6	28.5	119.8	130.7
Machinery and transport equipment	35.3	36.0	209.1	165.3
Machinery other than electric	20.2	21.6	102.8	98.0
Power generating machinery	2.9	6.8	24.3	25.0
Mining, construction and other industrial machinery	16.8	13.9	73.8	66.9
Electric machinery, apparatus and appliances	11.0	10.0	72.9	41.0
Transport equipment	4.1	4.4	33.3	26.3
Miscellaneous manufactured articles	133.4	81.1	667.3	410.7
Travel goods, handbags and similar articles	2.8	2.6	14.9	11.3
Clothing	29.4	5.9	173.2	25.9
Footwear	32.7	9.3	122.6	84.9
Professional, scientific and controlling instruments; photographic and optical goods, watches and clocks	15.9	15.3	93.0	62.4
Exposed cinematographic films, whether developed or not	13.7	13.4	85.3	55.4
Miscellaneous manufactured articles, n e s	48.5	44.8	243.6	205.5
Printed *matter*	7.5	7.1	48.4	41.2
Manufactured articles, n e s	39.2	36.3	188.1	156.6
Miscellaneous transactions and commodities; n e s	13.9	31.8	135.2	193.3
Postal packages, not classified according to kind	6.7	22.8	60.9	139.4
Returned goods and special transactions	3.3	3.5	46.7	25.2
GRAND TOTAL	6576.3	6137.5	30482.1	26120.6

Source : Department of Commercial Intelligence and Statistics, Government of India, Calcutta.

BANKING RETURNS

(*Rs crores*)

Reserve Bank	**Dec 6**	**Nov 29**	**Nov 8**	**Dec 7, '62**
1 Note *circulation*	2313.53	2265.05	2279.69	2122.59
2 Rupee coin	117.07	120.45	118.60	121.62
3 Deposits				
(a) Central Govt	84.01	71.14	49.39	54.14
(b) Other Govts	10.21	11.19	14.35	21.26
(c) Banks	85.08	81.06	79.69	74.15
(d) Others	166.29	166.41	164.38	165.28
4 Foreign securities	92.46	92.46	92.46	88.08
5 Balance abroad	12.76	10.39	7.95	8.70
6 Rupee securities	2009.31	1959.31	1964.31	1808.29
7 Investments	192.78	246.36	219.23	167.51
8 Loans and advances to Govts	73.54	58.84	67.12	30.91
9 Other loans and advances	159.52	141.24	138.14	178.13
Scheduled Banks	**Nov 29**	**Nov 22**	**Nov 1**	**Nov 30, '62**
1 Aggregate deposits (net)	2236.89	2237.35	2242.68	2043.62
Demand (net)	977.61	971.98	986.73	807.32
Time (net)	1259.28	1265.37	1255.95	1236.30
2 Cash in hand	55.68	57.43	56.57	47.56
3 Balance with Reserve Bank	72.93	82.88	97.79	68.85
4 (2)+(3) as % of (1)	5.75	6.27	6.88	5.70
5 Borrowings from Reserve Bank	0.71	0.46	2.40	5.20
(a) Against usance bills and/or promissory notes	—	—	—	1.43
(b) Others	0.71	0.46	2.40	3.77
6 Advances	1255.56	1246.07	1234.43	1168.33
(a) State Bank	239.54	240.25	236.84	236.84
(b) Others	1016.02	1005.82	997.59	931.49
7 Bills discounted				
(a) Inland	174.93	179.59	177.16	151.37
(b) Foreign	56.21	57.27	56.24	52.74
(c) Total	231.14	236.86	233.40	204.11
(i) State Bank	18.93	18.98	16.90	18.46
(ii) Others	212.21	217.88	216.50	185.65
8 (6)+(7) as % of (1)	66.46	66.28	65.45	67.16
9 Investment in Govt Securities	766.97	771.75	776.75	700.21
10 (9) as % of (1)	34.29	34.49	34.63	34.26

Bombay Money Rates

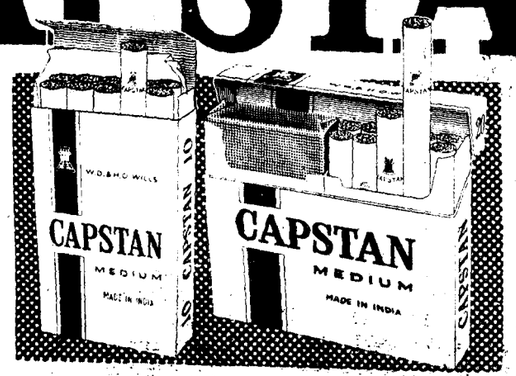
(*Per cent per annum*)

	Nov 29	**Nov 22**	**Nov 1**	**Nov 30, '62**
Call money from Banks	2.66	2.52	1.84	2.40
Deposits				
Seven days	3.00	3.00	3.00	3.00
Three months	—	—	—	—
Six months	3.75	3.75	3.75	3.75

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Rethinking on Controls

THERE was a time when Shri T T Krishnamachari did not think much of the role and function of the stock exchanges in this country. That was during his first term as the Finance Minister. And in this he was basically right. For in a partially planned economy like ours, allocation of resources and the resulting pattern of investment is not left to the free operation of the market forces. It is true that the Plan leaves a wide sector of the economy to private enterprise. But even in this sector, the pattern of investment is sought to be regulated according to certain priorities.

It is the Plan which lays down which are the industries to be developed and to what extent, and it is made incumbent on the authorities to make the necessary resources available, so that expansion of the private sector, as planned, can be achieved. The means by which the targets can be achieved have also to be provided for — so the complicated mechanism of control on capital issues, the State-sponsored investment corporations, import licenses for capital equipment, allocation of maintenance imports and scarce materials. In a setting like this stock exchanges have only a limited role to play, important though it is, in the allocation of investible funds, and Shri T T K was fully justified in telling them so, though he need not have been so blunt.

The present term of his office, however, the Finance Minister has begun with a different attitude. He was concerned with the state of business confidence in the country when he took over and has been at some pains to repair some of the damages caused by his predecessor's fiscal policies. It was not only the stock exchanges he was out to please, he was also concerned to improve his Ministry's public relations which task he started by abolishing compulsory deposits for the non-income tax payers and by whittling down gold control.

Some of his latest measures are obviously in the same direction, though their appeal is more specifically to the business community, such as temporary suspension of premium payments under Emergency Risk Insurance, the withdrawal of price control on a number of commodities and wider limits of exemption from industrial licensing and capital issues control — from Rs 10 lakhs to Rs 25 lakhs. The Emergency by now has become more than somewhat phoney; except the All-India Radio, even the authorities are no longer trying to keep it up. Nevertheless, the Emergency Insurance Scheme remains, only premium payments for the quarter have been temporarily suspended. A calculable, certain reduction in costs alone can provide business incentive, not a windfall which cannot be counted upon even for the next quarter. But the psychological effect of this concession cannot be denied, nor of the removal of price control on a number of commodities.

The market has interpreted these measures as significant pre-budget concessions to industry which promise more in the future. The one fiscal measure in the last budget which lacked rationale altogether and which was naturally most resented, viz super profits tax, however, still

remains to be dealt with, presumably in the next budget.

Leaving aside the public relations aspect of these measures and their favourable psychological impact on business, how far do they conform to the analysis of the present economic situation which Shri T T Krishnamachari had essayed at some length? He had summed up his diagnosis as follows: "Basically, I think, the situation that confronts us is very clear, namely that unless industrial investment in a number of vital sectors is increased as quickly as possible, and unless production in some of the important consumer goods industries, such as cotton textiles and sugar, picks up to a significant extent, it will not be possible for us to achieve an overall rate of growth in industrial production of the kind that we urgently need".

The decontrol of prices he has announced has to be viewed in the light of this diagnosis. But what do we find? The mid-Plan appraisal does not anticipate any serious shortfalls in private sector investment. It says that "in the private industrial sector, judging from data relating to capital issues, bank and other institutional credit to industry, imports of capital goods, etc, aggregate investment in the first two years, though not the pattern, seems to be more or less in tune with the amounts envisaged for the five-year period". The appraisal lists the major industries in which the likely achievement in the Third Plan, it is apprehended, will fall short of the target set. Of the sixteen commodities, the prices of which have been decontrolled, only two or at best three fall in this list. These are soda ash, bicycle tyres and possibly paper board. Of this last, the position is not clear because the target is given for paper and paper board together and decontrol applies only to paper board. These industries benefit only to the extent that this expansion is held up by inadequacy of the internal resources of the companies concerned or their poor profitability. The reasons for the non-fulfilment of targets in such cases are usually quite different.

Controls have long cried to the high heavens for a thorough scrutiny. Much dead wood has accumulated over the years which can be usefully removed. In many cases the situation of extreme shortage which initially led to the imposition of the controls has largely passed and the continuation of price control in such circumstances brings gains not to the producers who can use them productively but to undesirable elements. Where controls are really inhibiting expansion is in such essential industries as steel, coal and cement. In these areas much vested interests have grown up over the years and the Government has got so bogged down by its own book keeping problems that the changes that are obviously called for are still being held up. The fate of the Raj Committee's recommendations illustrates this situation.

Not that T T K is unaware of the wider aspects of control, far from it. He would not deny "that in a developing economy, characterised by scarcity of resources all-round, there is a continuous need for a measure of restraint on consumption and on less essential investment". Shri Subramaniam the other day put it very bluntly when he ruled out the possibilities of eliminating a shortage in some varieties of steel and emphasised that to make the best use of the available supplies, more curbs — and not less — would have to be placed on the expansion of industries based on short supply products. The limits within which prices and distribution can be decontrolled are therefore fairly clear. Probably T T K has picked on the dead wood all right, and it is welcome as far as it goes, but it does not go far.

The pursuit of development at any cost is barren and self-defeating. It is reassuring to find that T T K is fully aware of it, though he may have defended expansion of production even at the cost of greater concentration during the Plan debate. The bunch of bills he has been piloting — the amendments to the Companies Act and the Banking Legislation — testify to this awareness. It is enabling powers which the Government is taking. How they would be used and whether vital social purposes would be served or not, these are necessarily open questions today. But there is no room for doubt that the Finance Minister is on the right track and has begun well.

Fraudulent Non-Alignment

THERE are many people in the west who remain convinced that the Chinese attack of October last year wrote the epitaph of India's non-alignment. Apart from the pathetic hankering after western arms, they have pointed to the readiness with which India agreed to the U S proposal to hold joint Indo-US air exercises which, apart from training the Indian army in the use of sophisticated air defence equipment, enabled the U S airforce to familiarise itself with operational conditions on the Sino-Indian border. They also cite the VOA agreement which the Government of India signed without batting an eyelid and from which it backed out only under pressure of public opinion.

The view that India is now non-aligned in form only is not restricted to private individuals in the west, but is shared by leaders of governments. How else can one explain the presumption on the part of the U S Government that it would not have to face any serious objections from India to the extension of the "area of operation" of its Seventh Fleet into the Indian Ocean? In the past India had never made a secret of its attitude to similar acts and if the US Government could now feel assured of Indian acquiescence, if not approval, the reason is that it knows that India looks at such things through different coloured glasses.

Nor have the Americans been mistaken in their expectation. The Prime Minister's initial reaction to newspaper reports of the Seventh Fleet's visit to the Indian Ocean was that, after all, it was America's business and that India could not object to ship movements on the high seas. Faced with persistent questions in Parliament, the Prime Minister was a little more forthcoming. "If the thing is obviously to our detriment, we protest. If it is not, we do not", he conceded. This is a strange attitude on the part of a country which had claimed to judge international issues on the basis of certain well-defined principles. These principles had in the past led India to oppose (i) military bases; (ii) the spread of nuclear arms into regions which have been hitherto free from them; and (iii) the extension of the cold war. On all these counts the entry of the Seventh Fleet into the Indian Ocean needs to be opposed.

What the US Government is sending is not "a few ships", as the Prime Minister described it with characteristic vagueness, but a regular task force with a modern aircraft carrier carrying some one-hundred supersonic fighter planes and a nuclear arsenal sufficient to wipe out this part of the globe many times over. And this formidable armada is not coming just to "acquaint itself" with the waters of the Indian Ocean. Reports from Washington have spoken of a "power vacuum" here with the withdrawal of the British and more or less made it clear that this is the thin end of the wedge which will ultimately establish American military power in the Indian Ocean. That no military base is set up on *terra firma* in some country does not make the implications of this move any different and not to speak up against it is to perpetrate a fraud against non-alignment and betray the cause of peace.

Even from the point of view of national self-interest, behind which the Prime Minister took shelter in Parliament, the implications are not all reassuring, unless one sees an almost complete identity of US and Indian interests in this part of the world, which is not there. The US attitude to China is conditioned by its global policies and the Sino-Indian dispute cannot figure as largely in its calculations as it does in ours. The expectation that the presence of the Seventh Fleet would somehow persuade China to settle the border to our satisfaction is too naive to be taken seriously. What is more likely is that unless we realise the danger in time, we will be drawn into the vortex of US policies and purposes. To prevent this from coming to pass, the Government of India must make a rational assessment of Chinese objectives and on that basis, define its attitudes and policies vis-a-vis China while it still has the independence to act.

Combating Corruption

ADMINISTRATIVE corruption, in its various forms, is all around us all the time. A great deal has been said about it, by way of both diagnosis and prescription. Since he took over his new portfolio, Shri Gulzarilal Nanda has voiced his concern over the state of things. He has now proposed a remedy. The remedy, however, does not follow his diagnosis that the temptation for corruption originates in "social demands, costly habits, artificial ways of living and the desire for social imitation". For that, the solution he suggested was that "canons of simplicity" should be built into the social structure. Nandaji also announced that he himself would give the highest priority to the eradication of corruption. As evidence of this determination has come the announcement of the establishment of a Central Vigilance Commission, as recommended by the Santhanam Committee. The States too will set up their own commissions on the same model.

This step is significant, if only because it shows that Government has finally admitted that the problem merits some sort of action. When, some years ago, Shri C D Deshmukh suggested a judicial tribunal for investigating and reporting on complaints of corruption, the response of the Government was less than lukewarm. The Prime Minister, with his penchant for underlining our national proclivities, pointed out that since we are a "gossiping people", such a tribunal would be swamped with charges and counter-charges. With as many as about 2½ million persons in the service of the Central Government and another million in the public sector undertakings, the size of the task facing any organisation charged with "cleaning up" the Central administration is truly gigantic. However, the new Vigilance Commission is to function alongside and in support of the existing vigilance agencies in the various ministries and departments (which presumably, will be strengthened), and of the Special Police Establishment.

The status of the Commission, it has been stressed, will be similar to that of the Union Public Service Commission. That is to say, it will not be a department of Government but an independent body and its judgments will be recommendatory and not mandatory. Since the Government does not always accept the recommendations of the UPSC this waters down the proposal considerably. The Home Minister hastened to add that the Commission (again like the UPSC) will make its report to Parliament, and the report will specifically state the reasons why the Government had to turn down the Commission's advice in particular instances.

This is not much comfort especially when one recalls that the UPSC has more than once given expression to its frustrations at the "snubs" administered to it by the Government. Ministerial and political interference in administrative matters, a seemingly established feature of our national life, will be nowhere more pronounced than in matters of disciplinary action. This will be the severest trial for an impartial Commission acting in a purely "advisory" capacity.

Nandaji has taken on the task of corruption eradication as his "main preoccupation" for the next two years. He is, of course, optimistic

Annual Number

The Fifteenth Annual Number of *The Economic Weekly* will be out at the end of January 1964. It will contain a minimum of 180 pages and will be priced Rs 3. Registration and postage charges will be Re 1.

The Annual will be supplied free to subscribers. Other readers and agents are requested to place their orders in advance.

A FERNANDES
Business Manager

and feels that in this period, a "substantial reduction in the incidence of corruption" could be achieved. Since, by its very nature, corruption is not something about which data can be easily secured and since, at best, one can only have an impressionistic idea of its prevalence, it will not be difficult to claim achievement of a particular "target", especially with the Vigilance Commission providing statistics of cases filed and disposed. The test of the success of this or any other anti-corruption body is altogether different: success of the Vigilance Commission can only be measured by the trust people come to place on it. On the other hand, failure in its task will mean more than just another shortfall in target, *a la* Planning Commission; it will mean a fresh accession of strength to the forces of corruption.

Weekly Notes

DIR for Sugarcane

THE admission, not entirely unexpected, by Government spokesmen that sugar production this year will not exceed 2.8 million tons draws pointed attention to the need to reconsider the present controls on the prices of sugarcane and sugar. It is clear that even if consumption does not exceed last year's level of 2.6 million tons, there is going to be a shortage as the Government intends to export about 300,000 tons. It was hoped when the Government invoked the Defence of India Rules to regulate the supply of sugarcane that it would use the powers to raise the production of sugar, but this hope, it now appears, was in vain. The Maharashtra Government's intervention in the dispute between the Changdeo Sugar Mills and certain cane-growers in the mill area is a case in point. Briefly, the facts of the case seem to be as follows :

The Changdeo Sugar Mills over a period of years have long-term agreements with cane-growers in that area to supply the factory with cane and in return, the mill advances the growers money to purchase equipment and fertilisers: the price for the cane is fixed by the State Government in tripartite negotiations between the Government, the growers and the mills. This year the Government fixed a price of Rs 55.50 per ton of cane which it subsequently revised to Rs 57.30 per ton for supply at gate. Although these prices were higher than in the previous year, they were still lower than the price that the cane-grower could get from manufacturing jaggery. The growers therefore started an agitation that the prices should be ex-field, thus leaving the factory to bear transportation costs.

The sugar mills' management refused to pay this price on the ground that the contracts stipulated the Government price which was ex-gate. Thereupon, the growers asked the Government to intervene, and the Government requested the mill to pay an ex-field price which was the same as the officially fixed price. The mill did not agree to an ex-field price because the Deccan Sugar Factories' Association had, on behalf of all its members, categorically stated that they had not agreed to pay an ex-field price. In spite of the Association's stand, one factory had, it seems, agreed to purchase cane ex-field and the Government therefore invoked the Defence of India Rules ordering the growers to sell their cane to the other factory. Meanwhile Changdeo Sugar Mills raised the ex-gate price by Rs 5 per ton, thus offering a higher price without breaking the Association's policy directive.

The dramatic feature in the entire story is, of course, the invoking by the Maharashtra Government of the Defence of India Rules to favour one joint-stock company against another in what looks *prima facie* a purely commercial dispute. The object of empowering the State Government under the Defence of India Rules was to prevent the cane to be diverted into gur manufacture, and to achieve a sugar production target of 6.5 lakh tons for Maharashtra. The Government has a right to direct growers to supply to a particular factory in order to secure an equitable distribution of cane. In this particular case the sugar factory from whom the cane is being taken is supposed to have a *deficit* of cane and the factory to whom the cane is being diverted is expecting a *surplus*. Therefore instead of using its powers to secure a more equitable distribution, the Government has used its powers to ensure a more inequitable distribution. If the Planning Commission wonders why our targets are not reached, it does not have to go far to see the kind of absurdities that the State Governments delight in.

Greetings

We wish all our Readers, Advertisers and Well Wishers a Merry Christmas and a Happy New Year and extend to them the Greetings of the Season.

As the office of *The Economic Weekly* will be closed for Christmas, there will be no issue of the Journal on December 28, 1963.

BUSINESS MANAGER

Wanted : Long-term Policy

THERE is also the very serious matter for consideration whether State Government should be given powers under rules whose purpose is to defend India for breaching the canons of ordinary law. The Changdeo factory had contracts with the cane-growers in their area. The State Government had previously instructed the Collectors : "By using your powers under the Defence of India Rules if necessary you may enjoin upon each sugar grower to fulfil his contract without fail." In spite of this the Government in this instance has asked the cane-growers to breach their contractual obligations with one factory in order to support another.

