

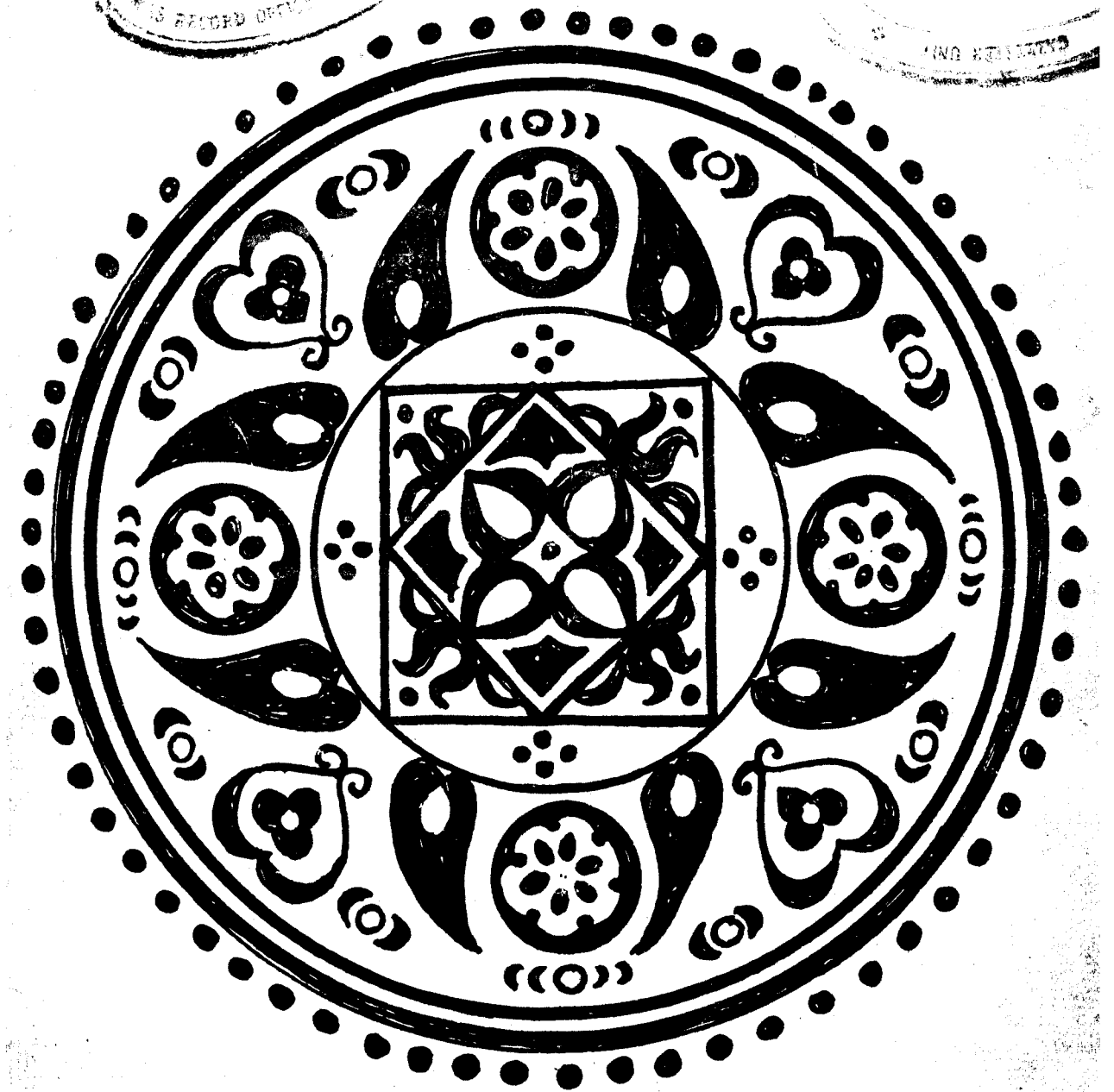
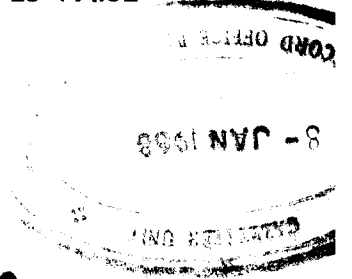
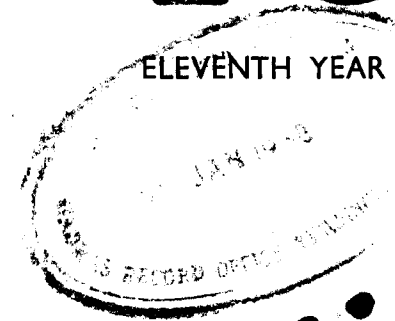
JL
X: 75m, 2, 157
N 68.11.
94038

YOJANA

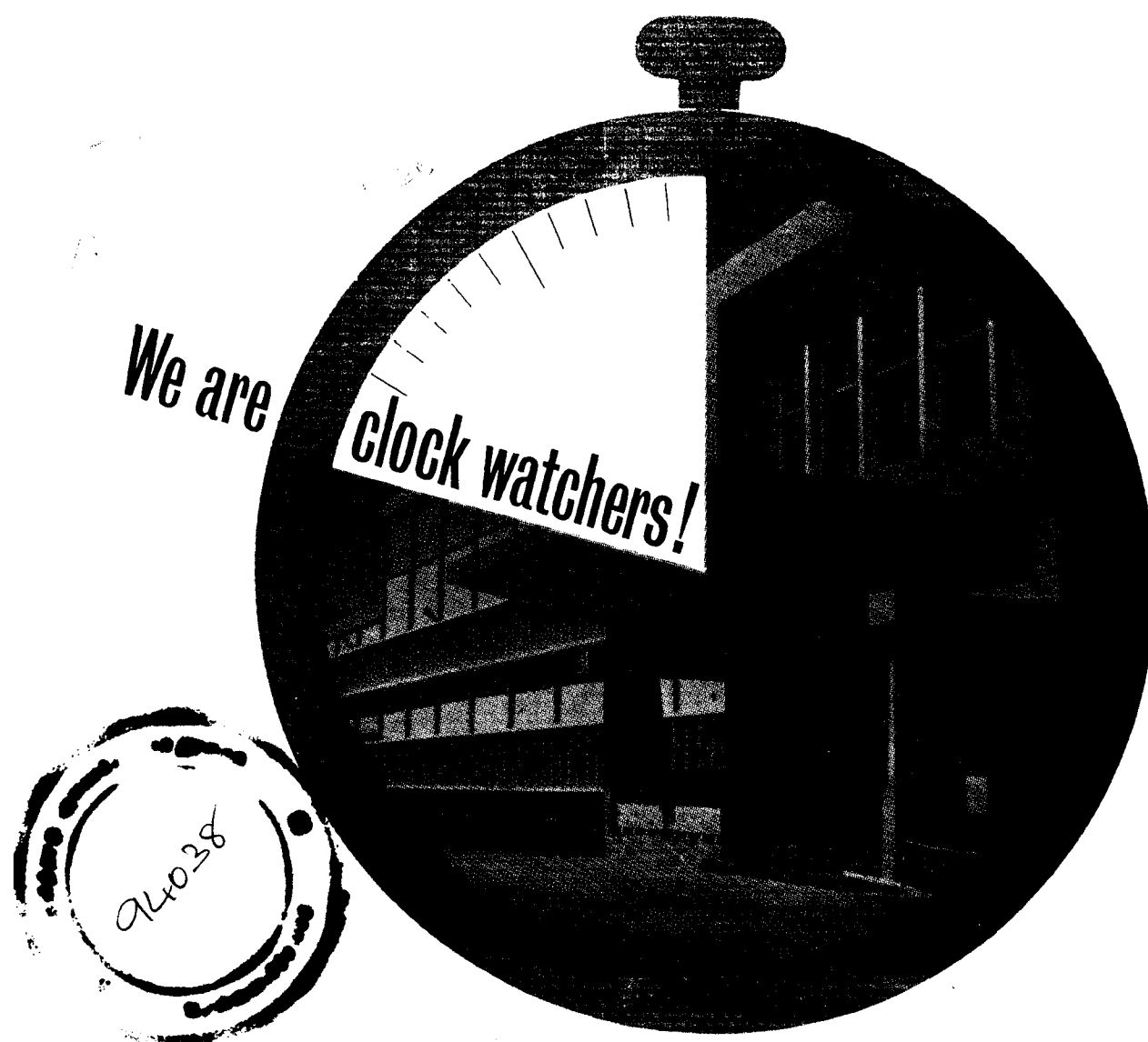
ELEVENTH YEAR 26

JANUARY 7, 1968

25 PAISE



DO WE HAVE A SCIENTIFIC MIND

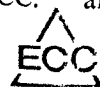


Racing with time to complete major construction jobs. Helping new factories to go into production within the shortest time possible. Take the factory for Associated Bearings Company Limited, for instance.

This large structure was completed within 18 months—in precast reinforced concrete. Wide column-free working space was achieved with high strength controlled concrete. The roof consists of reinforced foam concrete slabs which lighten dead loads and improve thermal insulation. Cranes and gantries particularly suited for the project, were designed and constructed by ECC.

Executing this and many such jobs well within the scheduled time has earned ECC a reputation for speed and excellence in the field of civil engineering contracting. Backed by extensive experience and technical know-how, ECC has put up such structures as the Modular Laboratory at Trombay, the weaving shed for Madurai Mills at Ambasamudram and the Indian Overseas Bank Building, Madras.

For Associated Bearings Company, ECC also constructed overhead water reservoir, sewage treatment plant, cooling tower, concrete roads and other structures.



ENGINEERING CONSTRUCTION CORPORATION LIMITED

A wholly owned subsidiary of Larsen & Toubro Limited
P.O. Box 278, Bombay • P.O. Box 343, Madras • P.O. Box 619, Calcutta

YOJANA

Fortnightly Journal published
behalf of the Planning
Commission

Vol XI

No. 26

January 7, 1968
Pausa 17, 1889

This Fortnight

Comments on Plan Postponement-3	... 2
State Annual Plans 1968-69	... 4
Britain Keen to Aid India	... 6
—Interview with Mr Prentice	
Progress In Antibiotics	... 8
Science In India	... 11
—Interview with G.B. Lal	
This India	... 14
National Book Fair	... 15
Side Track	... 19
Anti-English Agitation by Students	... 20
—Shivaji Sen Gupta	
Education In Public Administration	... 21
—S.C. Seth	
Book Reviews	... 23
Index for Volume XI	... 25
Rural Industries Supplement-33	... 29

COVER designed by R. Sarangan

Yojana seeks to carry the message of the Plan, but it is not restricted to expressing the official point of view.

Chief Editor :
Saradindu Sanyal

Assistant Editors :
Madhav Krishna Pardhy
Rosscoe Krishna Pillai

Photographic Officer :
T. S. Nagarajan

Editorial Office : Yojana Bhavan,
Parliament Street, New Delhi-1
Tel: 383655, 381026

Business Office : Business Manager,
Publications Division, Old Secretariat,
Delhi-6.

Inland Subscription : Annual Rs. 5 :
Two years Rs. 9 : Three years Rs. 12 : Single copy 25 paise.

Foreign Subscription : Annual 10 s.
6 d. or U. S. \$ 1.50 ; two years 18 s. 6 d. or \$ 2.75 ; three years 25 s. or \$ 3.50 : Single copy 6 d. or 7 cents.

JAN 1968

FROM DESPAIR TO HOPE

The world has just bid farewell to yet another year, and already we are looking towards the future against the backdrop of what has become part of history. The old year that has been left behind has been a momentous one in the life of the nation. It has been a period of great changes in the political sphere and severe trial and tribulation as far as the economic life of the country is concerned.

It began with the fourth General Elections, which was not only a remarkable manifestation of the democratic process we launched in January 1950, but also evidence of the inherent vitality of the Indian body politic. The results of the elections, which saw, for the first time, the end of the dominance of the Congress Party in the States, marked the beginning of a new era in the nation's political life. For the first time, non-Congress governments came to power in several States, thereby putting the federal structure of the country to a real test. The political uncertainties that followed this development have still to be resolved.

On the economic front, the year has been a very difficult one. Rising prices and industrial recession have slowed down progress, and the burdens of the common man have increased, often beyond endurance. The devaluation of the rupee, which was expected to salvage our foreign trade from the mire, proved to be an illusory hope. Continued drought in several parts of the country, especially in Bihar, not only brought untold misery to countless people; but added a severe burden to the economy. Food production, severely depleted by the failure of the monsoon in the two previous years, was desperately short, requiring huge imports.

The problems have, indeed, been numerous; and often baffling. The cumulative effects of Chinese aggression in 1962 and the more recent attack by Pakistan in 1965 on the nation's economy were felt severely in 1967. The impact of the obvious imbalance in our economy, especially in the sphere of development and planning, has led to the decision to postpone the launching the Fourth Five Year Plan to April 1969. The period between 1966 and 1969 is being covered by Annual Plans. This decision of the Planning Commission, to break the cycle of Five Year Plans, has led some people to believe that the country has taken a "holiday" from planning. It has even been suggested that the "postponement" of the Plan is a "defeat" of the planning process.

These criticisms are based on certain misconceptions. In the first place, the preparation of Five Year Plans has not, in any sense, assumed less urgency or importance. Obviously, the effort is essential and has to be continued. There is no denying that long-term perspective planning is essential for the proper orientation of the planning effort. However, in view of the uncertain resources position, it would have been highly unrealistic to adhere to the fetish of five year planning. Secondly, the decision to adopt the system of Annual Plans in the interim period is designed to provide for investment and development expenditures within the limits of resources.

The past year has certainly not been very auspicious from the Indian point of view. Nevertheless, we have managed to keep going forward, however slow the rate; and these last few months have shown that the worst is behind us. A plentiful monsoon has made the prospects of a bumper crop more assured. This is a major gain; and, with a bountiful crop in sight, the economy is already gathering momentum. The delay in launching the Fourth Plan has been more than offset by the Annual Plans, which are more realistic in concept and are assured of more effective implementation. And so, we enter the new year with hope and confidence. The omens are good; but we have to keep on striving to attain the goals that we set for ourselves on the morrow of freedom.

A Yojana Symposium On PLAN POSTPONEMENT

The Decision Alone Not Enough

C.C. DESAI

Member of Parliament

By announcing the decision to postpone the Fourth Plan, the Government have skilfully deflected much critical fire towards the fruitless controversy over whether the current three-year hiatus constitutes a Plan Holiday. I believe that unless a clearer picture emerges, especially regarding our fundamental approach to planning, no right-thinking person should overlook the grave policy errors committed during the last two five-year Plans. Do a new team in the Planning Commission and an extended period to complete their homework justify our continuing loyalty to any old panacea the Government may market in a new form?

We all fully endorse the much needed shift in priorities to making agriculture regain the paramount position in investment allocation. We have before us the tragic experience of the Third Plan which became a calamity because of the inflationary impulses in excessive public sector industrial investments without a cushion in agricultural production. Due to this, the capital-output ratio jumped to over 5:1 as against only 2.22:1 in the First Plan and 3.88:1 in the Second. We must not be allowed to assume too easily the facile belief that there may not occur years of some shortfall in food output. These declines in agricultural production may seriously affect the market for our major industrial goods and also our exports of primary commodities, which even now constitute a large fraction of our total exports by value. The Planning Commission, which has often failed to appreciate the effect of such shortfalls and is still

weak in implementing Plan projects, gives no indication that it can rise to the occasion to formulate and carry through an operation so lightly set out with the grandiose form of India's Draft Fourth Plan. We now also face more difficult external pressures.

The changed climate of foreign aid and the drastic cuts that the

Yojana initiated a discussion on the decision to postpone the Fourth Plan. In response to our invitation, leading Members of Parliament, distinguished economists and economic journalists have offered valuable comments.

Ten of them appeared in the last two issues. We conclude this discussion with four more comments here.

U.S. Aid Budgets have already undergone, and are further likely to suffer, sometimes against the wishes of the American President, imply that foreign assistance will steadily go down. The crushing burden of both direct and indirect taxes implies that the Fourth Plan can be welcome only if it is a smaller and more realistic Plan, based on actual as against hypothetical resources. Otherwise, the impulse to recline on deficit financing is likely to prevail or the gap between the financial and the physical Plans may widen as in the Third Plan. During 1961-62 to 1965-66, Plan investment actually exceeded the target of Rs. 10,400 crore but the national income increased by only 15 per cent as against the target of 27.5 per cent. It is necessary that there should be less of financial model building and a greater devotion to

the implementation of Plan projects. Full use of the experience acquired in the current Annual Plans needs also to be made to revise Plan programmes in mid-stream, if necessary.

Finally, there does not appear to have been any basic change in the official approach to the public sector industrial projects. Only after the existing capacities in the more efficient private sector projects are fully utilised, can new investment in public sector projects be allowed. There must also be a common criterion for judging the performance of industrial projects, whether in the public or the private sector, and this should naturally be the accepted norms of financial profitability.

Unless the decision to postpone the Fourth Plan is buttressed by these necessary changes in Plan policies, I cannot consider it anything but an exercise in those very measures of extravagance of which the Third Plan gave such abundant and painful proof.

A Little Too Optimistic

V. R. PILLAI

Head of the Department of Economics, University of Kerala

NEITHER credit nor blame should attach to the Planning Commission for its decision to postpone the Fourth Plan to 1969-70. It is the compulsion of circumstances which has forced this decision.

The economic as well as the political situation in India today is so nebulous and so full of uncertainty that the time is least opportune to project to future growth of the economy. There

has been substantial change for the better in the conditions which prevented the launching of the Plan according to schedule. The vicious wage-price spiral is proving to be more intractable than anticipated. Our cost structure is becoming more and more inflated causing grave concern to our balance of payments. The resources position for the current annual plan is pretty tight and threatens to unleash another dose of deficit financing.

The growing resistance of the public to additional taxation and the adverse reaction of State Governments to even the most reasonable proposals to tax the agricultural sector are pointers of India's economic climate today. The prospects of massive foreign aid are fast receding, while the burden of service charges on dissipated old debts is hanging heavy round the neck. No Plan can succeed without public co-operation. The common man can judge our planning by one acid test and one only; namely how it affects his daily life. Is it any wonder if he has lost faith in planning, *sans* food, *sans* sugar, *sans* clothing, *sans* everything which makes life worth living?

It is idle to pretend that all is well with our economy and the present difficulties are only temporary and transitional. The malady is more deep-rooted. Recession is a corrective which the natural play of economic forces has brought about. To counter it by stepping up monetary investment in the present context, will be like trying to stop fever by applying ice.

Several urgent tasks lie ahead of us to enable the economy to regain its momentum. The proper course therefore is in the first instance to make a determined effort to face them, for example, to effect drastic economies in wasteful expenditure, to tone up the efficiency of our public sector enterprises so as to make them yield a reasonable return on investment, to restore the buoyancy of the capital market by suitable measures, to redress the imbalance in the consumption goods sector consequent on its comparative neglect during the last decade and to concentrate on the maximum utilisation of the production potential created during

the Plan period. If our annual plans can achieve these ends, it would automatically create more of real resources which can be channelled into new investment.

A firm base for the Indian economy to take the next leap forward can be obtained only if two essential preconditions are satisfied; the food problem must be brought under control and the price level should be stabilised. A realistic appraisal of the problems which confront us would suggest that the Planning Commission is perhaps a little too optimistic in proposing to begin the Fourth Plan in 1969-70. But Prof. Gadgil has certainly made his statement with commendable caution. What is envisaged appears to be that the Plan will merely "lay down the broad objectives, guidelines and policies for a five year period", on the basis of which detailed planning can be carried out from year to year within the ambit of available resources.

Prudent and Farsighted

KHANDUBHAI DESAI

Member of Parliament

DEFERMENT of the final formulation of the Fourth Plan, it seems, has created unnecessary but avoidable misunderstanding. The country must realise that we have passed through external difficulties in the course of the Third Plan period.

The beginning of the implementation of the Third Plan was made in April 1961. In the very next year the country had to face the invasion of China. This invasion upset all our expectations. Defence expenditure, which was only about Rs 450 crore, had to be stepped up to about Rs 1,000 crore by the end of the Plan. The first three years of the Plan remained static so far as agricultural production was concerned. The fourth year gave us some hopes; but the fifth and the subsequent years gave us a disastrous set-back due to the failure of monsoon, and the foodgrains production went down to about 74

million tonnes as against the anticipated Third Plan target of 95 million tonnes. This fall in agricultural production, coupled with a war with Pakistan, further upset our economy and the disequilibrium aggravated. All these realities cannot be ignored in the formulation of the Plan. The first three years of the contemplated Fourth Plan had to have only annual plans so as to give an opportunity for the economy to settle on an even keel.

Experiences of the past seventeen years would have to be concretely weighed by the new Planning Commission to give the country a realistic Fourth Plan. The potential resources available have pushed up the activities in the different sectors of the economy. In this connection the following few points require to be borne in mind.

Let us see retrospectively and historically the achievements of the planning strategy which this country has developed in a democratic way. We can say without hesitation that the First and the Second Plans succeeded substantially. We achieved an economic growth of 45 per cent in the first ten years of planning on the 1948-49 prices. At the same constant prices, the per capita incomes had increased by no less than 25 per cent. The Third Plan was badly disturbed by difficulties and prices rose up by nearly 60 per cent compared to the last year of the Second Plan.

Deficit financing had to be resorted to fulfil financial targets of the Third Plan which again added to the inflationary trend. Agricultural production was deplorably short. While the industrial production rose to 44.3 per cent, it distorted the equilibrium between the agricultural and industrial production. Some time is necessary to bring the equilibrium back. The three-year pause to rethink and reorientate the planning strategy is, therefore, absolutely necessary. This is not a Plan Holiday, but a short pause essential for the formulation of the Fourth Plan.

The country would not lose by it, instead it will considerably gain, and will be able to make an investment of Rs 2,500 crore in public sector undertakings to create resources for the Fourth Plan. I have no doubt that the experience of the

working of the public sector undertakings will also help the Planning Commission in streamlining the administration and management of these undertakings to yield additional internal resources. The pause is thus not only necessary; it is a prudent and farsighted decision which is justified and which we all must welcome.

A Reader's View

If one carefully reads the announcement of the decision to postpone the Fourth Plan, one finds two factors which explain the basic reasons for postponement.

- (1) Firm base would be obtained in 1968-69.
- (2) To project the future growth of the economy and real development effort for the five year period.

The entire planning process depends on these points. If the firm base does not seem to be available, then planning is bound to result in unrealistic efforts to achieve unattainable targets.

The present planning and economic development processes can be likened to a train which has reached the platform but some of whose bogies are still outside the station. The postponement is like the brief pause to reach the entire train to the platform. This is done during the postponement period and the future course is then planned.

A brief stop is required to take stock of the structural, institutional, social and economic changes. The period since planning began has brought forth a lot of transitions and crises in all walks of national life. Hence, at the height of these crises, the postponement is desirable for further perspective and realistic planning.

R. L. Pitale
Amravati (Maharashtra)

Planning Note

State Annual Plans for 1968-69

THE Planning Commission held discussions with the State Governments to finalise the annual plans for 1968-69 of the respective States. The meetings began on December 18.

The first two stages of discussions with the States for their annual plans had been completed earlier, except in the case of West Bengal and Nagaland. The discussions then dealt with financial resources and sectorwise programmes.

During the recent discussions, no decision could be reached on the Annual Plans of Andhra Pradesh and Madras. Discussion on Bihar's plan was postponed to January 8. No dates have been fixed for West Bengal and Nagaland. The annual plans of Maharashtra, Madhya Pradesh, Uttar Pradesh and Jammu and Kashmir were finalised. In the case of Gujarat, Mysore, Orissa, Punjab, Assam, Kerala, Rajasthan and Haryana, the outlays are subject to adjustments.

The outlays and main features of the Annual Plans as emerged from the discussions are given below:

MAHARASHTRA

Total outlay—Rs. 139 crore.

Agriculture Rs. 33.35 crore.
Co-operation and Community Development Rs. 3.49 crore. Irrigation and Power—Rs. 57.17 crore.

Industry and Mining—Rs. 3.20 crore.

Transport and Communications—Rs. 13.08 crore.

Social Services—Rs. 28.59 crore.

Miscellaneous Rs. 0.12 crore.

The outlay for the State's Annual Plan for 1966-67 was Rs. 115.46 crore. The anticipated

expenditure on the current year's Annual Plan is Rs. 122.07 crore.

Next year's agricultural programme lays greater stress on extended use of hybrid seeds and intensive cultivation blocks. The Planning Commission is exploring possibilities of making more funds available for agricultural production and minor irrigation schemes through the Agricultural Refinance Corporation and other sources of institutional finance.

The State Government proposes to complete its programme of putting up at least one well in every village and providing other amenities during the year.

The Annual Plan also provides for a special programme of road construction in the forest areas of Chanda district with a view to speeding up the resettlement of refugees from East Bengal.

The State has launched a special drive for the recovery of arrears of tax and loan dues, and for the procurement of maximum quantity of foodgrains.

MADHYA PRADESH

Total outlay—Rs. 57.05 crore.

Agriculture—Rs. 15.88 crore.

Co-operation and Community Development—Rs. 2.00 crore.

Irrigation and Power—Rs. 21.70 crore.

Industry and Mining—Rs. 1.90 crore.

Transport and Communications—Rs. 2.65 crore.

Social services—Rs. 12.17 crore.

Miscellaneous—Rs. 0.75 crore.

The outlay for 1966-67 was Rs. 56.18 crore and that for the current year is Rs. 59.47 crore.

The Chief Minister referred to the possibility of increasing resources by way of additional taxation and other measures. To the extent that this was effective, the total outlay for 1968-69 would be revised upwards. A net addition of Rs. 4 crore was expected which could take the total Plan outlay upto Rs. 61.05 crore.

JAMMU AND KASHMIR

Total outlay Rs. 21.70 crore.

This compares with an outlay of Rs. 17.38 crore for 1966-67 and an anticipated expenditure of Rs. 21.38 crore in the current year.

The Chief Minister said that the outlay would not meet the developmental needs of the State, particularly in respect of power and minor irrigation.

UTTAR PRADESH

Total outlay Rs. 140.18 crore, including Central assistance of Rs. 75.6 crore.

The outlay could be raised by augmenting the State resources.

GUJARAT

The annual plan for Gujarat as envisaged by the Planning Commission is based on an assessment of the total resources, namely Central assistance available to the State and the resources at present in sight, totalling Rs. 79.70 crore.

The Chief Minister stated that his Government would make an effort towards mobilisation of additional resources to the tune of Rs. 5.30 crore. This could take the total outlay to Rs. 85 crore as compared with an outlay of Rs. 57.33 crore for 1966-67, and Rs. 72.06 crore for the current year.

It was agreed that the State's annual plan may be increased to Rs. 85 crore if the State Government was able to frame specific proposals for raising additional resources.

MYSORE

An outlay of Rs. 51.32 crore has been proposed by the Planning Commission on the basis of resources available.

The Chief Minister felt that the outlay should not be less than that

for the current year, namely Rs. 60.25 crore, in view of the programme requirements of agricultural production, irrigation and other sectors.

It was agreed that efforts should be made to increase the resources by exploring possibilities of selling power to other States, collection of arrears and other avenues. The outlay in the annual plan would be augmented to the extent there was a net addition to the resources of the State.

ORISSA

With the resources in sight the Planning Commission has suggested an outlay of Rs. 29.60 crore.

The Chief Minister mentioned Orissa's special difficulties as a backward State and said that in order to maintain the tempo of development, the Centre's contribution to the available resources should be increased. The recovery of dues and repayments owing to the State and measures to raise additional revenue would enable the State to have a more satisfactory outlay.

PUNJAB

On the basis of the resources in sight, the Planning Commission has indicated an outlay of Rs. 29.53 crore. Allocations had been provided to ensure that implementation of the schemes of irrigation and power would continue.

The Chief Minister referred to the State's debt repayment and other obligations. There were also dues to the State which, when returned, could add to the Plan resources. The State would explore the possibilities of raising additional resources.

ASSAM

The Planning Commission has suggested an outlay of Rs. 29.40 crore.

The Chief Minister stated that the outlay was not adequate. There were also special regional compulsions.

KERALA

An outlay of Rs. 44.27 crore for the annual plan of Kerala for 1968-69 was discussed. The Central assistance will be more or less at

the same level as in the current year.

It was agreed that the outlay for Idikki, at present suggested at about Rs. 8 crore, should be reviewed by technical experts.

RAJASTHAN

With the resources in sight, the Planning Commission indicated that the annual plan of Rajasthan should have an outlay of Rs. 37.30 crore, the entire outlay being met by the Centre.

The Chief Minister pleaded for a larger outlay in order to carry on the development work already in hand, specially in the field of irrigation and power. The Centre should also take into account the relative backwardness of Rajasthan in allocating resources.

HARYANA

A tentative outlay of Rs. 21.53 crore has been suggested for the annual plan of Haryana for 1968-69. The outlay includes Central assistance of Rs. 13.9 crore.

The State representatives urged for a higher Central assistance on account of their enhanced repayment liabilities in regard to multi-purpose projects and the various disadvantages from which they had suffered at the time of reorganisation of the State in November 1966.

IRRIGATION PROJECT FOR RAJASTHAN

The FAO, the United Nations Development Programme and the Government of India have agreed to a plan of operation for an irrigation project in the Chambal area of Rajasthan. The project will cost Rs. 4.5 crore.

The FAO and Government experts based in Kota will undertake a 1000-acre pilot development project in the Rajasthan part of the Chambal irrigation system. Based on their findings, a master plan will be formulated for reducing water-logging and managing soil and water resources efficiently.

Full needs for the reclamation and development of the entire 13,000-acre irrigated area will be determined and recommended in a feasibility report.

A HAPPY NEW YEAR

TO ALL OF YOU

FROM YOJANA

British Minister of Overseas Development tells YOJANA U.K. Keen to Aid India's Agriculture

The Rt. Hon. Reg Prentice, U.K.'s Minister of Overseas Development, was in New Delhi from December 13 to 18. During his short stay YOJANA posed to him a few questions on topics of immediate interest to India and Britain.

Yojana : Mr. Prentice, you are now on your way back from the Colombo Plan meeting at Rangoon. Now, as has been reported, the Rangoon meeting discussed the availability and use of resources for increasing agricultural production in the Colombo Plan area. As you know, India is on the threshold of a breakthrough in agriculture and is trying to raise its agricultural production under a new strategy of high-yielding seeds, more fertilisers and other inputs. To what extent would the U. K. help in furthering this programme? Will it aid in setting up fertiliser industries and also provide more technical assistance in this field?

Mr. Prentice : I have been very impressed by what I have seen of agricultural production during my short stay in India, specially on my trip to the Punjab. I, like many other people from developed countries, was encouraged to hear the Indian delegate to the United Nations Food

and Agricultural Organisation in Rome recently say that he hoped that India would be self-sufficient in food by 1971. Britain is always ready to give any help it can, and which the Indian Government would wish it to give.

With fertilisers, you will already know that I. C. I. are collaborating in setting up a very large fertiliser plant at Kanpur. But as far as my responsibility as Minister dealing with development assistance is concerned, I would like to say that we are considering various possibilities: grain storage, fertiliser production and intensive agricultural development schemes. We are keen to help in this direction, and in consultation with the Government of India, there is no doubt a way will be found. Of course, Britain has already provided some aid to agriculture. It is going into the Namrup fertiliser factory in Assam, and last year we gave a loan of £7.5 million for emergency use in connection



with the food shortage. Much of this was spent on fertilisers, pesticides and port equipment for handling foodgrains.

Yojana : External aid to developing countries is sometimes linked, with specific projects and sometimes to support annual budgets or long-term plans. With U.K.'s experience in aiding India in both these categories, which of these, in your opinion, is a more suitable form of aid? Is tying of aid to specific projects a convenient form of helping or forcing the assisted country to translate a development strategy, acceptable to the donor country, into concrete projects?

Mr. Prentice : Let me make it clear straightway that Britain has never helped under its aid programme to support India's budget. Budgetary help is given only to those countries (most of which have only recently become independent) which lack total resources and finance enough to maintain their economies. An essential part of our philosophy as an aid donor is that we do not believe it desirable

to attempt to force our own ideas upon recipient countries. We try to provide aid in such a way that it can make the greatest contribution to development. I am concerned with development, and aid is only a way towards achieving this end.

In India Britain has, over the last few years, provided the bulk of its assistance in non-project form because this is what was needed. Nobody can look to the future and say with absolute certainty what will happen, but as the Indian investment programme builds up again, it may well be appropriate to link some of our aid to specific investment projects. This would have two advantages: it would enable our contribution to the development effort to be so clearly identified that it would be easier to show people and Parliament in my own country what is happening to our aid money; and incidentally, it would enable us to bring about a closer link between our capital Aid and technical assistance.

Yojana : Instead of looking to E.C.M., would Britain consider closer economic co-operation with the underdeveloped world? What are the implications of Britain's entry into the E.C.M. as far as the Colombo Plan countries are concerned?

Mr. Prentice : It is my view that British entry into the Common Market and co-operation with less developed countries to promote their development are not alternatives. My country can only play its full part in the development effort if we have a strong and expanding economy. Entry into the Common Market would, I believe, in the long run, create conditions in which the British economy could grow more rapidly, thus making it possible for us to play an even more active part in overseas development.

Yojana : Is India's trade likely to be affected adversely as a result of the devaluation of the pound?

Mr. Prentice : Mr. Desai, your Deputy Prime Minister and Finance Minister, made an announcement on this point the other day. My ministerial responsibility is concerned with Aid rather than trade, but in general I agree with what Mr. Desai had to say. I am sure that India's own extremely capable eco-

nomists are in a far better position than I to be able to calculate these effects.

Yojana : In the wake of devaluation, is a wage and price freeze likely in the U.K.?

Mr. Prentice : There is no intention to legislate for a compulsory freeze on all prices and incomes. But we shall need very severe restraint, and the Government are relying on both sides of industry to co-operate. The Trade Union Congress have accepted the fact that devaluation will lead to some increase in the cost of living but that this should not be regarded as a

reason for wage increases.

Yojana : In the light of the postponement of the Fourth Plan to 1969, will the U. K. formulate a fresh programme of aid? Does the postponement in any way help framing such a programme?

Mr. Prentice : While our aid programme naturally takes account of a recipient country's long-term development plans, the precise aid we give is worked out from year to year—in the case of India, in the context of the Aid India Consortium. The Consortium, as you know, receives reports on development progress directly from India and the World Bank.

A DESERT VILLAGE BLOOMS

BORUNDA WORKS "WONDER WELLS"

ON the eastern fringe of Marwar, in Jodhpur district of Rajasthan, is situated a village named Borunda with a population of 4,000. The names Borunda and Chandi Dan Charan, a young farmer of the village, cannot be viewed separately, since Mr Chandi Dan Charan has transformed this desert village into a smiling garden.

What we find in Borunda today is the spectacle of a man's earnest effort for the development of the desert village. Scarcity of water was the curse of the village, although underground water was known to be there. In 1950 Chandi Dan Charan started an experiment by installing a 29 H.P. diesel pump to lift underground water. Following the success more than a dozen pump sets were installed and the village started getting assured supply of water throughout the year.

As a result of the water supply from the "wonder wells", the irrigated area in Borunda has now been raised from 4,000 bighas to 23,000 bighas. It produces Rs. 50,000 worth of barley, grapes, chillies, mustard and jeera.

Chandi Dan Charan also introduced high-yielding varieties to the village. The age-old barren land has now been transformed into a green verdour.

The villagers are confident that they could triple their annual income if the village could get electricity to run their pumping sets.

Apart from giving a lead in the field of agricultural production, he stepped into the field of education as well. The village Jagirdar and tahsildar were scared when there was a fight over the laying of the foundation of the first primary school ten years ago. But he did not. Conditions have changed, and now the village has a higher secondary school with 600 students. Even a girl school has come up in the village under his guidance.

The Films Division of the Information and Broadcasting Ministry has featured a film *mati ban gai sona* (soil became gold) in 1959 depicting the real struggle of the village. Now the villagers have started a folklore academy under the leadership of Chandi Dan Charan. They have also established a printing press and published collections of Rajasthan folk tales.

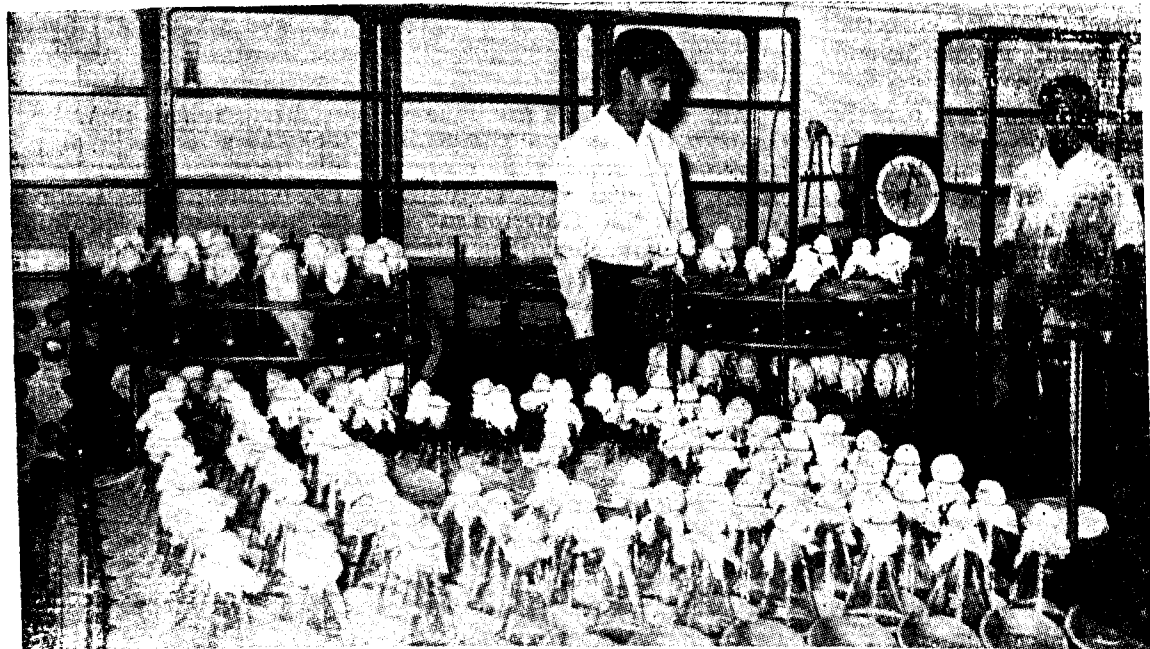
Chandi Dan has his rewards. The Government of India has awarded him 'Padmashri' in 1967 for pioneering work done in the field of agriculture. The villagers elected him 'Sarpanch' of the village Panchayat in 1955, and he continues to enjoy the confidence of the village ever since.

Kalyan Singh Kothari

We present here Mr. Prentice's views on :

- U.K.'S HELP IN OUR AGRICULTURE
- AID TO SPECIFIC PROJECTS
- U.K.'S ENTRY INTO E.C.M.
- EFFECT OF POUND DEVALUATION ON INDIA
- FOURTH PLAN POSTPONEMENT

ONE MORE STEP TOWARDS



SELF-SUFFICIENCY IN ANTIBIOTICS

Rishikesh Plant to Start Commercial Production Soon

Pimpri Finds New Antibiotics

Picture at the top shows development of cultures in flasks by shaking, in the room specially designed for the purpose.

Picture on the next page shows the penicillin crystallisation plant at Pimpri. The operator is handling penicillin crystals in the sterilised room.

THE new year will mark yet another step in India's progress towards self-reliance in antibiotics. The antibiotics plant at Virbhadra, four miles from Rishikesh, will go into commercial production in a few days. The Rs. 24 crore plant, considered to be the biggest in Asia, started producing penicillin a few months ago and will start trial production of streptomycin sometime this month. In a period of two years from now, the plant is expected to produce to its full capacity of 202 tonnes of antibiotics a year.

The production and use of antibiotics have increased tremendously in the last two decades. Since the days of the Second War, when penicillin was used on a large scale as an effective anti-infectious agent, more than 20 antibiotics have found their application in clinical medicine.

It was Pasteur who found that substances produced from living creatures could be used effectively against micro-organisms that cause diseases. The word "antibiotic" was first scientifically employed by

P. Vuillemin in 1889 to describe the concept of one creature destroying the life of another in order to sustain its own—one being in unrestricted opposition to the life of the other. It was in 1942 that the term "antibiotics" was finally adopted by Selman Waksman, a great researcher on the activities of these agents, to define chemical substances of microbial origin that possess anti-microbial activity.

Antibiotics inhibit the growth or destroy micro-organisms. They have been found to be specially effective against a number of infections in man and animals, caused by three groups of micro-organisms, namely bacteria, rickettsiae and large viruses. Millions of human lives have been saved by them. Of late, these substances have come to the succour of plants. Hundreds of crores of rupees worth of foodcrops have been saved by the application of antibiotics. They have also been found useful in the preservation and transportation of fruits and vegetables.

In India the role of antibiotics assumes urgency and importance in

view of the large prevalence of infectious diseases. The present production of these substances falls far short of our requirements.

The Rishikesh plant and the Hindustan Antibiotics Ltd. at Pimpri, a village nine miles away from Poona, together have taken us on the road to self-sufficiency.

The Rishikesh project established under the Indo-Soviet Trade Agreement of 1959 is one of the three projects run by Indian Drugs and Pharmaceuticals Ltd. Soviet engineers have contributed a great deal to the working of the project and the training of Indian personnel.

Rishikesh was chosen for its abundant supply of water and because of its low dust content and negligible bacterial count of atmosphere.

The main products that will be manufactured at this plant are: sodium penicillin, procaine penicillin, streptomycin sulphate, dihydrostreptomycin sulphate, chlorotetracycline, oxytetracycline, tetracycline and nistation.

At its maximum production, the plant will manufacture the equivalent of one billion vials, capsules and tablets of various products.

The project extending over 900 acres has used over 6,000 tonnes of imported and 7,000 tonnes of indigenous equipment and machinery. Nearly 20,000 tonnes of indigenous and imported raw materials like corn-steep liquor, lactose, soya-bean flour, butyl alcohol, starch, vegetable oils and oil cakes, are used every year in the production of antibiotics. Only about 25 per cent of the raw materials may have to be purchased from abroad.

The Plant has a well-equipped Research and Development Laboratory with a pilot plant which is the brain-cell of the project. The Laboratory engages itself in continuous improvement in yields and in the discovery and development of newer and better strains. It has one of the best animal houses in the country.

The Hindustan Antibiotics Ltd. was set up on the basis of an agree-

ment between the Government of India, World Health Organisation and United Nations International Children's Emergency Fund.

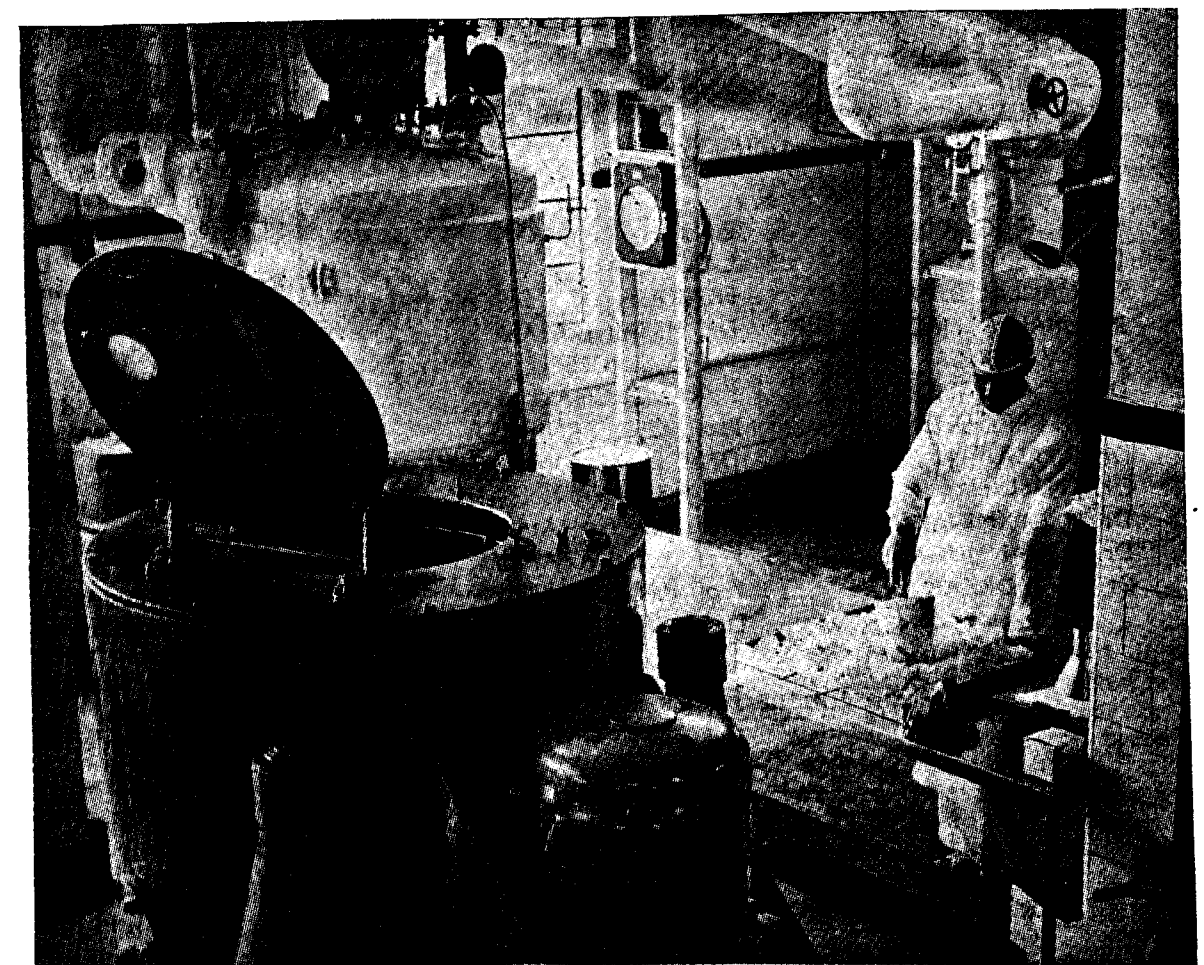
The Pimpri Plant meets a large part of the country's requirements of penicillin and streptomycin.

The initial capacity of the Plant in 1955 was nine millimega units (M.M.U.) of penicillin. The installed capacity was increased by nearly nine times, to 77 m.m.u. last year.

The streptomycin plant with a rated annual capacity of 40 tonnes started production five years ago. The capacity has since been doubled.

Pimpri's antibiotic plant has an internationally reputed Research Centre. It has developed two new antibiotics, Hamycin and Dermos-tatin, highly useful in the control and treatment of dermatomycosis, (infection of scalp, nail and skin with eczematous patches).

It recently discovered two other products, aureofungin and streptocycline, effective against fungal and bacterial diseases of plants.



NEXT ISSUE

Collective Thinking of India's Leading Economists,
Publicmen and Journalists in

Republic Day Special Number

On

PRICES AND PROSPERITY

*Why a price policy? and a price
structure?*

PAGES 64

50 PAISE

Articles by

H.V.R. IENGAR	B.N. BHATTASALI
Dr. ASHOK MITRA	L.N. BIRLA
CHIMANLAL B. PARIKH	PRAKASH VIR SHASTRI M.P.
Prof. BALRAJ MADHOK M.P.	Dr. M. SRINIVASAN
Prof. V.R. PILLAI	Prof. S.C. JOSEPH
Dr. P.C. GOSWAMI	K. RANGACHARI
Dr. D. BRIGHT SINGH	Prof. K.S.L. PANIKKAR
Dr. O.P. GUPTA	Dr. C.H. HANUMANTHA RAO
Dr. J.N. SINHA	Dr. B.R.K. RAO
Dr. H. LAXMINARAYAN	Prof. V.S. MAHAJAN
Dr. V. SHANMUGASUNDARAM	Prof. M.R. HAZARAY
Dr. V.V. BORKAR	Prof. P.N. MATHUR
	Dr. A. VASUDEVAN

In Subsequent Issues

Special Articles on
UNCTAD—February 4

Social Control on Banking—February 18

3 Kg SEEDS YIELD 500 Kgs of PADDY

A Kerala Farmer Does It

I was busy with my office work. One of the farmers of my block area, P. K. C. Cheriya, appeared before me with folded hands and a broad smile. I had never seen such a hearty smile on his face.

He told me that his IR-8 paddy had been harvested the same day. With folded hands he continued, "Sir, it fetched me 68 *paras* of paddy. This is the first time in my life that I get such a good harvest. What you said has come true. Excuse me, I did not believe you when you advised me to sow it".

"Are you convinced now?" I asked.

"Cent per cent," Cheriya replied.

There is a story behind Cheriya's IR-8 cultivation. Cheriya is a farmer as well as an industrialist. Once he came to me in connection with his industrial problems. I also talked to him about the improved seeds and the high yielding capacity of IR-8.

He grumbled, "Last year I lost Rs. 1,500 in Tainan-3 cultivation. Hereafter I will never go in for your so-called improved seeds".

Finally on my persuasion he agreed to try IR-8 for my sake. I gave him 3 kilograms of treated seed. He was surprised when I told him it was enough for about 30 cents of land.

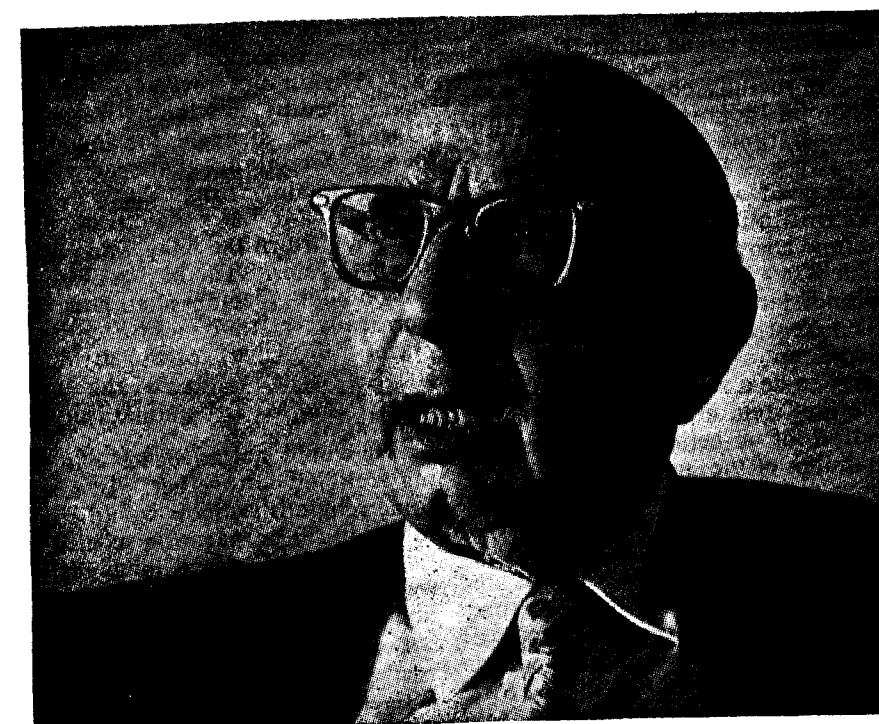
He cultivated the seed as per my directions. At every stage the local Gramsevek assisted him. He did not use any additional quantity of fertilisers. The three kilograms of seed fetched him 68 *paras* (about 500 kg) paddy.

Cheriya has decided to cultivate IR-8 in all the five acres of his land. He says, "I get 7 kg. of rice for 10 kg. of paddy from IR-8. The bran is very thin and white. And the *chorr* (cooked rice) is delicious. My cattle relish IR-8 hey as my children eat sweets".

K. JACOB SAMUEL

"Nobody Really Wants India to Become Great"

G.B. Lal
Science Writer
Emeritus
Of America
Says

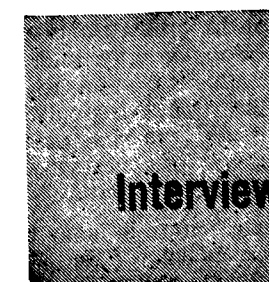


Picture : T. S. Nagarajan

WE HAVE TO BE A SCIENTIFIC PEOPLE

"I don't like other people telling us—do this or do that. I tell you, nobody really wants India to become great. But we have to become great and equal to the more successful, more prosperous, more powerful nations of the world and for this, only science, technology and industrialisation can give us the tools," said Mr. Gobind Behari Lal, one of America's ace science writers in an interview that *Yojana* had with him in his hotel suite in New Delhi. Mr. Lal, now 79, looked much younger, bubbling with verve and vigour. An Indian by birth, he was visiting India after a lapse of 18 years to receive the Watumull Foundation Award for his contribution to Sciences and Humanities. Earlier, in 1937, he had won the Pulitzer Prize and is now the science correspondent of the Hearst chain of newspapers in San Francisco.

A talk with this spirited preacher of science leaves you sur-



charged with a craze for the popularisation of science.

Between his last visit in 1949 and now, Mr. Lal found that there was a little more appreciation of the need for industrial development generally and a certain pride in the development of atomic energy. "But as for scientific spirit generally, now it is probably less than what it was in 1949", Mr. Lal lamented. "The most important factor for science in India was the personality of Jawaharlal Nehru. Our losing him obviously has done a great deal to weaken what could

be called the general attitude towards science." Some of the most distinguished Indian scientists who were very active in the field had either retired or were dead. The absence of such personalities from among those who were specially important in managing the affairs of the country meant the weakening of the attitude which was essential for the growth of science and scientific institutions.

"Now in India the people's minds are guided by literary people, artistic people, most of whom are non-scientific," Mr. Lal pointed out. The most important thing our country was doing now was making laws and our Parliament had many lawyers. How many among these Members of Parliament were science-minded lawyers, he asked. Some of the best makers of science could well be enlightened statesmen, he added.

Although Mr. Lal has been away from India for nearly four

decades and has been a domiciled American, his identification with India and things Indian was admirable. He always spoke, "We in India" and talked fluent Hindi.

He ruefully commented: "Our desire in India is to retain scientific operations for some useful performances. But the scientific spirit associated with any establishment or institution, including that of atomic energy, is almost imperceptible." "In fact," he said, "I would start by saying that one of the first things to be done is to make up our minds that we do want to be a scientific people." As the first step, he wanted the inculcation of a belief and an understanding of the nature of science, both as knowledge and as technology and its association and operation in machine industrialism. "Allow me to point out that we are operating a whole new culture which may be called modern science, modern technology and modern industrialisation," Mr. Lal said. Whatever we call it, it is a complex kind of imitation. He thought some kind of old science was embedded in what was called religion, theology, creed or faith, variously denominated as *dharma* by the Hindus and *akida* by the Muslims and so forth. "So we have actually to remove some of our old clothes in order to put on the new ones. It will need a deep conviction for anyone to do that and will call for a great deal of energy and effort."

No doubt it was difficult because we had pride in many of our old theological systems. One reason for this pride was that European religious men and scholars had highly praised some forms of our theological systems.

Mr Lal agreed that evolutionary ideas had, of course, a role to play in India's resurgence. The

THE SCIENTIFIC SPIRIT IN INDIA IS NOW MORE IMPERCEPTIBLE THAN TWO DECADES AGO. BUT THERE IS MORE APPRECIATION OF THE NEED FOR INDUSTRIES AND PRIDE IN ATOMIC ENERGY DEVELOPMENT.

Indian nationalist movement always tried to play up anything that was evolutionary. We had, therefore, a revival of our theological systems during our freedom fight. Thus a new religion or a revival of the old had helped us in winning freedom. During our struggle for independence, everything that seemed to us as coming from Europe was rejected. Mr Lal thought we had thereby thrown the baby along with the bathwater. The praise bestowed on our theology had gone to our heads. "It has now become a craze. We have got to get rid of it. Let us now go to the next stage," said Mr Lal emphatically.

He would not advocate banishing religion altogether. In fact, some religious symbols would come in handy for propagating science in this country. Some religious beliefs were intended to be rational but had misfired. For example, our

NEHRU'S LOSS IS A BIG BLOW TO SCIENCE. NOW OUR PEOPLE'S MINDS ARE GUIDED BY LITERARY AND ARTISTIC PEOPLE, MOSTLY NON-SCIENTIFIC.

worship of the sun god. It made a lot of sense. But mere sun worship would not do. The sun is a source of tremendous energy and has enormous influence upon us all the time. As Mr Lal tellingly put it, "If we study the sun as the profound ocean of energy, we can make the hydrogen bomb."

"People believe in many kinds of gods," he added. "But tell the people who the real gods are. The force of gravitation, the electromagnetic force and the stronger nuclear force are the real gods. You can very easily dress them up in mythology and you have gods." Mr Lal would not like the temples to be burnt down but would like them to be used in an extraordinary novel way. "Why don't you put a telescope in the temples and say this way the gods wanted us to have a *darshan* into things?" he asked.

According to Mr Lal it was an art, the art of transition and evolution from the old pieties into the new ones. The study of philoso-

PRIDE IN OUR THEOLOGY MUST BE REPLACED BY CONVICTION IN A NEW CULTURE. TELL THE PEOPLE WHO THE REAL GODS ARE: THE FORCE OF GRAVITY, THE ELECTRO MAGNETIC FORCE AND THE NUCLEAR FORCE.

phy, anthropology and psychoanalysis and certain other new branches of behavioural science should direct our thinking so that we might not get into a foolish quarrel with people of different beliefs which were once supposed to be rational but had failed.

The mass illiteracy in our country was a terrible hindrance to the growth of science and industry. Illiteracy had made our people complacent and insensitive to the problems of life. The relative poverty of our nation and our weakness in arms were the result of this attitude to life's problems. "You have to develop among the people a desire for better living," Mr Lal said. He agreed that almost every Indian today, of any consequence, wanted equality with the people who were known to be the world's most influential and prosperous, particularly with those of European descent and of Japan, "an excellent Asian country that has taken up modern ways." But the generality of people were yet to realise this need to catch up and go to the front row.

The whole level of life had to be changed. The only way was to develop a new interest in life. The characteristic of European middle ages of being preoccupied with things outside the earth, of an unknown future life would have to be given up. "You have to grapple with the problems of the world and compete with other nations. Otherwise it will be difficult to live with self-respect among those who are rising and swiftly going forward." Mr Lal said, "There is one thing I want to stress. If we want to become strong, we can certainly be so."

Mr Lal said he was not competent to say if the research carried out in our national laboratories and institutes was lopsided or if

it had contributed to self-reliance. He, however, said that in spite of the fact that scientists in these institutions were top class people, equal to the best anywhere, their influence upon the people or the country's development in general or industrial development in particular was not sufficient. "They keep their knowledge locked up in chests" he added. "I am interested in changing the whole picture of scientific research. There should be high quality research. There should be people who take pride in having done research."

Mr Lal wished that the application of science should spread to every domain and aspect of life in this country. There were all kinds of people: those who were interested in living a better life, having better health, having a lot more money and so on. To all of them science could be useful. But he

RICH PEOPLE SHOULD INVEST MONEY IN DEVELOPMENT WORKS AND NOT IN BUILDINGS FOR RENT AND SALE.

had a ruse against the rich people who tried to get richer by making unproductive instruments. He pointed an accusing finger at the class of people who bought plots of land to build houses for letting out on rent or for selling and thereby making huge profits. They could easily invest their money in development works, industries and laboratories and enable other people also to get employment or to grow prosperous.

In an earlier interview in New Delhi, Mr Lal had said that "to learn and to bring the headworker and handworker together" was science. When asked to elaborate, he said, "As you know, in Europe, in the middle ages, there was a separation between intellectuals who learnt usually through the medium of languages like Latin, great scholars and university men who were mostly theologians concerning themselves with matters unrelated to technology and people who were craftsmen who made things with their hands." There were the leisure class and the non-

leisure class, as he put it. The leisure class deliberately eschewed doing anything with their hands. Only when experimental science began in Europe with Galileo and Newton did a new age begin. The intellectual engaged in scientific activity and the practical man the craftsman, began to combine their specialities. Galileo initiated it. Newton continued it. Faraday also did it.

WE HAVE TO BECOME EQUAL TO THE MORE PROSPEROUS NATIONS. FOR THIS ONLY SCIENCE AND TECHNOLOGY CAN GIVE US TOOLS.

"We have not had that kind of thing sufficiently in our country," said Mr Lal. He pointed out that in China, even in the 19th century a group of Chinese thinkers like Hushi, the famous Chinese philosopher, had started a general movement of scientific attitude and continued for a long time. That was called scientificism by some people. "Without that movement the present change and acceleration of progress in China would have been delayed" Mr Lal said.

As an experienced science writer of long standing Mr Gobind Behari Lal wished that journals and newspapers in India could greatly help in building up such a movement. But when he was pointed out to him that only some 3 to 6 per cent of the total reading matter in Indian newspapers was devoted to science, he laid the blame on the reading public. They could help the publication of science articles by showing greater interest in them. "It is a two-way traffic" Mr Lal said. "If readers say, we don't want any stuff on science, then it is futile for newspapers to publish that kind of material."

ANY LANGUAGE THAT HELPS TO GET NEW KNOWLEDGE ACROSS TO THE PEOPLE IS GOOD LANGUAGE FOR SCIENCE. IT MAY BE FROM MARS OR THE MOON.

PUT TELESCOPES IN TEMPLES AND HAVE A DARSHAN INTO THINGS AS GODS WOULD HAVE WISHED.

To the question if the language for science writing should be the regional language and not English Mr Lal's reply was categorical. "I would care less for any particular language. It can be a language from Mars or the moon. To me, any language that helps to get new knowledge across to the people is good language for science. We quarrel about names and terms. The test for the use of a language should be how far it is most likely to promote things. If you find that the language that you are now using is rich in content, why don't you continue to use it? It is more convenient. If you want to go ahead in science, technology, industry, medicine, then you better get hold of some language that can deliver the goods. It is nonsense to bring in a language that is not rich in these things."