Government interference in cases like these has more serious repercussions. Policies on manufacture of sugar and the growing of cane have to be on a long-term basis. The Government must have patience if production is to rise, but above all it must not constantly tamper with the normal mechanisms of supply and demand. When sugar production was surplus, the erstwhile Food and Agriculture Minister Shri S K Patil clamped down on production so severely that the effect is being felt now. Sugar cane does not grow overnight. When any ordinance is brought, it takes time to have it executed and sometimes the time taken is long. Continuous jerks and jolts by the Government tend to retard agriculture and industry rather than advance them. This applies pointedly to sugar. A series of *ad hoc* measures does not add up to a long term policy. For instance, the Government forced U P factories to commence crushing early when the cane was unripe and its sugar content was low. This was on the assumption that more cane would be made available later. Against their better judgment, the mills commenced crushing. No further cane supply is available, and it looks as though some of the mills will stop crushing just when the cane would have been ripe.

The crisis that is gripping the sugar industry is a crisis that is gripping the country. There are shortages, demand is greater than supply and the consumer is bound to be faced with a price rise; no gimmicks, no amount of inefficiently or irrationally exercised controls will help. Solutions are not born from hysteria or dreams, nor can targets be achieved by just laying them down. It is no use saying we will produce 33 lakh tons when there is scarcely enough cane for 27 lakh; the only solution is to raise the cane price substantially so that the sugar factories can compete with gur-makers for cane. If this is done the Government may have to revise sugar prices; that is inevitable. Even this is not likely to achieve much this year as sugarcane cannot be grown in a day. But an increase in cane price may lead to a higher cane acreage next year and that is what the Government should aim at.

Personality Tests

PERSONALITY test will be played down in the competitive examinations for entrance to the Central Services, this decision was communicated by the Home Minister, Shri Gulzarilal Nanda, to the Lok Sabha. Up to 1957, it was a qualifying test and candidates who did not qualify at this test were not selected, whatever their marks at the written test might be. It is surprising to learn, however, that the change effected in 1957 by which candidates were selected in the order of merit based on the combined marks obtained at the written and the personality test taken together had generally been welcomed in Parliament, surprising because Parliament rarely evinces any interest in such matters, and this leaves a free hand to those who run the show to gradually eliminate all innovations and improvements.

The technique adopted for re-establishing the written and wooden method in place of innovations accidentally introduced or introduced under pressure is itself worth noting. First, personality test was a qualifying test and now the marks allotted to it are going to be reduced. The reasons advanced for it are, as usual on such occasions, ingenuous in the extreme. While the removal of a qualifying minimum in the personality test had generally been welcomed in Parliament and outside, we are told, apprehension has been expressed from time to time that the high proportion of marks alloted to it, in effect, resulted in the denial of the principle of equality of opportunities that was meant to be secured by open competitive examinations! And why such apprehensions? Because the duration of the interview for this test was too short, the judgment of the interview board was likely to be erratic and subjective elements — of the undesirable sort — were likely to enter into the evaluation.

One would have thought that the answer for it would be to make the interview time longer and to select the members of the examining board more carefully, so that bias, if any, would be in the direction of the



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desirable qualities in a candidate rather than to their upper class upbringing, superficial smartness and external veneer. The Home Minister is not even ashamed to admit that this was what had been happening or at least, he has seen enough validity in the criticism to act upon it, not by improving the methods of test but by lowering its importance! That is to say, upper class would still get weightage in this selection though perhaps a smaller weightage and so would superficial smartness and veneer.

The attitude which this change indicates should make Parliament feel uneasy and act. Personnel selection today is a highly developed technique on which much careful research has been done and the results in other walks of life has proved promising. The British ways which we always try to ape are notoriously conservative but even in England after the war an enormous weightage is being given to personality tests in the civil service competitive examinations. The proper selection of personnel for the services is a matter of the highest importance, since the administrators of the future will have to shoulder increasingly greater responsibility. It offends commonsense to be told that the written examinations of the type which our universities have brought down in public esteem are still the best one could devise for selecting personnel for occupations so vastly different from those in the academic field.

Mango Wine

THE following news item was sent out by Reuters a fortnight ago:

"Wine from mangoes is soon to be produced in commercial quantities in North Queensland, according to Australia House in London.

"Mr Oppelt, a former Czech, now a naturalised Australian, proposes to build a factory for the production of wine, which he calls "Hoxy", from large quantities of mangoes available in North Queensland. He feels sure he will find markets for the wine of champagne-like quality in Australia, Canada and America.

"Production is expected to begin next year".

A fortnight has passed since the papers carried this story but no one has bothered to enlighten the public that the idea had occurred to people in this country also, which grows the largest variety of the best mangoes in the world, that wines can be made from this amber fruit. In fact, a leading chemical firm in one of the dry States had not only carried on very successfully prolonged experiments and produced a high quality wine from mangoes but the firm has been enterprising enough to survey market possibilities for it in Western Europe and America and received most encouraging response. A group of wholesalers had jumped at the proposition and offered to market the wine on a sufficiently large scale in order to test consumer preference adequately. They were prepared to place very substantial trial orders to promote its sale. But unfortunately the chemical firm happens to be in a dry State and the State Government was so hidebound that it would not allow the firm to go ahead.

The argument that production of wine from mangoes, exclusively for exports, would not in any way infringe or undermine the administration of prohibition in the State, did not impress the authorities. They refused to have any truck with something which was evil. It was an excellent wine that the company had produced strictly, of course, as a laboratory experiment.

Alas, the Chief Minister of that particular State does not grow grapes and so does not see the possibilities of wine making. But wines are not made only from grapes. From mangoes, too, excellent wine can be made and it has been made. It only awaits a green signal to be given. Surely the Minister in charge of Export Promotion can lend his weight to get the line cleared.

Profiteering in Fertilisers

WHY prices of fertilisers are maintained at such a fantastically high level in India, it has often been asked. But no satisfactory explanation has ever been offered by the Government. At the moment, fertilisers are accepted as the single most important agency for stepping up agricultural production. And the need for wider utilisation of fertilisers is fully accepted. How do high prices of fertilisers help their wider utilisation? The only plausible justification for so contrary a policy, one can imagine, could be that the Government is not, in any case, able to supply all the fertilisers that are needed in the country and that since the total supply falls so far short of demand, internal prices would bear no relation to the landed cost even if fertiliser prices and distribution were made completely free. Under the circumstances, reducing the price would only be an invitation to the intermediaries to help themselves. The resulting situation has never been quite clear. There have been reports of accumulation of unsold stocks and equally persistent reports of acute shortage. Both could be true at the same time, of course, continuation of such a paradoxical situation resulting from faulty distribution.

It was only last week that we had occasion to mention the wide differences between the prices at which fertilisers are sold in UK and USA and the controlled prices at which Government agencies in India sell it to the farmers. This disparity is particularly difficult to explain, when so much is being also said about the necessity for popularising different types of fertilisers among the cultivators. Though it is fairly widely known that fertiliser prices are more than double of what they are in the west, the Ministry of Agriculture has never been too eager to publicise how much the Government makes out of it. A Fertiliser Pool has been in existence for a number of years but Pool prices, as in the case of several other commodities, e g, steel, long ceased to be what they were normally intended to be, viz, an arrangement for averaging out prices, when domestic production costs are high and imports are cheaper or where there are several sources of supply with different prices. A Pool for averaging the prices should naturally operate on a no-profit, no-loss basis. This is not how the Fertiliser Pool has been operated by the Ministry of Agriculture. The Pool earned the not inconsiderable surplus of Rs 34.5 crores between 1957-58 and 1962-63 and for the current year the budget estimate of the surplus is Rs 7 crores. The Fertiliser Pool surpluses are transferred to the Government revenue annually.

Profiteering in fertilisers, however, has been going on so long that one wonders what has induced the Government to think of changing its policy and reducing the prices of all types of fertilisers which, the Minister of Agriculture disclosed in the Lok Sabha, would be shortly announced. If it had been justified all these years to maintain internal prices so absurdly high because demand could not be met, and prices would go up in any case, what has happened now to induce the Government to change its mind? Has the supply situation improved so much as to warrant a general price reduction? Or is it that unsold stocks are creating a serious problem of disposal?

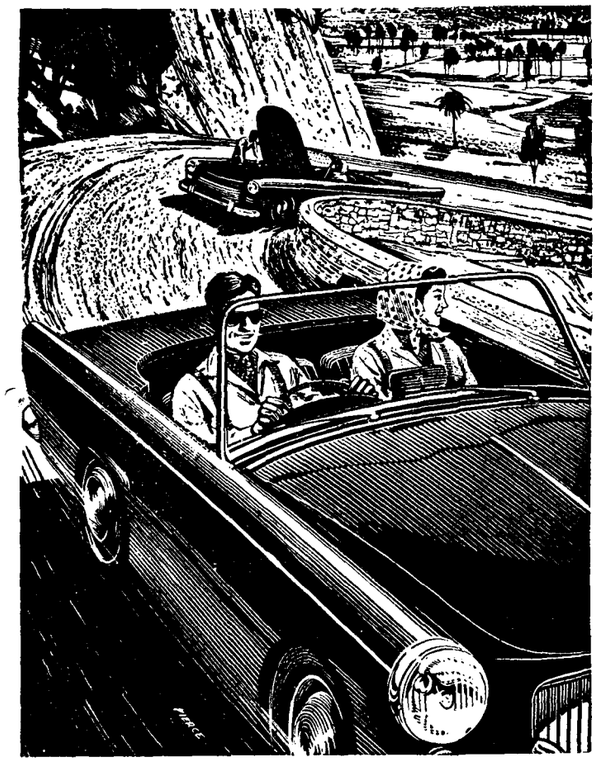
But in the latter case, it is the distribution arrangements which have to be changed. Price reduction in particular areas may help to rectify past mistakes and often a solution to local problems but a general policy of lowering fertiliser prices will still lack justification when there are areas of acute shortage — and unfulfilled demand even at the current high prices — in other parts of the country, assuming that the pricing of fertilisers followed so far did have a rationale.

Too Much Coal

WHAT exactly does a Plan target mean in respect of an industry which is wholly or largely in the private sector? Certainly, it is not a command or even an agreement between the Government and the industry. The Government does exercise a regulatory influence, principally through industrial and import licensing, but beyond that the achievement of private sector targets must depend on profit expectations and changing market conditions.

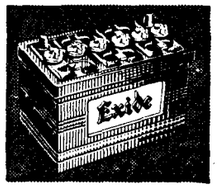
These comments are provoked by the demand by the coal industry that in view of the accumulation of stocks of coal, particularly of the lower grades, the Government should reduce the output target for the current year. It is not clear what the coal producers want. If stocks of coal at pit-heads have in fact risen so high that further production is either physically impossible or there is no incentive for it, then the producers cannot be expected to maintain production. But where does the Government come into the picture?

The Plan target of coal was formulated at a time of shortage of coal, largely because of transport bottlenecks, when consumers almost certainly overstated their requirements. Expectations aggravate both shortages and gluts, so that now with the coal supply situation quite comfortable, consuming industries may not consider it necessary to maintain as large stocks as they would at a time of actual or anticipated shortage. In any case, the halting tempo of industrial growth during the last two years



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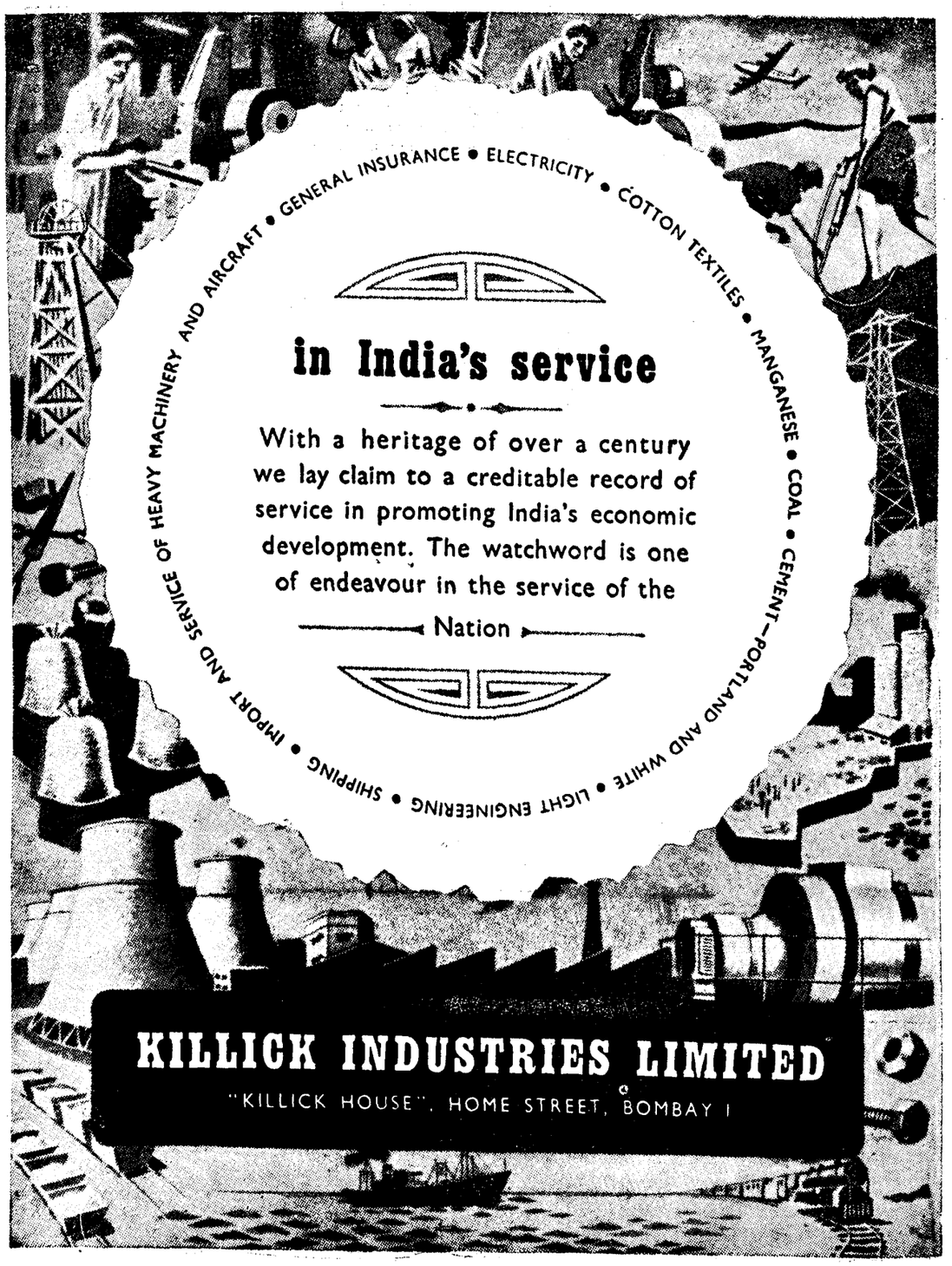
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and the slow progress of power projects could not but have had their impact on the demand for coal. The Planning Commission's "Appraisal" of the Third Plan estimates that the demand for coal in the last year of the Plan will be "substantially lower" than earlier estimated. The main reductions are expected in the demands of the steel plants (3 to 4 million tonnes), other industries (2 million tonnes) and the Railways (1 million tonnes).

The current complaints of excess production are the loudest from producers of low grade coal in the Bengal-Bihar region. To some extent their predicament may be traced to shift by consumers in West and South India to fuel oil during the last years of the Second Plan when transport difficulties drastically cut their supplies of coal. Further, the large output of washery middlings, which is expected to reach 25 million tons by the end of the Fourth Plan, have probably robbed the low-grade collieries of important markets near the coal washeries. Finally, to the extent that production has gone up in the outlying coal mines, a part of the demand in these areas has probably passed out of the hands of the Bihar-Bengal collieries. In fact, this shift in source of supply, intended to ease the strain on the Railways, was a major objective of the pattern of coal production envisaged in the Plan.

Unfortunately, the shift is not destined to go very far. The Plan "Appraisal" expects that coal production in the last year of the Plan will be only 90 million tonnes as against the target of 97 million tonnes. The entire shortfall is in the public sector, the NCDC's target being cut from 31 million tonnes to 24 million tonnes while that of the Singareni collieries is reduced from 6 million tonnes to 4 million tonnes. What is more, it is stated that "while in the Bengal-Bihar coalfields the shortfall will not be appreciable, in the outlying fields, movement from which is expected to be comparatively easier, the shortfall will be of the order of 9 million tonnes". Unless, therefore, the Plan estimate of demand goes completely awry this should set at rest the private collieries' fears of a continued glut—though its implications for the transport are likely to be far less soothing.

Lord of the Thais

FIELD Marshall Sarit Thanarat, dictator of Thailand since 1957, is dead. Unlike the many critics whom he imprisoned, he died quietly in hospital after a long spasmodic illness. Sarit was only partially instrumental in destroying the weak growth of Thai democracy (founded by a coup in 1932, after nearly five hundred years of absolutist monarchy). In 1947 he helped in expelling the civilian Government that replaced the military administration preceding Japanese occupation, and in the years up to 1952, helped to eliminate the largest section of civilian opposition. Thereafter, Sarit was one member of the unstable triumvirate which united the main factions in the Army and governed Thailand until 1957. By that time, the Thais had seen seven major coups and six constitutions since 1932. The gap left by absolutist monarchy had never successfully been filled by a continuous stable authority. Yet in this period, some modest civilian opposition had still been possible, and the legal structure of the State still provided for safeguards against an arbitrary executive.

With Sarit's coup, all this was changed. Rule by one of Sarit's aides, General Thanom Kittikachoran, was followed by the liquidation of all pretensions to Parliamentary rule. In October 1958, Sarit formally seized the Government, abolished the constitution, dissolved the Assembly, banned political parties and proclaimed the martial law which has governed Thailand ever since. In addition, there were sweeping arrests of Assembly members, journalists (twelve newspapers were closed), writers, trade union leaders (later, three union federations were suppressed) teachers, students, businessmen—like Diem in South Vietnam, Sarit accused all critics without exceptions of being Communist sympathisers.

For those who favour dictatorship as an instrument to achieve economic development, Sarit's regime was an example of a regime which, with a complete monopoly of power, did almost nothing to speed Thai industrialisation. True, Thai civilian life was 'cleaned up' (literally, as well in spirit) through a radical social reform programme, but private investment remained sluggish and new industry hardly reduced Thailand's total dependence on its rice production. Rice employs some seventy per cent of Thailand's twenty-seven million population, and covers roughly seventy per cent of its agricultural land, but contributed beween 1952 and 1956 only sixteen per cent of its gross national product (or forty per cent of total agricultural output). The other exportable crops (rubber, maize, jute) have helped Thailand, the fourth largest exporter of food-grains in the world, to maintain a favourable external balance (reserves have nearly doubled over the past decade), but have not decreased Thai vulnerability to world price fluctuations. Nor have they stimulated alternative employment to take up the labour slack in the economy. Thailand has one of the lowest rates of industrial growth in the world, and one of the lowest rates of per capita income. As throughout most of South-East Asia, the main trading and industrial operations are dominated by the Chinese. Also as elsewhere, the operations of the Chinese have been curtailed by fiat, to encourage Thais to participate in industry and commerce. Overall, Thailand's key role as 'bastion of democracy' in the area has ensured the maintenance of a certain level of stagnant prosperity — about a quarter of Thai revenue comes from Washington. In 1962, American help amounted to thirty-four million dollars of economic and eighty-one million dollars of military aid, making Thailand the eighth largest recipient in Asia.

The cosy political *status quo* has now been jeopardised by the loss of its centrepiece, the fifty-five year-old dictator. The incipient instability of Thailand after six years political monopoly is quite clear from the speed with which Sarit's temporary successor, Thanom, has alerted the Armed Forces against 'subversion' and ordered that there be no troop movements in the country without express command. The prisons are full, and the students have traditionally resisted the pretensions of the dictator; on the Laotian bor-



der, Sarit's attempts to develop the area in order to insulate it against Pathet Lao infiltration, have not been significantly successful. Finally, China has long fostered the notion of a greater Thailand, primarily to irritate Burma and Laos with their Thai minorities, but also to give Peking some foothold among Thailand's rebels. All this, of course, is far above the heads of the peasant majority which, so far as can be seen, is still wedded to the monarchy and Buddhism. Whether Thanom will be able to hold the fort against both civilian and military factions, until ripple caused by Sarit's passing has subsided is not clear. Democrats should probably hope that he will not, in the hope that there is a civilian opposition in the country capable of seizing power, of splitting the Army and resurrecting the hopes of 1932 too long suppressed.

The Ghost of Menderes

TURKEY has once more come face to face with her long-term political problem, a problem reflecting the stagnant balance of power in her social structure. Before 1960, Prime Minister Menderes, based upon landlords and peasants, ran a sort of mild dictatorship whose economic problems were covered by a vast flow of American aid, which still continues and last year amounted to 252.5 million dollars, including 179.3 million military help (putting Turkey very near top of the list of pensioners). Business, politically weak, in general accepted the *status quo*. The Army, the most pervasive national institution, seemed also to accept a situation which guaranteed its own status and progress. In fact, younger officers reflected the pressures for change in Turkey, for expanding the role of industry, increasing the position and power of the nascent middle and professional classes, and forcing back the peasant tide. In 1960, when Istambul students took the initiative in defying the Government's increasing interference in academic life, it was the younger officers who refused to put them down and presented the generals with a *fait accompli*. To prevent a mutiny as much as to replace Menderes, General Gursel led a coup that dissolved the governing Democratic Party, goaled several thousand members of the administration and executed some members of the Government.

All this created almost as many problems as it exercised, since the Generals were much less clear about what needed to be done than the younger officers. The elections of October 1961 exhibited the same social structure in conflict — the old Opposition party under Menderes, the Republicans (under Ataturk veteran of the right, Ismet Inonu), captured 36 senate and 173 Assembly seats. Menderes' heir, the Justice Party (led by Ragip Gumushpala) gained 70 and 173 seats. Of the two new parties, the New Turkish Party (said to reflect commercial and business opinion) received 28 and 65 seats, and the Republican National Peasants Party (allegedly of the large landlords) 16 and 54 seats. Thus, somewhat splintered and changed by the new Constitution, the former balance of power appeared again, to the intense irritation of those officers who had initiated the 1960 coup, many of them now immured in Turkish embassies abroad to keep them out of trouble. Inonu's expedient for escaping the stalemate was an uneasy coalition with the Justice party. Simultaneously, he sought to initiate some development effort with a five-year plan envisaging a 7 per cent per annum increase in national income (mainly through agriculture and housing). Development, however, was severely curtailed by the need to keep both the Army and the landlords happy. Military expenditure was increased at a time when agriculture was stagnating and unemployment high, and Inonu refused to entertain any radical agrarian reform plan or raise taxes on land ownership.

This partial return to the Menderes mixture-as-before could not have pleased the Army radicals, particularly when the Justice party continued to attack the 1960 settlement and demand an amnesty for those imprisoned at that time. This frustration welled up into two abortive coups, in February last year and this May, led by Colonel Talat Aydemir. The second attempt prompted the imprisonment of some 148 officers and 1,459 officer cadets. That neither coup succeeded and officers could be goaled demonstrated just how divided the Army is.

In May of last year, under Justice pressure for an amnesty for the 1960 prisoners, the Coalition broke down. Inonu then created a second coalition with the two minor parties. Meanwhile, the economy showed few signs of greater health. In April, in Adana, peasants demonstrated for agrarian reform, and throughout last year and this, the trade unions have been pressing with increasing strength for better conditions in industry.

However, the Government survived until November when the first local elections since 1954 were held. The Justice Party with 47 per cent of the vote secured some 42 provinces, while the Republicans captured a mere 23 seats and the New Turkish Party one. Promptly, Ekrem Alican of the New Turks decided association with Inonu was a political liability, and withdrew his party from the Coalition; ten days later, the Republican National Peasants evacuated the ship, and on December 2, Inonu was forced to resign.

To the surprise of all, however, President Gursel on December 10 asked Gumushpala if the Justice party could form a coalition. This the Justice party are currently seeking to do, while proclaiming the need for new elections so that its strength in the country can be represented in a clear Assembly majority. Again, the party has for the moment dropped its demand for a general amnesty, and refrains from attacking the 1960 settlement; but this can offer little comfort to the Army which, despite all its efforts, despite its formal defeat and overthrow of the Menderes regime, is faced with the resurrection of virtually all that Menderes stood for. Perhaps Gumushpala will not be able to form a Government and Inonu will be recalled; perhaps some outside *deus ex machina* will come to translate the insoluble into the trivial. Perhaps. But it is the ultimate insolubility of the crisis which is impressive : a Gordian knot that, sadly, only the brute force of the Army, whether or not decorated with slogans of a return to Ataturk, seems likely to be able to cut.

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Capital View

Where Do We Go from Here?

Romesh Thapar

THIS seems to be the silly season. In whichever direction we turn, there is puzzled confusion. The Prime Minister reiterated in a speech at Agra that 'China will not vacate Indian territory by itself. It will have to be made to do so.' This naturally implied tacit support for the US decision to send the Seventh Fleet into the Indian Ocean, but informed official circles were equally convinced of his determination categorically to denounce this uncalled for interference in South Asia. This condemnation did not materialise.

Reactions to the controversial Seventh Fleet story were slow in crystallising, partly because of an initial refusal to believe that such a move impinged on Indian sovereignty, as the VOA deal did, and partly owing to our pre-occupation with the 'the grand tour' of Chou-En-lai and Chen Yi to Africa and beyond. We were terribly busy trying to explain how the Chinese, whom we had declared as thoroughly isolated, were able to get invitations from Nasser and others when their clear intention was to somehow muscle their way into a conference of under-developed or non-aligned of oppressed peoples. Ayub of Pakistan was also playing it smooth and skilful in Colombo.

Shock Treatment

Back home, with the little Goa pimple becoming septic, those in the Capital who are able to reserve a few minutes for cogitation in the course of their 'socialising' just cannot understand what Finance Minister Krishnamachari is doing to the economy. A few days ago, the stock markets were in retreat and businessmen were accusing him of legislative excesses, of attempting nationalisation 'through the back door'. Now, the stock markets are advancing and confidence has returned to the captains of industry. Apparently those earlier naughty bills passed by Parliament have been forgotten in the excitement over the Finance Minister's decontrol measures to stimulate the economy.

This kind of cynical shock treatment both at home and abroad could very well have stirred us from the depths of our apathy and amorphousness and sharpened the demand for a clearing up our now muddled political and economic perspectives, but the opposite has happened. The shocks have numbed our senses, made us even more amorphous than before, prepared to drag on from day to day in the hope that better times are bound to be ahead. It matters little that there is no evidence to suggest this.

The Seventh Fleet

Quite clearly, the starting point of any coherent enunciation of policy must begin at the China question-mark. Do we envisage a negotiated settlement of the border or do we believe that our neighbour intends to continue a private cold war. The present practice of swinging, somewhat gently, between two rather opposite positions has made us look ridiculous to intelligent observers and also encouraged the fatuous, half-baked attempts to align us militarily and ideologically against the communist world.

The business of sending the Seventh Fleet into the Indian Ocean is the culmination of the kind of thinking which was behind the VOA deal and the joint air exercises and the stupid publicity which accompanies these things. All the subtleties employed by the Prime Minister—that General Maxwell Taylor had 'very casually' mentioned that the US Government was considering the advisability of some of the ships of the Seventh Fleet cruising in the Indian Ocean, that there was no talk about these warships visiting Indian ports or seeking any facilities, that there was no proposal for any joint naval exercises, that such cruising is normal — cannot hide the fact that our continuing ambivalence about commitments has again gravely embarrassed us, and also damaged what remains of our image in the non-aligned world just when Chou En-lai and Chen Yi are out to win friends and influence people.

From what one can gather of this latest 'leak' is that the military allies of the US, including Pakistan, were informed of the decision to extend the patrolling of the Seventh Fleet several weeks ago. They were definitely given to understand that the Government of India had agreed to this move, that Indian ports would be used for shore leave, etc, that certain familiarisation exercises might also be held. The 'leak', if it can be so described, took place in Rawalpindi or Karachi. There was confirmation from the US diplomatic establishment in Delhi, and the added information that Prime Minister Nehru had been 'briefed' a couple of months ago. The news was planned to be released at the conclusion of General Taylor's visit to the sub-continent.

GOI Approved the Move

This is all very disturbing. The implication is that there is a political group in the GOI which approved the move and persuaded the Prime Minister that there was nothing objectionable in it. The Prime Minister's naive statement in Parliament on the subject tends to confirm this theory, for even now he seems oblivious of the repercussions in South Asia, in Africa and in Arabia. And one of the by-products of the speculation is that, at last, we have absolute proof that V K Krishna Menon is no longer advising the Prime Minister nor is he in constant touch with him — a fact which the psychopathic have refused to accept these many months.

The Seventh Fleet business, which is bound to escalate if persisted in, has served one useful purpose. It has convinced many non-believers that our foreign policy is very much in the doldrums. The China Question cannot be tackled on the basis of changing political moods and hunches. We have to make up our minds what we intend to do — and have the courage to say so. Then it will be possible to plan coherent policies.

Era of Prosperous Enterprise

Internally, despite Congress Party perorations about building democratic socialism, we are moving into an even more prosperous private sector era. Significantly, the saviours of the private sector are not Morarji Desai and S K Patil, but the once-upon-a-time-feared T T Krishnamachari who seems to have discovered a new formula for political success — talks designed to whet the profit appetite of the marketeers and manufacturers, legislation which reassures the party politicians wedded to socialist concepts and a ramified system of pledges and vendettas, checks and balances, controls and decontrols, secrets and leaks, all coordinated. TTK is obviously glad that his scheme of things is little understood at cabinet level, or even among businessmen, for understanding in under-developed conditions only creates controversy and paralysis!

Against this background, it is amusing to learn that Congress President-elect Kamaraj is likely to stress the need for an 'all-out open fight' against anti-socialist forces 'whatever their hue or cry'. He will speak in Tamil, and careful translations of his speech are being prepared to make his meaning clear to one and all. Quite right, too, considering that he is reported to be planning to warn 'the new generation of Congressmen' against 'the unholy attempts of the so-called English-educated class, capitalists and communalists to sabotage the country march towards socialism'. He plans, it is said, a four-point programme 'for tangible action to usher in tangible socialism'.

The confusions notwithstanding, thoughts are turning to Bhubaneshwar. Parliament adjourns within a few days. Then another festive season descends. Winter is here with a vengeance. Soon, we will be ringing out an old, unhappy year and ringing in a year which we hope will hold the promise of some substantial progress for a patient people. In a sense, this is the time for reflection, for re-assessments, for re-dedication. Will these essentially elementary processes take place before the leaders of the Congress party gather at Bhubaneshwar or are we about to witness another *tamasha?*

Back in the Planning Commission, Deputy Chairman Asoka Mehta has arranged a meeting of minds just before the Christmas holidays, a business-like half-day meeting which in the course of offering advice and suggestions will be answering the question: Where do we go from here? It is a question which should be asked at every level of national life. And then, perhaps, it will be heard at Bhubaneshwar, in Delhi, in the Capital — and it will become persistent until an answer is found.

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A Calcutta Diary

Bengal's Bitter Rice

AT the races in Calcutta on Saturday a Madras horse named "Bengali" won the Cooch Behar Cup, "in grand style" according to one newspaper; the odds were 7 to 2; and the tote paid Rs 25 (win) for Rs 5. That just about ends the story of West Bengal's tale of triumph. The State has been told by the Planning Commission that its performance to date with the Third Plan has been most disappointing and so the size of the State's plan for 1964-65 has been slashed to Rs 71 crores. The record is said to have been most "dismal" in agriculture. During 1961-62 the provision for agriculture and minor irrigation was Rs 9.41 crores of which only Rs 3.13 crores was spent. There was a slight improvement in 1962-63; expenditure rose to Rs 4.38 crores against an allocation of Rs 9.19 crores. The equation of expenditure with achievement is, of course, *ex definitione.*

While the population of the State has risen alarmingly, *pace* C Subramaniam, food production has fallen. In 1962-63 food production amounted to no more than 4.791 million tons against the 1960-61 base-level estimate of 5.84 million tons. Little has been achieved in increasing the production of rice, despite schemes of intensive cultivation adopted since the Emergency. In its failure to achieve the targets of the Third Plan, West Bengal seems entirely in step with the rest of the country, however dis-obedient and non-conformist it may seem in other respects.

The Other Side

Failure in agriculture is thus to be admitted, without necessarily getting inconsolable over it. In the sphere of power generation and medium industries the State's record is said to be "highly creditable". In the first three years of the Plan the State has exceeded the allocation for medium industries. All deficiencies in agriculture should certainly be corrected. Yet the mid-term appraisal of West Bengal's performance with the Plan may have another moral. It is quite possible that achievement of agricultural self-sufficiency in West Bengal has been given altogether too high a priority by the Centre. Professor Arthur Lewis argued a few years ago that, perhaps, India as a whole could afford to remain an importer of food if it became a more significant exporter of manufactures. It is suggested, on the basis of West Bengal's success in medium industries, that it may well be worth West Bengal's while to invest more in industry and less in agriculture; and no good done to West Bengal can be without benefit to the country as a whole. (Non-Bengalis in particular will profit from Asok Mitra's recent publication, "Calcutta; India's City", New Age Publishers, Rs 10.)

It may well be that with the loss of East Bengal went all hope of Bengal's self-sufficiency in food. And in a huge country such as India there is no reason why every region must be self-sufficient in this respect. May it not be more economic to let every State grow as its resources and genius dictate and thus contribute to the nation's wealth what it is best suited for? As the country sombrely debates the reasons for the failure of the Third Pan it should ponder the extent to which economic planning has been reduced to nonsense by regional demands for industries which would flourish much better elsewhere. If West Bengal can feed the rest of the country with industrial products it can easily buy its food from the rest of the country. There is no need to make a fetish of national or State self-sufficiency in food.

West Bengal's success with medium industries evokes broader reflections. Calcutta does not permit cycle rickshaws, pedicabs; and in the whole of the city there is not a single Bengali rickshawallah. Go to any suburb of the city where cycle rickshaws are allowed; you will see the majority of the rickshawallahs are Bengalis. Bengals' general aversion to manual labour is notorious, perhaps in part ineradicable. This general observation takes little account of the Bengali cycle rickshawallahs. Add a bit of machinery and manual labour is no longer looked down upon. The larger factories in the State may well employ an unusually large number of workers from other States (for which the much maligned Bengali deserves more thanks than he gets) but the now extinct auxiliary industries of Howrah were manned almost exclusively by Bengalis.

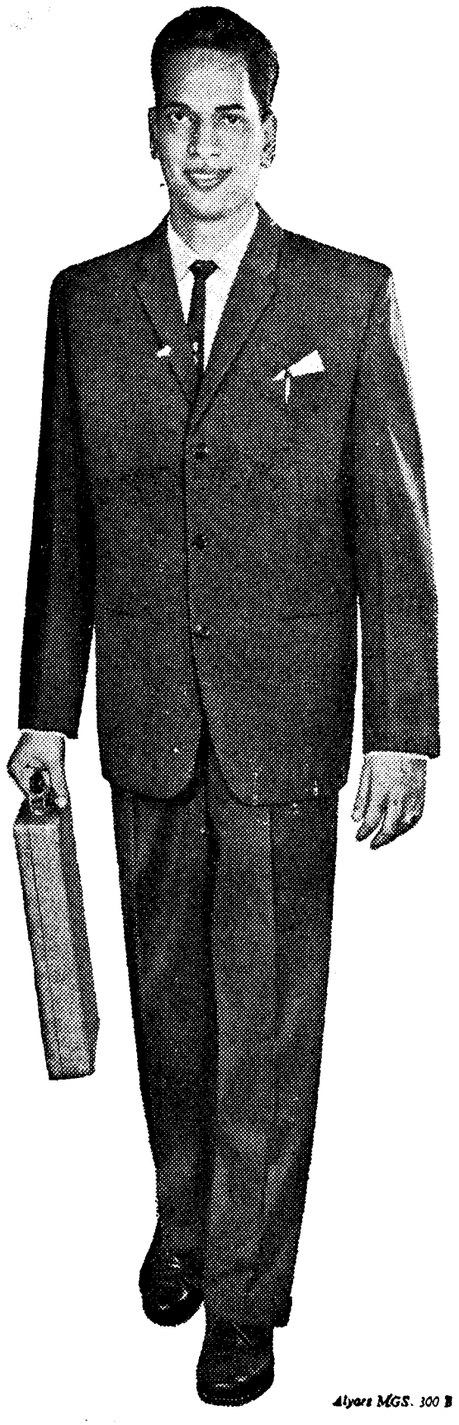
Whenever West Bengal requests installation of a new industrial project the cry is raised that the State is already over-industrialised. It is ironical to hear of an overdeveloped State in an underdeveloped country. That urbanisation set in earlier in West Bengal than elsewhere and that it may already be an irreversible process, which inevitably affects agricultural prospects, are perhaps West Bengal's business. What the country has to consider is the cost to itself of setting up industries in places where additional and essential facilities have all to be created afresh.

No Idyll

This writer rejected long ago that romantic view of Bengal and the Bengali in which the State and its people were assigned a particular role, mainly unrelated to realities. There is not one good reason why a job good enough for a Bihari or a Bombayite should not be good enough for a Bengali, whatever nonsense he may uncritically believe about his culture. On the other hand it is in the interests of the country as a whole to employ and exploit Bengal and its people in assignments they are naturally best equipped for.

The other regions' industrial ambitions are entirely legitimate. It is also conceded that in a free and democratic country the economic consideration cannot be supreme; political feasibility is important. It may yet be a valid indictment of the Government of India and the Planning Commission that they have ignored the natural advantages and existing facilities in West Bengal. The Plan's overall failure may well be attributable to the fact that it was never given half a chance to take an overall view of the Indian economy. West Bengal's agricultural failure has to be read with its success in medium industries.

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Book Review

Regional Inequalities

J Krishnamurty

Inter-District and Inter-State Income Differentials: 1955-56, National Council of Applied Economic Research, Occasional Paper No 6, June 1963. Pp v + 33. Price Rs. 3.

THE object of this study of district incomes, it is stated, is to locate backward regions in the economy. To begin with, the National Council has estimated district income for one year, 1955-56, the first year of the Second Plan. The Council is now engaged in making similar estimates of district income for 1960-61. When these estimates are ready, a comparison with the estimates for 1955-56 would be possible.

Concepts and Method

District income is defined to mean "the income originating from current production of goods and services within the geographic boundaries of the district". The product method has been used to estimate income from agriculture, animal husbandry, forestry, fishery, mining and factory establishments. Since output figures in these cases have been obtained at the district level, the procedure does not seem objectionable. But what is astonishing is the bland statement that income originating in small-scale industries, construction, communications, railways, organised banking and insurance, other commerce and transport, professions and liberal arts, domestic services, Government and miscellaneous services and house property is estimated by using *all-India averages* of net value added or net earnings per person employed. Since these sectors together accounted for 45.9 per cent of net national output at factor cost in 1955-56, to say that "... it is not possible to assess the degree of reliability of the district income estimates; they may *probably* be subject to a larger margin of error than the State or national income estimates" (italics added) is to put it mildly, indeed!

To obtain the size of the district working force, NCAER data[1] on the rate of growth of population in different States have been applied to the district working force figures of the 1951 Census, available in the District Census Handbooks. In other words, the ratio of population to working force for the State as a whole is assumed to apply to all districts in the State, and this ratio is assumed to have remained constant between 1951 and 1955-56. On the other hand, however, to arrive at per capita district income estimate is divided in each case by a population figure for the district obtained as an interpolation on the 1951 and 1961 Census figures. The use of a population projection (and that too one that has not proved too accurate) for the one purpose and Census figures for the other is a serious methodological limitation. The State working force estimates also could have been based on interpolations using 1951 and 1961 Census data.

Inter-State Comparisons

The analysis of inter-State differences in income which follows is far from being as modest as the statistical limitations warrant. To claim that the study has revealed that Orissa is probably not really so backward as is generally believed or that Punjab has a markedly low proportion of income from industry, is to forget, in the former case, that the use of all-India estimates for income of product per worker (especially for service industries) may have resulted in significant overestimation of income and, in the latter, that the income from small industry is very likely to be underestimated[2].