Interviewed by
Rosscode Krishna Pill

Looking Back

Yojana, January 12, 1957

The Krishna Barrage at Vijayawada was inaugurated on December 24 by the Chief Minister of Andhra. The origin of this project goes back to 1792 when the idea of utilising the water of the Krishna for irrigation was conceived by Major Beatson. A terrible famine occurred in 1932-33 devastating the entire region and opened the eyes of the administration for the need for a barrage. Krishna anicut was brought into being in 1855, irrigating about 6 lakh acres. Since then the scope of the anicut was increased to 11½ lakh acres. Again the heavy floods of 1952 which devastated a large area compelled the undertaking of a new project which could both irrigate and check the floods.

The project has been named after the late Shri T. Prakasam. It ensures water supply to the existing 11 lakh acres in the delta and will bring an additional one lakh acres under irrigation. Nearly 40,000 acres are already being cultivated. The barrage will have an all-weather road bridge on which all vehicles can ply. The bridge is on the National Highway between Madras and Bombay.

During my field survey, I met a progressive cultivator who had won the prizes for the best paddy cultivators within the Block as well as in the sub-division. He had always been encouraged by the agricultural and Block Officers. He was once requested by the Agricultural S.D.O. to collect from his office a very good variety of tomato seeds. He walked 12 miles to the office and eagerly bought a packet of seeds. He had to pay Rs. 1.40 although he used to buy such packets at 25 paise.

He sowed the seed in the specially prepared bed and anxiously waited for the seeds to sprout. When the day came, he found that the seedlings were not of tomato, but of brinjal.

*Khagendra Nath Bondoloi
Barbheta, Jorhat*

My friend, an Inspector of schools, went for inspection to a school in an interior village. He was glad to find the school running. But to his surprise, instead of the teacher on the acquittance roll, he found a different person handling the class. On enquiry, the inspector found that the teacher on the rolls had appointed him to run the school and that the regular teacher used to come there only on the last day of the month, pay his substitute some remuneration and go away.

*Hawanur Sripathi
Thirthahalli, Mysore*

Sukhada, (80), a poor refugee woman, works as a part-time servant in our house. Rather physically fit, she often criticises the ruling politicians. She has been so consistent in this that sometimes we wondered if she was a paid worker of a radical party. For some days past she clamoured against the possible dismissal of the United Front Government and even wanted us to protest against any such eventuality.

THIS INDIA

YOJANA invites contributions to this feature from its readers all over the country. Each anecdote must be true to life, of less than two hundred words, capturing something significant of India's rich and varied life. Each published anecdote will be paid for.

On the night of November 21, at about 11 P.M., when we were going to bed with worries about the announced market closure on the next day, consequent upon the sudden dismissal of the U.F. Government, someone knocked at our door. Sukhada to our surprise was found with a basket full of eggs, potatoes and onions. She told us that she had bought them for us with the money she was paid that very morning as her monthly wages.

Calcutta

Kamal Sen

I was hurrying to my office when a voice from behind stopped me. It was a middle-aged man in simple, but well-ironed, clothes. Touchingly, he started relating how he had lost about Rs 45. He had come from Ludhiana and intended to go to his village, near Amritsar. In an extremely courteous manner, he requested me for five rupees, which he promised to return on his way back. I was so moved that I could hardly refuse. I gave a five-rupee

note to him. He duly jotted down my address and started showering blessings. I really felt happy, having helped a needy person.

The same day, after dinner, I went out for a stroll. The 'needy' person, whom I helped that day was in the queue before the country-liquor shop.

Jullundur

Surinder Sharma

An M.A. in commerce, after remaining unemployed for a year and a half, recently joined a Government concern as an Assistant in the Accounts Department.

With the natural eagerness of a fresh entrant, he wanted to impress his superior officials. He disposed of all his files as and when they came to his table and kept all his work up-to-date. One day, one of his superior officials, in the course of a casual conversation with him, pointed out that he was too sincere in his work and in a serious tone advised him: "If you want to become a successful Government servant you must always appear busy but do nothing."

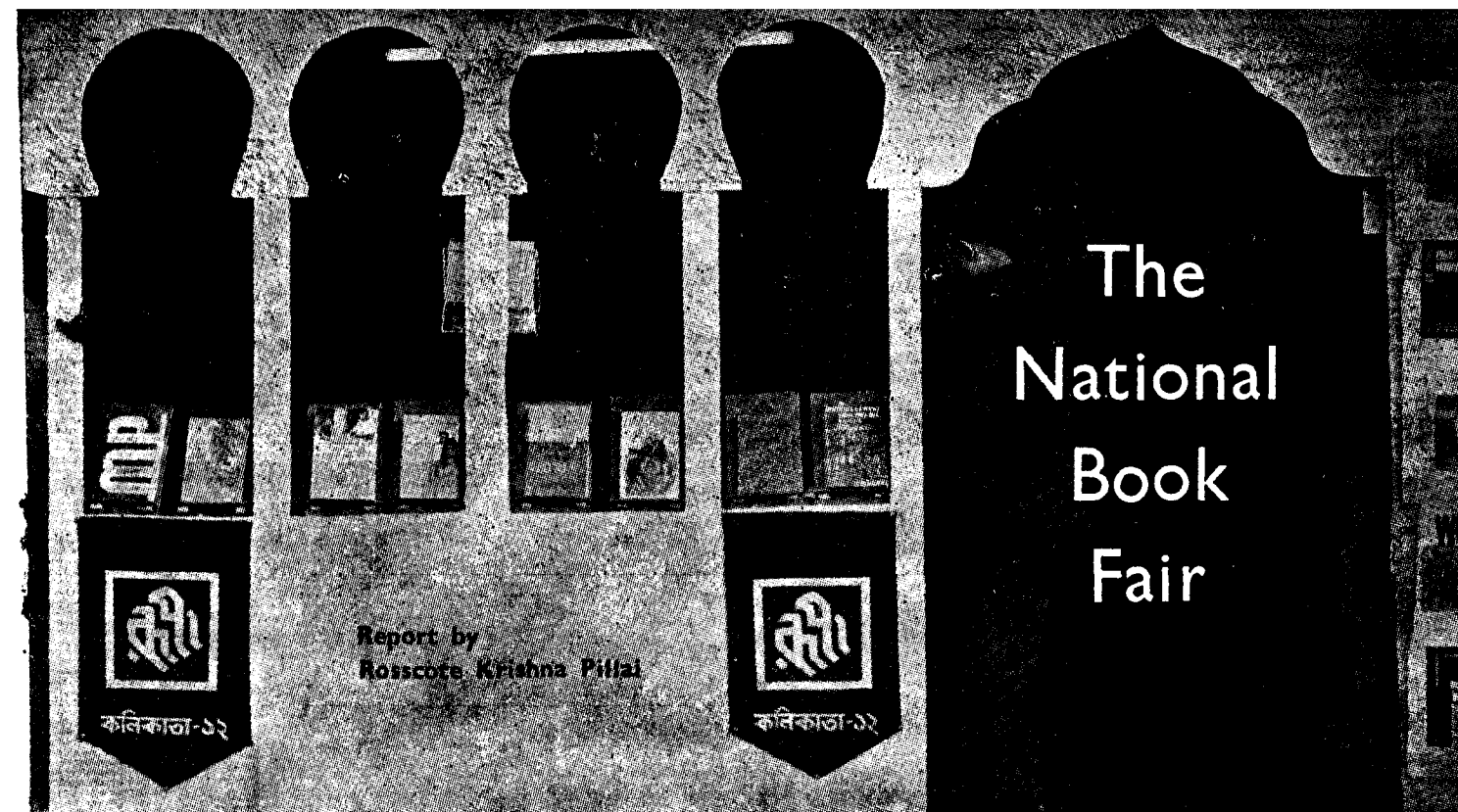
Madras C.R. Thiaga Raja Varma

A friend of mine was returning home after his usual evening stroll. On the way he was stopped by a lad who asked: 'Sir, could you kindly lend me Rs 8. I have not paid my fees and so I have been sent out of my class. He was taken aback by this rather opulent demand of the boy. My friend said: 'Sorry', and moved ahead. The boy wouldn't leave him and pleaded with tear-filled eyes for help. My friend was moved and thought that it might be a genuine request and gave the lad the sum. The boy thanked him and ran away joyfully.

Seven years later when my friend was seeing a film at a theatre, a young man came to him and gave him Rs. 8 while expressing words of thanks. The young man is now gainfully employed in a bank.

Baroda

Miss A.D. Wadia



80,000 people see in Delhi the Second Fair

"We are really overwhelmed", said an official of the National Book Trust, which organised the second National Book Fair, when I asked her about the response of the public to the Fair. People swarmed in hundreds on the evenings of Sundays and holidays to the 200 and odd bookstalls at the Fair. Judging by the number of 10 paise entry tickets sold, the Fair had more than 12,000 visitors daily. On other days, the number of visitors averaged five to six thousand. And a considerable number, who came by invitation to the daily cultural programmes in different languages in the evenings, also had their look at the books.

This had far exceeded the orga-

**YOJANA
Spotlight**

Photographs : T.S. Nagarajan

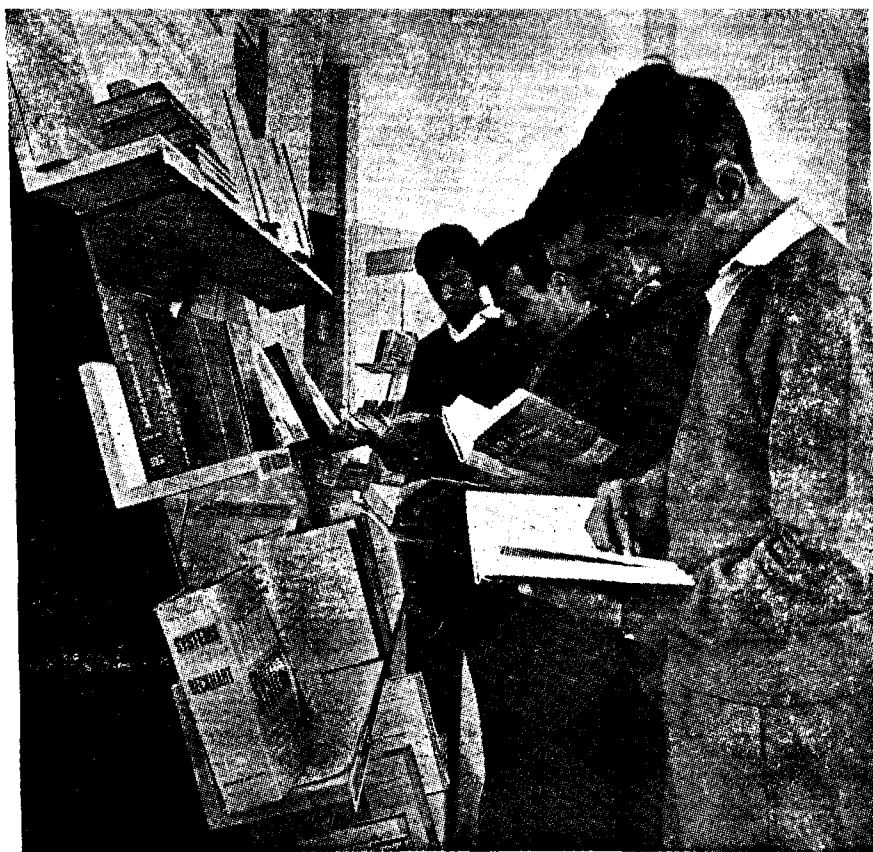
niser's expectations and pulled down a number of prejudiced notions about Delhi. The organisers never thought that in Delhi, generally given to gay abandon, the Fair would get one and a half times more visitors than the first Fair in Bombay, a major centre of book-lovers in India. Even if one were to subscribe to the cynical remark usually heard about Delhi that here even a money-player would collect a huge crowd, it would certainly not be wrong to conclude that at least a third of the 80,000 of people who visited the fair was among Delhi's booklovers. In fact the organisers regulated the entry by tickets so that the Fair was not thronged by "gossipers, casual strollers and fun-seekers".

About 200 different publishers had displayed books at the Fair. Among them were a few government publishers from the Centre and the States. They were, besides the National Book Trust, the Publications Division, the National Council of Educational Research & Training, the Sahitya

Akademi, the Maharashtra Information Centre of Delhi, the Rajasthan Government and the Hindi Samiti of U.P. The Children's Book Trust which had already won encomiums for its lovely publications and other sellers of children's books and the publishers of paper-backs in Hindi were delighted with their brisk sale.

NOT ADEQUATELY NATIONAL

On the debit side of the Second National Book Fair was the absence of any publisher from the South, except the Southern Language Book Trust which publishes largely translations in the four Southern languages (their total number of publications is so far only around 550), or from Bengal, Assam, Orissa, Kashmir or Gujarat. A firm from Bombay publishing Gujarati books was there. One couldn't justifiably quarrel if someone were to say, "It is not fair to call this a National Book Fair."



Remarkable Growth in Popular Science and Technical Literature in Hindi

One couldn't escape noticing this lapse even in the otherwise imaginatively selected and tastefully arranged exhibition of books in the huge Central Pavilion. Among the 10,000 books selected from among those published in the country since 1964 in English and all Indian languages, 2,500 were in Hindi and 2,000 in English. The number of books in other languages had no relation or proportion to the actual number of books published in them or to their quality and variety. The numbers displayed there were as follows: Assamese—500, Bengali—500, Gujarati—500, Kannada—200, Malayalam—200, Marathi—500, Oriya—100, Punjabi—400, Sanskrit—100, Sindhi—200, Tamil—250, Telugu—100, Urdu—350.

UNWILLING PUBLISHERS

A visit to the fair alone without any further reference to the facts of book publishing in these languages might lead one to the conclusion that as many books were

published in Telugu as in Sanskrit or a larger number of books were published in Urdu than in Tamil and that in some of these languages no books came out in certain branches of literature. The Fair organisers adduced the inadequate representation to the fact that publishers were unwilling to send their books all the way to Delhi from the South and Bengal bearing freight charges to finally leave them with the National Book Trust for building up a mobile book exhibition.

The Central Pavilion left an outstanding impression of the remarkable growth of Hindi in the last three years in different branches of knowledge, especially in popular science and technical literature. The books in the technical section showed that Hindi was trying to bridge the gap caused by decades of stagnation. There were tomes on alternating current, fundamentals of testing, cinema machine operation, railway train lighting, armature winding, gas welding, soap making, automobile engineering, artificial insemination and

reinforced concrete. And the titles were all in English in the Hindi script. This should certainly prove an inspiration and a challenge to the so-called 'better-developed' languages.

Hindi's many-sided growth could also be seen in the massive volumes of encyclopaedia, of histories of India and different parts of the country and different periods

and dynasties (Rajputs, Marathas, Khiljis), on agricultural science and so on. The considerable strides that publishing in Hindi has made in the last few years were visible in the large number of paper-backs that were displayed.

PRESIDENT'S CALL

The importance of organising such book fairs in different parts of the country in order to inspire new

trends and vigorous growth in book publishing and to foster book-mindedness in the people cannot be overemphasised. India today ranks seventh among the leading publishing countries of the world, producing over 20,000 titles a year. But one could see how lopsided still is the process of publishing in Indian languages from the fact that half these titles are published in English. According

to a UNESCO expert, of about 5,000 million books annually produced in the world the Asian countries account for only 130 million and of these a considerable number is written in non-Asian languages. An authoritative estimate says that in the next 30 years India would have a reading public of 300 million. It would not be wrong to guess that a large majority of them would be familiar only with Indian



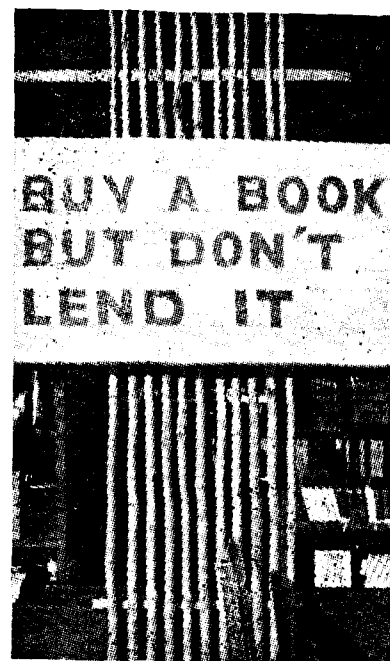
This and the picture at far left are by the courtesy of USIS

languages. The call of Dr Zakir Husain, the President of India, while inaugurating the Second National Book Fair "to concentrate on translating technical works in all subjects" was timely. He added that we would face the question of our subject experts not knowing the language and the language experts not knowing the subject. He, however, said that the universities and educational institutions could help resolve this dilemma.

The Education Commission has estimated that the student population which is now about 70 million would be more than doubled in the next twenty years and in less than

two decades it would be about 170 million or about equal to the total population of Europe. Opening the advanced fields of knowledge to this huge segment of our population requires an enormous production of scientific and technical literature. In this field the publication of low-priced editions of American books through subsidies from P.L.-480 funds has made available to the Indian student a large body of hitherto inaccessible advanced technical literature. But only a massive programme of publication of science books by indigenous authors in Indian languages would help in the colossal task of educating our millions of children knowing only their regional languages.

The Seminar and Round Tables organised at the National Book Fair helped to throw light on some of these problems of book-publishing in India. They were the National Book Trust's seminars on book reviews and fostering book-mindedness, the seminar on publicity, promotion and distribution of books arranged by the Federation of Publishers and Booksellers Association, the seminar on



"It instructs, advises, inspires . . . but never gets irritated."

Children's Books organised by the Southern Language Book Trust and a Round Table on Copyright.

As democracy takes deeper roots and as industrialisation and urbanisation grow in dimensions in this country, the demand for books is also bound to grow. Then, as the President said at the Fair, the face-to-face community would gradually give place to an impersonal conglomerate. The book would then almost replace the friend, as he put it. "It instructs, advises, inspires, rebukes, but stops immediately you have had enough of these. It never gets irritated at the silly questions one sometimes tends to put to it. It just smiles and holds its breath."

In our country where people ungrudgingly pay the increased price of terylene shirts and readily accept even the higher costs for the ingredients that go to make a book, like printing, cost of paper and so on, why should they grumble at the higher price of books, such delightful life-long companions, a person with 25 years experience in book publishing asked. Well, future Fairs should try to drive this point home.

GANDHIAN LITERATURE

THE COLLECTED WORKS OF MAHATMA GANDHI

Vols. I & II each : Deluxe Rs. 8.50 ; Std. Rs. 5.50 & Popular Rs. 3.00

Vols. III to XXII each : Std. Rs. 15.00 ; Popular Rs. 9.00

Special concessional price for set of 30 volumes : Std. Rs. 325.00 ; Popular Rs. 200.00 ; (Further details on request)

MAHATMA by D.G. Tendulkar (Revised)

Life of Mohandas Karamchand in 8 volumes

Each : Deluxe Rs. 15.00 ; Popular Rs. 11.00

Per Set : Deluxe Rs. 100.00 ; Popular Rs. 75.00

THE GANDHI STORY

Rs. 2.50

(The Life Story of Mahatma Gandhi told in multi-colour pictures. Printed by off-set)

MAHATMA GANDHI AS A STUDENT

Rs. 1.75

by J. M. Upadhyay

GANDHI IN CHAMPARAN

Rs. 1.50

by D.G. Tendulkar

ALL ARE EQUAL IN THE EYES OF GOD

Rs. 1.00

(Speeches of Mahatma Gandhi on untouchability)

Detailed Catalogue sent free

Publications Division, P.B. No. 2011, Old Secretariat, Delhi-6

Branches : BOMBAY

Botawala Chamber,
Sir P.M. Road, Fort

CALCUTTA

Akashvani Bhawan,
Eden Gardens

MADRAS

24, Kutchery Road

Side Track

Arjuna Award

INDIA's tradition in sport is as ancient as civilisation itself, and history abounds with the names of those who have enriched its pages with deeds of valour and feats of endurance. Foremost among them is Arjuna, who epitomises, not only the highest skill as a warrior and sportsman; but the chivalry, sense of honour and all the noble qualities that go to make a great sportsman. It is, therefore, appropriate that the nation's highest award for sportsmen should be named after the legendary Mahabharata hero.



The "Arjuna Award" was instituted by the Government of India in 1961, and is given to outstanding sportsmen and sportswomen in certain selected games. The award is made for a particular year, but on performances during the past three years. In selecting the recipient, due regard is paid to sportsmanship. The final selection is made by the Union Education

Ministry, from amongst those recommended by the national federations and in consultation with the All-India Council of Sports.

In the six years, since the institution of the Arjuna Award, as many as 76 men and seven women who have brought honour and glory to the country on many a foreign field, have been given the award. A welcome departure was made in 1965, when an entire team was selected for an award, normally made to individuals. The honour was deservedly conferred upon the "Indian Everest Expedition," which wrote a new glorious chapter in the annals of mountaineering in 1964 by scaling the world's highest peak four times in a row.

Among those, whose names are inscribed on Sports Roll of Honour, are some of the all-time greats of hockey, cricket, tennis, football, athletics, polo, golf, gymnastics, wrestling and many other disciplines. Their names spell magic to sports-lovers and are an inspiration to the young men and women of India, striving to reach the dizzy heights of supremacy.

Two Decades of Rumania

THE Republic of Rumania was twenty years old on December 30. The first two decades in the life of the Republic have been marked by a remarkable transformation in the social and economic life of the country. This has been particularly marked in the development of industry and agriculture, and the complete elimination of all forms of exploitation.

The rapid industrialisation of Rumania between 1951 and 1966 is reflected in a 13 per cent increase in industrial output, which is among the highest recorded in the world. The increase has been of varying degrees in electrical and thermal energy, ferrous metallurgy, engineering and metal-working, chemicals, as well as in a variety of consumer goods. The overall prosperity of the country is evident from the high standard of living of the people, and in the provision of social services.



IGNORAMAN

Wants to Know

what is

"mini"

about

Ministers

Relations between India and Rumania, which have always been warm and friendly, were further strengthened during the visit of Prime Minister Indira Gandhi to Bucharest in October last year.

Rumania is well known for its highly developed and sophisticated oil industry. Various types of oil equipment manufactured in Rumania, therefore, form the major part of the country's assistance to India. In the last few years, Rumania has delivered to India drilling installations, the refinery at Gauhati of a capacity of 750 thousand tonnes a year, and the Singareni thermal power station. Rumania has also supplied the sulphur dioxide solvent installation in the Barauni refinery. Recently an agreement has been signed for collaboration on the Haldia Refinery. Rumania supplies India with oil products, sodium products, fertilisers and other chemical products.

In turn, Rumania imports from India raw material and manufactured goods, including iron ore, cotton thread, sheepskin, tanning and semi-tanning materials, jute sacks, cotton and woollen cloth, spices and coffee.

ANTI-ENGLISH AGITATION IN THE CAMPUS

WE have seen how the majority of students in the Delhi University campus condemned the recent anti-English agitation, and we have read about the stand taken by the 'Hindi Senas'. But few of us have regarded the problem through the eyes of the 'student-intellectual.' What differentiates him from other students is that it is difficult for him to adapt himself to the situation. Other students condemned the agitation or conformed to it. But the student-intellectual's trouble is that he responds to such a situation more academically than actively. He is not just a rebel; he seeks harmony between two ways of life. And this he tries to do by analysing every situation. Unlike other students, he cannot ignore the sentiments of the literary people like Sumitranandan Pant and Mahadevi Verma. He realises that English cannot after all continue for ever. He has nothing against Hindi; if anything, he may even be for Hindi being the *lingua franca* of India. But at the same time he sees the justification in Nehru's promise that English will continue as long as it is necessary.

The problem, therefore, to the rest of the university student-intelligentsia, does not arise. Articles on this issue in university journals are rare and even when one is printed it does not indicate any anxiety. In one of the recent issues of *The University Review*, for example, the writer was of the opinion that the language issue, in the face of so many graver issues, should not be given primary attention to. Can we really split the hairs, the writer seems to ask, over this when people are dying of hunger and governments are toppling in States?

Can we? The student-intellectual is not very sure of his answer. Coffee house discussions show that

Predicament of the Student-Intellectual

the tendency is to go to the root of things. The question is not whether the de-Englished graduates will get jobs or not. Rather, they talk about the sentiment for languages in people. They argue, and it is true, that because of anthropological reasons a quarrel over language can be extremely difficult to settle. The rejuvenation of Hindi, which has been the mission of writers in that language has at least for them a tremendous value. Every country has striven for a national language. In English, writers from Chaucer to Dryden had insisted on their

SHIVAJI SEN GUPTA

'native language, refin'd and free'. If we appreciate their struggle for establishing the English language, how can we then close our eyes to the struggle of Hindi in our own country?

Many Bengalis and Tamilians are still parochial about their attitudes to Hindi, pooh-poohing it as a poor language, deficient in vocabulary, and so on. Hindi is a developing language and like all developing languages and literatures it ought to evoke a more positive interest among people. We have to admit that it is doing excellent work in translations and creative writing. Why do we then dismiss the language problem as merely a revolutionary fuddy-duddy? These are some of the questions which confront the

Mr. Shivaji Sen Gupta is a student of the Delhi University

student-intellectual before he is able to take a stand.

A solution, however, is not reached. And this is because of the fact that he is aware of the other side of the picture. Whatever he can say for Hindi on academical or emotional grounds, he has to face up to the pragmatical questions asked by various people. Only a day or two ago some students were seriously considering Mr Mohinder Singh's article on 'The Anger over Language' in *The Hindustan Times*. "What do the students really want?" the article asks. It is true that with non-English degrees, job-seekers will hardly be better off than they were when the medium of examinations was English. Someone in the group asked how those students fared in the past Honours examination who were allowed by the Education Commission Report to write their answer books in Hindi. If any of them had done really well then, surely, we would have heard of him. By the same logic, how many of us are prepared to take the I.A.S. examination in Hindi even though we know the language well? It is obvious that even today those of us who do not have a smattering of English are almost always from weak academic backgrounds. Moreover, as Mr Singh pointed out, the agitation is meant only for about 10-15 per cent of the university students who are reading for their Master's degree. Is all the vandalism then worth it? The student-intellectual is painfully aware of the dichotomy between his academic opinion and their application to life.

Vandalism is the one thing which the student-intellectual has no hesitation in denouncing. He might sympathise with the sentiment of the agitators, but he

turn to PAGE 24

PUBLIC ADMINISTRATION Should Be Part of Education

S. C. SETH

THE Indian governmental system has derived several of its characteristics from the British administrative traditions of the imperialist era. One of these administrative traditions has been the bias for the civil servant as an officer who is superior to other citizens and who knows something of everything.

The Britishers, during the course of their rule in India, took all steps to clothe their administration and administrators in India as representative of the imperial power of the British throne. Each public functionary, thus, represented the Crown, and each officer became the repository of a portion of the legal authority of the State.

The administration thus grew on the basis of unlimited authority, which the bureaucrats exercised over their Indian subjects. The bureaucracy, along with the entire official paraphernalia, thrived in complete isolation, and in a state of perpetual confrontation, nevertheless, with the fullest possible domination over the Indian people.

The modern Indian educational system is the product of an official educational policy which was too narrowly conceived and implemented by the British to perpetuate their rule. The British Government needed such Indians who possessed a basic knowledge of the English language, so that some of them could assist the British masters in carrying the white man's burden in India. The bureaucracy reigned

The British rulers had shaped the Indian administration to serve the Crown. Since Independence, India has chosen to go the democratic way, but the bureaucratic pattern has not changed much. To reorientate the bureaucracy to the democratic set-up education in public administration should be expanded and should form part of the university syllabus.

supreme in all matter and did not pay any importance, whatsoever, to establishing any conscious links with the centres of learning in the country.

With independence India thus inherited a bureaucracy, in which general educational ability, as obtained by passing graduation course-supplemented by in-service-training, became the bed-rock of the development of the elite administrators.

In the field of education, the country inherited an educational system consisting of less than twenty universities and a few hundred schools and colleges, which depended mainly on Government funds and benevolence and which were no where near the bureaucracy in hierarchical status. They were not counted as equal to the bureaucracy as an important socio-cultural force, although, the products of the Indian universities had made substantial reinforcements to the British Raj bureaucracy for well over a few decades. The Government relegated the universities to a secondary status in getting their assistance in nation building activities. The lecturers, readers and professors working in the universities thus came to acquire only a secondary importance *vis a vis* the administrator.

This typically British attitude, that a general administrator is both socially and intellectually superior to any other professional worker, was a sacrosanct notion not on y in

the days gone by; even today the administrative faith continues to be nourished with the nineteenth century fervour and reverence, in the public administration realm of India. This faith also determined the place of other professionally educated civil servants with the Government as well. For instance, even during the British period, there were several all India services, such as the education service, the forest service and the medical service, but they all had only a second class status *vis-a-vis* the covenanted Indian Civil Service.

Neglected Subject

Another important administrative view of the relationship between administration and education, which again was typically British, is revealed by the British attitude towards the development of 'Administration' as a subject of educational study. Whereas the British universities and the Whitehall elites could establish a Royal Institute of Public Administration in London way back in 1923, and had almost, within a few years' time, sponsored the establishment of its Dominion counter-parts in Australia, Canada and the New Zealand, public administration was not thought worth the study for the Indian educationist or administrator. Thinking about the Indian administration and administrators was done only in London.

The universities, both in the United Kingdom and in India, for a long time, failed to conceive

'public administration as a separate subject of study. The main avenue of such an educational exercise was provided through the educational syllabus on political economy, jurisprudence and the constitutional history of the British Empire and its constituents.

Even today, this practice persists in most of the Indian universities. Public Administration is taught as only a part of the studies in political science. Of late, though, there are some exceptions.

However, with the promulgation of the new Constitution of India in 1950 and the advent of the planning era, gradually began a qualitative change in the complexion of the Indian administration. The commitment to cultural and rural uplift and industrial expansion has brought about a fundamental change both in the functions of the Government and in the general attitude and obligations of the bureaucracy towards the society. The setting up of these new goals and the Government's effort to realise them in a big way have initiated a new trend, whereby the government and bureaucracy are brought closer to the people.

This trend was further strengthened by the flux of international intercourse of ideas and institutions on the one hand and simultaneous international participation of other countries, particularly the United States of America, in the socio-economic development of India. New vistas opened up in the relationship between bureaucracy and education. Paul Appleby's recommendation in 1954 for the setting up of an Indian Institute of Public Administration was an example and a landmark of the new thinking. It commenced a feeble dialogue between the world of bureaucrats and the world of educationists.

New Awareness

The new awareness that public administration is a subject of study in its own right and that countries like the U.S.A. and France have covered a vast territory in this field, whetted the appetite of some of the Indian universities, who have of late attempted to evolve teaching programmes in public administration in a bigger way than before. However, the paucity of funds, literature and trained teachers still

continue to be the main stumbling block in achieving substantial progress.

The Government also came to realise that the bare education received by a civil servant, prior to his entry in the Government, was not sufficient and that, there was a need for greater post-entry educational exposure and training in administration. This has since led to the establishment of an official training academy, a few institutes, some training centres and schools.

However, the government has not yet forsaken the idea that it should train its officers only in its own training centres. The bureaucratic distrust of the capacity of the educational institutions to handle this job still continues to stand in the way of building up an adequate bridge between the world of education and the world of Government.

Consequently, the healthy process of a continuous exchange of 'ideas and personnel' between the universities and the Government and *vice versa* (which is almost non-existent today) will continue to be a far away dream, which was realised in the U.S.A. a hundred years ago. The entrusting of official programmes to the research institutes and universities during the two world wars by some of the Western Governments is still a lesson unlearned for the Indian universities and bureaucracy.

Task for Universities

Notwithstanding the loss of quality and standards on both sides, the need persists for a detailed investigation of the various aspects of the problem. Such investigation should be seriously pursued as a first step in the quest of administrative reform. If the Government thinks that it can become both an employer and at the same time a big training centre, it is not really trying to make a judicious use of the educational resources of the society, which could be harnessed by the Government to get its men exposed to new ideas and to implant such skills that the new commitments of the bureaucracy today require of its men.

Progress in a developing society depends greatly on the imaginative development and use of its manpower. This objective can be made considerably easier if a proper

dialogue is established between the bureaucracy's needs on the one hand and the skilled out-put of the centres of education in the country on the other.

What is important is the need of reviewing educational programmes and syllabus, in general, and, of starting the public administration faculties in the universities and colleges, and of making them government-oriented, in particular. The universities and colleges have to realise that they are not simply ivory towers of learning but that they now have a special part to play in the building of modern India by producing the highly needed skilled men and women. The faculties of public administration and education in the various universities should be called upon to share the largest burden of disseminating continuously the new knowledge in administration to all administrative organisations and their functionaries, whether working at the Centre, or the State, or the district level to effectively run the secretariat, municipalities and other public offices.

Some Suggestions

Such a programme calls for a deeper investigation in the following directions :-

(i) A general assessment should be made of the manpower and training needs of the administration at the Central, State and local levels.

(ii) The out-put potential of the universities, technical institutes should also be examined.

(iii) An organised attempt be made whereby the faculties of public administration and adult education and *extra-mural faculties* of the various universities and colleges could be strengthened. And it may be determined in what possible manner can these faculties render useful service to the Indian administration and bureaucracy.

(iv) Requirements of a long-term educational training programme be assessed in order to make available ample indigenous and foreign literature on public administration.

(v) All possibilities be explored to avoid the growth of public administration education in India in isolation of similar developments in other centres of advanced learning and Government in the rest of the world.

Books

The Nehru Personality

Facets of Nehru edited by B.K. Ahluwalia. Published by S.E.S. & Co., Delhi. 97 Pages. Rs. 10.

THERE is a bumper crop of literature on Pandit Jawaharlal Nehru at home and abroad, including his own published speeches and writings. Perhaps no other Indian leader has inspired writers to write about himself, whether in praise or in criticism. And it is also true that no writing on Nehru reveals him as truly and as comprehensively as his own writings. *Facets of Nehru* is an addition, and not a very notable one, to Nehru literature.

This book is an anthology of articles which attempt to localise and highlight the various facets of Nehru's dynamic personality. It is an eulogy rather than a critical study. These articles were written by eminent men in public life, as tributes to Nehru after his death. Tributes as they are, they need not dive deeper assessing their hero. But isn't it yet time to evaluate the personality of Nehru and whatever he stood for and strove for, on the backdrop of his times, since, as Frank Moraes puts it, 'India moved with Jawaharlal wherever he was in or outside the country'?

These articles have been collected from various journals. Two of them, one by Asoka Mehta and the other by Tarlok Singh, were published in *Yojana*, and two others, one by K.V. Raghunatha Reddy and the other by K.P.S. Menon, were released to Press by the Press Information Bureau of the Ministry of Information and Broadcasting.

"The aim of this book", claims the editor, "is to bring to the reader a brief account of the late Shri Jawaharlal Nehru's rich and complex personality and his contribution to the liberation of India and its all round development." The book aptly opens with a sketch by Dr. S. Radhakrishnan outlining the role played by Nehru in the nation's life for forty years.

Humayun Kabir traces the qualities of Nehru 'as a man of letters' through his works, particularly the *Discovery of India* and the *Autobiography*. V.K.R.V. Rao describes Nehru's contribution to the cultural renaissance of India, namely the identification of Indian nationalism with the larger world forces of anti-colonialism, making respect for the individual a part of Indian culture, and emphasis on science. K.P.S. Menon discusses Nehru's foreign policy, the unique feature of which was non-alignment. Homi J. Bhabha points out the implications of Nehru's insistence on science and technology 'for bettering man's lot and not for devising more powerful and destructive weapons of war'.

K.V. Raghunatha Reddy depicts the evolution of Nehru's political thought crystallising into the concept of democratic socialism aimed at creating a classless society. Asoka Mehta delves into the mind of Nehru and its charismatic influence on the Indian people. "As the sculptor", he says, "sees in the marble the outlines of the image he seeks to carve, so did Jawaharlal see in the people their unfolding potentialities he cherished", and "under his spell, men somehow rose above their fragmentary faiths and sensed something of the universal *gestalt* that guided them." Tarlok Singh, who worked with the Planning Commission since its inception until recently, delineates Nehru's conception of planning through the three Plans. T.N. Singh explains the Indian industrial revolution of Nehru's concept. Frank Moraes reveals the artist in Nehru and K. Santhanam portrays Nehru as a statesman and an idealist fused into one. To these various facets of Nehru, B.K. Ahluwalia, the editor of this book, adds, in his own contribution, the human qualities of Nehru.

Any one of these articles by itself may not comprehend the towering personality of Nehru. But all put together they make a vivid

picture of Nehru as the architect of India's destiny after independence, seen from different angles. Among them, the two articles, one by Asoka Mehta and the other by Frank Moraes are more interesting; the former gives an insight into the exaltingly creative mind of Nehru and the latter touches the delicate and musical notes of its vibrant impulses.

M.K.P.

THE LANGUAGE PROBLEM

The Indian Language Problem by Prof. R. K. Yadav. Published by National Publishing House, New Delhi. 171 pages. Rs. 15.

A. W. Nawab

SINCE independence, next to the food problem the language problem has caused many a tribulation and turmoil, discord and dissension in India. The problem constitutes the biggest challenge to Indian statesmanship. There is, doubtless, a plethora of writings on the subject, not a single solution acceptable to all sections, is however, in sight.

A large confederation of people as the Indian nation is, bilingualism or even trilingualism will remain inevitable, if not incorrigible.

In India, as in most other Afro-Asian countries which gained independence after her, a foreign language, be it English or French or Dutch, as the official language, came to be looked down upon as an undesirable relic of foreign domination. *Ipsos facto* India had to establish her own language and replace English.

According to the Indian constitution, the official language of the Indian Union is Hindi. The Constitution has also made provision for the recognition and promotion of 14 other languages. This constitutional provision was made when memory of partition and independence struggle was fresh. But lately the issue of changing over to Hindi as an official language caused hostile demon-

trations in different areas of the country.

Dr. V. K. R. V. Rao has called for the use of Devanagari as a common script for all the 15 major Indian languages, so as to open out possibilities of inter-communication among the Indian masses on a scale undreamt of in the Indian history.

On December 27, 1917, Mahatma Gandhi said that the first and the greatest service that we could render was to revert to our vernaculars; to restore Hindi to its national place as the national language and begin carrying on all provincial proceedings in our respective vernaculars and national proceedings in Hindi.

Dayananda Saraswati, Subhas Bose, Shyama Prasad Mukherji, C. Rajagopalachari were ardent supporters of Hindi, yet Gandhi felt compelled to admit in 1921 that "English is a language of international discourse. It is the language of diplomacy and it contains many a rich literary treasure. It gives us an introduction to western thought and culture."

C. Rajagopalachari asserts that "The English language may be beautiful but it sits heavily on our thoughts and does not let them grow or move about freely."

In this study, Prof. Yadav has discussed these mutually conflicting problems, and has pointed out the inherent weaknesses and inseparable defects in Hindi, English and Hindustani. Well-read and well-informed, Prof. Yadav has minutely diagnosed each tongue and each script and has suggested measures to improve Hindi if it is to be the official language of the country.

In his lucid way he asserts that "Urdu is Hindi Persianised. Amir Khusro, Malik Jayasi, Khan Khana and Kabir were some of the distinguished Hindi writers. Urdu is the language of Hindus and Muslims; Hindi and Urdu are the two styles of one language. The case of Hindustani was ignored and the artificial polarity was highlighted. Gandhi's voice was drowned in the din of the battle carried on by frenzied narrow communalists."

In this timely study, Prof. Yadav gives a diagnosis of this deep-seated malady, its conception,

its metamorphosis and the detrimental effects this language octopus has produced on the economic stability, national integrity and communal homogeneity.

Substantiating his arguments by irrefutable facts and figures, he deduces that the language problem

Anti-English Agitation

from Page 20

does not doubt that the way the whole protest was carried out was all wrong. Issues, as our Prime Minister said, cannot be decided on the streets. On the other hand, about the measures to be taken to stop hooliganism, she widely disagreed with the others. Let us take the example of the anti-agitation peace march which was planned. The administrators of the faculties of Arts and Sciences urged that the anti-agitation march had to be essentially apolitical. It is not our business to influence the decisions of the Parliament. This was something which the student-intellectual could not very easily swallow. At the same time he realised that the only way in which the vandalism could be effectively counteracted was to take out a peace march without political inhibitions. This was specially because the agitators had strong affinities with political parties. But a crowd is made up of individuals. Even though the peace-makers had more or less agreed that their march would demand only restoration of order and, therefore, be non-political, the organisers never really shed off their political affinities and came into contradiction with each other. To have or not to have a political character became the issue for argument. Naturally, the move failed because, unlike their rivals, the peace-makers did not have a common ideology. The intellectuals, in short, begged to differ.

To return to the vandalism. This was reintroduced (ever since the violent strike of 1948) by the law students' strike last year and since then stones and sticks (not to forget fire!) have been mightier than the pen. As Mr Mohinder Singh so well put it, with the excuse of not wanting to learn one language

has been kept in the centre of political activity and it is the sagacity or short-sightedness of the Indian political leaders that exercises decisive influence on the people and not the expert advice of the distinguished linguists or educationists.

the students are refusing to be taught at all! Every day for nearly a week they came and stopped the classes of the Arts faculty. If there is one thing that the student intellectual would never be deprived of, it is the right to work. He saw with alarm the large number of M.A. students that came and disrupted the various classes shouting unimaginative slogans. He wondered how the administrators of the Hindi department could allow such lawlessness. He realised how the ideals of teaching had failed. The teachers of the Hindi department have forgotten that their pupils are not only the students of their own department but the students of other departments too.

One of our well known professors had once remarked that the University of Delhi was a national university. Today it seems that even this university (like those of Allahabad and Calcutta) is heading for regionalism. Everyone, from the Vice Chancellor to the ordinary lecturer, is worried. Is language issue the cause of it? No. And the fault is not in our stars. It is in us. Now is the time when the student-intellectual has to rally if the university has to be saved from growing parochialism. And this it can do only by radical and rational thinking. V.V. Giri has said that it is the students who shape the intellectual forces of a country. What is needed from the student is awareness, understanding, and balanced thinking. The student-intellectual has all these; but as the editor of a journal once remarked, our country is full of individual brilliance and collective mediocrity; the intellectuals, when together, fail to act as an effective force. One hopes that this is only a temporary failing.

SELECTED INDEX FOR VOLUME XI OF YOJANA

With this issue Yojana completes its eleventh year of publication. As in previous years, a selected index of material published during the year is given below. Except articles printed in this issue, the date shown refers to the year 1967.

PLANNING AND DEVELOPMENT

- Changing quality of Indian life. Jan. 26.
- Changing life in rural Orissa and Bengal. Rosscote Krishna Pillai. Jan. 26.
- Essentials of planning. Gautam Mathur. Feb. 19.
- How to formulate and evaluate projects. P.S. Lokanathan. Feb. 19.
- Co-operation for development of Asian countries. Tarlok Singh. Mar. 5.
- How much do our cities know about Plans A.N. Agarwala. Mar. 19.
- A new role for the Planning Commission. Sugata Das Gupta. Apr. 2.
- Exports will go up in Fourth Plan. K.S. Mehra. Apr. 16.
- Reorganised Planning Commission. Apr. 30.
- Why Planning Commission. Apr. 30.
- Functions of the Planning Commission. Vikram A. Sarabhai. Apr. 30.
- An attempt to identify gaps. K.T. Merchant. Apr. 30.
- Humanistic approach to planning. H. Venkatasubbiah. Apr. 30.
- Executive or advisory commission. Ashok V. Desai. Apr. 30.
- Planning Commission with physical roots all over the country. A. Ghosh. Apr. 30.
- Planning body of experts. D.M. Bose. Apr. 30.
- Pragmatic and factual planning. V.B. Chipalkatti. Apr. 30.
- Expert body in widest sense. N.S. Jagannathan. Apr. 30.
- Plans must boost basic applied research. B.D. Nagchaudhuri. Apr. 30.
- Public undertakings. S.R. Damani. May 14.
- Tremors of an Industrial Revolution. June 25.
- Industrial estates to promote small towns. Ram K. Vepa. June 2.
- Annual Plan, 1967-68. Aug. 6.
- Sky was never the limit. B. Sen Gupta. Aug. 20.
- Planning in Yugoslavia. Sugata Das Gupta. Aug. 20.
- Planning to become more effective. Sept. 17.
- A case study of a U.P. village. S.S. Tyagi. Sept. 17.
- Development in Jammu & Kashmir. Nov. 26.
- Press opinion about Plan postponement. Dec. 10.
- A spur to Asian countries. Rosscote Krishna Pillai. Dec. 10.

- Symposium on Plan postponement—I. S. A. Dange. S.N. Misra, P.S. Lokanathan, H. Venkatasubbiah, V. Balasubramanian, A.M. Khusro. Dec. 10.
- Symposium on Plan postponement—II. S. Bhoothalingam, Baljit Singh, Dinesh Bahl, Vadilal Dagli. Dec. 24.
- Symposium on Plan postponement—III. V.R. Pillai, Khadubhai Desai, C.C. Desai. Jan. 7, 1968.

FINANCE AND RESOURCES

- National budget for science and technology. Apr. 2.
- Need for performance budgeting. E.R.K. Menon. Apr. 2.
- A new approach to federal finances. M. Sundara Rajan. Apr. 16.
- Balanced budget. June 11.
- An analysis of state budgets, 1967-68. Aug. 6.
- Annual Plan 1967-68. Aug. 6.
- Little fresh air in economic debates. G.S. Bhargava. September 3.
- Performance budgeting. S.S. Viswanathan. Sept. 17.
- Abolishing land revenue. D.N. Dwivedi. October 15.
- Banking law in India. B.S. Padmanathan. October 15.
- Government accounting needs re-organisation. S.S. Viswanathan. Dec. 10.
- Separate budget for science. A.N. Bhyana. Nov. 12.
- Performance budgeting can work. E.R.K. Menon. December 24.
- P.L. 480 funds. K.S. Ramamurthy. December 24.
- Interview with Mr. Prentice, British Overseas Minister. January 7, 1968.

FOOD & AGRICULTURE

- The changing face of Mandya. H. Kusumakar. January 26.
- Bhoothan changes life in villages. Bishwa B. Chatterjee. January 26.
- Black wheat. K.K. Aggarwal. January 26.
- Match-maker takes to farming. B. Sen Gupta. February 5.
- Farmers' camp in Gujarat. P.H. Bhatt. February 5.
- Growth and instability in agriculture. S.R. Sen. February 5.
- Pakistan's food deficit. February 5.
- Ganganna is a rice expert. February 19.
- Voluntary body to cultivate waste land. M.R. Velappan. February 19.
- Japanese method in Mandya farms. C.V. Ramani. February 19.
- Make agriculture a paying concern. K.S. Sonachalam. March 5.
- An overall look at Kerala's agricultural growth. P. Purushothaman Pillai. March 19.
- Tainan-3 or CO-25? T. Gopalan Nair. May 14.
- Village farm plans need group action. K.S. Kahlon & Mukhtar Singh Aulakh. May 14.
- Food & deficit financing. Harphool S'ng. May 14.
- Food and farming. May 28.
- Getting ready for kharif: seeds; fertiliser; irrigation. May 28.
- Agricultural programmes in different States. May 28.
- High-yielding variety programme in Shimoga. V.V. Shetty. May 28.
- High-yielding seeds to farmers. J. Radhakrishnan. May 28.
- Farmer's training for farm production. J.C. Mathur. June 25.
- Pale grows seeds. P.R. Thombe. June 25.
- Crop pattern in newly irrigated areas. Ram Patil. July 9.
- An Assamese farmer's views. P.D. Saikia. August 6.
- Rice and fish from Sunderbans. Tusher Ranjan Patranabis. October 15.
- Proteins for better brains. M.S. Swaminathan. October 15.
- Taichung. Narotham Nanda. October 15.
- Food debate: Procurement. October 29.
- Buffer stock for price stabilisation. A.L. Dias. October 29.
- Procurement in States. October 29.
- Good crop is not enough. Ranajit Roy. October 29.
- Ad-hocism in food policy. Kewal Verma. October 29.
- Mechanical dryers. October 29.
- Crop prospects this year. M. Sundara Rajan. October 29.
- Food corporation. October 29.
- Farm revolution. Ambika Singh. October 29.
- Gujarat's bajra programme. D. A. Patil. October 29.
- With Soviet Union in farm science. B.P. Pal. November 12.
- Groundnut reclaims Jammu lands. Suraj Saraf. November 26.
- Shortcomings of short-term credit. Harphool Singh. December 10.
- Taxation of farm income: A Discussion. Amartya Kumar Sen, Ashok Mitra, K.A.P. Stevenson and J.N. Sinha. December 24.
- Co-operative credit needs new direction. S.N. Ghosal. December 24.
- Farmers' agricultural fund. K. Prasad. December 24.

WATER AND POWER

When light comes to village life, changes. S. Ramanathan. Jan. 26.
Electricity to hamlets. Apr. 16.
Irrigation : major and medium. May 28.
Balanced use of our water resources. S. Banerji. June 11.
Artificial rain. June 11.
Floods and drought in India. June 11.
Clean water for towns and villages. E.A. George Daniel. June 11.
No water within reach. June 11.
Drinking water scarcity. June 11.
Famine effectively tamed. R. Constantine. June 11.
Earthen pipes can irrigate. K.R. Subbaraman. June 25.
Big power leap in 15 years. July 23.
How to make power grids more effective. H.R. Bhatia. Sept. 17.
Sabargiri Hydro-electric Project. M.K. Devidas Warriar. Sept. 17.
Tarapur power project. Oct. 1.
Kotah power project. Rosscode Krishna Pillai. Oct. 1.

INDUSTRIES & MINERALS

Pelletisation plant in Goa. Alfred Braganza. Mar. 25.
Tremors of an industrial revolution. June 25.
Diesel locomotive works, Varanasi. J. Radhakrishnan. Mar. 5.
Industrial estates for small towns. Ram. K. Vepa. June 2.
Problem of sick mills. Virendra Agarwala. Dec. 10.
Antibiotics. Jan. 7, 1968.

LABOUR AND EMPLOYMENT

Women invades man's world. Usha Chettur. Jan. 26.
Young Indian workers want to do well, live well. Jan. 26.
Social changes in worker's life. M.K. Pardhy. April 2.
Forest workers in U.P. L. C. Sharma. Aug. 6.
Labour has grown stronger and happier in 15 years. Aug. 20.
Unemployment of the educated. K.V. Iyer. Sept. 3.
Disguised unemployment in cities. Brahmanand Prasad. Sept. 17.

TRADE AND COMMERCE

Textile export lacks vigour. S. Ganga Bhagirathi. Mar. 19.
Exports will go up in Fourth Plan. K.S. Mehra. April 16.
Imports have come down. A. Ramalakshmi. April 16.
Tasks before U.N.C.T.A.D. II. Raul Prebisch. May 14.
World trade policy. Dinesh Singh. Oct. 15.
Economic co-operation with Ceylon. M. K. Dharma Raja. Oct. 15.
Algiers charter. M. Sundara Rajan. Nov. 12.

TRANSPORT & COMMUNICATION

Trunk talk made easy. Feb. 19.
Paradeep born in a storm. Rosscode Krishna Pillai. Feb. 19.
Diesel locomotive works, Varanasi. J. Radhakrishnan. Mar. 5.
Tuticorin to be a big harbour. Y. W. Blessed Singh. March 19.

SCIENCE AND RESEARCH

Living with a technological revolution. P.R. Gupta. Jan. 26.
Optical Glass. Rosscode Krishna Pillai. Feb. 5.
Institute for petroleum research. R. K. Pillai. Mar. 5.
National budget for science & technology. April 2.
Research in mechanical engineering. Parthasarathi Majumdar. Aug. 20.
Nuclear technology and delivery systems. S. Bhagavantam. Sept. 2.
Bringing science to the people. P.R. Gupta. Sept. 3.
Technological competence for self-reliance. Atma Ram. Sept. 17.
Scientific research and economic growth. Malik Sudarshan and Uma Sen. Sept. 17.
Bhabha Atomic Research Centre. R.K. Pillai. Oct. 1.
Sarabhai talks to Yojana. Oct. 1.
Science has to reach the people. Oct. 1.

ATOMIC ENERGY

Kotah Power Project; Bhabha Atomic Research Centre; From the institute to Trombay; From Apsara to CIRUS; Tarapur Power Station; Kalpakkam power project; India's Thorium Reserves; Thumba Power Station; Satellites; Computer Technology; Detecting Nuclear Explosions. Rosscode Krishna Pillai. Oct. 1.
Effective links in research. Aqueil Ahmed. Oct. 15.
Separate budget for science. A.N. Bhyana. Nov. 12.
Management of science. B.V. Ranga Rao. Nov. 12.
Spreading the temper of science. B. S. Padmanabhan. Nov. 26.
Science and technology in an unequal world. P.M.S. Blackett. Dec. 10.
Science writing. Interview with G. B. Lal. Rosscode Krishna Pillai. Jan. 7, 1968.

FOREIGN COLLABORATION

With Czechoslovakia. M.V. Desai. Feb. 5.
With Japan. P. A. Narasimha Murthy. July 23.
With Ceylon. M.K. Dharma Raja. Oct. 15.
Soviet economic aid. Balraj Mehta. Nov. 12.
With Soviet Union in farm science. B.P. Pal. Nov. 12.
India and West Germany. Nov. 26.
The Colombo Plan. R.K. Pillai. Dec. 10.
British aid to India. January 7, 1968.

SOCIAL WELFARE

Welfare of adivasis. J.C. Desai. Jan. 26.
Bhoodan changes life in villages. Bishwa B. Chatterjee. Jan. 26.
Incentives for birth-control. Asok Som. Mar. 5.
Village groupings in Mizo hills. Major R.N. Seth. Mar. 19.
144 million condoms a year. N. Kesavan Nair. April 16.
Population policy. July 9.
National population commission. G. C. Hallen. July 9.
Why relief works bring little relief. Rev. Fr. R.H. Lessen. July 23.
Mixed attitude to family planning. Nirmal Sethi. Aug. 20.
What should social security try to secure. G.C. Hallen. Sept. 3.
Family planning publicity needs personal touch. Amit Kumar Gupta. Oct. 15.
Proteins for better brains. M.S. Swaminathan. Oct. 15.
Child care begins at home. Nov. 26.
Ayurveda can help family planning. Nov. 26.

EDUCATION AND YOUTH

Teen-agers of today. Suneet Vir Singh. Jan. 26.
Education as investment. D.P. Nayar. Feb. 5.
Students have sense of purpose and responsibility. Arobindo Ghosh, T.C.A. Rangachari, Sunder Chatterji. April 2.
Education can be made cheaper. C.B. Padmanabhan. Apr. 16.
Students, youth and national development. A.C. Joshi. May 14.
National education system. July 9.
Problems of the student intellectual. Shivaji Sen Gupta. Aug. 6.
People teach themselves. H. Manorama Bai. Aug. 20.
School boys build a tank. Radha R. Sashtilal. Sept. 3.
Students turn light on their own problems. C. Krishna. Sept. 17.
Students' unions. Pawan Chaudhary. Dec. 24.
Students and anti-English agitation. Shivaji Sen Gupta. Jan. 7, 1968.
Education in Public Administration. S.C. Seth. Jan. 7, 1968.
N.B.T.'s B. ok Fair. Rosscode Krishna Pillai Jan. 7, 1968.

OTHER SUBJECTS

Co-operatives in Gujarat. J. C. Desai. Jan. 26.
Economic stance of major parties. Feb. 19.
Rural works programme. Sunil Guha. Feb. 19.
China : 22 lead 700 million. Feb. 19.
Press and development B. Sen Gupta. Mar. 5.
China : Frontiers in Ferment. Mar. 5.
D. M. K. in Madras. N. R. Mar. 19.
China : Trade ups and downs. Mar. 19.
Economic stance of Non-Congress Governments. R. K. Pillai. April 2.
Asian Relations Conference. H. Venkatasubbiah. April 2.

Interview with Kerala Chief Minister. April 16.
Report from Parliament. G. S. Bhargava. April 16.
Gomateswara. R. C. Vaidyanathan. April 16.
China : State of economy. April 16.
Interview with Madras C. M. April 30.
Report from Parliament. G. S. Bhargava. April 30.
National integration. R. L. Handa. April 30.
Interview with Bihar C. M. May 14.
Interview with Mysore C. M. L. M. Inamdar. May 28.
Who builds our towns. A. N. Pandit. July 9.
China's hydrogen bomb. July 9.
What Canada needs is people. July 23.
Rural councils in Zambia. Anirudha Gupta. July 23.
Interview with Gujarat C. M. Aug. 6.
The economic war in West Asia. Rupa Jansen. Aug. 6.
Naxalbari agitation. G. S. Bhargava. Aug. 6.
T. V. has come to stay. Usha Chettur. Sep. 3.
Dr. Lohia. R. K. Oct. 15.
India's image abroad. B. Sen. Gupta. Oct. 15.
Submarines for Indian Navy. E. K. Ramaswami. Nov. 12.
P. M.'s visit to Eastern Europe. Khagen De Sarkar. Nov. 12.
A diary of Russian revolution. Narayan Swamy. Nov. 12.

PLANNING FORUMS

Students in villages. Jan. 26.
Students survey apple cultivation. Feb. 19.
Women more advanced than men. Dec. 24.
Milk is cheap but not enough. Dec. 24.
Desire for small families. Dec. 24.

EDITORIALS

Let facts speak—American food aid. Feb. 5.
Begins chapter two—General election. March 5.
Vote for development—Result of general election. Mar. 19.
A suggestion—Food. Apr. 2.
Development can't wait. Apr. 16.
A leaf from history—Russian planning. May 14.
Food and farming. May 28.
A holding operation—Budget. June 11.
Today and tomorrow—Planning. June 25.
Universities should bestir. June 25.
The quiet plan—Colombo Plan. July 9.
Sound Ads.—Commercial advertising. July 23.
Hard annuals—Annual plans. Aug. 6.
Lifting the gloom—recession. Aug. 20.
Born free. Sept. 3.
Development with stability. Sept. 17.
Time to act—Food. October 15.
Not from New Delhi alone—Food. Oct. 29.

Waiting for the Messiah—Children's day. November 12.
Corrective planning—Annual Plan. Nov. 26.
Costly sweetness—Sugar. December 10.
Need for concerted action.—N.D.C. Dec. 24.
From despair to hope. January 7, 1968.

BOOK REVIEWS

Bhumi Kanya. B.V. Warerkar. January 26.
Deficit financing and economic development. R.C. Kulkarni. Asia Publishing House. Jan. 26.
Managerial economics. Norman F. Dufty. Asia Publishing House. Jan. 26.
Sickness Insurance in India. Sunil Rai Choudhury. World Press Private Ltd. Feb. 5.
The Economics of Development and Planning. M. L. Jhingan. P. Ram & Sons. Feb. 5.
Indian Educational Review : Vol. I, July 1966. N.C.E.R.T. Feb. 5.
Lessons of Experience. Albert Waterson. Johns Hopkins Press, Baltimore, Maryland. March 5.
The Process of Planning. A Study of India's Five Year Plans. 1950-1964. A. H. Hanson. Royal Institute of International Studies. March 19.
Devaluation and Fourth Plan. Sudhakantha Misra. Vora & Co., Bombay. March 19.
Economic Development and Social Change in a South Gujarat Village. V.H. Joshi. The Maharaja Sayajirao University of Baroda. April 2.
Capital Market in a Planned Economy. N.C.A.E.R. April 16.
Development Planning. The Essential of Economic Policy. W. Arthur Lewis. George Allen and Unwin Ltd. April 30.
Panchayati Raj in Rajasthan. A Case Study in Jaipur District. M.V. Mathur, Iqbal Narain, V. M. Sinha. Index India. May 14.
The Role of Co-operation on Social & Economic Development. Asia Publishing House. May 14.
Economic Trends & Indications. Bhikhal Kapasi. June 11.
Fourth Plan. A critical analysis. June 11.
Towns and Cities. Emrys Jones. Oxford University Press. June 25.
M.B.I. Industries. Annual 1963. June 25.
Asia's Population Problems. S. Chandrasekhar. George Allen & Unwin Ltd. July 23.
Economic Development of Indian Air Transport. July 23.
Cooperative Evolution of World Air Transport. A.W. Nawab. National Publishing House. July 23.
The mind of Mahatma Gandhi. Navajivan Publishing House. August 6.
Kashmir : A Study in India—Pakistan Relations. Sisir Gupta. Asia Publishing House. August 20.
India & China. Sudhakar Bhat. Popular Book Services. September 3.
International Economic Co-operation. Ratan Kumar Jain. Popular Book Services. Sept. 3.
The 19th Year of Freedom. An Indian National Congress Publication. Sept. 3.

Personnel System for Development Administration. V. A. Pai Panandikar. Popular Prakashan. Sept. 3.
Indian Public Finance. S. N. Agarwala. Vora & Co.
Ancient India : A Text-Book of History for Middle Schools. Romila Thapar. Sept. 17.
A Study on Forest Raw Materials for Pulp, Paper and Newsprint. Planning Commission. Oct. 15.
Seminar on Cost and Financing of Fertiliser Projects in India 1966. Proceedings. Fertiliser Association of India. Oct. 15.
All India Consumer Expenditure Survey Vol. II. N.C.A.E.R. November 26.
Plywood and Other Woodbased Panels. F.A.O. November 26.
The Plan and People's Participation ; Concepts and Methods of Public Co-operation ; Voluntary Service in India ; Towards Better Planning Forums. Central Institute of Research and Training in Public Co-operation. Dec. 10.
Riots in Rourkela. B.B. Chatterjee, P.N. Singh and G.R.S. Rao. Popular Book Service. Dec. 10.
The Indian Rupee. A Study in Retrospect and Prospect. M. C. Jain. Dec. 24.
A.I.R. Miscellany. December 24.
Facets of Nehru. Edited by B.K. Ahluwalia. Jan. 7, 1968.
The Indian Language Problem by Prof. R.R. Yadav. Jan. 7, 1968.

INTERVIEWS

Kerala Chief Minister. April 16.
Madras Chief Minister. April 30.
Bihar Chief Minister. May 14.
S.R.S. Hoysala by T.S. Nagarajan. May 14.
Mysore Chief Minister. L.K. Inamdar. May 28.
Dr S Chandrasekhar. July 9.
Gujarat Chief Minister. August 6.
An Assamese Farmer by P.D. Saikia. August 6.
Dr Vikram Sarabhai. October 1.
Prof D.R. Gadgil. October 29.
G.B. Lal. January 7, 1968.