Leaving such precarious inter-State comparisons alone, one of the general conclusions of the study is that "a majority of the districts have lower level of industrialisation than the economy as a whole, while a small number of districts at the other extreme is highly industrialised". Further, the "share in the total income of the 207 districts, having a smaller per capita income than the average, is 60 per cent, whereas they account for approximately 73 per cent of the population. On the other hand, the 82 districts which have a per capita income of Rs 250 or more claim as much as 40 per cent of total income while they account for only 27 per cent of population".

The bottom ten per cent of districts (in terms of per capita income) are distributed thus: Uttar Pradesh 11; Bihar 10; Orissa 4; Assam 2; Madhya Pradesh 1; and Mysore 1. On this, the study has this comment to offer: "It may be thought that the relatively high concentration of backward districts in Uttar Pradesh may be mainly due to the large size of the State. But this does not appear to be so; whereas Uttar Pradesh accounts for about 17 per cent of the total population, nearly 40 per cent of the backward districts are found to belong to this State". Unless all districts have roughly the same population, this is not very meaningful. A more correct statement would be that U P has 17 per cent of the total population of India, but 35 per cent of the population of all backward districts in the country.

Beguiling Statistics

A striking example of statistical misrepresentation is Table 2 on page 10. It attempts to show the range of variation in the percentage of district income originating from agriculture, manufacturing, and services for the 14 States. We are told that the range for agricultural income in Maharashtra is 1-61. This is breath-taking — till one excludes Greater Bombay and then the range is narrowed to 22-61. Similarly, the range for Madras State can be reduced from 0-66 to 35-66 by excluding Madras district. Even more surprising is the case of income from services in Madhya Pradesh: the range here is 0-44. But how is it that this remarkable district which has no income at all from services does not figure in Table 15 (p 22) which gives the sectoral composition

[1] "Population Projections of India, 1961-76", NCAER, 1960 (printed for limited circulation).

[2] K N Raj: "Some Features of the Economic Growth of the Last Decade in India", *The Economic Weekly*, Annual Number, February 1961.
P N Dhar and S Sivasubramaniam: "Small Enterprises: Their Contribution to National Income", *The Economic Weekly*, Special Number, July 1962.

of district income for the 39 districts of Madhya Pradesh ? According to this table, the range for income from services should be 11-44.

The study does not go into the rural-urban composition of the different districts, though the 1961 Census data were probably available in time to be made use of. Using the Final Population Totals [3], it is possible to draw the conclusion that in the bottom ten per cent of districts (ranked according to per capita income) the percentage of rural to total population is well above the national average.

Whether one should wait for the best estimate, or try to make the best use of available data is a familiar problem. For a study like the present one, it is perfectly in order to take the latter course, provided the provisional nature of the conclusions drawn is clearly indicated. The NCAER's study, however, does not seem to have made use of some of the latest data thrown up by various official and non-official studies, nor does it clearly indicate the basic limitations of the data used by it.

Finally, instead of a most misleading scatter diagram of the relationship between percent of State income from different sectors of economy and per capita State income (frontispiece), and two equally misleading tables (Tables 2 and 5), it would have been far more useful to give a district map of India.

[3] Census of India, Paper No 1 of 1962.

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Congo: Ordeal of Power

(By a Special Correspondent)

Three years after independence, the economy of the Republic of Congo is on the rocks, with an inflation that is outpaced only by that in Brazil and Indonesia and with urban unemployment enveloping more than 30 per cent of the urban labour force. Living standards have declined precipitously since 1960 and the downward spiral shows no signs of slowing down.

In an attempt to stem the speculative run against it, the Congolese franc has been devalued by two-thirds. But, given the virtual absence of any coherent fiscal policy and the vast proliferation of military and administrative expenditure, the momentary effect of the devaluation will soon wear itself out.

Only one-third of the Government's current expenditure is met out of normal budgetary resources. Deficit financing and foreign aid fill the gap, while the large foreign-owned corporations continue to enjoy an unofficial tax holiday. And, given the difference between the official and the black market rates of exchange of the franc, the bulk of the nation's exports have gone underground, official export figures covering at most one-fifth of total exports.

Devaluation, or other well-meant economic reform, will have no lasting effect because the cause of the disease that grips Congo is not economic, but political.

WHEN will Adoula be given the rabbit punch ? What will be the cumulative impact of the devaluation that has just been set in motion ? What is the social basis of power of the Binza Clique? What is on the cards when the U N's mandate expires at the end of next July ? In a word : whither the Congo ? No one knows what the crystal ball holds and these questions are as frequently raised within the Congo as abroad.

Whatever the thematic variations on the Congo's destiny, the consensus is abundantly clear : three years after the excruciating birth pangs of the Republic the national economy is on the rocks, saddled with an inflation that is only outpaced by Brazil and Indonesia; with urban unemployment enveloping more than 30 per cent of the urban labour force.

Katangese secession is formally at an end, but even the scissoring of Katanga into three provinces has not tackled the root cause that induced secession almost simultaneously with the advent of independence. It must be borne in mind that Katanga and Leopoldville were the two radiating poles of growth in the period of prestigious economic growth between 1950 and 1959, and that deep regional antagonisms existed prior to independence. Independence, together with external interferences, and the absence of an ideologically cohesive central power exacerbated this regionalism, consecrating its split. The end of the secession, or what Congolese public relations misleadingly bill as a 'national reconciliation' is not a consummated psychological, economic and political fact — by far.

Notwithstanding massive foreign aid the Congo remains the tragic prototype of an emergent African state for whom the dignity of political independence has not been translated into higher standards of living or more fundamental social mutations. Rather, living levels have declined precipitously since 1960 for the masses and the downward spiral shows no signs of slowing down.

Economic Concentration Continues

One of the protuberant anatomical features before freedom was the high degree of economic concentration in which the poor white had no place. From its very inception the Congo became the lucrative edifice of such corporate giants as the U M H K, Unilever and the international petroleum cartel, amongst others, with their interlocking directorates. This concentration, which grew to an incredible degree, continues to prevail, its structures unimpaired and the Congo a disembowelled nation. Continued foreign ownership of the nation's resources remains in the hands of these majors with all its spectral political penumbra.

'Africanisation' has led neither to a diffusion of power or to a threat of alienation of these properties, but to the bogus inclusion of certain Congolese on boards of directors with no effective power. It has thrown up some Africans who have rallied to a system congenial to their pockets; a few have been drawn into the ranks of middle corporate structure, not the dominant ones, though even if they had been, they would be nothing more than ciphers as seen from the experience in former British and French colonial territories.

The locus of power continues to be in the board rooms of the capitals of the Common Market. Africanisation is, therefore, nothing but a cheap public relations gimmick destined to buttress the power of corporate capital in the new context of independence, and is one of the marked traits of neo-colonialism. It is a paying proposition. Lumumba understood clearly its sinister implications when he described it as the partnership of the hangman to his rope.

What has emerged since independence is a minuscule minority enriched by the traffic in import licenses, land and foreign exchange speculation, embezzlement of public property, foreign aid, commissions by foreign corporations and every other species of licit and illicit trading. It is this caste which has creamed the milk of freedom embracing the political elite, the upper echelons of the military and the top crust of the civil service. Overwhelmingly, the members of this caste were precisely those who had been catapulted into the charmed ranks of the *évolués* during colonisation. This is not entirely illustrative, however, of Pareto's theory of the

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circulation of elites. For within the last year a handful of the *non-évolués* under the colonial administration have moved into the privileged phalanx without departing from the specifications of a neo-colonial order.

This nascent social force is not a bourgeoisie in the conventional usage of that concept, but a parasitical hot-house product with all the vulgar external trappings of that class: debauched living, ostentatious consumption, Swiss bank accounts of Himalayan proportions, European villas, and several of whose progeny are shuttled to Europe's exclusive private and finishing schools.

It is no secret in Leo that these latest model tail-finned limousines and their social accessories are the droppings bestowed for services loyally rendered — a practice that has become so pedestrian that they have ceased to be a source of amusement. The Congo is an ideal post-graduate school for a Delhi Congressman. The big celebration here has become a permanent fixture of a way of life. When I asked a minister, a practising Catholic, to explain the causal origins of the malaise, he comfortingly riposted that corruption is universally inherent in human nature. Presumably the dispensations of providence are inscrutable.

Economic immobilism there is, but not so in the field of luxury housing for the European and native elite. Leopoldville's population has soared from about 300,000 to over a million today. The public services are over-burdened; cheap low-cost housing is at standstill, but the shanty towns have mushroomed.

The speculative offensive against the Congolese franc, symptomatic of the post-independence period, has been bogged down since the promulgation of the two-thirds devaluation. Hitherto, the official exchange rate has been CF 64=US $1. The new rate provides for a buying rate of CF 150 and a selling rate of CF 180 per US $1. Exchange proceeds are ostensibly to be turned in at the buying rate and all exchange payments will be made at the selling rate.

It is claimed that the difference between the buying and selling rates in the new system will provide the Government with an additional source of income for budgetary purposes. This is dubious. In a few weeks time the offensive will be resumed with added impetus, and the pre-black market rate of 400 francs to the dollar that has momentarily slipped will catch up and surpass the old black market rate.

Given a non-existent fiscal frame, vast proliferating military and administrative expenditures such a course is inescapable. A mere third of current Government expenditures is met out of locally generated income. Deficit financing and foreign aid fill the gap. The large corporations continue to enjoy a quasi-permanent tax holiday; moreover, the potentially salutary effects of the devaluation have already been wiped out by equivalent price and wage boosts, and the increasingly unfavourable balance of trade will not be long in appearing when present inventories run down.

Exports Go Underground

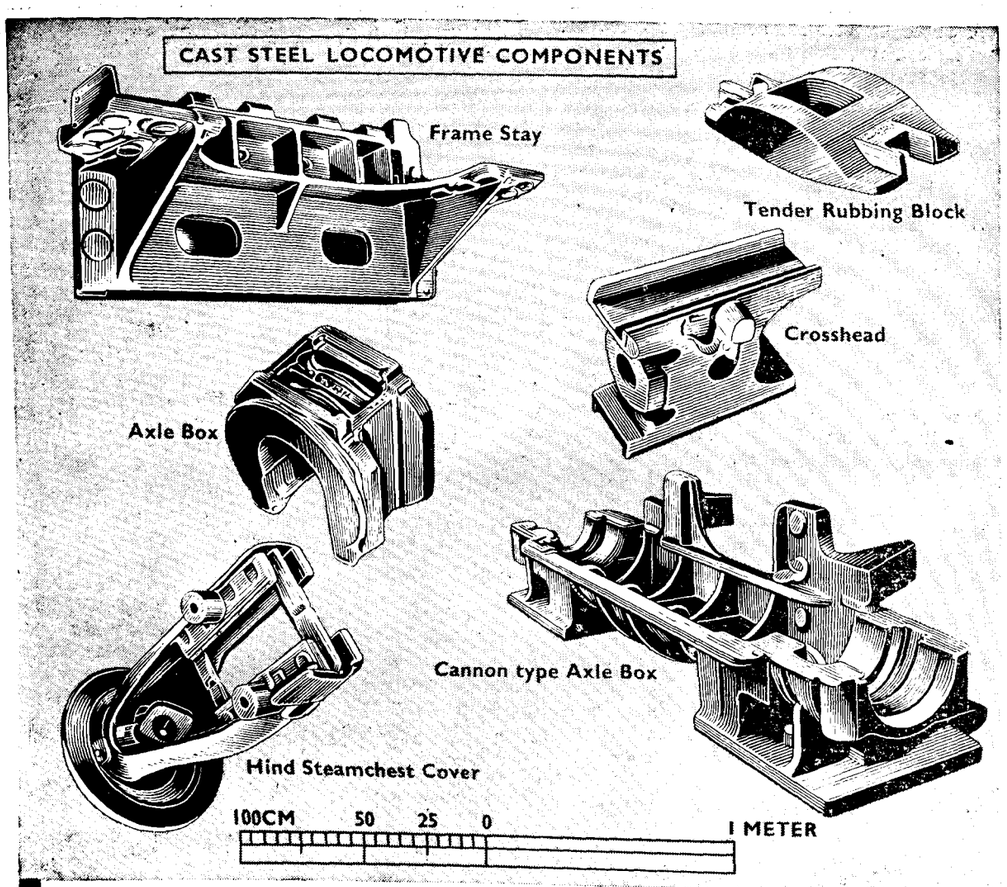
Given the discrepancy between the official and parallel market rates the bulk of the nation's exports have gone underground. Brazzaville, in the other Congo, before the anti-Youlou coup was the epicentre of this contraband traffic, notably in diamonds. With relations taut to breaking point between Brazza and Leo this traffic has dropped to a trickle, and is being redirected *via* East Africa and Angola. Much of this traffic could not flourish were it not for complicity at the ministerial level both at the Centre and in the provinces. The parallel market has displaced the legal market. Senegalese, Portuguese, Pakistani and Lebanese traders are invaluable intermediaries and, in many cases, initiators of trade. In an abandoned Kasai diamond field of Tshipaka, Senegalese traffickers made a haul of more than $ 12,000,000 (twelve million), according to *The Economist*.

Official export figures are meaningless, for they cover at most, one fifth of total exports, the remainder is siphoned *via* the underground pipeline which is superbly organized with extensive ramifications within and outside the Congo. A local newspaper recently reported that the President of a provincial assembly had gouged a million dollars in the ivory traffic with Kenya. This is daily fare. Another instance is the gift of 50 lorries by a foreign embassy for the interior which is afflicted by critical transport bottlenecks. They never reached their destination, but were grabbed by certain ministers and sold in the Leopoldville black market.

Of portentous significance is that the Centre exercises an exiguous control over the foreign corporations whose political cobwebs envelop the upper hierarchy of Government, the civil service and the army. Concessions are granted not on the basis of priority evaluations, but in terms of politico-economic influence. This conjuncture is reminiscent of what Lord Salisbury baptised the 'battle for concessions' that was waged in China at the fin de *siécle*. It is a war concealed, primeval in its reptilean intensity but rarely does the spectacle reach the public eye, as highlighted in the petroleum refinery concessions granted to ENI which aroused Standard Oil's wail of agony. For weeks the atmosphere was charged with acrimonious recriminations and countercharges. Whatever the truth or untruth in ENI's rival's allegations that the Adoula government had been bankrolled, the fact remains that two leading executives of the international petroleum cartel were deported.

But such cannibalising, in general, is done with gentlemanly decorum behind closed doors. There is no nation in the world where embassies are so frenziedly pushing their national interests. At this point the analogy with the Manchu dynasty breaks down, for the fangs and claws of corporate capital and their embassy spokesmen were then bared openly. Not so in the Congo. The ENI affair sent shivers down the spines of embassies here. The stakes are too high, the political implications too far reaching for such scandals to become the object of public dialogue. True the Congo has become a police state, but African eyes are turned on it, and there is such a thing as African public opinion.

The early refrain of Belgian haute finance circles that "the Americans want to evict us from the Congo as they did the French



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from Indochina" has ceased to be true. The American administration's formative Congolese economic policy has altered course. Belgian interests, grafted to clerical power, are too deeply entrenched. The cost of battle would be prohibitive, its repercussions nothing short of calamitious and, indeed, it would transcend the Congo. Hence the uneasy co-existence of virulently contending economic forces. Yet, the pickings to be pocketed in this *laisses-faire* land are lush for the concession-hunter armed with the appropriate kind of influence.

The current devaluation measures will not staunch the haemorrhage for the cause of the disease is not economic, but political. In place of the six provinces bequeathed by colonization there are now twenty-two 'provincettes' and every newly created province has almost become an autonomous fief unto itself. Sprawling parasitical bureaucracies have been spawned matched by a drop in efficiency. These fissiparous tendencies have become so general that the effective sovereign power of the centre, it is claimed in the western press, does not extend even beyond the confines of Leopoldville province.

This is misleading. It is a matter of degree. Many of the provincettes receive administrative subsidies from the Centre and the incomes of the higher civil servants are generally larger than their counterparts in the Central government. In this system loyalties are purchased, and there is a certain check that can be placed on them. Further, as seen in the army's quelling of the Luluabourg dissidents the centre is not entirely impotent.

Katanga falls into a special case split into three provinces along tribal lines. The Leopoldville commissioners endowed with enormous powers ensure that the directives of the Centre are implemented. Katanga's mineral El Dorado accounts for more than 50 per cent of the country's foreign exchange earnings. The end of the secession has not unfortunately led to effective integration. Living standards in Katanga for the masses were higher before January than they are now. This utterance is not intended as an encomium to the internationally discredited gangster-politician that is Tshombe.

Even if Tshombe's critics were vocal before the recent events, their strictures have been nullified by the sheer incompetence of Leopoldville's administrators. The dollar on the black market in Elizabethville is higher than in Leo (one more channel of trafficking *via* Air Congo has been opened up) and consumers durables have almost vanished — save for the Europeans and the native elite. Nor is it surprising to see Tshombe's portrait prominently festooned in all public buildings. When I enquired as to the reasons for their continued presence the answer given is that they did not not wish to offend the susceptibilities of the Katangese. The chilling truth is that Tshombe's popularity *within* Katanga is greater than it ever was.

Changed Correlation of Forces

Yet one must not draw the precipitate conclusion of David Dimbleby in the *New Statesman*, the British Weekly (October 11, 1963). It is true that there are 4,000 mercenaries in the Congo. Admittedly 4,000 disciplined and resolute guerilla mercenaries could harass an ill-trained, undisciplined, un-motivated, un-tested army of 35,000. But the core of the vortex is not here. The correlation of forces has changed. Tshombe is an embarrassment for the Union Miniére, the Belgian Government and all the corporate giants of the Common Market. An upsurge in Katanga would rock the boat internally and internationally, property would be destroyed and the reverberations of the upsurge would adversely affect profits.

Tshombe served as a waxen figure for certain paramount economic interests at a specific point in time. Like Ngo Dinh Diem he was melted when his policies became too obstreperously independent. That he may be remoulded again if the Central Government steps out of line with such indecent gestures as the nationalization of the copper belt is feasible. But, momentarily, such an awesome word as nationalization is not part of the chastened vocabulary of the ruling caste, and such an economic strategy is utterly remote in the present configuration. In the white man's mansion, the caste has found its niche, and it knows by the very air it breathes that houseboys' murmurings imply dismissal.

The degeneration of the Central Government must be related to the unevolved structure of political parties. There is no such thing as a political left in the Congo. There are only degrees of opportunism. Similarly, there are no political parties although, at the last count, there were twenty-nine so called. Even the MNCL, or the Lumumbist party, is fragmented into myriads of scabrous factions. There is no organization among any of them, no militants, no clear-cut platforms, no leadership, no ideology and the transmission belts between the self-appointed hierarchy and the masses are non-existent. Even if Gizenga were to be freed (the odds are against it) from his island prison it is improbable whether his following would be a mass one. His "Parti Solidaire Africaine" is as fragmented as the MNCL.

The recent arrests and imprisonment of trade unionists in Leopoldville did not leave a ripple in the African township. That Congolese trade unionists represent the interests of no one but their pockets contains a good element of truth. But this has historic roots. Trade unions were creations of the colonial order and, in particular, the church and their complexion from birth has remained a high yellow. Also any mass demonstration would have been applauded with bullets.

Yet the picture is incomplete. Given the dimensions of graft since independence disillusion is widespread amongst the masses and the terms "politics" and "politicians" have become synonymous with a contemptible breed of men. Between the leading politicians and the masses alienation is complete.

The African township in Leopoldville contains a potentially volatile mass of one million but is not homogeneous. It is stratified not only in income terms, but equally on rigorous tribal lines. Superimposed on this is the glaring cultural division between the pre-independence urban groups and the post-independence illiterate and politically dormant migrants who now constitute the majority. This is not a proletariat, but a proletarianized mass and cannot be the basis

of durable political power, as Lumumba discovered toward the end of his life.

If this mass were ever to become ideologically steeled and set in motion, guided by purposeful objectives, Mobotu's bullets could not stop them. But such reorientation would require a colossal amount of organization and there are no political activists or forces on the horizon capable of revolutionising the economic and social structure. The parliamentary dissidents in Brazza are negligible quantities. Moreover, the army is there to ensure that no political force ever attains such an objective.