Heavy Electricals (India) Limited has completed the manufacture of receiver chassis for 132 K.V. air blast circuit Breaker. The receiver tubes of the imported chassis for the first 40 Air Blast Breakers were made from seamless drawn tubes.

Heavy Electricals (India) Limited have already completed the main turbine assembly for 21,000 horse power (metric) peton turbine for Basi Power Station in Himachal Pradesh. It is for the first time such a water turbine has been manufactured in the factory. The main turbine assembly comprises four spear servo motors, top covers, deflectors, levers and connecting rods etc.

NEW RELEASES

THE INDIAN PARLIAMENT

Demy 8'vo. Pp. 68 Price Rs. 1.25

The book seeks to trace the history of India's self-government right from the ancient times to the present day of Parliamentary democracy. It describes in vivid detail the Parliament, today, working of the Parliament, its powers and privileges, the various committees of Parliament, important legislative measures undertaken by the Parliament.

PROBLEMS OF LEADERSHIP IN INDIA

Demy 8'vo. Pp. 36 Price 60 Paise

This is a collection of six talks broadcast by All India Radio and brought together in a small book on the burning subject of the day 'Problems of Leadership in India'. In India, our economic and social development is creating an over-growing need for more and better leaders in all walks of life. The book offers a very interesting reading on the subject.

JUNGLE & BACKYARD (Second Edn.)

by Shri M. Krishnan

Demy 8'vo. Pp. 148 Price Rs. 3.00

The author, Shri M. Krishnan, has described in this book, in a very exciting and delightful manner,

Supplies are made post free. 10% discount to educational institutions and libraries.

Business Manager
PUBLICATIONS DIVISION
Old Secretariat (P.B. 2011) Delhi-6

the realization of a fuller relationship of man with the varied and wonderful world around him comprising of birds, beasts, pets and livestock, guests and co-tenants, herbs, shrubs and trees. Fully illustrated.

INSCRIPTIONS OF ASOKA (Second Revised Edition)

by D. C. Sircar

Demy 8'vo. Pp. 88 Price Rs. 1.50

Carries the English translation of the inscriptions of Asoka, one of the most sincere followers of the Buddha. These inscriptions form a vital part of ancient Indian history and culture. This revised edition incorporates several Asoka's inscriptions discovered since the first edition was published. These inscriptions carry the message of love, compassion and righteous behaviour.

FOURTH FIVE YEAR PLAN—Summary of the Draft Outline

Demy 8'vo. Pp. 64 Price 60 Paise

This is the summary of the Draft Outline of the Fourth Five Year Plan presented to Parliament on August 28, 1966. This pamphlet gives background of the Fourth Five Year Plan and reviews impact of the Third Plan, objectives and the resources and strategy of the Fourth Plan.

Narasraopet Project

A BASE FOR AGRO INDUSTRIES

NARASRAOPET rural industries project, one of the three in Andhra Pradesh, comprises five panchayat samities (Narasraopet, Santhamagalur, Nandendla, Phirangipuram, Rajupalem) and two municipal towns (Narasraopet and Chilakaluripet) in Guntur District. Covering an area of 1028 sq. miles and a population of 4.78 lakh, the project has a predominantly agricultural economy with paddy, jowar, bajra, chillies, tobacco, groundnut, castor, cotton and turmeric as chief crops. The project offers good scope for development of agro-industries especially in view of the fact that canal irrigation is being extended to vast areas under the Nagarjunasagar Ayacut Development Scheme,

and the crop pattern in the region is likely to undergo a change for the better.

PROMOTIONAL ACTIVITIES

During the five-year period 1962-67, a total expenditure of Rs. 19.74 lakh has been incurred on various promotional activities in the project area. Of this amount, Rs. 6,47,050 is accounted for by loan assistance, Rs. 5,84,144 by common facility centres, Rs. 3,31,249 by departmentally run commercial schemes and production centres, Rs. 2,06,093 by subsidy and grant schemes, Rs. 1,74,300 by establishment and Rs. 24,431 by training programmes.

Various promotional efforts have resulted in the development of

small-scale units and resuscitation of cottage type units and industrial co-operatives. Before the inception of the project, there were few small-scale units in the area as the people depended for all their requirements—agricultural implements, consumer goods, repairs and services—on Guntur, the district headquarters. But since the project came into being, 72 new small-scale units have been registered.

2670 UNITS ASSISTED

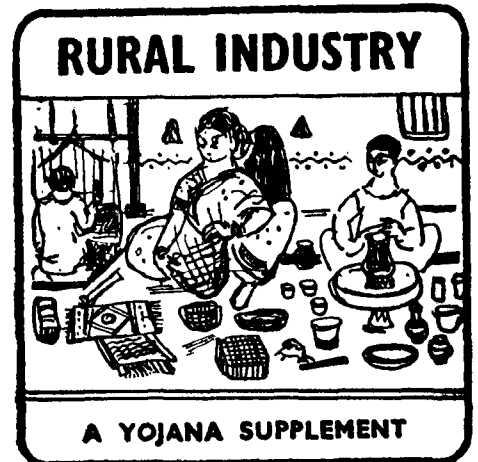
Under the loan assistance schemes, a total of 2670 (33 small-scale and 2637 cottage-type) old and new units took advantage. Among the small-scale units there are four worker-owned general purpose engineering workshops as also units engaged in the manufacture of consumer goods, such as folding furniture, wooden furniture, portable canvas bags, bricks, chalk crayons, agricultural implements, stone chips, footwear, steel cabinets and steel trunks, medicinal preparations, mosaic tiles, etc. These units employing 302 persons produced goods worth Rs. 5.6 lakh in 1966-67. Among the 2637 cottage-type units which received financial assistance, 525 are engaged in handloom weaving, 442 in carpentry, 917 in leather goods, 296 in pottery and cement products, 258 in carpentry-cum-blacksmithy, and 151 in bamboo and rope making.

INDUSTRIAL COOPERATIVES

There are 17,000 traditional workers in the project area out of whom 9,000 are weavers and the rest carpenters, blacksmiths, cobb-



Demonstration of improved potters' wheels in Vipperla village





A carpenter in Narasraopet Project who has improved his skill and is now making musical instruments

lers, bamboo workers, brick makers and potters. In pursuance of the objective to bring these traditional workers into the co-operative fold, 18 industrial co-operative societies have been formed, of which 13 with a membership of 338 are functioning at present. Financial assistance of about Rs. 40,000 (Rs. 10,240 to individual members for their share money and Rs. 28,060 as grants for construction of workshops, or as technical and managerial subsidy) has been given to help the poorest sections of the society.

The scheme for distribution of improved tools to artisans has helped them to settle down confidently in their respective trades. So far, 1154 artisans have benefited from kits of improved tools and equipment and in a number of cases the income levels and productivity of the beneficiaries have increased appreciably. In quite a few cases, power driven equipment such as drilling machines, sanders etc. have been distributed.

How the outlook of rural artisans is changing is illustrated by the demand for improved potters' wheels: so far 220 potters have been supplied with improved wheels, but the demand is still growing. In Vipperla village all the 20 potter families have taken to the improved method of production

and the yearly earnings of each family have increased to Rs. 1,000.

Under a Project Scheme, stipends ranging from Rs. 75 to Rs. 100 per month are given to artisans and workers to improve their existing skills or acquire new skills. The trainees are deputed to Government institutions and private factories in and outside the State for a fixed period. On completion of training, they are given financial and other assistance to enable them to take up that particular line. So far 75 persons have received training and most of them have been absorbed properly.

COMMON FACILITY CENTRES

A general engineering workshop has been set up at Narasraopet as a departmental unit to provide common facilities for trades like carpentry, blacksmithy, foundry and machine shop jobs.

The semi-mechanised carpentry section is working in full swing giving employment to 28 workers—25 piece-rate and three regular. The average monthly income of a piece rate worker here is Rs. 150. This section also provides training facilities.

On the advice of the State Agricultural Department, the workshop has undertaken the manufacture of certain improved agricultural implements. Apart from this production activity, the workshop is rendering useful service to the local artisans and small-scale industries units.

In Phirangipuram panchayat samiti, there is a concentration of about 1,000 weavers who mostly produce coarse cloth on their old-fashioned pit-loom. A dye house and designs extension centre has been established here to demonstrate to the weavers the superiority of the improved looms and the monetary advantage of taking up finer varieties of cloth with designs. There are seven looms in the centre on which weavers are encouraged to work on piece-rate basis. Their average daily earning comes to Rs. 5 as compared to the Rs. 2.50 daily income of a traditional weaver.

A common facility centre has been started at Santhamagalur for the benefit of traditional tanners. A tanning shed has been constructed at a cost of Rs. 16,000 where a demonstrator holds practical demonstrations.

SIDELIGHTS

Bee-keeping serves as a subsidiary occupation for poor farmers who can supplement their income without much extra effort or investment. In Narasraopet Project, this activity has been ardently taken up by the enlightened and comparatively well-to-do sections of the public which include lawyers, college lecturers, medical practitioners, students and even priests. An advocate extracted 14 Kgs. of honey in a year from his three bee-boxes while a medical practitioner got 23 kgs. from four boxes. Students of two colleges at Narasraopet are in great competition with one another in the matter of bee-keeping and honey extraction. So far 68 bee-hive boxes have been distributed on subsidised rates.

The poor bamboo workers of Edlapada village find their work lighter and pleasanter when they weave baskets and winnowers in the workshop constructed with the project aid. The reason: a radio set installed in the common shed by their co-operative society out of its profits. The society with a membership of 17, purchases bamboos in bulk from Nallamallai forest at a distance of 110 miles, and distributes them in the village among its members at comparatively lower rates. Sweet melodies and cheaper raw material have, it is averred, increased the earnings of workers by at least 50 per cent.

The Project has made a notable contribution to settle nearly 40 Lambadis who are by nature nomads, at Sattanapalli. A prominent local social worker organised them into a co-operative society for weaving ropes from sun-hemp and jute. The khadi Board gave them a loan of Rs. 2,350 for working capital, and a grant of Rs. 900 for equipment and training. The project agency made an outright grant of Rs. 4,000 for purchase of land to construct a common workshop. Another grant of Rs. 600 was given from the fund to the sale depot of the society. At present a group of two elders and one youngster is earning Rs. 5 daily during off-season and Rs. 8-9 during the season.

AROUND THE PROJECTS

Kozhikode (Kerala)



TIME CHANGES FOR A WATCH REPAIRER

MR. E. Sadanandan, 33, of Kozhikode Project who started his career, 17 years ago, as a watch repairer at Rs. 60 a month, is now the managing partner of a unit set at Beypore for the manufacture of spare parts of clocks. He has ambitious plans to expand the unit into a full-fledged clock manufacturing factory after consolidating his initial success.

Early in 1967, Mr. Sadanandan approached the Project authorities for financial assistance to establish his proposed unit. A loan of Rs. 5,000 was sanctioned with which he purchased machinery such as spray painter, sander, case heater, motors and some sundry accessories and equipment. In May, he started manufacturing, in a rented building, clock cases with the locally available jack wood as also clock parts like dials, hands, pendulums, etc.

There has been a steady increase in the demand for these items which gave him the necessary impetus to purchase land at Beypore to set up a well-planned factory which is now in the making. He has since applied for a factory loan of Rs. 35,000, and supply of machinery worth over Rs. 10,000 on hire-purchase terms.

After completing this phase he intends to approach the National Small Industries Corporation for import of machinery valued at Rs. 3 lakh which would be necessary to undertake the manufacture of complete clocks.

At present the unit provides work to nine persons with a monthly wage bill of Rs. 1500. After meeting all expenses, Mr. Sadanandan is able to make Rs. 500 to 600 for himself.

MACHINERY FOR TILE FACTORIES

A hereditary blacksmith who worked as a foreman for 26 years in a tile factory has, in less than two years, trebled his income by setting up a unit for the manufacture of machinery used in tile factories.

The entrepreneur, Mr. K. K. Ayyappan, was employed on a monthly salary of Rs. 300 by a tile factory at Feroke. Early in 1965, he put up a scheme to the Rural Industries Project, Kozhikode, for starting an engineering unit. In October the same year, he was supplied with machinery (two lathes, a drilling machine, a shaping machine, transformer welding set together with accessories) valued at Rs. 20,505 on easy hire-purchase terms.

In the meanwhile the entrepreneur purchased a site 8 kms south of Kozhikode, and put up a factory out of his own resources.

The unit started production on a modest scale providing employment to Mr. Ayyappan's eldest son and five other relatives who are also skilled blacksmiths. But soon he secured such a large number of orders for machinery items from nearby tile factories that his limited resources would not allow him to cope with them. The Project Agency again came to his help by arranging towards working capital a credit limit of Rs. 40,000 from the State Bank of India. In August 1967, he was advanced another sum of Rs. 5,000 to expand his factory. Supplementing this amount with his own resources, he put up a foundry for casting jobs, and purchased a 10-ft. lathe valued at Rs. 9,500.

The unit which is manufacturing de-airing pugmills and other tile machinery now employs 20 skilled workers disbursing each month Rs. 2800 as their wages. Its capital formation during the last two years has been of the order of Rs. one lakh. The entrepreneur is having a monthly income of Rs. 1,000 after meeting all expenditure.

Alleppey AGRICULTURAL IMPLEMENTS UNIT

Though known as the rice bowl of Kerala, Kuttanad depends heavily on towns like Alleppey and Kottayam for meeting its requirements of agricultural implements and their servicing. Mr. Joseph Job, member of an agriculturist family of Kuttanad, who was serving as an engineering representative of a firm at Alleppey, saw good scope for an engineering unit in his locality to meet a part of this demand. The Project Agency supplemented his resources by advancing Rs. 7,000 towards the cost of land and building, Rs. 5,000 as working capital, and Rs. 21,400 for purchase of machinery in total investment of over Rs. 80,000.

The financial assistance has been well assimilated, and in a plot of 20 cents at Kavalam, about 15 Kms. from Alleppey, there has come up a flourishing agricultural implements factory employing a dozen hands. The unit which also undertakes repair and servicing jobs, manufactures agricultural implements like iron ploughs, sickles, manvetti, garden tools, estate forks, etc. worth Rs. 60,000 a year.

Aijal (Assam)

A TALENTED MIZO

D. R. DATTA

Pu Kaia (short for Mr. Kailian-chhunga) of Republic Avenue Aijal is a talented Mizo artisan who has won great reputation all over the Mizo Hill District of Assam for his mechanical innovations. Kaia, 50, with medium height and an emaciated look, has been running a small workshop for aluminium casting and repair work alongside his tea shop for the last quarter of a century.

During the second World War many aeroplanes which were shot down crashed inside Mizo Hills District, specially along the borders of Burma on the eastern side. Mizo blacksmiths utilised the aluminium scrap from plane wrecks in their smithy shops. Gradually these blacksmiths became professional aluminium workers producing various types of aluminium utensils.

Pu Kailianchhung by virtue of his natural inclination and instinct was instrumental in effecting great improvements in the aluminium casting industry in Mizo District. He has so far trained 15 persons from all parts of the District, and most of them are carrying on this industry in their interior villages.

But Kailianchhunga was not satisfied with this achievement. He found that the Mizos were experiencing great difficulty in securing G. I. sheets which were in short supply. And so he put his mechanical skill to full use in devising a hand-operated machine for corrugating G. P. Sheets. The machine consists of two wooden

grooved rollers of 24" diameter fitted with a fly wheel to serve as a handle. Three men are required to operate this machine; one man to turn the wheel and two men for pulling and pushing the corrugated sheets between the rollers. Although the machine requires a good amount of labour while operating, yet it is a popular machine in Aijal, for it adequately meets the requirements of the local people.

Pu Kaia was encouraged to participate in the All Assam Indus-

trial Exhibition held at Gauhati in 1965. His stall attracted much attention and he was awarded a special prize. The Rural Industry Project took him on a study tour to small-scale industrial units in five important towns of Assam in 1964 and the entrepreneur, on return, proved his worth by upgrading his work-shop into a small-scale unit. He is now the sole registered manufacturer of Barua Loom which is being introduced in Mizo District, Nagaland and NEFA.

APPROPRIATE TECHNOLOGY

Anand Sarup

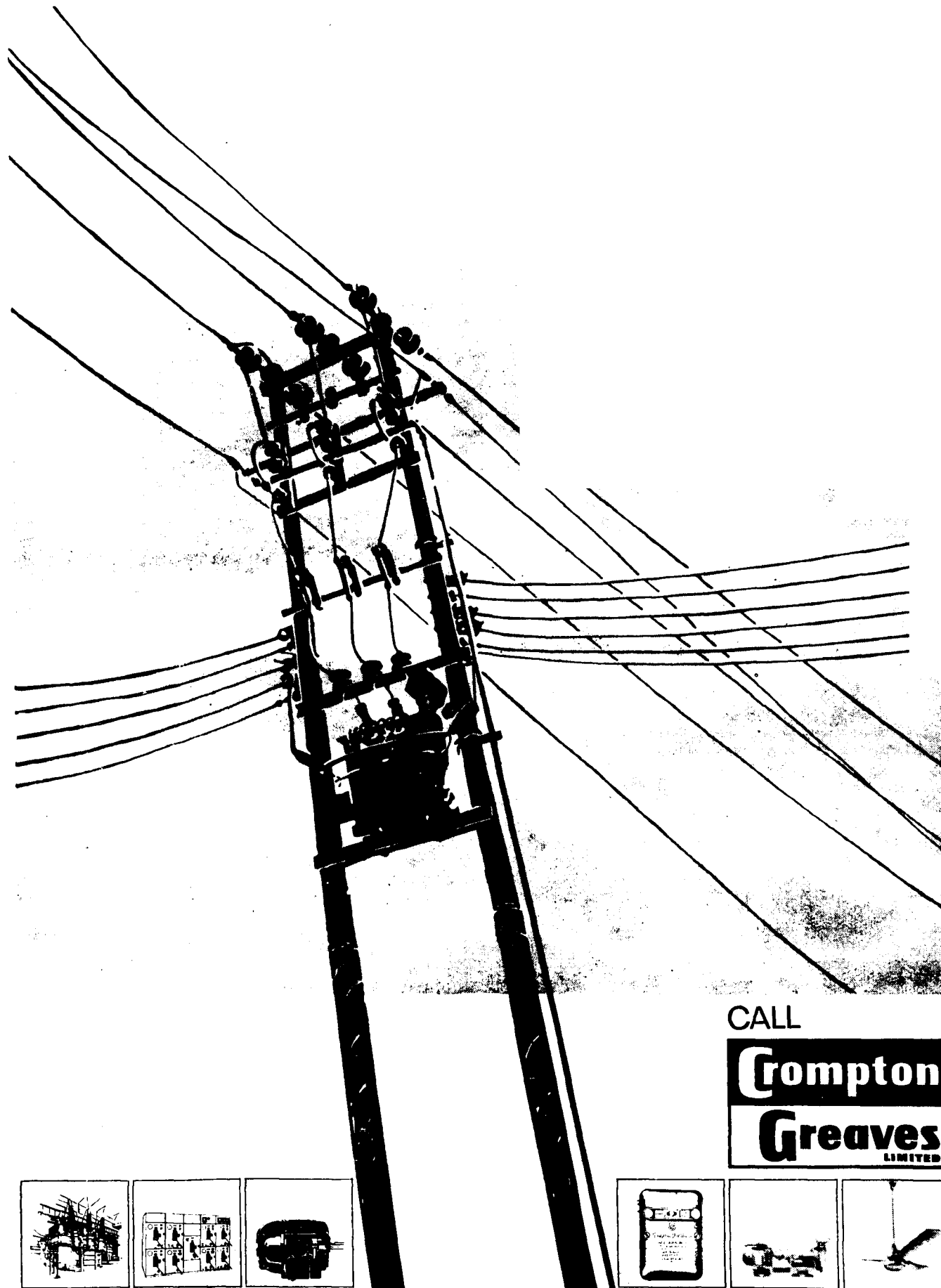
Today it seems more sensible to many economists and technologists that we should take recourse to a level of technology called "intermediate" which as the term implies, is somewhere in-between the highly capitalised labour saving techniques of production employed in the "developed" countries and the outmoded techniques in vogue in many of our rural or cottage industries. Such a technology may be more suitable or appropriate to meet our needs for goods without suffering the shock of sudden transition from unsophisticated to highly sophisticated methods of production, as also to conserve and employ our meagre capital resources on more vital aspects of the economy.

Industries, whether in the rural or the urban areas and whatever their scale, are likely to survive only on the basis of their economic viability. Whether the existing structure of rural, cottage or small-scale industries can be retained or enlarged can be found out only by experimentation and innovation with the techniques and scope of production in this sector.

There is no dynamic agency which would constantly innovate, improve, promote and demonstrate the viability of small scale or decentralised production. In a number of cases, particularly in the agro-industrial sector and the production

of cycle parts, sewing machines, agricultural implements and hosiery goods, decentralisation and technical innovation have established the economic viability of this approach at nominal cost. These developments, however, have taken place without any systematic experimentation, mostly through the resilience and inventiveness of individual entrepreneurs or technicians. For all we know, systematic experimentation in many other fields of production will yield similarly encouraging results. Hence the need for establishing centres or agencies for the promotion of "Intermediate Technology."

It is absolutely essential that while recommending a particular technology the interests of rural artisans and small-scale entrepreneurs should be safeguarded by testing the economic viability of technically feasible schemes through initiating pilot projects which would operate on commercial lines. It is, therefore, strongly advocated that an agency set up for studying, innovating and advocating "Intermediate" or (more appropriately) "Appropriate" Technology should be practically and pragmatically oriented and committed not only to the general concept but also to specific techniques of production upto the point of the demonstration of their economic viability in real life conditions.



CALL

Grompton

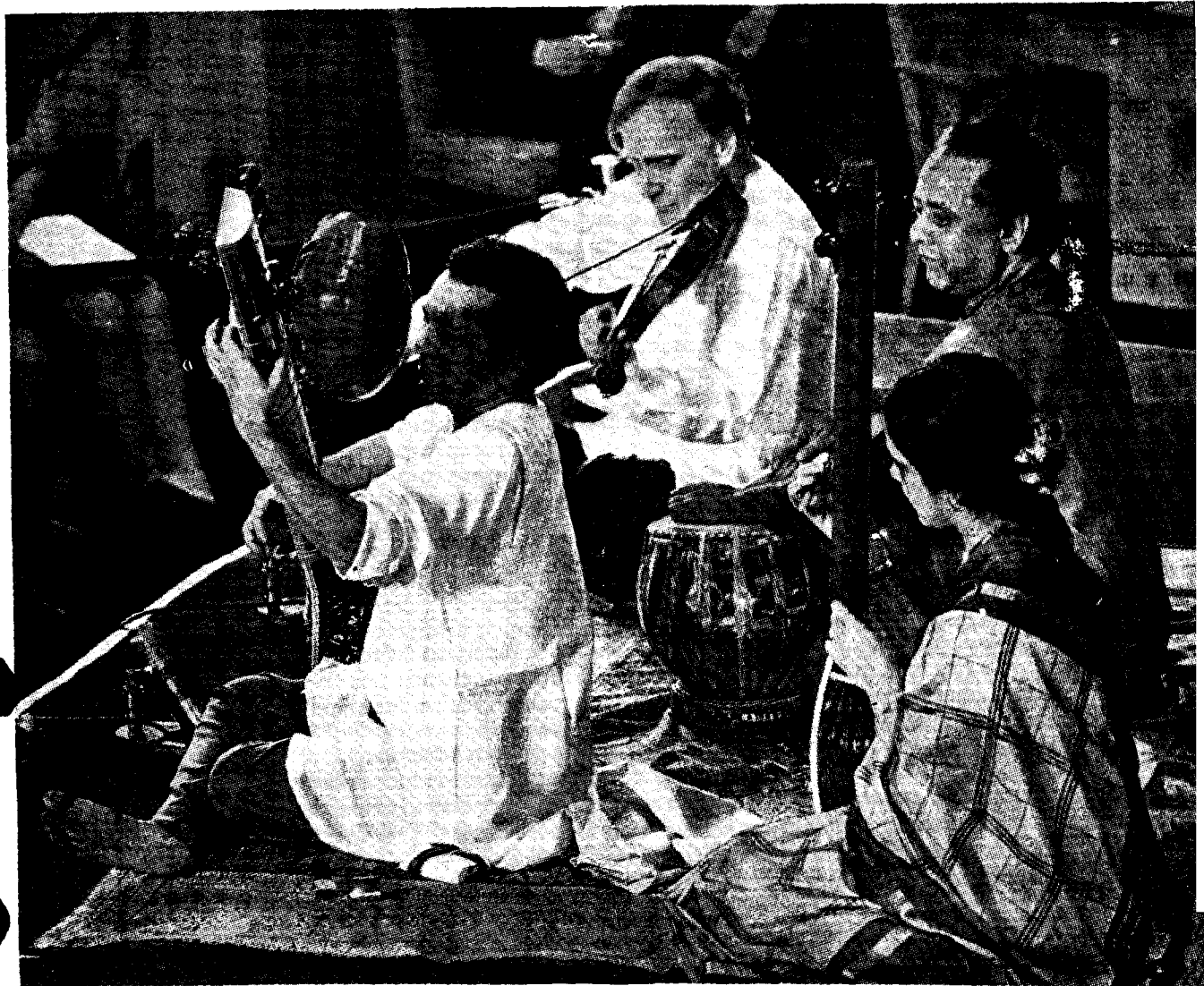
Greaves

LIMITED

REPUBLIC DAY
ANNUAL NUMBER

YOJANA
TWELFTH YEAR | JANUARY 26, 1968

493



Music, like humanity, knows no frontiers: it transcends narrow national considerations and touches the soul of man. It was, therefore, the fitness of things that the 25th anniversary of the adoption of the "Declaration of Human Rights" (December 10, 1967) was marked by a concert by Ravi Shankar, sitarist, and Yehudi Menuhin, violinist, in the U.N. General Assembly Hall in New York.

The event was significant not only because of the first appearance

together of the two *maestros* in America; it also marked the climax of Ravi Shankar's single-handed effort to make Indian music understood and acceptable to Western audiences. Today the *sitar* and other Indian musical instruments can be heard in the records of the Beatles and other popular music groups in the West.

The growing popularity of Indian music is evident in many ways: whereas Indian music groups were formerly booked in small,

obscure theatres, they are now packing such well known venues like the Royal Festival Hall in London and New York's Philharmonic Hall. One large store in the United States selling gramophone records reports that its Indian music section is one of its best-selling departments. And, in large European and U.S. cities, whole new generation can be heard discoursing learnedly in the vocabulary of the genre—*alap*, *jor*, *jhala* of the *raga*; and the various *talas*.



WHAT PRICE PROSPERITY ?



Better yield begins with better feed

And Buhler makes better feed possible. Buhler feed milling plant scientifically processes mixed feed for cattle and poultry. Feed milling has several advantages:

- It makes a wide range of nutritive, balanced, mixed feed possible and results in a 50% increase in yield.
- Large scale feed milling reduces costs by utilising seasonal products, cheap materials and damaged grain.
- Prevents adulteration as feed is made in pellet form which is clean and simple to handle.
- Weighing and mixing is done automatically with punch card control maintaining secrecy of formula.

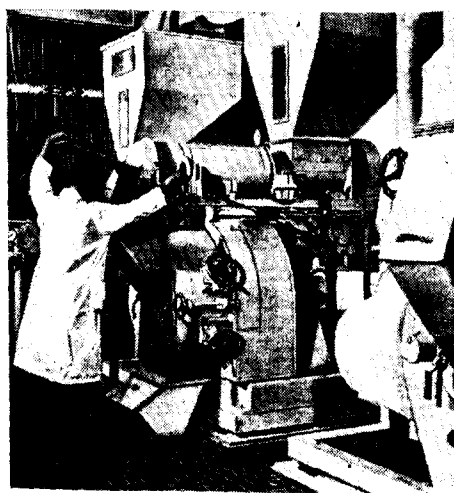
L&T has supplied the Buhler feed milling plant with a capacity of 10 tons per hour, for the Kaira District Co-operative Milk Producers Union, Anand.

Direct enquiries to:

LARSEN & TOUBRO LIMITED

P. O. Box 278, Bombay 1.

Also at: Madras • New Delhi • Calcutta • Bangalore • Hyderabad • Ernakulam • Ahmedabad • Lucknow • Bhopal • Goa • Rourkela • Baroda



Pellet Mill—part of the Buhler cattle feed plant.

YOJANA

Fortnightly journal published on behalf of the Planning Commission

Vol XII

No. 1

January 26, 1968
Magha 6, 1889

This Issue

Republic Day
Annual Number

devoted to the theme

**PRICES and
PROSPERITY**

contains 28 articles by eminent public men, economists and journalists, in addition to usual features.

COVER designed by R. Sarangan

Yojana seeks to carry the message of the Plan, but it is not restricted to expressing the official point of view.

Chief Editor :

Saradindu Sanyal

Assistant Editors :

Madhav Krishna Pardhy
Roscote Krishna Pillai

Photographic Officer :

T. S. Nagarajan

Editorial Office : Yojana Bhavan,
Parliament Street, New Delhi-1
Tel: 383655, 381026

Business Office : Business Manager,
Publications Division, Old Secretariat,
Delhi-6.

Inland Subscription : Annual Rs. 5 :
Two years Rs. 9 : Three years Rs. 12 :
Single copy 25 paise.

Foreign Subscription : Annual 10 s.
6 d. or U. S. \$ 1.50 : two years
18 s. 6 d. or \$ 2.75 : three years
25 s. or \$ 3.50 : Single copy 6 d. or
7 cents.

Paying For Prosperity

INDIA's primary objective in taking to the process of planned economic growth seventeen years ago was to bring about a marked improvement in the level of living for the bulk of her population and to open out for them new vistas for a richer and varied life. Since 1951, we have completed three Five Year Plans and an Annual Plan, and are nearing the end of the Second Annual Plan (1967-68). During this period we have invested a total amount of more than Rs 19,000 crore.

However, if we judge the performance of planning from the impact it has had on the common man's level of living, we find that the results have not been very commendable.

It is accepted that one of the significant reasons for the bulk of the population being denied an equitable share of the general increase in prosperity is the abnormal increase in prices. In fact the price rise has made the distribution of increasing wealth more inequitable than before. The decline in the purchasing power of the rupee has caused a severe erosion in the incomes of peasants, industrial workers, small traders and middle class employees, who have had to pay the price of economic growth.

If the fruits of planned prosperity should reach the bulk of our people, we have to work out the essentials of a price policy and evolve a planned price structure.

There is no doubt that prices rise because people buy and they do so because they have the means to buy. Rising prices are thus an inevitable accompaniment of increased purchasing power. This explanation, however, amounts to oversimplifying a complex web of economic factors.

In India, agriculture is at the base of all economic activity. It is the mirror which reflects the economic health of the nation. A rising trend in agricultural prices is immediately communicated all along the line. Although it is true in economic theory that price varies with production, high production is not reflected in falling prices.

It is apparent that industrial prices have also gone up in recent weeks. What is this due to? Government investment has been curtailed in the hope that this anti-inflationary step will provide a corrective to the inflationary trends in the economy. This was a wise step and would have produced the intended results, provided production in the traditional sectors of the economy had gone on unimpaired. This has not happened. Production has unfortunately not picked up owing to a variety of factors. The Indian industrialist is yet to think in terms of larger turn-overs at lower costs.

High defence expenditure has been reckoned as a factor in price rise. This may be true, but only up to the point that it has placed in the hands of a large number of persons a vast amount of liquid cash. Their demand for consumer goods does not keep pace with supply. The availability of cheap money cannot but result in price rise.

These facts reveal the aberrations inevitable in a developing country like ours. The present generation of Indians has to pay the price for laying the foundations on which the future prosperity of the nation will depend. We have to make sacrifices and undergo hardships so that our children and our grandchildren, generations that follow will live in peace and prosperity.

the day to celebrate TOGETHER

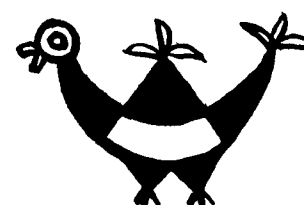
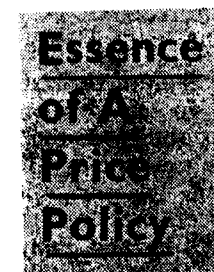
We celebrate the eighteenth year of our Republic to-day. We reaffirm our pride and our faith in our great country. As we usher in the new year of our Republic, let us remember that in Unity lies our strength and it is only through Unity that we can achieve our cherished goal of peace and prosperity. All together, let us rededicate ourselves to the task ahead, to be One Great Country, One Great People



77-78

A PROPER RELATION between LARGER MONEY SUPPLY and HIGHER PRODUCTION

H.V.R. IENGAR



THE basic argument round which the articles in the Annual Number are proposed to be written, has been stated by the Chief Editor as follows. "India's primary objective in taking to the process of planned economic growth seventeen years ago was to bring about a marked improvement in the level of living for the bulk of our population and to open out for them new vistas for a richer and varied life.... If the fruits of planned prosperity are to reach the bulk of our people we have to work out the organisation of a price policy and evolve a planned price structure". The above argument seems to me to contain an over-simplification, and it seems desirable to set out certain qualifications if we are to avoid the danger of an error in emphasis in the remedial action that is necessary.

In the course of a brief article it is obviously not possible to spell out the arguments with any degree of amplitude and I propose to state my views in the form of a series of propositions. I hope these will not be regarded as dogmatic views to be accepted or rejected, but as indicative of my line of thinking on what is undoubtedly a difficult and sensitive problem.

While the large-scale increase in prices that has taken place for the last few years has, without any

doubt, caused distress to considerable sections of our people, it must not be forgotten that a not insubstantial segment of our population has benefited from this increase. There is evidence to show that quite a number of farmers in our country have reaped sizeable benefits from the increase that has taken place in the prices of agricultural commodities, both food crops as well as commercial crops such as sugarcane. It is true that they, in turn, have had to pay more for manufactured articles that they have to buy and for items of expenditure such as transport, but, on balance, they have stood to gain. Indeed, so much is this the case that some Central Ministers and Members of the Planning Commission have repeatedly pointed out that there are substantial cash savings in the rural areas which require to be tapped in the interests of planned effort and also that industrial enterprises which are complaining of a collapse of the capital market would be well advised to look to rural resources for their needs.

The people who have been really hit by the rise in prices are those who have had to supplement what they produce in their farms by buying foodstuff, as well as agricultural labourers and others who have to depend very largely on cash

income. I am not sure whether any worthwhile statistical investigation has been made as to what extent, on balance, the farming community has stood to gain or lose by the increase in the price level, but I think it would be an over-simplification to argue that there has been an universal or large-scale fall in living standards in the farming community. This is not to suggest, of course, that amongst those sections who have been hard hit—and in absolute numbers they are quite large—the distress is not really acute.

It would, I think, be a mistake to assume that during the earlier stages of planned development, even the poorer sections of the community could be completely insulated against any increase in the price level. It goes without argument that they should be protected against a rise in the cost of food articles or of cloth, the basic necessities of life. But there are other elements which enter into the cost of living of even the poorer sections of the community, such as the cost of travel by railway or by bus, or of postage. I doubt whether resources required for the planned economy can be gathered without, to a very limited extent, getting into the dragnet even the poorer sections of the community.

Price rise is the result of deficit financing which is inescapable for our planned effort. Even the poorer sections should be ready for sacrifices involved in a price rise of two or three per cent. This proposition has been the basis of our policy.

The distortion from an accepted degree of price inflation has taken place in the last five years. Over the first ten years of our planned effort, the annual price increase has been about 2½ per cent. Prices shot up in the last five years, the wholesale price index going up from 127.9 to 220 a few weeks ago.

A large number of farmers have benefited from the price increase of agricultural commodities. The people who have been really hit are small farmers, agricultural labourers and fixed income groups. But the resources of even the poorer sections have to be tapped to a limited extent for planned economy.

I have always held the view that a certain volume of deficit financing has been inescapable for our planned effort. The only question arising from time to time is not whether such financing is, in principle, sound, but what its volume and timing should be. In as much as our Plan is an integrated Plan laying emphasis as much on heavy industry as on agriculture, the former having a long gestation period, it is inevitable that deficit financing would lead to some rise in prices. My view has been that so long as this rise is limited to perhaps two or three per cent a year, it should not be regarded as an illegitimate call for sacrifice on the part of the poorer sections of the community.

Distortion in last Five Years

Whether the above propositions have been spelt out in detail in Government pronouncements or not, in actual fact they formed the basis of policy and also conformed to actual experience till some five years ago. Thus on the basis of the wholesale price index 1952-53=100, the price level in 1961-62 for all commodities was 125.1. Thus over ten years of planned effort, the annual increase in prices was about 2½ per cent. The food index in 1961-62 was 120

and the index for manufactured articles 126.6. The figures for 1962-63 were not noticeably worse. The price index for all commodities was 127.9, the index figure for food articles was 126 and of manufactured articles 128.9. It was after 1962-63 that the prices started shooting up. A few weeks ago the wholesale price index was 220, the food index being well above that figure although the index for manufactured articles was less. In other words, the distortion from what may be accepted as a reasonable degree of price inflation has taken place in the last four to five years.

It would be a serious mistake to deal with the price problem as merely an exercise in the field of monetary economics, for the simple reason that would be wholly impractical and would ignore certain preoccupations before Government of a most urgent and practical character. The main changes which have taken place since 1962 and which have had an impact directly or indirectly on the price level are as follows:-

1. There has been a tremendous increase in defence expenditure. This expenditure has gone up, taking both revenue and capital items into account, from some Rs. 325 crore to as much as Rs. 1,000

crore a year. The effect of this increase has been directly and substantially inflationary.

2. There has been a disastrous fall in agricultural production in the last two years. This has set in train a whole series of consequences leading to a recession in industrial development.

3. The result of the last elections has been to create considerable political instability in the country. An extreme example of this is West Bengal, but various other States have not been free from this, such as Bihar, U. P. and Punjab. The effect of political instability has been, in varying degrees, to paralyse administration. The constant shifting of political forces affecting the making and unmaking of ministries must necessarily lead to a deterioration in administrative standards and indirectly to affect the pace of economic growth.

Shorter Money Supply

In economic terms, the essence of a price policy must consist of maintaining a proper relationship between the increase in money supply and the increase in the production of consumable goods, both agricultural and manufactured. In present conditions the extent to which money supply can be reduced is limited.

Almost the entire emphasis on policy designed to maintain a reasonable stability of prices must therefore be in the field of production. Increased production necessarily must mean increased investment as well as the taking of steps necessary to ensure that such investment is put to optimum use. So far as agriculture is concerned, the investment must consist of the use of better seeds, the application of fertilisers and pesticides, the use of better farming practices, and the like. In the field of industry, the additional investment must involve not merely the right priorities but also the application of managerial and productivity techniques.

The question of an effective price policy involves improvements in political standards and attitudes and in administrative efficiency as well as decisions on our international problems some of which seem intractable.

Imbalance Between Industry And Farming Has To Go

L. N. BIRLA

THE goal of any nation is to promote prosperity and to improve the lot of the people. This means, in the main, economic growth. For evolving proper policy for action, the identity between progress and economic growth is fair enough. In the last 20 years, India has been engaged in this endeavour of economic development. We have completed three Five Years Plans, and in retrospect, it looks as if these Plans were not in vain, although during the past three to four years, we have certainly run into many difficulties. The growth rate could have been considerably stepped up with a little toning up of policies. The deficiency in planning and performance is sharply reflected in the rising trend of prices, particularly since 1963.

In a developing economy, some rise in prices is inevitable. This was accepted even by the Planning Commission, in the Third Plan document. Such gentle rise in prices provides the necessary stimulus for increased production and greater effort. It is found from experience of most countries that in the developmental stage prices do rise. But when the rise in prices becomes too steep and creates social inequities through redistribution of income, the stimulus to development itself becomes a drag on growth. Until 1963 the rise in prices in India was nominal and provided the incentive for capital investment and economic growth. But since 1963 the rise in prices has become too sharp and has certainly been resented by the public. What is peculiar is that the rise in prices has been almost wholly restricted to agricultural commodities. (See Table Below). This effect itself indicates that inflation in our country is not due to any fundamental disequilibrium but due to sectoral imbalances in the economy.

The effect of price rise on agricultural production has been almost nil and on industry very weak.

The benefit of larger spending by Government has gone wholly to agriculture. It has pushed industry into a recession and caused inflation in agriculture.

The only meaningful way is to create helpful conditions for entrepreneurs to market goods.

TABLE

	All Commodities	Food	Manufactures
1962-63	127.4	123.5	129.5
1963-64	138.9	141.0	133.0
1964-65	151.0	153.6	141.2
1965-66	202.9	217.9	167.5
Oct. 28, 1967	216.8	251.0	165.5

It is easy to see that the rise in prices did not benefit production at all. This was because it took place in that sector in which production is not immediately responsive to price. Agricultural production depends on a number of un-

certain factors like weather, rainfall and availability of fertilisers and improved seeds. Since agricultural production was uncertain, the price effect did not work. In 1965-66 and 1966-67, production was very much less than normal, although prices had increased very sharply. In 1967-68, because of good monsoon, we are expecting a bumper crop. But this cannot be considered to be a response to the price effect. What is important for steady increase in agricultural production is assurance of minimum prices.

Capital Market Dampening

In the industrial sector, the price effect was very weak. Since 1963 prices of manufactures have increased by less than 30 per cent. Most of this rise in prices was absorbed by the rise in wage costs and the prices of raw materials, increase in interest rates, higher taxes and higher prices of imported goods. The profit margin has, in most cases, gone down. Industry is not able to pay the same rate of dividend. Interest rates, on the other hand, have risen and, as much, an imbalance has been created between equity shares and fixed interest bearing securities. This has dampened the capital market and made it difficult for industry to secure risk capital.

The present situation is thus very peculiar. In a sector in which the price effect is negligible, there has been a steep increase in the price level. On the other hand, in the sector in which production is most responsive to prices, the price effect is too feeble to encourage production. This contradiction in the situation is not difficult to explain. The diversion of purchasing power from the urban to rural sector through higher agricultural prices has meant smaller demand for

industrial goods. No doubt, purchasing power itself increased because of larger spending by Government. But the benefit of this increased expenditure has accrued wholly to the agricultural sector. This has pushed industry into a recession and agriculture into an inflationary phase. This contradiction in the situation has to be resolved if the economy is to grow steadily under conditions of relatively stable prices.

The Only Meaningful Way

The present inflation has thus proved to be a burden on the economy and has not given any benefit in terms of production. In this view, it is necessary to reorient our policy in a manner that would reduce the impact of recession and redress the imbalance between industrial and agricultural sectors. For this purpose, the expenditures of Government on non-productive uses have to cut and selective reduction of excise duties has to be done with a view to provide some stimulus to demand for industrial products. This dual approach would go a long way in stabilising prices and inducing higher production.

The expected better crop will, no doubt, check the rising prices to some extent. But it would be wrong to depend on this single factor for removing the imbalances in the economy. Besides, bumper crops are few and far between and cannot be relied upon for securing sustained economic progress. Ultimately it is policy measures which determine the course of the economy. These must be such as would give full scope to individual initiative and provide the necessary stimulus for economic effort to be made. In short, policy must be such as would make investment and production worthwhile. Industry will not produce goods which it cannot sell. Therefore, the only meaningful way for promoting economic growth is to create conditions in which it would not be difficult for entrepreneurs to market goods.



SELLER'S MARKET LACKS COMPETITION

B.N. BHATTASALI

THOUGH price, prosperity and consumer satisfaction may appear to be dry techno-economic themes, the focus here is more on their sociological aspects as prevailing in India today. India, with her traditional caste system and consequent social stratification, had relied upon certain sections of the community to handle business, trade and retail distribution systems. Widespread involvement in industrial production is only a recent development. In a selective and restrictive economic climate, as prevailing today as a calculated measure, the processes have given these classes added powers but little responsibility. In a seller's market such powers soon become serious challenges to the health of the economic system, which is sought to be cured by more controls, resulting in more social vices. Under these circumstances, taking advantage of the seller's market, the lack of competition and the absence of business mortalities (business mortality in Japan is about 15 per cent a year), most of the trading and financing classes, who are generally devoid of technical skill or managerial talents, have set up factories and got engaged in production activities as well. Enjoying a commanding position for both production and distribution in the seller's market, many of them soon accumulated immense wealth and assumed such a position in the economic system today as to place the consumer entirely at their mercy.

Government often sought to rectify this condition festered with widespread discontent, by various

Businessmen and financiers who have little technical skill command production and distribution, and the consumer is at their mercy. As a result, the cost of production is higher and it is passed on to the consumer. A greater competition among salesmen is a step towards breaking this impasse.

legislative or executive measures, only to create new problems and new vices in the process of implementation. Lack of efficiency in production and lack of scruples in distribution often supported by open or hidden finances are, therefore, the twin evils which have considerably afflicted the national life at all levels. In this process many business houses have built up monopoly or commanding positions for themselves in the economic life of the country. The technocrats as a class had a haphazard, difficult and restricted emergence. A technocrat without sufficient financial backing and without having sales organisation at his command had so far too meagre opportunities of business success.

Problem of Distribution

The problem of an efficient and honest distribution system to safeguard consumer interests is not unique for India alone. It exists in all countries to a lesser or a greater extent. But it assumes

special dimensions in India where, theoretically speaking, with a seller's market there should be no great selling problem. But the problem has been created by the powerful intermediaries who dictate their own terms both to the producer as well as to the consumer. The position of the consumer becomes still worse when producer himself is the seller. In such an economic climate, the cost and quality of the products are only too prone to be compromised. The position of a producer who has no control over the sales organisation, even when he is very efficient, tends to get so compromised as to become a serious challenge to the cause of national productivity.

As regards the emergence of producers as small scale entrepreneurs from among the artisans and master-tradesmen, who in many countries have played a big role in stimulating national production, no less in generating hope, ambition and dynamism for growth, the position is far from satisfactory in India. They have far too meagre chances of success, in spite of their technical competence and productive efficiency, unless, of course, they accept the terms of sellers and financiers. As a cumulative result of all these factors, the retail price of a product in many cases is double the ex-factory price, whereas in a country like Japan the retail price of the same or a similar product is only 20 per cent higher than the ex-factory price.

In spite of the limited nature of the selling and distribution problem in Japan and in the U.S.A., the Governments of these countries have seen to it that substantial portion of credit and other assistance are available for setting up sales organisation and retail shops so as to generate competition among the sellers, for promoting production and ensuring speedy inventory turnover, right up to the retail point. In India the question of inventory turnover is often treated as a matter of course rather than as one of decisive importance for enhancing the rate of return and profitability. Nobody gets the benefit of idle inventory,—it is a national waste. Apart from locking up capital, the deterioration losses of many products are colossal, and much of

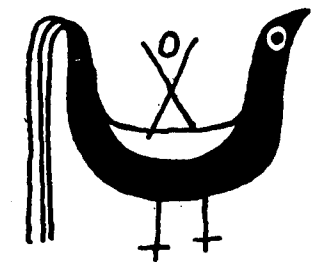
these are passed on to the consumer in one form or the other.

Sales Process

The first step in defeating the machinations of the intermediaries in distribution is to facilitate the process of sales, particularly for those producers who do not have control over the sales organisations. It is often said that in India whatever is produced is sold without realising that many things are not produced to the full capacity, because the producer is not sure about sales. As a result, the scarcity of margins of the products, or the higher cost of production, are mostly passed on to the consumer. What has been said about industrial production applies with certain shifts in emphasis to agricultural production as well.

The Government is by now well aware of the problem of sales organisation, but a few supermarkets here and there are not enough. What is important is a much greater competition among the salesmen by promoting newcomers, and a much greater assistance to artisans and technocrats, so that their technical proficiencies could become business realities, through trade centres or extensive systems of co-operative marketing.

Unlike the economies of the U.S.A., the U.S.S.R., and China, the economy of India has not passed through any revolution which would remove orthodoxy and social stratification and would create the necessary dynamism and a base for the growth of an expansive civilisation. As in the case of industrial revolution in the United Kingdom and Japan, or the socio-political revolution in Germany, given the necessary direction and organisation and firmness in implementation, it is possible to achieve the requisite social changes without a wide-spread massacre of human life and property. With much greater insight into the affairs of men and society, most of the beneficial fruits of a revolution could be generated in India. It is hoped that, by the time this century comes to a close, most of these would have been achieved, by a purposive and vigorous direction of the affairs of the state.



QUOTATION BOX

Cut the distance between file and faisla (decision).

—Mr. Lachman Singh Gill
Chief Minister of Punjab

...Economists, who seem to breed faster in India than the unhappy poor. What India has to show for two decades under the economists is little progress and even less hope for the future.

—Far Eastern Economic Review

We in India have a very unhealthy appetite for what we call anti-Indian practices. Though this appetite has helped me, I will still call it unhealthy.

—Mr. Nirad C. Chaudhury
Influence is meant to be spent.

—Mr. Robert Mc Namara
quoting a remark President Kennedy had made to him.

A wrestling ground in every locality can solve the problem of growing rowdyism in the capital, according to a spokesman of the Delhi Municipal Corporation.

—The Hindustan Times.

If young people would accept my mind, the hospitals would be emptied.

—Mahesh Yogi quoted in 'Newsweek'

An American tourist gazed in awe at the Taj Mahal. "And to think," he told his wife, "they were able to do it before anybody even had heard of such a thing as foreign aid!"

—The Illustrated Weekly of India

Dr. Glen Holland of the Los Angeles branch of the University of California, has made a long examination of the biology of twins and has arrived at some fascinating conclusions. According to him, left-handed people and people who stutter are more likely to be parents of twins than those who are right-handed or do not stutter.

—W.A. Clarke in the Hindu

PRIORITIES NOT RIGHTLY CHOSEN

CHIMANLAL B. PARIKH

ON reviewing the results achieved during our fifteen years of planning, they appear to have fallen far short of expectations; in nearly every direction they are disappointingly poor. The reason is that no emphasis was laid on right priorities. For instance, population control, officially known as family planning, should have been given the top priority; but it was treated as comparatively less important. No amount of planning in other fields is going to help us if population outmarches the results of our food production drive.

The next priority should have been the provision of the three main necessities of life, namely food, clothing and housing. No one denies the importance of industrial production, but agricultural production must come first. Government must concentrate their attention primarily on agriculture and see that food is made available to the common man at a reasonable price.

It is usually true that if prices are higher, the general prosperity is also higher. In India, however, the position at present is quite the reverse. We have high prices, but the corresponding high prosperity is nowhere in sight. The fact is that the prices of the necessities of life are so high that all the savings of the people are spent in bridging the gap between income and expenditure. It may be that organised industrial labour are in a happy position, but their number is not more than 50 lakhs. Agriculturists and agricultural labourers are in a precarious condition because of the uncertainties of the monsoon.

We know we cannot depend much on the monsoon. Instead of laying the blame on the vagaries

of the rain-god, we should start new irrigation schemes and tap new possible sources of supply such as tubewells, and our objective should be to conserve and utilise every available drop of water. Ninety per cent of our rivers are nothing but glorified storm water drains. This water could be conserved and used for agriculture by directing it to large lakes, and also by providing a number of small dams at frequent intervals in the course of the river. Such small dams over numerous rivers will be definitely more useful than one very huge dam erected at enormous cost. Most of our rivers and lakes are also in need of repeated periodical dredging to maintain their depth so that they will hold the maximum possible volume of water.

Apart from the development of water resources, every emphasis should be placed on the proper, efficient and full utilisation of irrigation potential already created. Not more than four million acres of available irrigation water are being put to use because the land has not been levelled and developed or distributing channels have not been dug or tubewells have not been energised or suitable cropping patterns have not been devised. This wastage of water is causing a recurring annual loss of Rs. 200 crore to our agricultural economy.

Next in importance for agriculture comes the provision of pure and improved seed. This must be made available to the growers at a reasonable price. An all-out effort must be made to increase the yield per acre.

The next immediate priority is the provision of plant protection including insecticides. It is well-known that insects are responsible for the destruction of at least 25

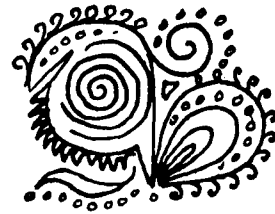
per cent of our agricultural crops. Aerial or mechanised spraying should be undertaken wherever possible. The price of insecticides is prohibitive and beyond the means of an ordinary farmer. It has to be brought down or subsidised.

Cost of Production

It may be noted that cost of production everywhere is going higher and higher. It must be pointed out that Government is at the root of the top-heavy cost of production. Their administrative expenses are sky-high; most of their departments are overstaffed and underworked. It is not without reason that Government is popularly known as the chief Employment Bureau, which is maintained at a heavy cost to the taxpayer, whose burden is further increasing every day by numerous direct and indirect taxes and imposition of excise duties on industrial products. These taxes have not only reduced the purchasing power of the common man and brought about a spiral of high prices, but could also be listed amongst the causes for the setting of recession in major industries.

The country's economy is at present highly strained because the public sector in which huge capital is employed is proving a dead weight on the country, because in the majority of cases the public sector has lamentably failed to yield any return. It is a pity that Government does not yet realise that the public sector cannot function effectively because of red-tapism and a 'who-cares' bureaucratic attitude. That is the main reason why even a huge, monopolistic undertaking like our railways is showing a loss.

These suggestions here have been put forward in the belief that, if acted upon, they will go a long way towards placing the country firmly on the road to healthy economic progress.



ECONOMIC REVIVAL ON AVAILABLE RESOURCES

R. C. COOPER

THE last decade of planning is marked by a continuous price rise at an accelerated rate. A mild price rise in the process of planned development is inevitable, nay desirable, owing to its redistributive effect and stimulus to production. However, when prices rise at an alarming rate, they not only engender social and economic discontent but also distort and disrupt the economy resulting in despair and frustration all round.

After independence, the Indian economy was in a politically unstable and economically backward state. India opted for the process of planned progress to prosperity against the background of partition of the country and its consequences which shook the very fabric of the society. However, with the adoption of a democratic constitution for the country which had successfully integrated nearly 560 princely states, a stable and political base was established for launching a silent economic revolution through the Five Year Plans.

The three Plans recorded an increase in the national income by 76 per cent and in the per capita income by 27 per cent. During this period, there was a remarkable increase in life expectation from 30 to 50 years. Education was more broadbased as the number of school-going children trebled. Substantial achievements are also visible in foodgrains output, steel production and installed electric power capacity. Industrial output has gone up 2½ times.

However, this picture of Plan achievements is completely clouded by the price rise during the second and third Plan periods. The wholesale price index for all commodities (1952-53=100) increased by nearly 78 per cent between 1965 and 1966 and during 1965-66 from 92.5

but concentrated in the latter half of the Plan period. (See Table below)

A large proportion of this price rise was owing to an increase in the index of prices of food articles and industrial raw materials. The index number of their prices moved from 120 to 169 and from 145 to 189 respectively between 1960-61 and 1965-66 while the price index number of manufactures increased only from 123 to 149 over the same period. The price rise has continued unabated even after 1966 and the index number of wholesale prices reached a new height of 220.8 in October 1967.

The factors responsible for the price rise are both casual and chronic. The decline in food output in the Third Plan period and the two successive droughts have aggravated the price rise. Even the two border conflicts that increased the defence expenditure, which was only Rs. 947 crore in the First plan period, to Rs. 3,297 crore in the Third Plan period cannot by themselves account for the mounting price rise. The other casual factor was the pressing demand for increase in wages by the discontented workers, which helped to raise prices further through cost-push inflation. Investment on long-term capital intensive projects, which were in many cases grandiose and spectacular, added to the income stream. This resulted in an increase in demand, which together with stagnant or falling

Substantial achievements of the Plans have been clouded by the price rise.

Many factors, casual and chronic, have contributed to the price rise: droughts, border conflicts, wage demand, investment in grandiose projects, deficit financing, increased money supply, diversion of resources to public sector projects and devaluation.



to 165.0. In the Third Plan period, the wholesale price index increased by 32 per cent. However, the upward trend in prices was not uniform

	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67
Net national output at 1948-49 prices (in Rs 100 crore)	127	131	133	140	150	145	—
Per capita net output at 1948-49 prices	293	294	293	301	317	298	—
Money supply with the public (in Rs. crore)	2869	3046	3310	3752	4080	4530	4954
Wholesale price index (1952-53=100)	125	125	128	135	153	165	191

Money supply with the public in October 1967—Rs. 4899 crore.

production, led to a further pushing up of prices. The fiscal device of deficit financing has also accentuated the price rise, more so because it was employed to meet the increased non-developmental and non-Plan expenditure of the States and the Centre.

The increase in the money supply was also a major factor influencing prices. The increase can be justified in a developing economy if it is in conformity with the increase in monetisation of the economy and/or due to a decline in income velocity. But an increase in money supply at a rate disproportionate with the growth has an inflationary impact. The above table reveals the correlation between production and money supply between 1960-61 and 1966-67. The money supply with the public increased from Rs 2869 crore in 1960-61 to Rs 4954 crore in 1966-67 and was out of proportion to the increase in net national output or per capita net national output.

TAXATION LEADS TO INFLATION

Further, the fiscal policy of the Government which aimed at diverting resources to the public sector projects through increased taxation has also contributed to the inflationary price rise. The increased burden of excise duties which rose from Rs 67 crore in 1950 to over Rs 1000 crore in 1966 has added to the costs of the producer and consequently to the prices of the products. A heavy dose of indirect taxation only adds to inflationary pressures in the economy and saps productive forces. Beyond a certain stage, taxation no longer remains anti-inflationary but instead feeds a cost-push inflation.

Even the devaluation of the rupee in June 1966 which was expected to boost exports and lead the economy on the path of prosperity pushed prices up because higher prices of imported raw materials and components in the post-devaluation period increased the cost of production. Many industries could not find buyers for their products at the exorbitant prices, with the result that the economy was faced with a curious phenomenon of recession amidst inflation with sluggish demand, unutilised capacity, lay-offs and closures leading to a fall in production.

After a favourable monsoon and the promise of a bumper crop this year, the food situation is likely to be free from stresses and strains. It is therefore necessary for us to prepare ourselves for economic revival on a realistic basis. Stable prices, it is accepted on all hands, are essential for economic recovery and progress. However, price stability should not be mistaken for price rigidity.

A steady rise in prices commensurate with an increase in production has an invigorating effect on the economy. All the same, it is imperative that it should not be transformed into an inflationary price rise and allowed to disturb and distort production. For this purpose, the Fourth Plan which is to be finalised this year will have to be realistically formulated on the basis of availability of resources and should be confined to the essentials for increased production in all sectors of the economy as the underlying objective.

Agriculture should receive top priority in planning and the energies of the state and the people should be channelised towards improved agricultural production. For the purpose of industrial recovery from the present quagmire of recession, the fiscal policy should be production-oriented and should provide tax incentives for production, limiting deficit financing to the minimum, as an instrument for greater production.

The high rates of taxes on corporate bodies have negated the beneficial effects of incentives, like higher rates of depreciation allowance, development rebates and tax holidays. The overall incidence of tax on a private company today may well exceed 70 per cent which is, in fact, the highest in the world. In the same way, individual taxation has reached a level which discounts increased effort as well as savings. It is necessary that both the direct and indirect taxation policies should be revised to stimulate greater production effort. In the past, the fiscal policy aimed at finding resources for the public sector projects, to the total neglect of production orientation. We have reached a stage when the Government should be prepared, through sizeable reductions in taxes, for a

loss in revenue, in order to step up production. Once the rate of production grows, the short-term loss of revenue is bound to be more than compensated through greater tax earnings.

PUBLIC SECTOR SHOULD YIELD MORE

At the same time, the public sector undertakings should be made productivity-conscious, so that they yield a reasonable return on investment. These undertakings should not be guided by misconceived notions of budgetary economy, as indicated by the Railway Budget last year, in the form of withdrawal of orders on engineering concerns when these concerns mostly depend for their production on demands from the public sector. Any cut in the orders for their production is bound to have a snowballing effect on the recessionary trends which have already made deep inroads into these sectors.

Efforts at increased production cannot succeed unless the wages are also held at a stable level and wage increases are made commensurate with increase in the levels of productivity. In the past monetary policy was used as an instrument of price stability, though with doubtful success. The policy should primarily aim at providing credit according to the overall requirements of production, specially in the private sector. In a country where credit is a scarce factor, it may be necessary to lay down priority considerations for its availability. However, the credit policy should not result in stifling production. The authorities should aim at an aggressive deposit mobilisation drive which alone can provide a wider base for credit expansion.

In our country where there is an ever-increasing demand for consumer goods, increase in production which is a key to price stability, is a multi-faced problem. It can be solved not by ad hoc measures or through palliatives applied in a halting manner, but through a concerted policy and conscious efforts on all fronts aimed at the objective of production-orientation. It will largely depend on an improvement in the Centre-States relations in furtherance of an accepted and well-co-ordinated policy and programme of a Plan for Prosperity.

P. S. LOKANATHAN

COSTS OF DEVELOPMENT

Deficit financing has been the major cause for inflation.

The price policy has lacked in firmness and continuity. In the last three years a firm price policy for food and other agricultural commodities was being adopted but its implementation has been tardy.

Our plan investments and outlays have to be matched by adequate domestic savings and resources.



DEVELOPING COUNTRIES have been facing not only the problem of insufficient saving for investment but also the problem of mobilising the available resources. During the last ten years or so India has been struggling valiantly to mobilise adequate domestic resources through taxation, small savings and other methods. India has also established a number of savings institutions and financial institutions both to attract deposits and to help industry and agriculture. Even so, the lack of sufficient domestic resources continues to be a handicap with the result that she is forced to take recourse to deficit financing which in the Second and Third Plan periods amounted to a very substantial sum.

It was in the early years of the Second Plan period that India first resorted to deficit financing, not as an entirely inevitable necessity but more as a measure likely to accelerate economic development without tears. The deficit financing which was modest in the beginning then turned into a big stream in the next few years and what was regarded as a justifiable measure, became the despair of the thinking public.