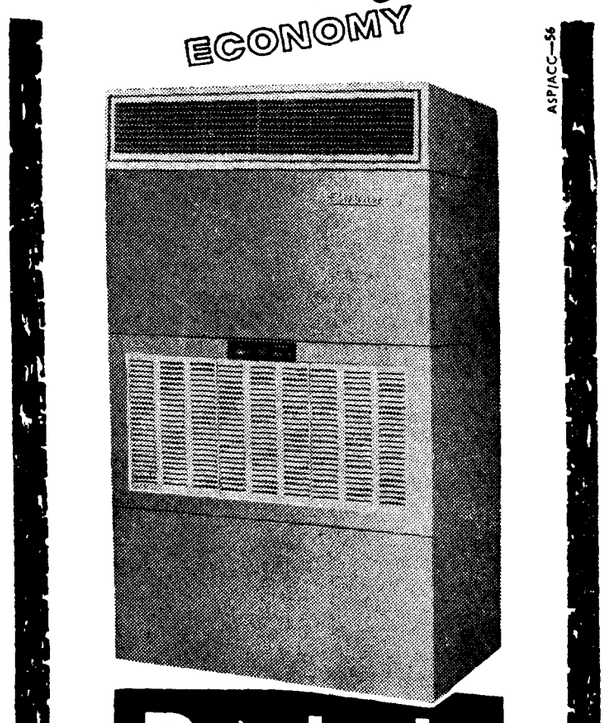
Parliament which was never an authentic opposition has been iceboxed with the proclamation of the emergency, and the country is governed by the fiat of the Binza triumvirate: Justice Minister Bomboko; Nendaka, boss of the secret police and the leader of one wing of Gizenga's party, and Interior Minister Maboti. General Mobotu is the formal head of the army and the army is the salient buttress of the triumvirate's power.

From their genesis party structures were built upon tribal foundations—a fatal weakness. Lumumba was the sole national leader able to transcend the tribal scourge, but he never possessed a viable political organization and, of course, he was axed before he began.

Three years after independence the country continues to be governed by the *Loi Fondamentale* that had been forged in Brussels at the round table discussions just prior to freedom. It matters, in fact, little if a Constitution does or does not exist — for in any case it would be flouted. Elections slated for next year are unlikely to occur on the grounds that they may be disruptive of the social peace, and elections in the present nature of things could not alter the effective balance of economic power both within the country as a whole and within the provinces.

What we are tragically reliving in the Congo today, as in much of Black Africa, is the South Americanisation of its social formations, and this precisely at a historic moment when Latin America unmistakeably reveals the symptoms of shedding its traditional skin.

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How Positive is Our Credit Policy?

(Contributed)

In his statement in the Lok Sabha this Monday, the Finance Minister, Shri T T Krishnamachari, said that it was the objective of the Reserve Bank's credit policy to ensure credit for all "legitimate purposes".

It was not the Government's intention, however, he added, to usher in an era of cheap money policy, for, in "a country like India where capital is scarce, the accent of monetary and credit policy must necessarily be on realistic rates of interest which reflect adequately the real cost of capital to the economy".

Earlier, on October 11, the Finance Minister had in a broadcast promised a "positive credit policy" to accelerate industrial development and economic growth.

How positive is the Government's credit policy?

FOLLOWING the Finance Minister's October 11 statement, the Reserve Bank of India replaced the three-tier system of lending rates with a two-tier one with effect from October 30, 1963. Banks may now obtain Reserve Bank accommodation to the extent of 75 per cent of their statutory reserve at 4½ per cent per annum and a further 75 per cent at 6 per cent. Accommodation over 150 per cent of their statutory reserve may be available to banks, also at 6 per cent per annum, but only after negotiation between them and the Reserve Bank.

After the high hopes raised by his broadcast, the Reserve Bank's announcement came as a damper. The new measure was widely described as half-hearted and a case was made for total abolition of the "outmoded" multiple-tier system.

During the first half of 1962 the consensus of opinion was in favour of raising the bank rate so as to bring it into line with market rates. But the drop in invesment activity following the declaration of the Emergency, however, brought about a complete change in the climate of opinion and the pendulum swung to the other extreme. The need now was for cheap and liberal bank credit as an instrument for reviving investment.

Opposite Criticisms

The multiple-tier system of lending rates has been subjected to two opposite criticisms. On the one hand, it is argued that the system has failed to achieve its objective of keeping the expansion of bank credit under control. When the Reserve Bank introduced the new system in October 1960 it was explained that the aim was to secure "an abatement of the pressure of monetary demand which has been a contributory factor to the rise in the commodity prices". This criticism, however, can be rebutted by a reference to the statistics of credit expansion. Between May 1960 and May 1963 bank credit increased by Rs 429 crores or at an average annual rate of 13 per cent. Considering the rise in industrial production during this period, this increase cannot be considered excessive.

On the other hand, it is argued that the tier system has put bank credit in a strait jacket so tight that it has been responsible for the stagnation in investment. This criticism has become more vocal since the money market turned very tight in the last busy season when the inter-bank call money rate remained perched at 6½ per cent for quite some time. Most of the banks borrowed from the Reserve Bank at the penalty rates and in March, the amount of such borrowings exceeded Rs 83 crores. Banks unloaded about Rs 120 crores of Government securities to meet the credit demand as against Rs 25 crores during the previous busy season. Further, bank deposits from the public declined by Rs 10 crores between October 1962 and March 1963 while they had risen by Rs 106 crores during the corresponding period a year ago. These developments lend weight to the banks' argument that the Reserve Bank should have been more liberal at that time as the credit demand for legitimate purposes had increased steeply. In March 1963 the Reserve Bank relented somewhat and announced that banks would be eligible for additional accommodation against their advances to small-scale industries and against export bills discounted by them. This was in pursuance of the Government's policy of encouraging small industries and promoting exports, but it could hardly be expected to go very far towards easing the banks' liquidity position at the height of the busy season.

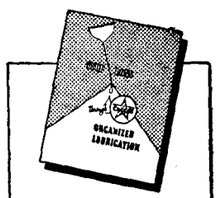
Use of Bank Credit

A case can be made out for more liberal credit but the danger of such a policy in a situation of scarcity, where the chances of diversion of funds to speculative hoarding are very great, must be clearly recognised. The Government's pricing policy, among other factors, has already caused a diversion of investment into non-priority sectors. This has been admitted. Cheaper credit may aggravate this trend and thereby further frustrate Plan priorities.

It has been pointed out by the proponents of liberal credit that in recent years the proportion of industrial advances to the total bank advances has increased significantly at the expense of commercial advances. According to a survey of bank advances by the Reserve Bank, 57.2 per cent of total bank advances were to industries in March 1963 as against 52.7 per cent in April 1961.[1] This is no doubt an encouraging sign, though it should be remembered that the Reserve Bank has recently taken upon itself a sizeable share of the burden of agricultural financing through its advances to cooperatives. To that extent, therefore, banks are in a position to increase their industrial advances. The change in the direction of bank credit has been advanced as an argument that any brake on its expansion will affect industrial production.



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There is another aspect to be considered. The increasing reliance of industries on bank advances as against equity capital was strongly criticised by the former Finance Minister. So long as a reasonable loan-equity ratio is not established, increase in banks' industrial advances cannot be treated as an unmixed blessing. If, instead of supplementing, bank advances supplant equity capital, industrial production will not rise with the increase in bank credit.

Rate of Interest and Investment

The criticism that by raising the cost of bank credit the Reserve Bank's monetary policy has been responsible for the drop in investment activity grossly exaggerates the importance of the rate of interest as a determinant of investment. It has now become a text-book maxim that the cost of bank credit has little effect on encouraging or depressing investment activity. "The data obtained from a number of inquiries starting with that of the Oxford Economists Research Group and ending with the Radcliffe Report point consistently to a low sensitivity of investment to interest cost within the normal range of interest rates . . . undoubtedly there is some rate of interest at which investment would be significantly curtailed but within the range of rates experienced in the fifties it seems unlikely that private investment can be contracted by more than 2 per cent".[2]

In a largely protected economy, like ours, where profit expectations rule high, dear money loses importance as a deterrent to investors. "The importance of the interest rate becomes quite minor as compared with fiscal considerations. In the case of borrowing indeed the saving of tax is actually more important than the question of how great a burden repayment will place on the borrower".[3] With high rates of income tax, the effect of interest rates on investment activity gets further weakened. In most of the advanced countries the emphasis has shifted, therefore, from trying to influence demand for credit by manipulating the bank rate to regulating credit from the supply end by operating on the liquidity of the banks.

The tier system is a compromise between quantitative and qualitative control, and has been adopted, in different forms, in many advanced countries. In Germany, for example, banks obtain central bank accommodation in two ways: through rediscounting bills at the bank rate up to a prescribed discounting quota and, beyond that limit, through advances at a rate higher than the bank rate. In some other countries the bank rate is "graded according to the Central Bank credit taken, so that an increase in the amount is subjected to discrimination".[4]

The pronounced seasonal character of bank credit in India makes credit control difficult. Further, the small size of the market for Government securities limits the scope of open market operations, while the Reserve Bank has yet to gain sufficient experience in the use of variable reserve ratios against the background of wide seasonal variations in credit demand. Prior to the introduction of the tier system, the Reserve Bank was operating through what may be called a "system of threats" — at the end of each busy season the Governor issued a warning that if a specified reduction in credit supply was not achieved during the slack season, the Reserve Bank would tighten up its advances policy in the next busy season. The threat did work, but it was admittedly a crude system to operate.

Not Too Rigid

Heavy reliance by banks on Reserve Bank accommodation at the peak of the busy season is a normal feature of banking in India. Although banks say that their borrowings from the Reserve Bank are temporary, the loans persist until the pressure of the busy season eases. Under such circumstances, quantitative credit restriction through a system of variable ratios is likely to prove to be too rigid and its impact on credit supply may be too severe. In this respect, by holding out the possibility of Reserve Bank accommodation even above 150 per cent of the banks' statutory reserve, the two-tier system introduced in October makes for flexibility. Through its two slabs, the system allows the cost element in interest rate to test the intensity of demand. Before deciding to borrow at the higher rate banks would re-evaluate their advances and judge more strictly the legitimacy of loan proposals so as to be able to present a plausible case to the Reserve Bank at the negotiation stage for advances above 150 per cent of statutory reserves, should that stage come subsequently. The multiple-tier system thus allows the cost element in interest rate some scope for operation. And if the growth in deposits which took place during the latter part of the last busy season is maintained, the increase in the quantum of accommodation available to the banks at each of the two rates will be quite substantial.

The factors responsible for the slow down in investment are fairly well known and are mostly non-monetary in character. As long as effective steps are not taken to remove these obstacles, more liberal bank advances through larger Reserve Bank lending to banks will not bolster up investment. It is interesting to note in this connection that a recent survey of 34 companies showed that only two were handicapped by the stringency in the money market (*The Economic Times*, November 11, 1963).

The important point to note is that a "positive" credit policy must aim at more than ensuring easy availability of bank credit. In a planned economy like ours, it must go farther and ensure that bank advances conform to the objectives and priorities of planning. It is here that the Reserve Bank's tier-system proves to be inadequate.

At present bank credit does not form an integral part of the Plan and is largely left to be regulated according to demand and profitability. Such a policy has its pitfalls. For one thing, bank credit is likely to go largely to the big borrowers, particularly during a credit squeeze. If statistics were published by the Reserve Bank of the break-down of bank credit according to the size of loan amounts, the extent to which the big borrower predominates in bank advances would be revealed. Banks cannot be blamed for this, since lending to big borrowers is generally more profitable, stable and safe. If adequate bank finance has not been available to small-

scale industries, to which the Plan attaches so much importance, the blame must be laid at the door of the Reserve Bank for its failure to give any positive direction to bank credit.

A number of institutional agencies have been set up for financing small-scale industries, but the problem is too big for such agencies to tackle by themselves. Banks have to shoulder a greater responsibility in this respect than they have done hitherto. The Reserve Bank at present allows additional accommodation, but the amount is not likely to be very considerable. What the Reserve Bank should do is to make the additional accommodation, which is now available to banks for the asking, conditional on the fulfilment of certain targets of advances to small industries. Banks may be asked to channel a certain percentage of their advances to small-scale industries and additional accommodation should be made available to banks only if they fulfil this target.

The Reserve Bank could go even further and penalise banks which fail to lend to small industries to the extent prescribed. The penalty may take the form of a reduction, by the amount of the shortfall in advances to small industries, in the accommodation available to banks under the second-tier of the Bank Rate. Similar measures could be adopted to channel bank advances to export-oriented industries also. In New Zealand, for instance, since March this year, banks have to place 1½ per cent of their total deposits with the Central Bank in a fund earmarked for financing exports and meeting the long-term needs of industries. Some such arrangements may be usefully adopted here.

Bank Advances and Plan Priorities

The reorientation of credit policy should not stop with this. The Plan lays down a scale of priorities but no effort has been made to make bank advances conform to these priorities. As far as the banks are concerned, at present they operate in a virtually plan-less economy. Greater pressure from the Reserve Bank on the banks to regulate their advances according to Plan priorities is, therefore, essential. But before that can be done, the priorities have to be defined with much greater precision than the Planning Commission.

The Finance Minister has raised high hopes by talking of a "positive" credit policy. But until he spells out the measures he has in mind, it will remain uncertain how far he will go. No doubt, the bill to amend the Banking Companies Act, now before Parliament, gives the Reserve Bank very wide powers to control banks. But assumption of powers without a better appreciation of the purposes for which they are to be used, as well as readiness to use them for these purposes, will not go very far.

Notes

1 *Reserve Bank of India Bulletin*, October 1963.
2 Newlyn, "Theory of Money", p 154.
3 Otto Veit, "Changes in Monetary Policy and Their Consequences", p 54.
4 *Op cit* p 51.

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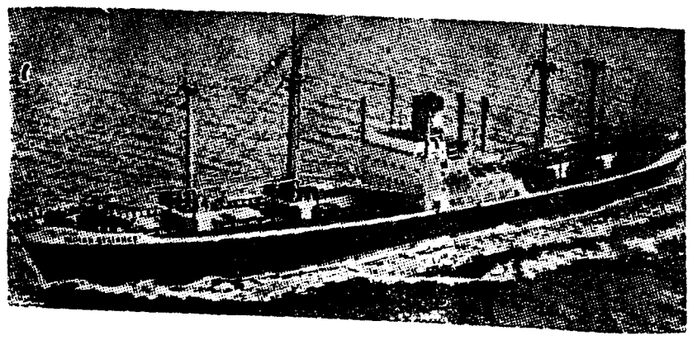
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Mid-Term Appraisal of Third Plan—II

THE Plan targets of growth of national income or of agricultural and industrial production are the sum of individual programmes and projects and the failure to achieve the former reflects the slow progress of the latter. Even in agriculture, where unfavourable weather has been blamed for the poor performance in the Plan's first two years (Table 1), progress of the various programmes has been by no means satisfactory. It will be seen from Table 2 that except in the case of minor irrigation, the financial outlays on them lag behind targets. The lags, of course, lengthen when we turn to the physical achievements of the programmes (Table 3).

Agricultural Programmes

To additional area expected to be benefited by irrigation, minor and medium and major, by the end of 1963-64 comes to only 45 per cent of the target for 1965-66. The "Appraisal", however, expects the target of 12.8 million acres for minor and medium irrigation for 1965-66 to be achieved and even exceeded by a million acres. But in the case of major irrigation, whereas the targets of additional potential and utilisation set in the Plan were 16.3 million acres and 12.8 million acres respectively, actual achievement in 1965-66 is not expected to exceed 11.1 million acres of potential and 10 million acres of utilisation, leaving shortfalls of 5.2 million acres and 2.8 million acres respectively. Utilisation of potential created by major irrigation works is expected to improve somewhat, as the following figures show :

Plan target	Anticipated Achievement by 1963-64	Anticipated Achievement by 1965-66
	(Million acres, gross)	
Potential at		
outlets	29.47	16.34	23.16
Utilisation	22.77	13.08	18.60
Percentage utilisation	77	80	80

The two main reasons for the shortfall in potential of major irrigation works are, first, that the Plan targets were too optimistic and, second, that there have been delays in completing projects owing to increase in their estimated cost, partly due to underestimation initially and partly due to rise in the cost of materials and wages. Shortage of cement, steel, etc and lack of foreign exchange for imports of machinery and spare parts, it is stated, also had a "marginal effect" in causing shortfalls. In the case of minor and medium works, inadequate maintenance has been responsible for considerable loss of irrigation.

A major assumption in formulating the Third Plan targets of agricultural production was that the consumption of chemical fertilisers would be considerably stepped up. This assumption is not likely to be realised because of shortfall in production of fertilisers. Production of nitrogenous fertilisers is expected to be only 500,000 tons in 1965-66 as against the target of 800,000 tons and though imports are expected to increase from 156,000 tons in 1961-62 to 300,000 tons in 1964-65, the availability of nitrogenous fertilisers at the end of the Plan will fall short of the Plan target. Similar shortfalls are also expected in the availability of phosphatic and potassic fertilisers. Considering that the Plan targets for organic and green manures are also not likely to be achieved, the total quantum of nutrients available to fertilise the soil will fall considerably short of Plan expectations.

Improved seeds and better farming implements are other major requisites for raising agricultural productivity. However, in the first three years not even one-third of the five-year target for better seeds is likely to be achieved. And as for improved agricultural implements, the "Appraisal" frankly admits that "progress in the introduction of new implements and equipment has been generally slow". The conclusion is inescapable, therefore, that whatever the responsibility of unfavourable weather for the stagnation, and even fall, in agricultural production in the first two years, the implementation of none of the major programmes for increasing agricultural production is proceeding according to schedule and, if the targets of production for 1965-66 are conditional on the fulfilment of these programmes, there are likely to be serious shortfalls in agricultural production at the end of the Plan.

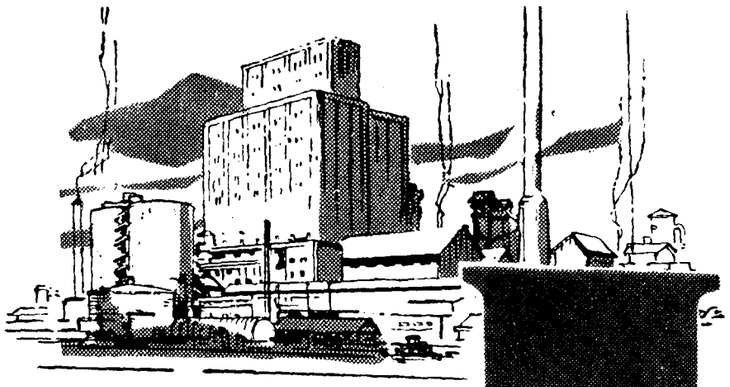
Table 1 : Agricultural Production

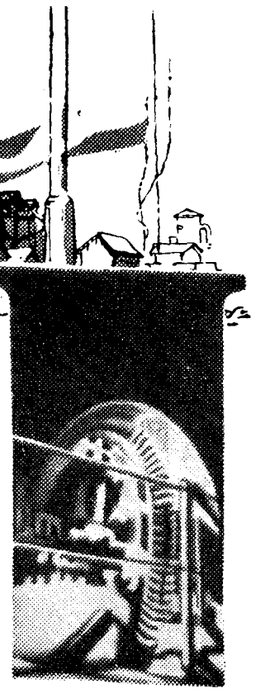
	Unit	1960-61	1961-62	1962-63	1965-66 Plan Estimate
Rice	'000 tons	33,658	34.257	31.512	45,000
Wheat	'000 tons	10.818	11.849	10.956	15,000
Cereals	'000 tons	67,239	68.310	66.041	83,000
Foodgrains	'000 tons	79.691	79.741	77.507	100,000
Sugarcane (gur)	'000 tons	10.447	9.984	9.228	9.963
Cotton	'000 bales	5.390	4.512	5.312	7,065
Oilseeds	'000 tons	6,520	6,848	6.766	9.820
Jute	'000 bales	3,982	6,347	5.367	6,181
Tobacco	'000 tons	307	342	361	325
Tea	Million lbs	708	781	759	900
Coffee	'000 tons	67	45	52	80
Rubber	'000 tons	25	26	31	45
Index Numbers					
Foodgrains		135.6	137 5	131.3	171
Non-foodgrains		147.6	148.9	147.7	186
All Commodities		139.6	141.4	136.8	176

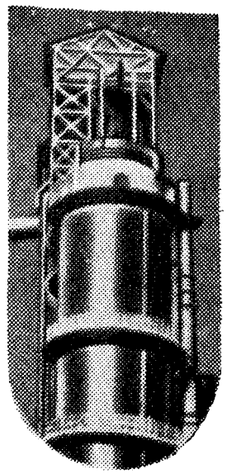
Table 2 : Outlay on Agriculture

(Rs Crores)

	Third Plan Provision (1)	Total Outlay 1961-62 to 1963-64 (2)	(2) as Per Cent of (1) (3)
Agricultural Production	226.1	98.6	43.7
Minor Irrigation	176 8	124.9	70.6
Soil Conservation	72.7	33.5	46.0
Cooperation	80.1	41.6	51.9
Community Development (Agricultural Programmes)	126 0	51.1	40.8
Major and Medium Irrigation	599.3	293.0	48.8
Total	1281.0	642.7	50.1







A BASIC MATERIAL

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

TATA CHEMICALS LIMITED

Bombay House, Fort, Bombay.

As for land reform, it is true that most of the States have enacted legislation covering the various aspects — abolition of intermediaries, tenancy reform, ceiling on land holdings and consolidation of holdings — but the implementation of this legislation has been so ineffective that much of the intended benefit has been lost. Legislation for ceiling on holdings, for instance, "tends to be defeated because of inadequate measures for preventing transfers of land". Similarly, in regard to ensuring security of tenure for the tenant, it is admitted that "both administrative and legislative action taken so far have fallen short of the recommendations in the Plan in several States".

During the past few years the primary emphasis in community development has been placed on agricultural development and it has been stressed that its success is to be judged by its practical effectiveness as an agricultural extension agency and its ability to mobilise the largest possible local effort for increasing agricultural production. During the Third Plan so far the number of community development blocks has increased from 3,100 to 5,183, thus covering almost the entire rural area of the country. Of these, at the end of June 1963, 305 blocks had completed 10 years of development, 1,452 had completed the first five-year stage and entered the second stage, 2,766 were still in the first stage, while in 659 only pre-extension works had been taken up.

The central problem of agricultural extension is to evolve means of reaching both the village community and the individual farmer. Assistance and incentives for the individual farmer are of vital importance, but unless cultivators in each village can function as a group through the village panchayat and the village cooperative, only a small proportion of the farmers can be drawn into the agricultural effort. For this reason, much emphasis has been placed on the formulation of composite production plans for the entire village. The "Appraisal" admits, however, that efforts to prepare and implement such plans have not yet succeeded in sufficient degree", though useful experience has been gained.

The inability to mobilise the village community for development work is reflected in the slow progress of the programmes of rural works included in the Third Plan to tackle the problem of unemployment and underemployment in the rural areas. The works intended to be taken up under the programme include minor irrigation, soil conservation, afforestation, drainage, land reclamation, flood protection and road building. In the execution of these works, an important role has been assigned to voluntary organisations including labour cooperatives, but the "Appraisal" concedes that "the process of organising labour cooperatives is still in its early stages and voluntary agencies have not yet taken up the execution of construction works in rural areas on any significant scale".

Cooperatives

The Third Plan has assigned a wide range of difficult and important tasks to cooperative organisations. The success with which the cooperatives have addressed themselves to these tasks is difficult, if not impossible, to judge from the statistics of the growth of the number of societies and their membership or of the extension of their operations given in the "Appraisal". For instance, the growth of the total volume of short and medium-term credit from Rs 203 crores in 1960-61 to Rs 267 crores in 1962-63 (as against the target of Rs 530 crores for 1965-66) cloaks the fact that three-fourths of this amount is accounted for by six States only, namely, Maharashtra, U P, Madras, Gujarat, Andhra and Punjab. In the remaining States, "*despite increased coverage in terms of villages and population*, the overall impact of the cooperative moment is still relatively small" (italics added). Similarly, while the quantum of cooperative credit has increased, little success has been achieved in linking credit with marketing and with production programmes, to which the Plan attaches great importance. And compared to short-term credit, the progress of medium and long-term credit has been far less impressive. Long-term credit (loans outstanding) rose to Rs 60 crores in 1962-63 from Rs 38 crores in 1960-61 as against the Plan target of Rs 150 crores in 1965-66.

The Third Plan envisaged the setting up of 544 new primary marketing societies, of which 210 were set up during the first two years. In 1961-62 agricultural produce of the value of Rs 180 crores was marketed through cooperatives which are being increasingly associated with price support operations for agricultural commodities. About three-fourths of the total distribution of fertilisers is also being done through the cooperatives. In the field of processing, the cooperative sugar factories, which accounted for about 22 per cent of the total output of sugar in the country, are the most successful. But processing of agricultural products other than sugarcane has made comparatively less progress.

The Third Plan, for the first time, formulated a detailed programme for the development of cooperative

Table 3 : Agricultural Programmes

	Unit	Plan Target of Net Increase	Net Increase during 1961-64	(2) as per Cent of (1)
		(1)	(2)	(3)
Irrigation (Additional area benefitted)				
Major and Medium	Million acres	12.8	4.5	35.2
Minor	Million acres	12.8	6 9	53.9
Soil Conservation	Million acres	11.0	4.4	40.0
Dry Farming	Million acres	22.0	10.4	47.3
Improved Seeds	Million acres	203	46	31.1
Consumption of Chemical Fertilisers				
Nitrogenous	'000 tons (N)	800	250	31.3
Phosphatic	'000 tons (P_2O_5)	330	90	27.3
Potassic	'000 tons (K_2O)	175	75	42.9
Organic and Green Manuring				
Urban Compost	Million tons	2.6	1.2	46 2
Rural Compost	Million tons	84	43	51.2
Green Manuring	Million acres	30.6	12 3	40.2
Plant Protection	Million acres	34	6	17.6

farming. It provides for the organisation of 318 pilot projects, one in each district of the country, comprising in all 3,180 cooperative farming societies, and for the support and encouragement of cooperative farming societies which come up volun arily through local initiative. In the first two years 160 pilot projects, covering 994 cooperative farming societies with a total area of 121,000 acres and a membership of 19,800 were formed. In addition, it is significant to note, 949 cooperative farming societies came up outside the project areas with a membership of 19,462 and an area of 121,000 acres. As in the case of credit cooperatives, the progress of cooperative farming has been uneven over the country. In Maharashtra, U P, Punjab, Madhya Pradesh, Rajasthan and Kerala, it has been encouraging, but elsewhere "cooperative farming is still in its early beginnings".

Power

The "Appraisal" anticipates a small shortfall in the target of power generating capacity, but due to a marked improvement in the utilisation of capacity the target for power generation is expected to be fulfilled and even exceeded :

	Plan Target	1963-64 Estimate	Likely Achievement 1965-66
Installed Capacity (Mn kW)	12.70	7.75	12.50
Power Generated (Billion kW hrs)	45.0	29.8	—

At the same time, it is expected that owing to delays in the expansion of industries such as fertilisers, aluminium, steel, etc, there will be a shortfall of about 1 million kW in the demand for power in the last year of the Plan as compared with original estimates. As a result, with the exception of a few States, such as Andhra, Gujarat, Punjab, Rajasthan and U P, the power supply position in the rest of the country is expected to be satisfactory by the end of the Plan. The shortage in these States is expected to be met through inter-State links among neighbouring States.

The cost of the power programme in the public sector was estimated at Rs 1,039 crores, of which Rs 569 crores or roughly 54 per cent is expected to be spent in the first three years. Meanwhile, the costs of some of the schemes, such as the Sharavathy, Talcher and Rana Pratap Sagar projects, have gone up considerably over Plan estimates and, besides, some new projects have also been taken up for execution in the Third Plan. As a result the outlay on power will need to be increased by Rs 91 crores over the Plan estimate.

An important lesson of the acute and widespread power shortage in the last years of the Second Plan and the first two years of the Third is the need to plan power development well in advance of anticipated increase in demand. It is estimated that generating capacity will have to be expanded on average by about 2 million kW in each year of the next Plan. Keeping this in view, advance action on a number of Fourth Plan schemes has been initiated. By September 1963 schemes with a total capacity of 0.7 million kW had been accepted for such action.

The Third Plan envisaged an outlay of Rs 264 crores on village and small industries. Of this, about Rs 126 crores, or 48 per cent, are expected to be spent in the first three years. Except on khadi and village industries, on which 56 per cent of the targetted outlay is expected to be incurred, the progress of expenditure on the other programmes has lagged behind. Even on small scale industries, apropos which the "Appraisal" claims "an impressive growth of a variety of engineering and non-engineering small scale industries over the last few years", only 43 per cent of the outlay has been incurred in the first three years. It needs to be said, however, that the Government programme for village and small industries consists mostly of financial, technical and other assistance, and, therefore, the progress of Government expenditure need not necssarily reflect the growth of the industries.

The principal justification for the large investment on village and small industries is their high employment potential. The Plan estimated that they will provide whole-time employment to some 9 lakh persons and part-time employment to about 8 million persons. Compared with these targets, it is estimated that during the two years 1961-63, additional whole-time employment was created for about 2.5 lakh persons and part-time employment for about 6 lakh persons. The relatively slower expansion of part-time employment seems to point to slow progress of the khadi programme which is expected to provide mostly part-time employment.

Industrial Programme

The Plan estimated that the programme for industries and minerals in the public sector would require an investment of Rs 1,800 crores. Against this, the financial provision made in the Plan was Rs 1,520 crores, or about Rs 300 crores less than the requirement. The revised estimate of the investment requirement of the public sector industries and minerals programme is Rs 2,292 crores, or Rs 484 crores more than the Plan estimate. The actual outlay is also expected to exceed the Plan estimate, but only by Rs 234 crores, so that the spill-over into the Fourth Plan is now expected to be Rs 538 crores as against Rs 300 crores estimated in the Plan.

The "Appraisal" explains the substantial increase in the estimate of the investment requirement of the industrial programme thus : "When the Third Plan was prepared, estimates of the cost of certain projects had not been made and such preliminary indication of costs as could be had was taken into account. Estimates of costs have now been made on receipt of more detailed information on the basis of project reports. There has also been a general increase in construction costs. Moreover in some cases the scope of the projects was enlarged."

Of the revised estimate of outlay of Rs 1,150 crores on industries by the Centre over the five-year period, the outlay in the first three is estimated at Rs 556 crores, or about 48 per cent. Thus more than half the investment remains to be made in the last two years.

The major shortfalls expected in the Plan targets of production are given in Table 4. Even the brief review contained in the "Appraisal" is sufficient to indicate that faulty and incomplete planning of projects and delays in implementation, rather than shortage of foreign exchange, were the principal causes of the slow progress of a number

of vital public sector projects. It is admitted that "the progress of projects could be speeded up if adequate care is taken initially to plan the project in sufficient detail, to define its scope (and adhere to it), to estimate the cost and foreign exchange requirements with sufficient degree of precision and to lay down realistic schedules of implementation. The lack of adequate preparatory planning has largely contributed to the delay in the implementation of certain projects in the public sector for which even foreign exchange credit was available. In order that planning of projects is done in sufficient detail, it appears necessary to set up appropriate planning units in the Ministries and design and technical organisations in major public sector undertakings."

As for the private sector, in aggregative financial terms investment in industry has probably kept pace with Plan expectations. But progress in such crucial sectors as steel castings and forgings, special steels, aluminium, machine tools, cement and fertilisers is far from satisfactory. High priority projects have faced difficulties in arranging foreign collaboration and even in raising funds locally, while relatively low priority projects have sailed through fairly smoothly — as in the Second Plan.

The overall position in respect of the industrial programme, both public and private, at the end of the Third Plan is anticipated in the "Appraisal" to be as follows: "The targets in several industries would be fulfilled or at any rate considerable advance made . . . There will, however, be shortfalls in certain crucial sectors. As a result the full benefits from the programmes envisaged in the Third Plan would be available only after a year or two and the Fourth Plan will start at a comparatively lower base than originally envisaged."

Minerals and Oil

As noted above, the estimate of the investment required to carry through the public sector programme for minerals and oil has been revised upwards from Rs 478 crores as given in the Plan to Rs 662 crores. Of this, actual expenditure during the five years is expected to be only Rs 529 crores, leaving a spill-over of Rs 133 crores into the Fourth Plan. Of the anticipated outlay in the Third Plan, only Rs 193 crores, or about 37 per cent, are expected to be spent in the first three years.

Investment in oil exploration and production in particular has lagged behind expectations and it is estimated that as against Rs 202 crores, which is the revised estimate of the cost of the programme included in the Plan, only Rs 147 crores will be spent in the five years. Inevitably, therefore, "a substantial part of the enlared physical programme will be left to be completed in the Fourth Plan". Refining capacity is expected to reach 17.9 million tons by the end of the Plan, with the expansion of the three public sector refineries by 2.55 million tons and the establishment of the new refinery at Cochin with a capacity of another 2.55 million tons. However, full capacity production at the public sector refineries is not expected till the first year of the Fourth Plan and may not, in fact, materialise even then.

A shortfall of about 9 million tons is expected in the production target for coal. This is entirely the result of the inability of the National Coal Development Corporation and the Singareni collieries, both in the public sector, to fulfill their targets. The sector-wise production of coal is shown in the next page.

Table 4 : Major Shortfalls in Industrial Programme

	Unit	Plan Target 1965-66	1963-64 Anticipated	Likely Achievement 1965-66
Iron and Steel				
Steel Ingots	Million tons	9.2	5.7	7.8
Saleable Steel	Million tons	6.8	4.3	5.8
Pig Iron for Sale	Million tons	1.5	1.1	1.2
Alloy, Tool and Stainless Steel	'000 tons	200	—	50
Aluminium	'000 tons	80	50	68
Copper	'000 tons	20	9.5	17.4
Cast Iron Pipes	'000 tons	800	250	550
Steel Wire Ropes	'000 tons	40	10	25
Castings and Forgings				
Steel Castings	'000 tons	200	50	150
Steel Forgings	'000 tons	200	58	150
Machine Tools	Rs crores	30	14.5	25
Boilers	Rs crores	25	5	12
Automobiles				
Passenger Cars	'000 Nos	30	21	25
Commercial Vehicles	'000 Nos	60	27	54
Motor Cycles and Scooters	'000 Nos	50	30	45
Bicycles	Million Nos	2	1.2	1.6
Sewing Machines	'000 Nos	700	400	600
Coated Abrasives	'000 reams	400	200	300
Grinding Wheels	'000 tons	5.4	2.8	4.0
Clocks	'000 Nos	200	70	80
Time-pieces	'000 Nos	1,200	140	500
Watches	'000 Nos	1,200	50	400
Winding Wires	'000 tons	24	8	12
Dry Batteries	Million Nos	350	260	25
Storage Batteries	'000 Nos	800	600	750
Radio Receivers	'000 Nos	800	400	650
Fertilisers				
Nitrogenous	'000 tons (N)	800	240	500
Phosphatic	'000 tons (P_2O_5)	400	111.5	200
Heavy Chemicals				
Sulphuric Acid	'000 tons	1,500	539	1,250
Soda Ash	'000 tons	450	284	350
Plastics	'000 tons	74	24	69.5
Paints and Varnishes	'000 tons	140	72	100
Bicycle Tyres	Million tons	30.9	14	18
Paper and Paperboard	'000 tons	700	425	580
Newsprint	'000 tons	120	27	23
Cement	Million tons	13	9.3	12.0
Refractories	Million tons	1.5	0.9	1.1
Cotton Yarn	Million lbs	2,250	2,000	2,175
Cotton Cloth	Million vards	5,800	5,200	5,550
Rayon Filament	Million lbs	140	75	110
Rayon Grade Pulp	'000 tons	90	20	58

	Plan Target	1963-64 Anticipated	Likely Achievement 1956 66
	(*Million tons*)		
N C D C	31.0	11.48	24.04
Singareni	6.1	3.56	4.10
Private sector	61.5	54.0	61.74
Total	98.6	69.04	89.88

Transport and Communications

Against a financial provision of Rs 1,486 crores for transport and communications in the Third Plan, the cost of approved programmes was estimated at Rs 1,630. The cost of the programmes has since been revised upwards to Rs 2,070 and actual outlay is now expected to be Rs 1,965 crores over the five years. Of this, Rs 1,050 are expected to spent in the first three years. Estimates of cost and outlays for the different programmes under transport and communications are shown in Table 5. The cost of the transport programme has increased from Rs 1,475 crores to Rs 1,907 crores and that of the communications programme from Rs 154 crores to Rs 163 crores.

The development programme for the railways in the Plan was drawn up on the basis of an estimated 245 million tons of originating traffic in 1965-66. Subsequently it was revised to provide rail capacity to carry 260 million tons. However, owing to the shortfalls likely in the production of steel, coal, cement, etc, originating traffic in the last year of the Plan is now estimated at 241 million tons. It is proposed nevertheless to carry through the expanded programme, so that transport capacity will be a little ahead of demand at the beginning of the Fourth Plan. Expenditure on railways during the first three years is expected to be Rs 867 crores or about 68 per cent of the Plan provision.

The Plan provided for an outlay of Rs 272 crores on roads, Rs 222 crores by the States and Rs 50 crores by the Centre. The estimate of the cost of the States' programme has been revised to Rs 241 crores and that of the Centre's programme to Rs 175 crores. The large increase of Rs 125 crores in the Centre's programme is partly accounted for by schemes connected with the Emergency which are expected to cost Rs 76 crores. Expenditure on roads during the first three years is estimated at Rs 220 crores — Rs 142 crores by the States and Rs 78 crores by the Centre. The pace of progress of road transport was affected by difficulties in obtaining commercial vehicles. Over the five years the number of commercial vehicles was expected to increase by 165,000. This target may not be reached.

In shipping, the Plan provided for a gross addition to tonnage of 375,000 GRT and, allowing for replacements, for a net addition of 181,000 GRT. As a result of the availability of ships on easier credit terms than anticipated, ships aggregating 6.07 lakh GRT have already been obtained or ordered. The Plan target of raising the capacity of the major ports from 37 million tons as at the end of the Second Plan to 49 million tons by 1965-66 is expected to be realised.

The progress of the more important programmes in education, health, housing and welfare of backward classes, is indicated in Table 6, along with the Plan targets and the likely achievements by 1965-66.

Table 5 : Transport and Communications

(*Rs Crores*)

	Estimated Cost		Outlay		
	Plan Estimate	Revised Estimate	Plan Provision	Anticipated 1961-64	Anticipated 1961-66
Transport	1,475.5	1,907.1	1,315 0	964.3	1,815 0
Railways	940 0	1,196.0	890.0	654 1	1,196.0
Roads	324.1	478.0	272.0	220 0	416.3
Road Transport	26.0	27.0	25.0	14.7	23.2
Shipping	57.6	57.6	56.8	19 0	51.0
Inland Water Transport	7.5	8 7	5.5	2.8	6 5
Ports	105.1	131.8	86.5	48.1	110 6
Lighthouses, etc		6.0	6 0	3 2	6 0
Tourism	7.7	7.7	7.7	2 2	4.8
Other Transport	1.5	1.5	1.1	0.2	0 6
Communications	154.4	163.2	135.0	87.9	149.0
Total	1,629.9	2,070.3	1,486.0	1,052.2	1,964.0

Table 6 : Education, Health, Housing and Welfare of Backward Classes

	Unit	Plan Target	Expected Achievement 1963-64	Likely Achievement 1965-66
Education				
1. General Education: Students in Schools				
(a) Classes I-V	lakhs	496.2	452.1	519.7
(b) Classes VI-VIII	lakhs	101.7	92.2	109.3
(c) Classes IX-XI	lakhs	45.6	44.2	52.6
2. Technical Education				
(a) Degree Courses (Annual Admission)	Nos	19,137	20,430	23,130
(b) Diploma Courses (Annual Admission)	Nos	37,390	36,320	47,546
Health				
1. Institutions				
(a) Hospital beds	'000 Nos	240.1	214.0	240.1
(b) Primary Health Units	Nos	5,000	3 900	5,000
(c) Family Planning Centres	Nos	8,200	4,500	8,200
2. Personnel				
(a) Medical Colleges (Intake)	Nos	8.000	9,219	11,500
(b) Doctors	'000 Nos	81.0	80.0	85.0
(c) Nurses	'000 Nos	45.0	35.2	45.0
Housing				
1. Subsidised Industrial Housing	Nos	73 000	31,700	66,300
2. Low-Income Housing	Nos	75.000	29 000	59 000
3. Slum Clearance Scheme	Nos	100,000	45 600	88,100
4. Village Housing Projects	Nos	125,000	16,500	66,500
Welfare of Backward Classes				
1. Tribal Development B'ocks	Nos	450	224	450
2. Post Matric Scholarships	Nos	350,000	173,604	313,000

From the Chair

The Associated Cement Companies Limited

Statement of the Chairman, Shri Dharamsey M Khatau

THE following is a summary of the statement issued to shareholders by Shri Dharamsey M. Khatau, Chairman, The Associated Cement Companies Limited, on the Company's working for the year ended 31st July 1963. The Annual General Meeting of the Company will be held on Friday, the 17th January 1964 at 4 p.m. at Patkar Hall of S.N.D.T. Women's University, 1, Nathibai Thackersey Road, Off Queen's Road, Fort, Bombay.