The western world, by and large, and the international financial organisations like the World Bank and the International Monetary Fund have always been against any form of deficit financing. According to an I.M.F. study, deficit financing would not only affect the economy in the long run but also bring about unfortunate consequences in the short run. By creating great disturbances in the relation between the debtors and the creditors and decreasing the margin for saving of the fixed income groups and through a continuous increase in prices, it would, instead of accelerating development, have the opposite effect as it has happened in India.

On the other hand, there is a school of thought, especially in the developing countries, which holds that deficit financing in small amounts for short term projects, not having long gestation periods, would not only not raise the prices but would be beneficial to a rapid growth. Here inflationary financing for development is contrasted with that for war or other unproductive purposes. Where deficit financing is utilised for definitely fruitful and constructive projects, especially when on a limited scale, would according to this school, constitute no danger.

Unfortunately deficit financing in India has been of large dimensions running over a period of six years. No one in authority has been there to insist on such financing being limited only to productive projects of short-term gestation. The results have naturally been unfortunate.

PHENOMENAL RISE

Prices have been going up sharply and continuously over the years and the inflationary pressure has also been continuous. The index of wholesale prices which was 124.9 in 1960-61 rose to 165.1 in 1965-66 and to 191.2 in 1966-67.

The eleven year period that followed the First Plan recorded on an average an annual increase of 9.7 per cent in wholesale prices. Wide fluctuations, however, were witnessed over the years. The Second Plan period, as a whole, witnessed an increase of 35 per cent, while the subsequent quinquennium recorded an increase of

around 32 per cent. The Third Plan period, however, started off with a relatively moderate rise in prices in the first two years but was followed by an accelerated pace during the last three years of the Plan. The increase in the wholesale prices during the period 1963-66 was around 29 per cent as against only 2.5 per cent during the first two years of the Third Plan. This accelerated movement in prices which started during the latter half of the Third Plan period continued during 1966-67 also, when the wholesale prices rose by 16.0 per cent. The cumulative rate of increase in wholesale prices over the ten year period, 1956-57 to 1966-67, was around 7 per cent: the rate of increase, however, was quite substantial during the latter half of this period.

During the entire period, the prices of food articles witnessed a continuous increase; as these commodities have a greater weight in the general index—around 66—it is not surprising that the movements in the prices of food articles influenced the general index also. The prices of food articles rose by around 39 per cent during the Second Plan period and around 41 per cent during the Third Plan period. The year 1966-67 recorded an increase of over 18 per cent over the last year of the Third Plan.

Next in importance is industrial raw materials which recorded an increase of roughly 47 per cent in the Second Plan period and 30 per cent in the Third Plan period. The price increase during 1966-67 is estimated around 20 per cent.

Manufactures too recorded a continuous increase over the ten year period. The price increase was about 24 per cent during the Second Plan period. The Third Plan period, however, recorded a smaller increase—estimated at about 20 per cent—but it must be remembered that this increase is over and above the increase in the Second Plan period. The upward movement in the prices of manufactures continued during 1966-67 also, when they recorded an increase of about 9 per cent.

It is not necessary for our argument here to prove that this price inflation is entirely due to deficit financing. One will concede that there have been other forces at work, such as the shortage of essential commodities—food, agricultural raw materials and industrial goods—and other bottlenecks, including lack of trained personnel. But there can be no point in denying the fact that deficit financing, meaning an increase in the supply of money without a corresponding increase in output, has been a major element in the present situation. Attempts to stabilise prices have not been completely successful. Not only has the increase of money in investment continued to press upon the limited supplies, the price policy, for what it is, has also lacked in firmness and continuity. While food prices and agricultural prices were going up, no real or effective price policy was thought of early enough to arrest the rot.

Lord Keynes gave his weighty theoretical and moral support to the view that rising prices were on the whole beneficial to growth and justice. To have prices a little ahead of costs was an incentive to production and to the entrepreneur. The burden of

debt would also diminish in the long run and since the debtors were by and large the enterprising class, this would have a favourable effect on enterprise and growth. While one might accept the above view in its broadest approach, it is all a question of how much rise in prices and how rapid in a given period of time. There can be no justification for the sort of steep increase in prices which we have witnessed in India during the last several years.

SUFFERING ON BOTH COUNTS

An urban-oriented Government, with an eye up the saving of the industrial workers and other sections of the community in urban areas, is generally conceited to be reluctant to have a price policy which would give a direct incentive to the agriculturist to produce more. In India too there is evidence of the Government having been reluctant to guarantee a firm price for food and other agricultural commodities for long. Only in 1958, the Government established the floor price for wheat and a few other items; this too was abandoned after some time. Of course, in the last three years, a firm price policy was being adopted, but even then its implementation has so far been of only limited success.

While appreciating the Government's desire not to accentuate the inflationary trend by raising the prices of agricultural commodities, one cannot but criticise it for not recognising the gains of incentive prices and the continuity of that policy over a period of years. The result is that we have suffered on both counts. We have had not only very high prices for agricultural commodities but, through their effect upon other prices, also a high price level. We have also failed to provide sufficient incentive for agricultural production, with the result that the prevalent high prices have failed to increase the supplies correspondingly.

The dangers of inflation have become very apparent otherwise also. Savings have declined. The savings ratio, which was gradually rising from 6 per cent to 8 per cent and later as much to 10 per cent, has now declined. The high prices have led to a perceptible lowering in the standard of living of the middle and lower income groups and affected their stability to save. It has now become clear that unless there is stability of prices, not only would development be hampered but social injustice would be aggravated.

In the Indian situation today, inflation is probably the most serious factor against progress. Its effects have no relieving or compensatory features. On account of instability, our industrialisation has become very costly. All the input prices have been going up and the prices are every time ahead of production. By making all exports very costly, the pressure on balance of payments has increased. Exports have become more difficult and costly while imports have increased rapidly. Devaluation, which was as a fact prevalent in a mild form earlier, became open and official in 1966. Yet, even today, the pressure of prices is not diminishing. The value of the rupee is still showing signs of decline.

A few things become evident. One is that whatever justification there might have been once for a rise in

turn to PAGE 60

MARKET DISCIPLINE

in a Climate of Growth

R. K. AMIN

The rate of price increase of inferior varieties of food consumed by the poor has been the highest.

Economic malaise is the result of planning by targets. We should adopt a resource-based plan and totally abandon deficit financing.

THERE is, in India, an inverse relationship between prices and prosperity; at any rate it definitely exists when there is a tempo of rising prices. This paradox of rising prices and falling production was there in 1948-52 and in 1956-59. In all these cases the variations in agricultural production have set the pace and determined the tempo of acceleration in price rise. But, at present the price rise phase differs from its earlier phases in two important respects. Firstly, the rate of increase in the prices of foodgrains as compared to the rate of price increase of other commodities, is the highest. Among the food prices, the rate of increase of inferior varieties consumed by the poor has been comparatively higher. The increase in prices of jowar, bajra and kodara—as against those of wheat and rice, and of gur and groundnut oil as against those of sugar and ghee, have been higher. This has materially resulted in the highest degree of distress to the lower section of the community.

Secondly, there is a good deal of excess capacity in the industrial sector. This excess is greater in these industries which would be described as most essential. It is inconceivable that in a shortage

economy like India, there could be an excess capacity in machine tool factories, in engineering industries and in machine manufacturing.

If I am asked to give just one factor responsible for all the present economic ills, such as mounting foreign debt, import of more than 10 million tonnes of foodgrains, widening of the balance of payment gap, industrial recession, export stagnation with depreciating rupee value and increasing inequalities of income, wealth and economic power along with increasing tempo of unemployment, both open and disguised, I would point to the faulty method of planning adopted in this country. India really should have planned for creating a climate of growth. Instead, it adopted planning by targets which has led us to economic malaise.

This particular approach in planning began especially with the Second Plan. We adopted the needs-based Plan instead of a resource-based plan. A needs-based plan for a poor country like India would necessarily be ambitious, that is, a Plan for the greater investment than what our resources would permit. As a result of this, we had a bigger industrial Plan in which the size of basic industries was larger than what was needed for India. Several relatively inessential industries such as nylon, rayon and cosmetics also found their place in the Plan. This course led us to a policy of deliberate deficit financing which in turn created a climate of inflation.

Various people who had savings and liquid funds, began to invest their monetary resources in non-depreciating assets to protect their real value. Since various channels for investment were blocked, they found it worthwhile to keep their savings in imported real capital. Some of them began to invest in gold and jewellery. At the same

time, the inessential industries came to be established. Firstly, because of increasing demand for them in an inflationary climate, secondly, because they could start production in a short time and thirdly, because they had acquired a monopoly position as a result of planning. Consequently, our precious foreign exchange reserves were depleted from Rs. 900 crore to Rs. 175 crore in two years and we began to face an acute balance of payments situation.

What were the effects of an acute balance of payments situation on India's economy? It compelled the Government to restrict the imports of inessential and relatively inessential commodities; to adopt the policy of import-substitution; to create a system of import licencing; and to encourage the exports in all possible ways. India was also compelled to incur foreign debt, and since this had to be done when her bargaining power was the lowest, she was forced to accept any terms offered to her.

The main effects of this were: (a) the value of the Indian rupee went down in the free markets of the world; (b) the black market came into existence on an unprecedented scale due to the sale of import licences at a high premium rate; (c) the domestic manufacturers of essential commodities like machine tools, and machinery parts had to face foreign competition; (d) the indigenous manufacturers of relatively inessential commodities had a virtual monopoly of the domestic market; (e) the export industries needed an ever increasing help from the Government to keep themselves alive because they had to produce at higher cost.

This vitiated the growth of the economy in the country. The industries that depended on imported raw materials and machi-

turn to PAGE 60

SHORTCOMINGS IN PLANNING

PRAKASH VIR SHASTRI

TODAY, after twenty years of freedom, our condition is worse off than it was before independence. We have been importing foodgrains for the last several years, of course, to save the people from famine. What we find now does not in any way resemble the rosy picture which our national leaders had painted before independence. Our countrymen had hoped that as soon as our leaders would assume the reins of office they would leave no stone unturned to radically transform the nation. Of course, our leaders have done their best. The Five Year Plans are the result of their labours. These Plans did aim at the economic, social and industrial development of the country but the results of 18 years of planning are too well-known to need any recapitulation. In 1951 we had taken the first definite step towards the planned development. Since then we have framed three Five Year Plans and in all we have spent about Rs. 19,000 crore.

In spite of all these concerted measures, the country has not made any remarkable progress. The Plans had aimed at making the country self-sufficient in every respect. But our nation is weighted down today by the enormous pressure of foreign loans and as a consequence, foreign powers are trying to influence our system of Government and interfering in our internal affairs. Devaluation of the rupee two years ago was a proof of our bad economic condition and foreign pressures. Our economic condition has deteriorated so much that our leaders and administrators seem to have lost their faith in the system of planned development. It is chiefly because of this that even after the lapse of

two years we have not been able to frame the draft outline of the Fourth Five Year Plan and we are passing through a serious economic crisis with nobody there to lead us out of it.

Farmers, labourers and the middle income group employed in the services are the worst hit by the crisis. The problem of rising prices and shortage of consumer goods today is definitely more acute than it was during the course of the second world war when our nation was groaning under the heels of foreign rule.

The Government generally lays the blame for the present economic conditions at the doors of increasing population and drought. This is understandable, to some extent, but if we bestow a careful thought on our economic planning and the state of our administration, we would easily discover many serious mistakes and shortcomings which would not have been tolerated in the economy of any other independent nation.

Our planners, who have blindly imitated the methods of European industrialisation, have not paid sufficient attention to resolving India's basic problems. Perhaps, in their schemes of things everything Indian is undesirable and everything Western is desirable. The evil consequences of this blind imitation are too obvious to be repeated here.

Since necessary emphasis was not placed on the development of agriculture we are facing the phenomenon of continuous rise in prices.

What is urgently required is the planned development of our agriculture. If adequate arrange-

ments for the supply of water to the farmer could have been made through the minor irrigation schemes during the last three Five Year Plans, then, perhaps, we may not have faced the spectre of famine and shortage of goods. There is no need for us to adopt any particular 'ism'. Whatever ideology is useful and whatever guidance we may get for the development of our country should be acceptable and welcome to us.

Our leaders used to criticise the British bureaucracy day in and day out during the course of our national movement but they have themselves mortgaged the future of the country to this bureaucracy. There were officers who deliberately acted against the interests of the nation during the British regime. How could they be turned into patriots overnight and be inspired with a mission to devote themselves to the task of making the country progressive and prosperous? It is a matter of regret that our leaders have placed too much reliance upon these officers. This group of Government officials has obviously no interest in serving either the nation or the people. They are still primarily engaged in the promotion of their self-interest and that is why our whole administration has been corrupted. They cannot be expected to solve the problems that we face.

It is essential that there should be radical improvement and change in the administration and people of absolute integrity, honesty, character and a sense of patriotism.

Our educational system should be changed in a way that our new generation may follow the time-honoured maxim of "simple living and high thinking" instead of busying themselves in exterior

turn to PAGE 36



THREE BASIC CAUSES

BALRAJ MADHOK

THE abnormal rise in the prices of articles of daily use that has been going on for some time has put a big question mark on the actual achievements of three Five-Year Plans and cast grave doubts on the efficacy of planning itself. The Fourth Plan is yet to be formulated.

There is a growing demand in the country for a Plan holiday on certain grounds. Firstly, many of the projects undertaken in the earlier Plans have been incomplete or are not working to their full installed capacity. Secondly, there is no knowing what will happen to the Fourth Plan targets if the prices continue to rise at the present rate. The price rise is bound to upset all estimates about the cost of new schemes and projects. It is, therefore, being suggested that instead of formulating a new Plan, the available resources should be utilised for completing and consolidating what has been done during the first three Plans, so that the country and the people may have their full benefit.

The problem of rising prices has a wider import and must be given greater thought and attention than has been hitherto given to it. Apart from their effect on the Fourth Plan and the concept of planning itself, rising prices have made a mockery of the declared claims about general prosperity and rise in the common people's standard of living. The lot of the people with fixed incomes, as well as that of the agricultural labour, has become particularly pitiable. The resultant discontent and frustration is undermining our people's faith in the established social and political order. This is being exploited by forces which have no faith at all in the democratic way of life to create conditions of anarchy in the country.

Since independence our economic policies have followed countries where conditions are quite different from ours.

Increased agricultural production and stable food prices alone can arrest the trend of rising prices.

The basic causes for the spiral of rising prices are three. The first, and perhaps the most important of them, is the imbalance between the goods and money available in the market. During the last twenty years, there has been extraordinarily heavy spending, particularly in the public sector. The easy money obtained by the Government in the form of aids and loans from foreign countries, heavy taxation and deficit financing has flooded the market. On the other hand, increase in the goods available in the market, including food has been marginal. The maldistribution of this money which has mainly gone into the coffers of a small class of contractors, officials, politicians, businessmen and industrialists has made the situation worse.

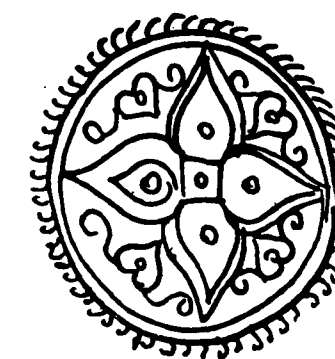
The second cause is the comparatively higher cost of production in spite of the availability of abundant and cheap labour. One of the main reasons for this higher cost is the system of import licences and quotas that has given control over the basic raw materials, both imported and indigenous, to a class of people interested only in making middleman's profits by selling the licences and quotas in the black market. The actual producer, particularly the small-scale producer who provides the major share of India's industrial production, is therefore

very often forced to buy his basic raw material at a very high rate. As a result, his cost of production goes up and the money that could have been ploughed back into the production machine finds its way into the black market. Another reason for the higher cost is that many producers, particularly in the public sector, have locked up a lot of capital in installing machines and other imported capital goods which are not being worked to their full capacity or are lying absolutely idle. Since our export market is limited and internal market is vast and sheltered, the burden of the resultant inefficiency, corruption and high cost of production is passed on to the consumer by raising the prices. The economic policies of India since freedom have, in fact, been controlled and dictated by either organised capital or organised labour.

FARMING NEGLECTED

The third basic cause for the price rise is the failure on the food front. Food scarcity has led to rise in prices. Since food is the single most important item in the family budgets of most Indians, its price serves as a barometer for other prices. So long as that cannot be stabilised, other prices will continue to rise. Therefore, the first attention from the point of view of arresting the price rise must be paid to increasing the agricultural production and stabilising the food prices.

Nearly half of India's national income comes from agriculture which sustains over 70 per cent of her population. Agriculture, therefore, is our basic industry in the true sense of the term. Like any other industry, agriculture also needs investment in the form of water, implements, seeds, manure and know-how. But Indian policy-



makers took agriculture for granted. The agrarian policies pursued by the Central and State Governments over the last twenty years of freedom starved agriculture of the small investment that was made in it by the landholders. Why should a man invest his capital in land when he cannot keep a farm bigger than 25 or 30 standard acres while he can have any amount of income by investing his money in business, industry, or real estate in the urban areas?

The situation in regard to state investment for improving agriculture has been still worse. While the Government has spent over Rs. 8,000 crore in the last twenty years on importing food, its total investment in irrigation projects has been hardly Rs 1,500 crore. A number of projects, like the Gandak project and Nagarjunasagar, which should have been completed long ago, are languishing for want of money while hundreds of crores of rupees are being spent on redundant projects like the Bokaro Steel Plant which could easily wait.

The attitude of the State Governments towards agriculture has been no better. They have been quarrelling with one another and with the Centre for the location of heavy industrial plants in their respective territories but have neglected their agriculture. Bihar could have a heavy engineering factory at Ranchi at a cost of nearly Rs 100 crore, but it could not spare even a few crores of rupees for installing tubewells to provide water for its excellent land. There cannot be greater condemnation of an economic thinking and policy which could not provide irrigation facilities in an area where subsoil water level is hardly 15 to 20 feet. Only if water had been provided for our land in the Gangetic plains to end its dependence on vagaries of monsoon, India would have long become self-sufficient in food.

What is true of water is equally true of seeds, implements and manure. Instead of following methods adopted by countries like Japan and Taiwan, whose conditions are similar to ours, to improve their agriculture, we have been running after the U.S.A. and the U.S.S.R. whose conditions are quite different from ours.

The suggestions made here need no 'isms' or philosophy to justify them. Too much obsession with foreign isms of the left and right has been the curse of Indian policy-makers who have been mainly bookish products of Western universities having little knowledge of actual realities of Indian life. The late Pandit Jawaharlal Nehru was their model and guide. Time has come to forget him and his

policies, and to go back to Gandhiji and Sardar Patel whose economic thinking was both realistic and practical, as it was based on the Indian needs and experience. A basic rethinking on economic matters is essential if the problem posed by rising prices and the resultant misery and discontent is to be effectively tackled in the days to come.

POLICY DOGMAS ARE TO BE BLAMED

P. N. MATHUR

It is widely believed that one of the major reasons for the bulk of the population being denied an equitable share of the general increase in prosperity brought about by the planning endeavour is the abnormal increase in prices. The price rise over the years has been phenomenal and has led to much suffering to the salaried and other fixed income groups. However, there has been a substantial rise in production in both agriculture and industry. This automatically implies a corresponding rise in the real income of the people. Whether these gains have been actually appropriated by a small minority group leaving the bulk of the population in the same condition as before, or even worse, is a moot point.

In the last seventeen years, foodgrains production has almost doubled, industrial production has not only increased to about 260 per cent of what it was in 1950-51, but has diversified to an amazing extent. Where have all these gains dissipated? And why has there been so large a price rise with increasing production? Each major occupational group is affected in two ways—first, by the increases in income consequent to the increases in production of commodities which it produces, and secondly, by the changes in the price structure which may change the amount of other commodities that it can purchase

The price rise has helped hoarding of farm products, thus raising the prices further.

People with fixed incomes curtailed consumption of other commodities, leading to depression in industries.

The result is a two-pronged paradox in the economy the rise in agricultural prices in the face of record crops, and industrial recession in inflationary conditions.

by selling its products, namely changes in its terms of trade.

Sufferings of Salaried Class

From 1950-51 the total population of the country has risen by about 50 per cent. However, even per capita increase in production has been substantial in both agriculture (30 per cent) and industry (70 per cent). This is about the two sectors for which statistics are relatively firm. But there is no evidence that production in other sectors like small enterprises, construction, banking, commerce, and transport

has lagged much behind. In fact government services, commerce, transport and construction seem to have grown at a higher rate than the average.

Thus each sector of the economy has increased its production in real terms, although it cannot be said that the per capita income of families of earners in each sector has increased. For instance, even though the share of the salaried class has been increasing in the increasing national product, their number seems to be increasing faster. Thus their per capita real income is dwindling. The mechanism which makes this possible is the rise in prices. The same is true for the wage earners, though not to the same extent. Some wage earners, like textile workers in Bombay, are more or less completely protected against price rise by the mechanism of proportionate increase in dearness allowances. Most of the other workers are not so fortunate.

Thus it seems that all the gains of the increasing national product are being snatched away by the increasing prices. This seems to be more true for the salaried class as far as their per capita income is concerned, though it must be admitted that this group forms only a small, but crucial, minority of the people.

Gains To Big Farmers

Abnormal increase in prices do not reduce the national product. It only redistributes it among various sections of the people. The owners of the commodities whose prices rise gain as their purchasers lose. When prices of foodgrains rise, the farmers having marketable surplus are the gainers at the expense of those purchasers whose incomes have not increased. If all prices and income (along with the value of bank balances and other fixed assets) rise together, there will be no gainers and no losers. However, such a rise in prices will be useless economically. It will not serve any purpose, good or bad. In actual practice, the rise in prices serves some purpose, intentionally or unintentionally. Prices are the means by which economic resources pass from the hands of one group of people to another. The price rise is a natural consequence of the

action of certain groups of people to utilise more resources than they have earned or borrowed from other groups with their willing consent. The simplest illustration is the attempt by a government to spend more than it has collected by means of taxes through deficit financing. Another important illustration is the attempt of private industrialists and businessmen to spend more than what individuals have lent them directly or through banking institutions. This is achieved by means of money creation by the banking institutions.

Suicidal To Growth

These ways of inflation are well recognised. What is not so well known is the fact that it is possible to have a phenomenal rise in prices in one sector of the economy with lack of demand in the other, if the money resources have been gathered from one group and the expenditure has been on the purchases of the products of some other group. This results in rise in the prices of the products of the latter group of people, with depression in the market of the commodities of the first group. This is one of the wasteful types of rise in prices which is very harmful for the economic growth of the country, and if continued for a long time, may prove to be almost suicidal. Unfortunately, we are experiencing this type of situation during the last three or four years.

In the aftermath of the Chinese aggression on India, we had to increase our defence preparedness to a much larger scale. At that time Prof. D.R. Gadgil wrote, "Even if all the additional finance required for defence purposes is raised directly and with ease, the physical problem of allocation will still remain, because of the fact of non-correspondence. The additional income generated through defence expenditure will be distributed very differently from the expenditure curtailed by absorption of resources through taxation and borrowings. Ultimately, the additional defence expenditure will have to be matched by reduction in consumption and possibly investment of some, somewhere. Even if, therefore, there is no overall inflation, sectional pressures on prices and supplies will

be created, and correspondingly some sectoral slacks." The author presented a methodology for doing this matching in defence effort and physical balances (The Indian Economic Journal, April 1963). However, the line of least resistance was followed and monetary resources were diverted to defence preparedness without investigating in detail the labyrinth of consequences that were likely to follow.

As it turned out, the total direct and indirect demand generated by these extra expenditure fell heavily on foodgrains etc., while the income that was withdrawn in the form of taxes etc, was the one that would have been spent not on foodgrains but on engineering goods and other items required for capital creation. Naturally the prices of foodgrains and other food commodities spurted upward rapidly while prices of manufactured goods more or less remained the same. The latter could not have declined in the face of wage rises. Their only reaction was to shut down production where it could not be maintained, resulting in a very large extent of unutilised capacity in industrial sector.

This led to two economic paradoxes—one, the rise in agricultural prices when we were reaping record crops (1964 and 1965) and two, the recession in industrial production during inflationary conditions.

Depression In Market

These direct effects were aggravated by the following indirect effects. The big cultivators, who were the gainers of the price rise, found that their monetary obligations (rents, loan repayment, etc.) could be met by selling lesser amount of agricultural products. Being unaccustomed to monetary savings they saved in the form of hoarding of agricultural products, thus reducing the market arrivals and aggravating the gap between supply and demand. This had the effect of pushing up the prices of agricultural products further. On the other hand, other occupational groups in general, and fixed income groups in particular, had to curtail their consumption of other commodities significantly to be able to

turn to PAGE 42

THIS INDIA

On a Sunday morning I was waiting for a bus to Gandhinagar. Behind me was a foul-smelling ditch. An old woman was combing the water with a stick for dirty rags and rusted tins. She pulled out a cloth bundle. It contained the putrified remains of a day-old baby. My bus came and I left.

After about an hour, I came back. A large crowd had collected at the spot. Women were jostling and craning their necks in the crowd to see what was in the ditch. The place had almost grown into a mela. Balloonwallas and toysellers were having brisk sale. The police had come. A cordon was thrown round the spot.

I walked towards my house. On the way small groups of people huddled together to discuss the unfortunate discovery. A group was saying that it was a year-old girl, probably drowned in the water. I walked another fifty yards. Another group was listening to a woman who had just returned from there. She said, "It is a three-year old, good-looking boy. The neck has been slit open and then thrown into the ditch. He Raml"

Delhi Shanti Devi

Two colleagues and I were moving on cycle from place to place on a round of inspection on the Bongaon-Basirhat road in 24-Parganas, one morning last month. We felt too tired and thirsty to cycle any further.

We stopped for a while at a place where we found villagers preparing gur from palm juice.

The poor villagers in tatters patiently explained to us, while their semi-naked children played around. Then to our joy they offered to each of us a glass of fresh palm juice. It tasted so nice that I offered to the villager who gave it to me a fifty paise coin. But the villager politely

YOJANA invites contributions to this feature from its readers all over the country. Each anecdote must be true to life, of less than two hundred words, capturing something significant of India's rich and varied life. Each published anecdote will be paid for.

declined. Then I gave it to one of the children. The coin was given back to me with apologies by the villagers, saying that we were their guests.

Krishnanagar D.C. Chakrabarty

The seminar on social welfare over, I got ready for a bath which was badly needed after my jeep journey through village roads to reach there. I was covered from head to toe with dust. But to the city bird that I was, the idea of taking a dip in the village tank full of stagnant and dirty water was revolting. I turned back from the tank. When my hostess, the president of the local Mahilasamajam, came to know of it, she came to me and said that the village tank was used only by caste Hindus and that 'untouchables' were never allowed even to come near it. Earlier in the day the same lady had argued vehemently against untouchability.

Kottayam K. S. Nair

I went to a city branch post office to renew my radio licence. I wanted to deposit the fee for five years so that I could get the concession of Rs. 2 (as allowed under the Indian Telegraph Act, 1885). The postal clerk took the money from me. While pasting the stamps, he found that the space for stamps in my licence book was enough only for three more years. Then he told me, "you cannot deposit for five years because there is no space in the book". I went to the Post Master and asked him to issue me a new book. But he replied, "I am not authorised to do it". I told him that I should not fail to get the concession and would not like to lose the money. The Post Master remarked, "after all it is only a question of two or three rupees. It is no loss."

Calcutta R. C. Bihani

During the "Angreji hatao" campaign at Dhanbad, the students of the local colleges were removing the name-plates and sign boards of vehicles and shops, written in English, and forcing their replacement in Hindi.

A gentleman, who had his car number plate in English, was passing by when a few students stopped his car and advised him to get the number written in Hindi. The gentleman immediately got down from his car and reversed the plate. Lol the number was there in Hindi. The students let him off with cheers.

Hardly had he covered half a mile, he was again stopped by another group of students who saw the Hindi number plate and said in English, "Thank you, gentlemen."

The gentleman called them nearer and said in Hindi, "Apke kam ke liye mai apki tarif karta hun, par apne mujhe jo dhanyabad diya, so to angrezi me hi diya!"

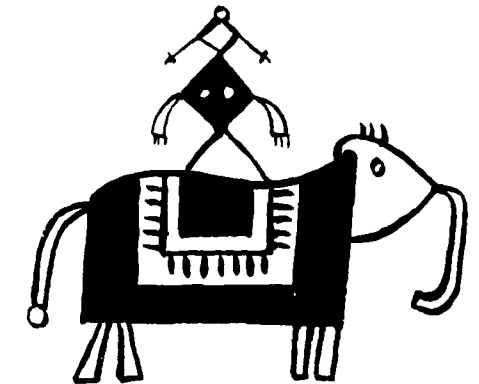
Some students remarked, again in English, "Oh, sorry, we are very sorry."

Gobindpur Lakshmi Narayan Dutta

AGRICULTURAL PRICE POLICY

Some Open Questions

ASHOK MITRA



THE Agricultural Prices Commission, when it was set up three years ago, was asked to advise the Government, "on a continuing basis", on the price policy for agricultural commodities. The terms of reference enjoined that such price policy should have "due regard to the interests of the producer and the consumer"; another overriding consideration suggested for the Commission was the "need to provide incentive to the producer for adopting improved technology and for maximising production". Finally, the Commission was asked to bear in mind the need to ensure "rational utilisation of land", and the likely effect of its recommendations on the rest of the economy, particularly on the cost of living and the industrial wage structure.

Can one say that these terms of reference constitute a melange of conflicting—or at best hard-to-reconcile—objectives of policy? In the aggregate, do they resemble what, in jargon, will be described as either an over-, or under-determined system? I have no hesitation in confessing that the Agricultural Prices Commission's search for answers to these questions has not yet quite ended. Several doubts remain. For example, consumers of agricultural products are not necessarily all in sectors outside agriculture. A rough guess would suggest that, even within the agricultural community, some 80 per cent would be buying either a part or the whole of their requirements of foodgrains from the market. Therefore, even apart from the general issue of reconciling the interests of the consumer and the producer over time, any price policy which marginally prefers the producer at any given point of time might pose other problems for a significant number of agriculturists themselves.

But there is a more fundamental problem. If in one aspect a price policy is concerned with the optimal

utilisation of resources, in the other it is but another name for an incomes policy. Prices determine the level of incomes for the producers; indirectly, they also determine the real value of income for the purchaser of the products. From this point of view, an agricultural price policy is an exercise in income distribution between agriculture and the other sectors of the economy. True, such income distribution depends not only upon the behaviour of agricultural prices but also upon what is happening to prices elsewhere in the economy, that is, upon the terms of trade between agriculture and the other sectors. Nonetheless, the fact remains that any exercise for determining an agricultural prices policy without reference to the general incomes policy for the nation would be a sectarian pursuit.

This is where the Planning Commission needs to be brought in. It is for the Planning Commission to lay down the general frame of an incomes policy for the nation as a whole within a given time-reference. It is not enough to have a programme of development for the different sectors of the economy satisfying the requirements of 'balance' born out of their technical interdependence. The policy-makers should inform the nation about how the streams of incomes, which emerge simultaneously with the product streams, are to be distributed among different groups at different points of time. Unless this particular datum is made available, it would not be possible to avoid imbalances between the income-generating and the income-disposing streams; such imbalances, in their turn, are bound to affect adversely the production programmes in the different sectors too.