The world received with a sense of great shock and bewilderment the news of the assassination of President John F. Kennedy. We in India have lost a sincere and good friend and the world will be infinitely poorer for the absence of this great statesman of high purpose. And in Maharashtra, with the passing of Mr. M. S. Kannamwar, the Chief Minister, we have lost an able administrator who had endeared himself to the people by his simplicity, integrity and fairmindedness. These tragic losses, from far and near, will undoubtedly have their repercussions on all of us.

Though we operated under a far less tense atmosphere politically than in the previous year, the state of emergency caused by the Chinese aggression still continues. Government is naturally anxious to find additional funds to meet the great task of defending the country against all eventualities. Extra financial burdens have had to be borne by all. These levies, coupled with rising cost of production, have had a marked effect on the Company's working. It is hoped that in the coming year the indications given by the Finance Minister of reviewing fiscal policies would result in greater confidence and lead to increased industrial activity and production. The Directors' report has drawn attention to these and other difficulties that have affected the Company's operational results during the year, despite increased production and sales. Once again it has become necessary to draw from reserves to pay a reasonable dividend.

Rise in Costs

There has been a steady rise in the cost of production despite continuous efforts to hold it in check by improvements and innovations. In two years railway freight rates have gone up by some 15 per cent and coal prices by 12.5 per cent. The prices of consumable stores and spares have soared up by about 15 per cent. And the spiral has been urged upward by increased royalty rates, higher contributions to Government Provident Fund and State Health Insurance etc. Other important factors responsible for rising costs are the steady deterioration in the quality of coal available, the imposition of power cuts and restrictions on supply from electricity grids.

Cement Prices

Since the retention price of Rs 69.50 per tonne for the Company's cement was fixed on 1st November 1961, there have been substantial increases in the cost of production — due directly to Government action. The Industry made repeated representations to Government to afford necessary relief, and it was only on 1st June 1963 i.e. after 19 months that Government granted an increase of Rs 2.75 per tonne, but there was a simultaneous cut in the selling agents' commission; thus the net increase to the Company was only Rs 2.50 per tonne. This belated but welcome increase was, however, inadequate to cover the very heavy loss in returns amounting to over a crore of rupees already incurred by the Company. Costs have further increased since June 1963 on account of factors beyond the Industry's control, and I would urge that Government should at the earliest opportunity examine these increases and afford quick relief to the Industry in order to help it play its due part in the national development.

Industrial Policy

While on the subject of cement prices and Government's pricing policy, I would like briefly to refer to the World Bank Mission's observations on Indian Economy, and the pricing and price control policy of the Government. The Mission's opinion appears to be that :

i. low prices will tend to discourage production, reduce the incentive to invest in expansion and will encourage the wasteful use of resources;

ii. the policy of controlling prices in key-industries has diverted capital from priority sectors — the very sectors where the need for expansion is greatest !

iii. the cost plus formula, the normal basis for price fixation, is singularly unconducive to efficiency and that

iv. there is a growing recognition in India that prices fixed for basic commodities such as coal, iron and steel, and cement are far too low.

We ourselves have had occasions to express similar views regarding Government's programmes and policies. The various Chambers of Commerce have already brought these observations to the notice of Government. The Cement Industry strongly urges Government to give due weight to these aspects of the Mission's report and to allow a satisfactory pride, which will enable it to pay a satisfactory dividend, and also have something left over to plough back into the business. This is essential for the expansion of this vital basic industry.

Development and Rehabilitation Allowance

I would also like to refer to the cumbersome procedure by which the Company is first required to deposit the net rehabilitation allowance after paying tax, in a separate account to be jointly operated by the Government of India and the Company. Rehabilitation expenses can be released from this account only on the strength of audited certificates of actual expenditure incurred on development and rehabilitation of plant and machinery. Even then, certain items of legitimate expenditure incurred such as on crane gantries, power houses, railway sidings, buildings for flota-

tion plant etc., essential for efficient working and maintenance of the cement plant, are treated as inadmissible by Government. There does not seem to be any justification for this and we hope that Government policy and procedure will be suitably modified.

Coal and Packing Material

The position regarding coal supplies quantity-wise, has eased considerably following the steady improvement in transport. Unfortunately, the quality continues to be a matter of serious concern, because this affects, very markedly, both the quantity and the quality of clinker produced, disproportionately increasing the cost of cement production. The quality of Indian coal of all grades has deteriorated over the last few years while its price has steadily risen. Government's action in encouraging the conversion of cement factories located in South India and Gujarat to oil-firing at a subsidised cost consequently comes as a welcome relief. The factory at Dwarka has been converted to oil, and the Madukkarai factory will follow suit shortly. In due course, the Kistna and Sevalia factories and the new factory at Porbandar, will also use oil instead of coal in their kilns.

So far as packing materials are concerned, we suffered heavily from Government's insistence on fixing the packing charges for cement on the basis of a 50:50 use of new and second-hand bags. The frenzied attempts of many companies to secure second-hand bags in as large numbers as possible served only to create an artificial demand which shot up prices of second-hand bags to a level far above the permitted packing charges. The Industry as a whole represented to Government the impracticability of such norms for the fixation of packing charges. Government revised the packing ratio of old to new bags from 1:1 to 1:2 from August 1963. Even this ratio is high, and efforts will have to be made by the Industry to persuade Government to fix the ratio at the more rational level of 1:3.

Incentive Bonus Scheme For Cement Industry

The announcement by Government early in 1963 of an incentive bonus scheme for the Cement Industry must be welcomed. Under the scheme, a manufacturer will be paid a small bonus for every tonne of extra production during the calendar year 1963 which is in excess of the best performance achieved by any unit during any of the years 1960, 1961 and 1962. This will of course mean bettering the best performance of the previous three years, and is, therefore, an excellent challenge to the Industry.

Expansion, Rehabilitation and Diversification

The Company's programme of expansion and modernisation has been progressing as well as it could under the prevailing circumstances. The first unit of our new Jamul Works, which will manufacture "Slag" cement by utilizing granulated slag from the Bhilai steel plant, is expected to go into production by the end of 1964. The construction of the new "dry process" plant at Porbandar is also making progress. The production of special cements such as Silvicrete, slag cement, oil well cement, hydrophobic cement, etc., was stepped up and the manufacture of other ACC products — FIREBRICKS/ACCOCID, ACCO-SET-50 and ACCOPROOF — also made steady progress. The machine and fabrication shops of the New Engineering Works at Shahabad went into production in the Third quarter of 1963. Efforts are being made to enlarge the scope of the engineering activity at Shahabad in technical collaboration with Messrs. Hitachi Ltd., of Japan. The ACC Technical Training Institute at Kymore, started in 1957, is being enlarged to double the annual intake of apprentices. In course of time it will turn out skilled craftsmen to meet all our needs.

ACC's Central Research Station

Construction work on our Central Research Station at Thana is progressing satisfactorily. This station, the first of its kind in India, will devote itself primarily to technological and applied research on cement and concrete and other products manufactured by the Company.

ACC-Vickers-Babcock Ltd.

The Heavy Engineering Plant of ACC-Vickers-Babcock Ltd., which commenced production last year, has made progress. The working till 31st March 1963 has shown a loss of Rs 92 lakhs of which, as much as Rs 72 lakhs is on account of unrecouped depreciation. This is inevitable since, in a heavy capital-intensive project, the attainment of a satisfactory level of output is a time-consuming process, which may take about 3 years. To provide the Company with certain balancing equipment to meet the demand for machinery, AVB has decided on a further expansion of their project.

Labour-Management Relations

Labour-Management relations at the Works and Collieries continued to be cordial except at the Nowrozabad Colliery, where, owing to the misguided attitude of the labour union, it was not possible to operate the Coal Washery well for some considerable time. In August-September of the current financial year, there was an unjustified and illegal strike at our Kymore Works which lasted for 26 days. The strike was called off finally through the good offices of the Labour Minister of Madhya Pradesh and it was agreed to have the dispute arbitrated.

The Company's disputes pending before various Tribunals in respect of bonus from 1956-57 onwards have been satisfactorily settled with the majority of our unions which are affiliated to the Indian National Cement Workers' Federation. As part of the settlement and in the interests of industrial peace and increased production, we agreed to pay additional bonus amounting to Rs 41 lakhs towards all the claims for the years 1956-57 to 1961-62. Only about 7% of our labour force who are members of unions affiliated to the All India Cement Workers' Federation have not taken advantage of this settlement and are pursuing the dispute before the National Tribunal.

I would like to express on your behalf, the Management's warm appreciation of the loyalty, hard work and whole-hearted co-operation of the Company's employees.

Bombay, 2nd December, 1963.

NB: The above summary is not a document purporting to be a report of the proceedings of the Annual General Meeting.

Nirlon Synthetic Fibres & Chemicals Limited

Speech of the Chairman of the Meeting Shree S Vaidyanatha Aiyar

THE following is the speech delivered by Shri S Vaidyanatha Aiyar, Chairman of the Annual General Meeting of Nirlon Synthetic Fibres & Chemicals Limited at the 5th Annual General Meeting of the Company held on the 16th December 1963 :

Gentlemen,

I extend to you all a hearty welcome to the 5th Annual General Meeting of your Company.

Before I proceed to matters specific to your Company, I must express our profound sorrow at the tragic assassination of President Kennedy and the demise of Shri M S Kannamwar, our Chief Minister and five top Officials of our Defence Services.

As participants in the Prosperity of your Company, you will appreciate that the whole project came into existence owing to the vision, the enterprising spirit and business acumen of the entrepreneurs, Shree Nanubhai Jhaveri and his brother Shree Pramod Jhaveri, the well-known Jewellers. The successful completion of the project owes much to their Highness the Maharaja and Maharani of Travancore and His Highness Madansinhji the Maharao Saheb of Kutch.

By and large, Nylon occupies a place of importance. It is a synthetic fibre created by modern technology and has proved to be vital for industrial development in many countries. In India, it is in great demand for several purposes. Apart from its high utility value for tyre cord, it is used for fabrics for rain wear, ground sheets, light-weight tents, gun equipment covers, safety belts and parachute harnesses. Its tensile strength, its resistance to water and its durability combined with lightness render it eminently suitable for commercial, industrial and defence requirements.

Because of this development, the establishment of the Nylon Plant of Messrs Nanubhai Industries now known as Nirlon Synthetic Fibres & Chemicals Limited is of relevance and importance. Your Company will be of increasing importance in the years to come as India's industries and military requirements and resources develop. The new name of the Company encompasses admirably the purposes of this Organisation which was promoted and organised in 1958 and was intended to develop into an integrated synthetic fibre vertical unit.

Expansion Programme

The Company has, you will be pleased to learn, decided to go ahead with its Rs 10 crore programme of expanding its present capacity for Nylon yarn production and of undertaking for the first time in this country the production of Nylon tyre cord and also of Caprolactam, the much coveted principal raw material for the Nylon industry.

The range of the Company's production, at present covers Nylon yarn of 15D, 20D, 30D, 60D and 70D. The Company's entire production is readily absorbed since there is an ever growing demand for Nylon yarn in the country both for civilian and Defence requirements. The quality of the yarn produced by the Company is satisfactory. This is naturally due to the rigid quality control enforced at every stage of manufacture. The full production of the Plant is expected to result in an annual turn-over of Rs 4 crores.

Further, with a view to meeting the speedily growing demand for Nylon, the Company has decided to raise its capacity for Nylon yarn production to 5.6 tons a day from 2 tons a day as at present. This is a happy augury for the future. The necessary industrial licence for expansion of capacity has already been obtained by the Company and negotiations with the U S Government Lending Agency for a Foreign Exchange Loan are in progress.

The expansion programme is expected to cost about Rs 2.77 crores inclusive of Rs 1.68 crores in foreign exchange. The original Nylon Plant of the Company has been so designed as to accommodate additional Plant and Equipment without any additional construction work. Your Company has chalked out plans to undertake within the licensed capacity manufacture of stretched Nylon yarn used by the Hosiery industry and Nylon tyre cord required by the Automotive, Tyre Industry. Nylon Tyre Cord is now fast replacing viscose tyre cord in the production of Rubber tyres for automobile heavy duty vehicles and aircraft in U S A & Europe.

For the main raw material Caprolactam, your Company depends on imports at present from Messrs Allied Chemical Corporation, U S A. The imports of this material are paid for through exports of fabrics. The Company has commenced its export programme and has been able to export to Europe, Midd'e-East and Far East and has established some important connection in these areas. Further the Company has been able to secure firm orders for exports to meet all the foreign exchange requirements. This scheme will continue to operate till the Company's own Caprolactam Plant starts functioning. In order to save the foreign exchange expended on raw material imports, the Company has already secured a licence for the establishment of a Caprolactam Plant with a daily capacity of 12 tons. The Company is negotiating for collaboration with a firm of international repute, the largest producers of Caprolactam in the USA, and the Central Government have indicated approval of the terms of negotiations. It is proposed to set up the Caprolactam Factory at Thana where Phenol required for the production of Caprolactam will be available. The over-all capacity of the proposed Caprolactam Plant will be big enough to meet the requirements of the Nylon industry in the Country. When the Caprolactam Plant is in full production, it is expected to yield 60 tons per day of Ammonium Sulphate, a Nitrogen-rich fertiliser as a by-product. It will be also possible to tap Cyclohexanone, an important intermediary compound used in a number of industries such as paints, lacquers, pesticides and pharmaceuticals. We should be able to achieve these targets with the co-operation

of all of you as well as those new members who are expected to join us.

Now, I turn to what is uppermost in your mind, the Accounts. The Accounts for the year ended 31st March 1963, reveal the position as follows:

Sales for the first 4 months of production. (The Company commenced production on 2nd December 1962 :	Rs 28,58,985
Profit before depreciation:	Rs 2,69,882
Deduct depreciation including extra shift allowance on Plant & Machinery:	Rs 16,73,866
Net Loss carried to Balance-Sheet	Rs 14,03,984

The loss is mainly due to our providing depreciation on the diminishing balance method which naturally would be heavy during the first few years. Development Rebate at 20 per cnt on the value of Plant and Machinery installed is available under the Income Tax Act. Reserve for the Development Rebate will be created when sufficient profits are available.

The Sales for the subsequent 8 months from April to November 1963 amounted to Rs 1,49,82,000. The shareholders can look with confidence and optimism to the future and expect a fair return on their investment.

I may inform you that we intend to enter the Capital market for the issue of 1,06,000 Equity Shares of the face value of Rs 100 each for cash at par.

Before I conclude, I wish to express on behalf of the Board, my appreciation for the co-operation and valuable services rendered by our foreign collaborators and loyal services of our staff and workmen at the Factory.

Now, I move that the Accounts be adopted.

Bombay,
16th December 1963.

The Scindia Steam Navigation Company Ltd

Statement of the Chairman, Shri Dharamsey M Khatau

THE following is the summary of the Statement of Shri Dharamsey M Khatau, Chairman, The Scindia Steam Navigation Company Ltd. made at the 44th Annual General Meeting of the Shareholders on Wednesday, the 18th December 1963, at Scindia House, Ballard Estate, Bombay :

The improvement in the Company's results in the year under review, observed Shri Dharamsey M Khatau, Chairman of the Scindia Steam Navigation Co Ltd. in his statement to the Shareholders of the Company at the 44th Annual General Meeting was due to improved performance and the upward revision of freight rates coupled with such rationalisation of the fleet and services as the Company achieved in its overseas trades having due regard to its essentially liner nature. The 10 per cent increase in the Westbound freights had come not a day too soon inasmuch as these freights had remained steady at the same level since 1957.

Regarding employment of 10/12,000 d w t ships as tramps for carriage of cargoes presently being carried by Liner vessels, he said this would lead to wasteful competition. Shri Khatau requested the Government of India to bear this in mind and to see that no parallel service is sought to be established by tramp interests, as such a step would merely give a set-back to what has already been achieved by Indian shipping in the field of international shipping.

Coastal Shipping

As regards the rates of freight on the Coast, Shri Khatau referred to the appointment of Shri T S Parasuraman, as a One-Man Commission to review the case of shipowners, and he hoped that the Commission would look into the urgent need of allowing the coastal operators an appropriate increase in freight rates so as to provide an adequate return on capital employed.

There was another aspect of coastal shipping which Shri Khatau dealt with in his observations : commenting on the occasional shift one noticed in the Government policy in allocation of coal cargo leading to withdrawal of some ships from coastal employment, he said it would be only fair that Indian shipping should expect to carry on the coast the increased quantity of the cargo that would be adequate for increased coastal tonnage so that coastal operators did not have to face the serious situation about finding cargo for their increased tonnages.

Shri Khatau referred to the problem of mounting operating costs arising from increased benefits given to the dock labour under various Awards and also from increased port charges and he said it was very necessary that the steps should be taken to establish an appropriate machinery like the Tariff Commission to evaluate such rise in costs with a view to suitable compensation in freight rates.

He further advised the meeting that, out of the three 17 knots fast motor vessels — JALAKIRT type—ordered with Messrs Hindustan Shipyard, the first vessel is now expected to be delivered by about the middle of 1964, although its keel was laid as far as back as on 12th October, 1961. The second vessel is scheduled to be launched shortly and it will be ready sometime in 1965. Keel of the third vessel was laid on 26th April 1963. He also referred to the recent addition to the Company's fleet of two second-hand motor vessels — one of 12,800 d w t and another of 11,700 d w t —both built in 1958 and having a speed of 14 knots. These vessels have been acquired on a deferred payment basis.

His observations about future prospects were that :

> "the recent spurt in the international freight markets about which a reference has been made earlier will, it is hoped, have a steadying influence on the general level of liner rates. I also hope that the findings of the One-Man Commission now examining the coastal freight rates will lead to recommendations of more reasonable upward revision. With the Government of India recognising the need to ensure economic freights for our shipping and by proper planning, both in coastal and international spheres, we can look forward with confidence to a steady and planned progress of our industry".

Konkan Services

As regards Konkan Services, Shri Khatau stated that the amounts in respect of a subsidy in lieu of 8 per cent increase in fares as well as the repair cost in excess of the Rau Committee's estimate for the years 1961-62 and 1962-63 had not been received as promised by the Government. As no Agreement could be reached with the Government of Maharashtra in regard to the question of payment of dues payable by them, the Company could not resume the Konkan Services from 1st September 1963. Thanks, however, to the good offices of the Central Government, the Maharashtra Government paid an 'on account' amount of Rs 4 lakhs which enabled the Company to resume its services from 11th October, 1963. He further stated that the Committee that was proposed to look into the matter had not yet statted functioning and urged that early steps be taken to set it up.

Shri Khatau thanked Shri Jagjivan Ram, the then Minister of Transport and Communications, and Shri Raj Bahadur, Minister for Shipping and the officials of the Ministry of Transport for the interest taken in the shipping problems. He also referred to the services rendered to the cause of Indian shipping by Shri G L Mehta, the First Chairman of the National Shipping Board and welcomed Shri C H Bhabha the newly appointed Chairman of the Board and expressed his confidence that with his inspiration and efforts we would soon achieve and even exceed the target of two million tons for our national shipping.

He also appreciated the services rendered by the officers and staff and the Company's Agents abroad and in India and thanked the shippers and consignees for their continued support.

Around Bombay Markets

Dalal Street Is Buoyant

Thursday, Morning

DALAL STREET is all joy. And not without reason. The uneasiness that followed the Cabinet's rejection of the Select Committee's suggestion regarding conversion of past Government loans into equity capital has quickly disappeared. It is not merely that the Finance Minister has slightly modified his stand on this controversial proposal, but he has been at pains to assure the business community that the Government means no harm in seeking powers to convert the existing loans into equity shares and that this power will be used only in the best public interest. But this is by no means the chief reason for the stock market's renewed buoyancy last week.

It is T T K's latest statement on the economic situation, giving a broad hint of the measures he proposes to take in order to step up the economic and industrial tempo that has brought cheer to the stock market. The Finance minister has held out the hope of suitable modifications in the fiscal policy which would stimulate saving, investment and production and thereby contribute even more to the buoyancy of public revenues than the present taxes. The stock market does not seem to be the least perturbed by the prospect of 'astute and stringent' measures to meet the evil of tax evasion because unaccounted wealth is not finding its way to the investment market and if tax evasion can be checked it will help a more equitable distribution of the tax burden. How exactly T T K will modify and rationalise the tax structure so as to improve the performance of the economy without disregarding the need for raising resources on an adequate scale, it is difficult to say. But there is little doubt that he is determined to give a new drive to the economy.

The way T T K has created the psychology of confidence since he took over the portfolio of Finance is indeed remarkable. And this change in psychology is by no means to be attributed entirely to the magic of words. For the Finance Minister has already announced a series of concessions to industry and trade which have a great significance for the stock market. The abolition of price control over as many as 16 commodities has been quickly followed by a spurt in shares of companies engaged in the manufacture of dyes and chemicals and rayon yarn which are still in short supply. Industry circles are pleased with the raising of the limit for exemption under capital issues and for licensing from Rs 10 lakhs to Rs 25 lakhs. Even more welcome is the suspension, though temporary, of premium payments under the Emergency Risks Insurance scheme for the fourth quarter which is expected to save the industry anything between Rs 3 crores and Rs 4 crores.

The stock market's buoyancy seems well justified. The market can be confidently expected to scale new peaks in course of time. It is, of course, difficult to say how the upward trend will progress week by week. Hitherto, the rise has been confined largely to the speculators' favourites. But it will not perhaps be long before investment scrips also begin to edge their way up. T T K's plans to stimulate the economy should go a long way in restoring confidence in the investment market. Speculators have already given the lead.

Cotton

Futures Irregular

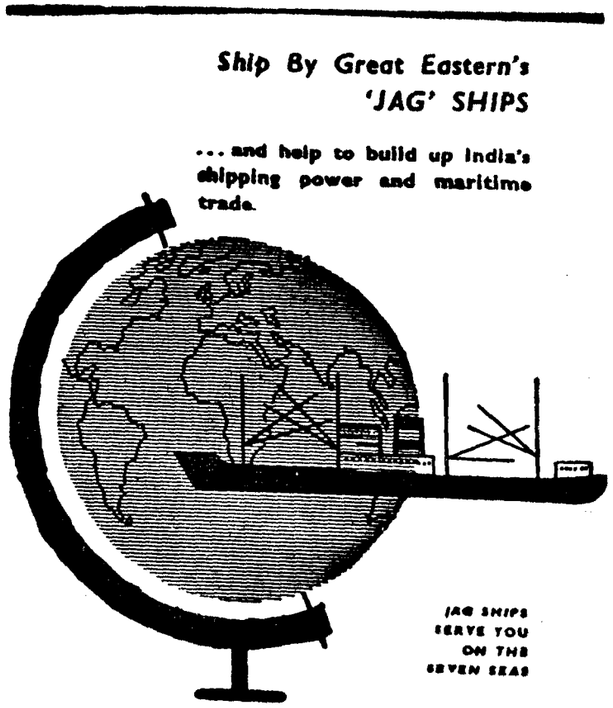
COTTON futures last week moved rather erratically, suggesting that the market was inclined to allow technical forces have their full play and digest the recent gains before making any further dash. The March contract which had been bid up to Rs 724.25 on 10th December was marked down to Rs 715.25

on the 13th but it was up again at Rs 722 the very next day and made a new high of Rs 725.25 on the 16 h. It receded quickly to Rs 718.50 on the following day but rallied to Rs 723 the next day before winding up the session at Rs 721. The quotation eased to around Rs 719 in kerb dealings the same day.

Spot advices continued to be quite firm but the rise in futures had been much too steep to be continued without necessary technical adjustments. The market therefore did well to take a pause. Corrective profit-taking was fairly heavy. That it should have been absorbed without any important break in prices is an indication of the market's inherent strength because of the downward revision of crop estimates to around 55/56 lakh bales. The futures market might remain subdued for a while because of technical considerations but once the process of technical adjustment is completed, futures can be expected to moved into new high ground.

The crop movement is not unsatisfactory. The mills are by no means aggressive buyers. Even so some of the varieties are quoted at or above the ceiling. C02, 197/3 and Digvijay are being eagerly sought by the mills without much consideration for the price. Even the not-so-very popular varieties are quoted only Rs 40 to Rs 50 per candy below the ceiling. But for the reasonably large carryover from the previous season, there might have developed a virtual scramble for cotton by now, the flow of new crop arrivals notwithstanding. The prospect of a crop of 55 lakh to 56 lakh bales in face of the rising trend in consumption is certainly disturbing. The imbalance between demand and supply would have been far more serious if cloth production had been kept up to the Plan schedule. That cotton production in the third year of the Third Plan should be far below the original target set for the Second Plan is a sad commentary on the efforts that have so far been to step up cotton production. It is foolish to blame the weather for the shortfall in production. It should be possible to bring about an appreciable increase in the miserably low yield of 100 to 110 lbs an acre through proper organisational effort.

Exporters did not mention any fresh important business in Bengal Deshi last week. But Deshi prices have continued to show a firm tendency despite the rather slack overseas demand. This is because the statistical position of Bengal Deshi is distinctly strong. The carryover from the previous season is almost negligible. The crop is just an average one while there has come about an appreciable increase in mill demand for this variety. Though overseas demand has continued to be rather slack, export houses are confident about exhausting the two lakh bales quota within a few months. Sales registered as on 13th December amounted to 77,022 bales and actual business is placed around one lakh bales.



Business Notes

Jay Engineering Works

PRESIDING over the 26th Annual General Meeting of Jay Engineering Works, Lala Charat Ram, Chairman of the Company, explained that although the production of sewing machines increased by 20 per cent and of fans by 10 per cent, the performance would have been better still for power shedding in Calcutta. The reduction of profits for the year ended March 31, 1963, was due to the higher incidence of excise and import duties on raw materials, higher raw material cost, railway freight, contributions to the Employees' Provident Fund retrospectively from January 1960, etc. The Company's Hyderabad factory which commenced operations during the year made a loss owing to teething troubles, and reduced the overall profit. However, the current year's working so far was has been satisfactory with a rising trend in production, and the year should end with a better showing.

A notable development in the current year, the Chairman observed, was that as a result of improved production planning technique, the increase in production is not accompanied by a corresponding increase in the capital employed. 'Ushamatic', the Company's automatic zig-zag sewing machine is well received in the market, but the Hyderabad factory which produces this machine will take another two or three years to show profits.

With regard to exports, Lala Charat Ram said, steps are being taken to reorganise the export setup for greater sales effort. An independent division under the name of 'Usha International' has been set up in the sales agency.

Industrial operations all over the country, Lala Charat Ram said, suffer from a cost price inflation which is almost entirely due to official imposts, higher transport charges, etc, and which militates against holding the price line in the country. Referring to industrial labour, he deprecated the increasing tendency of the leadership to make short-sighted demands in the matter of annual emoluments and working conditions which are not consistent with the interests of the economy. According to him there is no conflict of interest between the employees and the industry. Both interests are identical and the problem is to enlarge the size of the economic pie, not to quarrel over one's share in a constant or diminishing pie. More and better jobs, improved wages and better working conditions are possible only if industry is productive and profitable. The problem of unemployment can be solved only by the growth of industry.

Commenting on the progress of the Third Five-Year Plan in the light of the decreasing trend of return on investment, Lala Charat Ram suggested that the Planning Commission and Government should consider reorienting the direction of investment and draw useful lessons from the experiences of Japan and Germany.

New Central Jute

NEW Central Jute Mills had made substantial and all-round progress during the year ended March 31, 1963, stated the Chairman of the Company, Shri A K Jain, at the last Annual General Meeting. The output of the jute mills increased by over 21 per cent over the previous year. During the year 101 broad-looms were added to make a total of 256 and the number has been further increased to 327 during the current

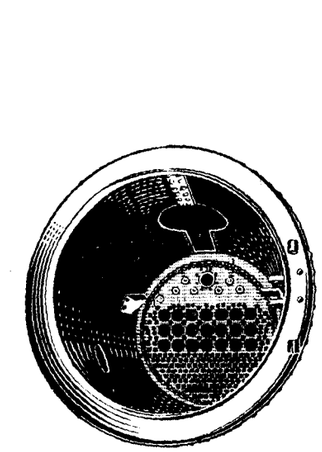


A thrifty person saves today and saves his tomorrows while a spendthrift spends today and spends away his tomorrows as well.

United Bank of India Ltd.
HEAD OFFICE : 4, CLIVE GHAT STREET, CALCUTTA
A SYMBOL OF SERVICE
OFFERS COMPLETE BANKING SERVICE

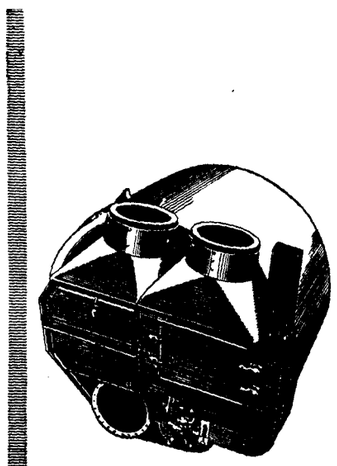
E.R.W. BOILER TUBES

For trouble-free steam raising in all applications calling for rigid specifications, Electric Resistance Weld tubes are in every respect equal to corresponding seamless tubes. High frequency current ensures efficient welding, and normalising is carried out in controlled atmosphere furnaces to produce a ductile tube with a smooth, blue finish.



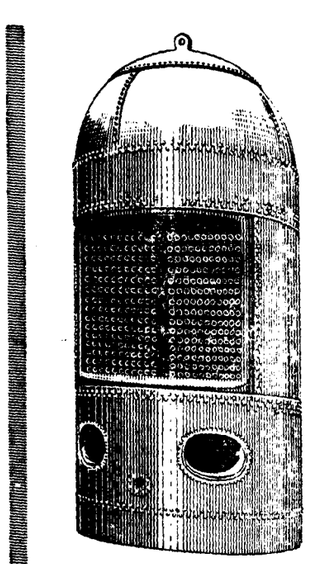
LOCO

We supply E.R.W. loco boiler and superheater tubes from our Jamshedpur Works to meet the bulk of the Indian Railway's demand. These tubes meet all the technical requirements of Indian Railways.



MARINE

Our E.R.W. tubes meet all the tests specified by Lloyd's Register of Shipping. Indian Tube is on Lloyd's Register of Shipping's list of approved manufacturers.



LAND

Our E.R.W. tubes for land boilers are accepted by the D.G.S. & D. and comply with the Indian Boiler Regulations. We also carry ready stocks of this category at our Warehouses.

INDIAN TUBE THE INDIAN TUBE COMPANY (1953) LIMITED
A TATA-STEWARTS AND LLOYDS ENTERPRISE

ITC-56

ar against a licenced capacity of 50. The Company made an all-the record profit of Rs 1.32 crores uring the year, the highest in the ate industry. This is due to the rge-scale expansion of the mills ich the management accomplished a considerable sacrifice of their n remuneration.

The Company is fabricating oad-looms in its own workshop ich is now modernised and engthened to meet increasing eds. In 1962-63, 33 per cent of broad-looms installed by the ls were its own fabrications as inst 7 per cent in the previous ar. During the current year this rcentage has increased to 92. Self-brication enabled the Company t only to expedite expansion pro-amme but to save Rs 50 lakhs of reign exchange which would ve been spent otherwise. In the ld of carpet-backing manufac-re, the Company's production is d accepted in overseas markets d in order to propagate the use double back in carpet-backing, Company has already installed single beam dressing machines.

Referring to the Sahu Chemical d Fertilizers unit, Shri Jain re-aled that modifications effected the plant resulted in substantial provement in the output during e year, and during the 8 months the current year there has been a increase of 25 per cent in pro-uction as compared with the same e-iod last year. Higher produc-on last year was not followed by igher earnings owing to higher s of basic materials. The cur-ent year's financial results would lso depend on the extent to which the cost of basic raw materials, over which the industry has no control, is checked by Government.

On the export front, Shri Jain stated, the Company had entered into collaboration with a Thai Company for the supply of technical know-how for erecting a jute mill in Thailand for which project, the Company will supply machinery and equipment from India and earn foreign exchange. The Company has undertaken to train Thai apprentices in its mills at Calcutta.

Money Market

Thursday, Morning

MONEY supply in the call loan market was adequate to meet the needs of borrowers during the past one week. However, the inter-bank call money rate did not come down on that account, but was well maintained at 4.5 per cent on a par with the Bank rate. Paradoxical though this may seem, this in a way suggests that the seasonal demand for funds is expected at any moment to spurt sharply. Besides, keeping in view their end-year requirements, bankers seem unwilling to extend funds at lower rates and are trying to maintain a highly liquid position.

The scheduled Banks' statement for the week ended December 6, is reflective of the large demand for funds on bankers, causing stringency in the money market. The fall of Rs 20.90 crores in deposits and the rise of Rs 33.18 crores in Bank credit were quite sizable compared with the preceding weeks of the busy season. Such increased demand for funds obviously compelled bankers to liquidate investments of the value of Rs 29.51 crores and borrow Rs 13.80 crores from the Reserve Bank. In spite of such heavy demand for funds, the fact that the turnover of money at call during the week was less by Rs 12.52 crores suggests that the dependence of bankers on the call loan market was considerably less. Yet, paradoxically, the call rate went up to as high as 5 per cent, crossing the Bank Rate.

The Reserve Bank's statement for the week ended December 13, points to a continuation of demand for funds, though it appears now to be a little less intense. Active note further expanded by Rs 22.70 crores, making a total expansion of Rs 71.18 crores during the last fort-night. Of this the outflow of notes from the Banking Department amounted to Rs 8.34 crores and there was a net additional Note Issue of Rs 14.36 crores. Besides, there was an outflow of Rs 65 lakhs in rupee coins from the Issue Department. A rise of Rs 5 crores in foreign securities and of Rs 10 crores in rupee securities provided cover for the additional issue of notes and coins.

Expansion of currency from November 1. to December 13, amounted to Rs 92.32 crores. During the period from November 1 to December 6, bank credit expanded by Rs 52.06 crores while deposits fell by Rs 26.69 crores and investments were depleted by Rs 39.28 crores. It is perhaps against this background and their end-year needs, that the reluctance of banks to lend at lower rates should be understood. But, in any case, the call money rate cannot be sustained above the Bank Rate for long since bankers have a large unused borrowing limit with the Reserve Bank at Bank Rate, their borrowings at present amounting hardly to Rs 7.86 crores.

Treasury Bill tenders during the week ended December 17, did not evoke much response under the prevailing conditions of the money market. The rate of discount remained the same as last week at 2.315 per cent. 'Intermediates' sold turned out to be quite meagre at Rs 23 lakhs, reflecting absence of interest in Treasury Bills.

The Central Government's deposits which had been rising for some weeks declined sharply by Rs 34.08 crores during the week ended December 13. State Governments' deposits were, however, higher by Rs 4.68 crores, indicating transfer of funds to the States. The net fall in deposits was accompanied by a reduction of Government borrowings by Rs 6.97 crores denoting adjustments. Scheduled banks did not increase their deposits beyond a fractional amount of Rs 20 lakhs but they reduced their borrowings by Rs 6.75 crores. This in a way indicates that the strain they experienced in the preceding week had somewhat diminished.

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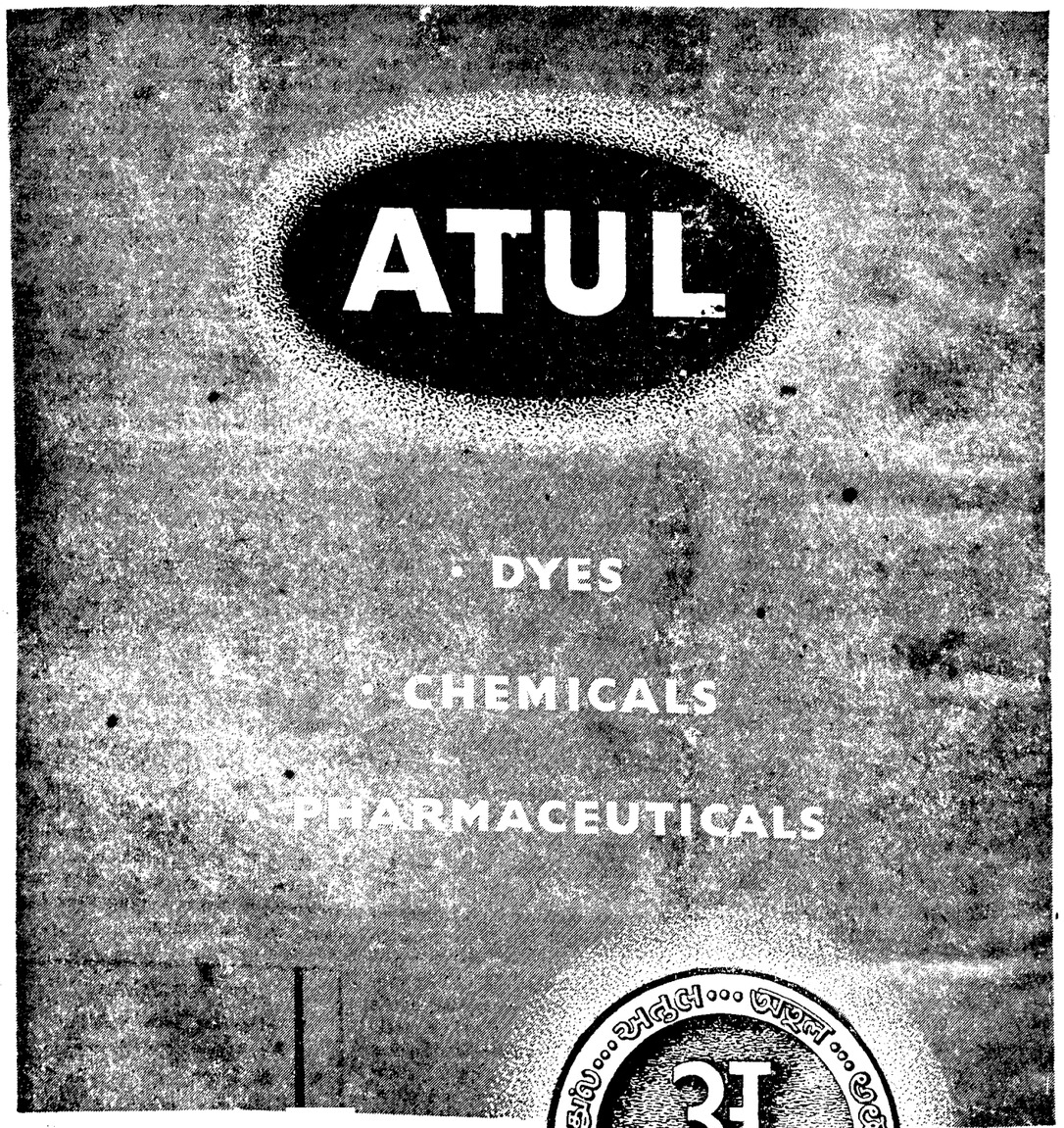
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