This leads to the second crucial problem. Given the contours of the incomes policy, the policy-makers should be able to indicate what, according to them,

should be the time-path for the terms of trade between agriculture and the rest of the sectors. This indication, when combined with the targets of production for the various sectors, would provide some guidance about the appropriate trend of real income increase in each sector. Much more than purely technical questions are involved here; political and social issues are equally, if not more, important.

Of course, how real income in the different sectors would move over time would also be partly determined by the impact of the fiscal and monetary processes. We need, therefore, information from the policy-makers on this aspect too. Obviously, a price policy must not cut athwart fiscal and monetary policies. The endeavour should rather be to achieve an integration, whereby the fiscal and monetary devices complement the work of the price policy, and *vice versa*.

So far as the Agricultural Prices Commission is concerned, the next question on which enlightenment would be sought pertains to the relative weights that are to be attached to food and commercial crops within the total context of general agricultural growth. The possibilities of bringing into cultivation current fallows and cultivable waste must of course be explored to the full. But one can hardly ignore the fact that the land-man ratio would continue to be unfavourable in India. As irrigation facilities expand, multiple cropping would no doubt surge forward. This development notwithstanding, the issue of competition between food and commercial crops has to be faced in this country, as it has been faced elsewhere.

FOOD VERSUS COMMERCIAL CROPS

In recent years, when we have felt acutely the pinch of food scarcity, we have got inclined towards emphasising self-sufficiency in food. But one has to beware of slogans stressing absolute priorities for any single set of targets; that too would be in the nature of a sectarian approach. A general increase in productivity is, of course, welcome, but an expansion of food-grains production which lowers the availability of commercial crops might not be in the long-term interests of the nation. Where there is an over-all deficit in the availability of food and commercial crops considered together, we hit against the problem of balance of payment. Admittedly, some of these problems are politically, morally and emotionally more affecting than others; yet it would be extremely difficult, unless value judgments of a very pressing nature are involved, to decide whether, in the long-term view, priorities are to be accorded to the production of food or to that of commercial crops.

Meanwhile, in the short term, there is a sprouting of confusion. For example, on several recent occasions, an initial increase in the procurement price of one foodgrain has been preferred as justification for demanding a similar and equal increase in the price of a commercial crop which matures in the same season. This latter demand, where conceded, has, in the subsequent rounds, provoked demands for further rises in the price of the foodgrain, thus setting up a vicious spiral. Since many crops, beyond a point, do compete for the same acreage, interested parties have really been able to go to town pressing demands for compensatory price increases, without which, it has

been argued, production of particular crops would suffer.

JOSTLING FOR PRICE INCREASES

This is clearly making nonsense of any meaningful price policy. Pandering to such demands for compensatory price increases for all crops all round has meant that no particular crop has been able to gain any differential price advantage, at least beyond the very short period. On the contrary, this type of jostling for price increases has fed into the inflationary spiral, with consequences too well-known to require recounting.

Such a situation has arisen for want of a frame of long-term policy in regard to the relative rates of growth of food and commercial crops. Policy-makers as well as politicians have tried to evolve short-term measures, pinning faith on what is termed a partial equilibrium approach. No wonder the measures have not solved the central problem.

Let me now come to another tendency which cannot but be regarded as disquieting. Our attempt to solve short-term problems often becomes the progenitor of graver long-term ones. Thus price incentives, in the relatively short period, may indeed lead to an expansion in production. But where this is not accompanied by an increase in productivity, per unit cost in general tends to rise in the economy, thwarting the nation's ambition to enlarge exports.

There are therefore several issues on which decisions have to be reached by the policy-makers before any effective price policy could be pursued in this country. Guidance would be necessary on the following questions:

(a) What should be the broad pattern of income distribution between agriculture and the rest of the economy within a given time-span?

(b) In the context of such an income policy, is it possible to lay down a scheme as to how the terms of trade between agriculture and the rest of the economy should behave over the specified time-span?

(c) In order to make the income policy effective in both agriculture and the rest of the sectors, what monetary and fiscal devices should be put to work as complementary to the price policy?

(d) Given the inter-dependence in the economy and the production targets in the different sectors, is it possible to formulate even on a rough-and-ready basis, some general notions regarding the weights to be attached to the growth of cash and commercial crops?

(e) Within the sphere of both food and commercial crops, would the policy-makers have any preference schedule for the relative rates of growth of individual crops, irrespective of the technological possibilities and the general issue of optimum allocation of resources? And finally,

(f) how far is it wise for a country to determine the general contours of a price policy—even if it be for a comparatively short period—without reference to the structure of international costs and prices?

IN THE HURRY TO PROGRESS

STABILITY has been NEGLECTED

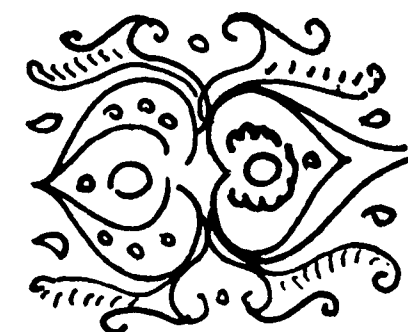
K. RANGACHARI

UNTIL about two years ago, there was an influential school of thought on planning which regarded all suggestions for development with stability as inimical to the major objective of achieving rapid economic growth. For over ten years since the formulation of the Second Plan this school has had a dominant voice in shaping planning policy. The Second Plan had stressed the need to take certain deliberate risks with stability in the interest of speedy development; and the fears then expressed (quite unequivocally by at least one member of the Planning Commission) were ruled out as highly exaggerated. In the Third Plan, restraint on deficit financing was accepted but soon it was cast to the winds in the exuberant enthusiasm for achieving development along with the substantially increased burden of defence since 1962.

Even after the results of such risks were plain for all to see, discussions on the size of the Fourth Plan were often clouded by the argument that any reduction of the size of its total outlay, in accordance with the realistic estimates of the visible resources, would involve sacrifice of growth. It had been established beyond all doubt that in both the Second and the Third Plan, financial targets of outlay were fulfilled only by reducing the real content of investment. By effectively implementing smaller Plans, formulated on the basis of estimates of actual resources, the social hardships would have been avoided without reducing real achievement.

WARNING OF INFLATION

Growth which disregards stability is an illusion; it ends up in loss of both. Many might say that this bitter experience was necessary to reinforce the importance of avoiding inflation. But the most competent advice was available to the Planning Commission and the Government in the report of the International Monetary Fund (I.M.F.) Mission headed by Mr. Bernstein in 1953. Re-reading the report today, one is bound to be impressed by the deep insight into the problems of development which enabled the Mission to caution the authorities against the dangers which they have courted by ignoring the warnings.



Social hardships could be avoided by effectively implementing similar Plans.

A working model of the flow of resources can act as a check against exuberant extrapolations of financial estimates made by pressure groups.

In 1955, there seemed, however, a good case for avoiding a too conservative or orthodox view of budget deficits; that case gained support as a result of contemporary recessionary trend in commodity prices which everyone wished to check. Also, a moderate price increase of two to three per cent a year was generally regarded as helpful to create a climate of expansion for private industry. Rising prices could also activate idle resources in a backward economy; and deficit financing provided a convenient method for the Government to lay its hands on resources which it could not tap until its fiscal and budgetary devices were perfected through a steadily widening tax base, and the tax administration was geared to efficient collection. And finally, there was the argument that unless the planning goals were set high enough, no attempt would be possible to stretch limited resources to the utmost. When foreign aid became an important element in plan financing, the desire to seek the largest amount of external assistance also became an important factor in the preparation of big Plans showing wide gaps in total resources.

The facts about the inflation of the last decade are too well known to require restatement here. After a decline of about 17 per cent in the First Plan period, prices rose by 35 per cent during the Second Plan. Both trends were undesirable and unwarranted. When defence became an important element in public expenditure after the Chinese threat, prices in the latter part of the Third Plan rose further by 29 per cent; after the end of that Plan, prices have risen

by about 16 per cent more. Until recently, the Government justified its planning policy by arguing that some price increases were inevitable in a developing economy (as if that could explain any rate of increase, however high). But it is now clear to all that most of the projects financed by such inflation were the result of wrong priorities and have not yet become viable. The current recession in some sectors is the consequence of such distortion; aggregate demand in the economy continues to be higher than the supply of essential goods, though some industries are affected by lack of orders. That most of the difficulties of the last three years were the result of two bad agricultural seasons and the conflict with Pakistan in 1965 is only half the truth. The deliberate subordination of stability to growth was the main reason for several of them. Besides the hardships to important sections of the population, the policy of ignoring stability has resulted in the failure of some important planning and social objectives.

In a country in which incomes are inelastic in the short-term, the steady erosion of their real value has imposed a severe burden on many sections, especially the professional urban middle classes. Being numerically small, these have not enjoyed sufficient weightage in policy decisions, though they are more vocal than others; but their contentment is not less important than that of the rest of the community for the success of the administration and for maintenance of political stability.

ADVERSE EFFECTS

The redistributive effects of inflation have been unhappy. The members of the business community have greatly profited by rising prices since their incomes were always moving ahead of the rise in costs due to inflation. Traders in particular found that it paid them well to hold on to stocks of any commodity; and the windfall gains of such speculation, often kept concealed from the taxing authorities, added to the volume of black money in the country which defeated the objectives of monetary policy, since it could, regardless of credit policy or interest rates, finance holding of stocks of essential commodities.

Inflation and the rising cost of living have also affected the saving capacity of those groups which normally save and invest; the proportion of total saving to the national income today is lower than at the end of the Second Plan. There is also a tendency among traditional savers to invest in gold, real estate or even consumer durables rather than put the savings in banks where the interest may hardly compensate for the rapid depreciation of the purchasing power of money. Investment is also diverted to production of non-essential goods, not only because of the demand for them but also due to the higher returns from non-controlled luxury or semi-luxury items. The cumulative effect of these trends has been the accentuation of inequality of income and wealth in the economy and damage to the normal economic motivations which should otherwise have helped the process of development.

Exports have suffered because of the high cost of production and lack of competitive pricing. Even the high rate of devaluation of the rupee has not, it

appears, offset the high cost of manufacture of several exportable products.

There are, however, two important exceptions to this general list of adverse consequences of inflation during the last two Plans. Inflation seems to have increased employment opportunities much more than was expected in the Plans. For example, though the Third Plan achieved only an annual rate of growth of less than three per cent, employment has increased at an annual rate of 5.6 per cent because of the manpower needs of both defence and development. To that extent there has been a redistribution of income and purchasing power in a progressive manner. The use of idle manpower, even wastefully, can sometimes make a contribution to social stability.

RURAL SECTOR'S GAINS

The other major beneficiary of inflation was (contrary to the general belief) the rural sector. While landless workers may have suffered more than urban labour because of high prices, the rising prices of agricultural products and foodgrains benefited the cultivators who obtained higher returns on their investment. While it is true that the bigger landlords who had larger surpluses to sell had benefited even more, thus increasing inequality, even the smaller peasant obtained more money for what he sold so that the real burden of land tax or of the price he had to pay for manufactured goods was considerably reduced. The position in the rural sector has changed to such an extent that the heavy load of rural indebtedness is only a fraction of what it was before the second world war. More holdings are owned by those living in the villages than by outsiders such as moneylenders or grain dealers; the latter can no longer dictate prices at harvest time and even producers are now suspected to be major stockholders of agricultural commodities who try to influence prices upwards.

All these factors have undoubtedly given incentives to investment and production in agriculture and account for a major part of the increase in output in foodgrains, cotton, jute, oilseeds and other commercial crops which touched a peak in 1964-65. This shift in income in favour of the rural sector, after the very long period of shift to its serious disadvantage in the thirties, has served the ends of social justice and provided economic incentives.

This, however, is no argument for continued inflation. The same results should and could have been achieved by conscious official policy without the cruel side-effects of inflation on other equally important or vulnerable sections of the community and without offering unmerited rewards to the speculator and tax evader. Stability should never be rated as a secondary objective of planning, nor can it be sought to be achieved by indirect methods, such as through restrictive credit policies and physical or price controls on essential commodities. These methods are bound to fail when fiscal and planning policies are positively inflationary. Some of these lessons have been well learnt and are unlikely to be easily overlooked by the planners. Priority for agriculture and consumer

turn to PAGE 34

J. P. CHATURVEDI

LAST September I happened to be in Yerevan, the beautiful capital of Armenia. Bahayan Melania, a student of the Languages Institute, who was learning English and was keen to talk in the language, was introduced to me. When I showed her a ten naya paisa coin, she asked, "What will it buy?" I said, its value was equal to a kopek.

A kopek in Yerevan would buy a cup of tea with a slice of bread, or a newspaper. What will a ten paisa buy now in Delhi? Not a newspaper, nor a cup of tea. It is not even enough to get your shoes polished.

Was it so a few years ago? We are told that per capita income has gone up, production, including that of food, has increased. But do we get our money's worth? A peep into the past will tell us the story of our growth or decline in prosperity.

Let me take the case of my friend Mr. Gupta, who was a lecturer in Muzaffarnagar 25 years ago. His salary then was Rs 80 a month. In Muzaffarnagar he stayed in a bungalow on a monthly rent of Rs 10. Today in Delhi he draws a salary of Rs 1,600. He lives in a posh flat, with a refrigerator, a T.V. set, and electric cooking gadgets thrown in. He owns a car too. By all appearances he should be happy. But he feels he would never live so well as he had 25 years ago. He can only dream of the food he was eating then. His children laugh in disbelief when he says that he used to have pistachios and almonds in winter and Rawari almost every night. Today he or his children never even think of dry fruits or milk curd. They are luxuries which only the most affluent can enjoy.

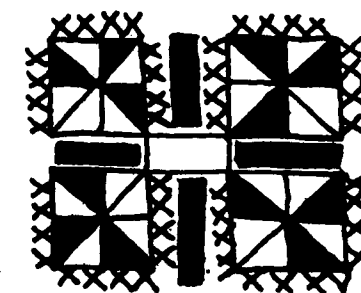
My own experience has not been very different. I remember to have drunk milk which was sold at 32 seers a rupee. In 1939 I used to buy milk in Jalaun, my village in U.P., at 16 seers a rupee. Two years later, in

Allahabad, the milk-vendor used to bring his Sahiwal cow to our doorstep and give us seven seers of milk for a rupee. Ghee used to cost a rupee a seer.

I recall with nostalgia my boyhood days in Mathura. At day-break pedlars would come with hot *halwa*. A wholesome breakfast was available for an anna (six naye paise). A bag of sugar weighing 2½ maunds was available for Rs. 17. Twelve seers of Maida or 10 seers of Suji cost only a rupee.

We have had twenty years of freedom, and where are we now? There are more *pucca* houses in the villages. The number of educated people has gone up. The percentage of literacy has increased. Yet, except in the thirties, we have never witnessed such large unemployment.

all our yesterdays



ment. In towns as well as villages people are better clad. Expensive clothes made of terylene, dacron and nylon are in vogue even in big villages. But people of yesterday also used to wear costly clothes. There was *Toosh*, *Pashmina*, *Kinkhab*, *Zari* saris of Banaras and *Chanderi* which were really worth their weight in gold and silver. Rich people used to put on velvet coats and caps covered with *zari*. But these were only worn by the rich. The poor were comparatively ill-clad than the poor people of present day. With spread of education and change in the pattern of employment there is now a greater emphasis on dress. A time is fast approaching when gold and silver will be relegated to the museums.

Education has become more expensive. I had to spend only Rs 30 a month for studying up to LL.B. And I did not live a frugal life. I used to subscribe for two papers and two magazines. I never

missed a film in my first three years in the college. Every year during my vacation I used to go out to Lucknow, Agra, Allahabad and Meerut, sometimes to Calcutta and Delhi. In 1941-42, in Allahabad I had a room, two verandahs and a bedroom and a common drawing kitchen for a monthly rent of Rs. 8. I used to save a fifth of my monthly salary.

My son studying in Madras has to spend now ten times more for meeting his bare necessities.

Going back further to the earlier decades of this century is, no doubt, a pleasant pastime but also provides an interesting study.

I have in my possession the register of accounts that my father used to keep regularly for the family from 1906 to 1954. The

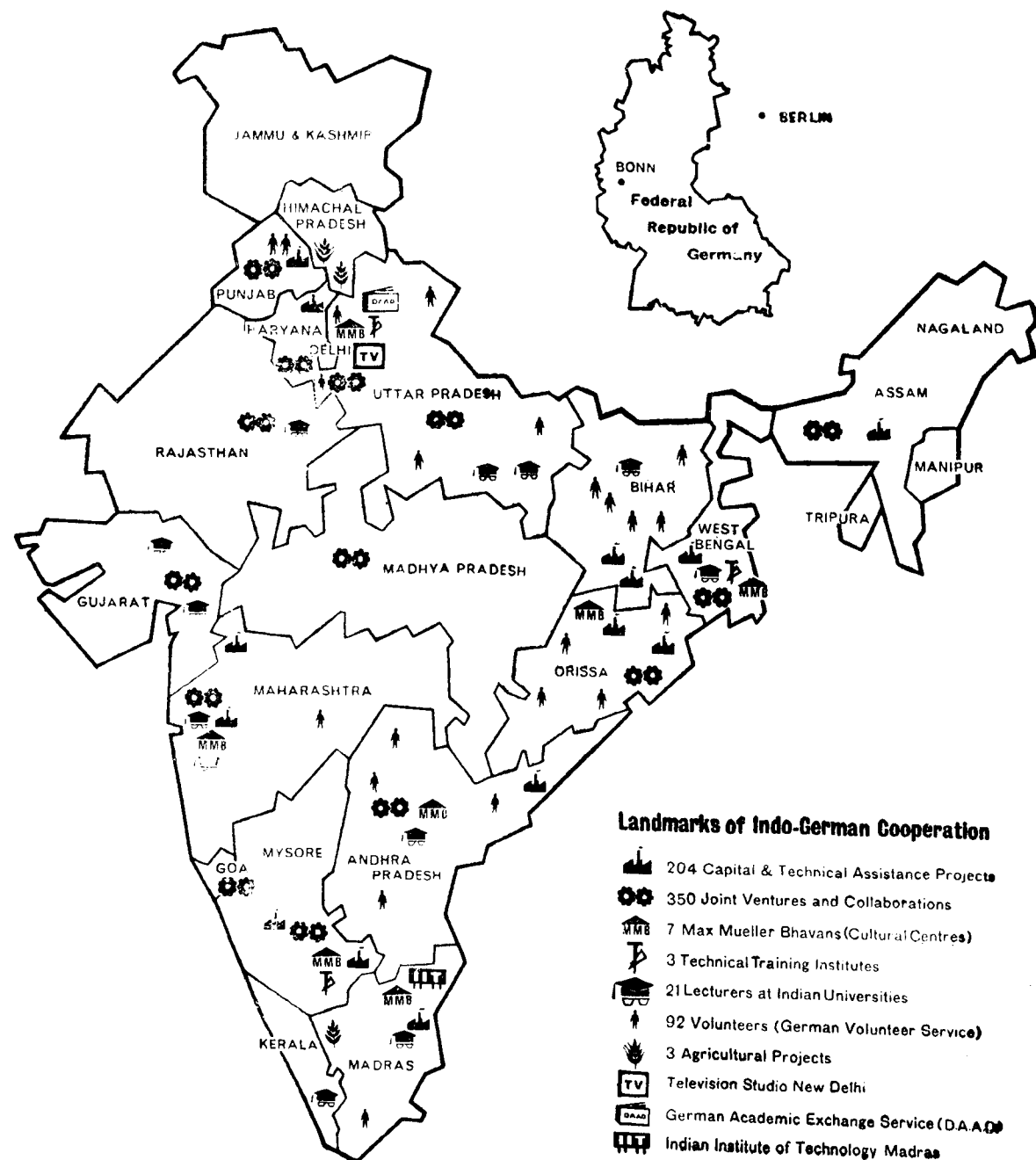
register takes me back to the "good old days".

In May 1906, when my father was married, gold was selling at Rs 25 for a tola (present rate being Rs 155.50 per 10 grams), and silver at 12 annas a tola. Cloth for the costliest *Achkan* was only Rs 3. Dhoti, shoes and cap all cost only a rupee each. A musical band cost only Rs. 4, fire-works too Rs 4. My father had to pay only Rs 25 for a cow.

In 1915 my father had to spend only Rs 50 for six maunds and 12 seers of wheat. Ten seers of maida cost a mere Rs 20. For a rupee he bought 8 seers of gur, and a tin of kerosene for Rs 3 As 4. A woollen *Dushala* was bought for Rs 10, two woollen chaddars for Rs 3 As 8, a silk saree for Rs 3 As 12 and two kurtas, a cap and dupatta for Rs 2. Seven brass thalis cost Rs 5 and annas and seven glasses Rs 2.

turn to PAGE 6

A Survey of Friendship



India and Germany – Partners in Progress



Surplus Incomes Must Be Ploughed Back

J. N. SINHA

● CAPTURE PROFITS FOR REINVESTMENT IN AGRICULTURE AND INDUSTRY

● GIVE PRIORITY TO PRODUCTION OF ESSENTIAL CONSUMER GOODS

● CONTROL DISTRIBUTION OF FOOD SUPPLIES EFFICIENTLY

THE galloping rise in prices in recent years brings to the fore important issues concerning the impact of inflation on income distribution and allocative efficiency of the Indian economy. Over the period of the three Plans, the rate of investment has been stepped up from less than 6% to 14%, a large complex of infrastructure has been built and a whole host of basic and capital goods industries have been developed to provide the foundations for sustained economic growth. National income increased (ignoring 1965-66 when production was abnormally low) by 64% and per capita income by 23%. To what extent the common man, whose income has been subject to a continuous process of erosion through inflation, has shared the benefits of economic growth, and how far the distortions in price structure implicit in spiralling prices have affected the growth process itself are matters that deserve close attention of the planners.

During the decade following the commencement of the Second Plan, the index of wholesale prices showed an average (compound) rise of 5.9% per annum. In the last three years of the Third Plan, the annual rise was 8.9%; in 1966-67 it shot up to 15.7%. The rise in price index, abnormally accelerated though it is, would be innocuous in itself, were it not for the striking disparities in the trends of different kinds of prices. Thus between 1961 and 1966 the index of agricultural prices rose by 35% while the prices of non-agricultural commodities increased by 20%. This implies more expensive food for the people and higher costs of raw materials to the manufacturers. Workers in organised industries are partly compensated since their wages and allowances are linked to changes in the cost of living. Salaried classes get some dearness allowance; but this is seldom adequate to protect their real incomes. The majority of workers are, how-

ever, self-employed; for them there is no link between earnings and cost of living. The farming community appears to gain; but the benefits are confined to a bare fraction, the top 15%, who have sizeable surpluses to sell at remunerative prices. Of the rest, some produce enough for their own consumption; but the majority have to supplement their produce by market purchases and are to that extent vulnerable to rising prices. Agricultural labourers are the worst victims since, unlike organised labour, they fail to obtain compensatory rise in their wages.

Apart from eroding the income of the common man, inflationary rise in prices snaps the very vitals of the planning process. Higher industrial wages (rendered necessary by rise in the cost of living) and costs of materials cut into the profits of manufacturers and reduce their capacity to save and invest. On the other hand, more and more wealth gets accumulated in the hands of big farmers, traders and speculators who use it for acquiring gold, land or speculative stock, or squander it on wasteful consumption. The pressure of their spending not only reduces the rate of saving but also distorts relative prices and tends to move the resources away from priority channels.

While defence and drought put the economy to an abnormal strain in recent years, persistent and pervasive forces of inflation have been in operation throughout the period of planning. Non-developmental expenditure has more than doubled over the period of the Third Plan. A good part of developmental expenditure has been financed through inflationary means. Tax armoury has not been fully exploited to siphon off excess purchasing power and restrain non-essential consumption. Such policy lapses are obvious and have to be avoided. Stricter monetary and fiscal discipline has to be enforced.

Investment must be matched by genuine savings. However, all this is necessary but by no means sufficient to maintain price stability. What can ultimately hold the economy in balance is a system of planning and priorities that makes the structure of output correspond to the pattern of expenditure.

Investment expands employment particularly in the organised sector. Between 1956 and 1964 employment in factories rose by 33%, money wage rate increased by 28% and the total wage bill went up by 70%. Employment in the public sector increased by 80% and the income generated by the budgetary operations of the Central Government comprising mainly wages and salaries of the staff rose by 200%. As against this, the index number of foodgrains production went up by only 30% and while the general index of industrial production rose by about 80%, that of consumer goods showed an increase of only 40%. Such lags between income and output and imbalances in the structure of output are implied in the very process of accelerated investment. The remedy does not lie in reducing the rate of investment. In fact, the current recession and economic stagnation highlight the need for a change in the opposite direction. At the same time, to restore balance it is necessary (1) to restrict demand by stabilising levels of incomes, particularly disposable incomes, and (2) to adjust supply by giving high priority to production of goods for essential consumption, mainly foodgrains, and securing their equitable distribution.

PARITY CONSIDERATIONS

Welfare considerations require that employment keeps pace with the growth of labour force. The only way to keep total wage bill within limits, therefore, is to restrict the rise in wage rates. Since investment is to absorb an increasing part of the additional output, it would be dangerous to allow workers a proportional share in rising productivity. In fact, the present situation demands a wage freeze. But this can draw its sanction only from a national policy of income and price stabilisation.

Relative incomes are bound to rise in priority sectors on account of rising productivity and in some non-priority areas due to pressures of demand. Parity considerations, therefore, demand a policy of nationalisation which would capture profits for reinvestment wherever it is practicable and one of heavy taxation when super-normal profits and incomes accrue into private hands. To take just one example, the new strategy which is indispensable for an agricultural breakthrough will raise the relative income of big farmers vis-a-vis the rest of the community and accentuate disparities within agriculture. A heavy land tax graduated according to the size of farm with provision for a minimum exemption limit is obviously needed to maintain parity of incomes in this case.

On the supply side the major weapon which can hold the price line is a rational policy of food production and distribution. A recent estimate puts the demand for foodgrains in 1970-71 at 122 million tons. The Fourth Plan target of 120 million would, there-

fore, amount to near self-sufficiency. Granting that the magnitude of investment and the new strategy in agriculture are adequate to the realisation of this target, there would still be the problem of short-falls in bad years which threaten a considerable rise in prices of foodgrains as their demand is price-inelastic.

An important aspect of foodgrain supplies is the continuous decline in market arrivals relative to marketable surplus throughout the period of the Third Plan and the influence that they exercised on the prices of cereals. It is indeed striking that even the record harvest of 1964-65 failed to reverse this trend. It mainly reflects the increased tendency on the part of large and medium farmers to withhold supplies from the market in anticipation of rising prices and the undependability of normal trade channels for proper distribution of available food supplies. An efficient control over food distribution is therefore as vital to the stabilisation of food prices as a rational strategy of agricultural production.

Monopoly procurement and total rationing are obviously ruled out on account of heavy administrative and political costs that they involve. Partial procurement and partial rationing are in existence, but their scope must be extended so as to cover all vulnerable sections including the underprivileged in rural areas, such as agricultural labourers. For overall stability, the Government must engage in what has already been enunciated in the Third Plan as the open market operations in foodgrains.

The Food Corporation of India should be authorised to purchase foodgrains in the open market, build up sufficient stocks and use them for competing with private traders making for them all speculative transactions an extremely risky venture. Incidentally, the job of the Corporation could be made easier (1) by a progressive land tax suggested earlier which would compel larger sales by the farmers, and (2) by supplies of credit, fertiliser and seeds being routed through it so that it could enter into agreements with producers for the delivery of their produce in agreed quantities (and at agreed prices) in return for these supplies. The operations of the Corporation would also safeguard the interests of the producers by unlimited purchases at a minimum support price in periods of falling prices.

Evidently, the administrative burdens and costs involved in a system of price control and rationing require that it is kept restricted and selective. Apart from food, it may have to cover a few scarce and essential commodities like sugar, cement, steel and coal. But the generality of prices will still be determined by the market forces. There is nothing inequitable if there is a rise in the prices of non-essentials, but their competitive pull might lead to diversion of productive resources into non-priority areas. Industrial licensing, regulated allocation of credit and a fiscal policy which keeps aggregate demand in balance with aggregate supply will prevent such lopsidedness. A large complex of fiscal, monetary and administrative measures is thus needed to keep the system of prices and costs in accord with Plan objectives and priorities.

A MARKET ECONOMY ORIENTED TO PRODUCTION

BALJIT SINGH

CERTAIN premises underlying our price policy are not adequate. Consequently the policy has had little effect in practice. The premises are:

(a) Avoidance of deficit financing is commensurate with the elimination of excess demand or surplus purchasing power. (b) Prices can be stabilised through expansion of State participation and control in regard to both wholesale and retail trade. (c) Automatic linkages between cost and price increases or between price and wage increases can be snapped or reduced through direct measures of stabilisation of cost of living and of material inputs.

To take the first premise, excess demand or purchasing power at aggregative level is not merely a function of additional money supply corresponding to deficit financing but is equally a function of purchasing power released by the banking and non-banking financial intermediaries as well as of the increased liquidity of the economy. Hence deficit financing, in the limited sense in which the term is used by the Government of India, has only a secondary role.

More important for holding the price line is the way in which money is utilised than the increase in its quantity in any period. We have a recession along with inflation and a shortage of financial resources for investment along with an excess money supply in basic consumption goods market. In these conditions a balanced budget, even in the orthodox sense, can do little to stabilise prices. What is needed is the restoration of the flow of money in the priority channels of the economy and not simply a curtailment of increase in the aggregate money supply. Such

money flow can seldom be restored without basic monetary reforms to unearth and sterilise the concealed black money and to bring the non-banking financial intermediaries within the ambit of social control.

The second premise, too, is based on the misconception that the price line can be held along with sectoral imbalances in output and demand or that between savings and investment.

The third premise fails to recognise that the largest component of cost in our economy is the wage itself and a spiralling of cost and prices cannot be avoided so long as wage increases are linked to increase in cost of living. It is true that a wage-freeze would be impracticable without stability of cost of living. But it is high time to realise that whereas both can be accomplished simultaneously, they cannot be achieved individually.

Moreover, it appears that there is still an inadequate understanding of the role of money in the economy, of the fact that in our system there is little money illusion and that the interest-bearing debt constitutes the net assets of the public. More serious is the total failure to recognise the role of 'concealed' money, arising out of tax evasion, smuggling and illegitimate trade in causing and aggravating the inflationary situation.

Likewise, price policy apparently fails to recognise that imbalances between output and demand, whether at the sectoral level or at the aggregative level or between savings and investment, can seldom be removed without bringing the market forces into play to bring about an optimum resources allocation. Distributive controls do not eliminate these imbalances but only push them

underground. This tends to reduce investments, output and market supplies.

A distribution-oriented price policy that the country has at present, needs to be reinforced and eventually replaced by a production-oriented market policy aimed at minimisation of cost, and maximisation of output and productivity. Short-term measures, however, will have to be directed to reduce and eliminate the demand-pull inflationary pressures inhering in the excess money supply. With these ends in view, measures along the following lines are indicated:—

a. Monetary reforms to withdraw the 'concealed' money, commonly called 'black money'. This may imply a certain measure of demonetisation and contraction of total money supply in the economy. Such reforms alone will restore the much needed money flow into priority channels.

b. Reconstruction of tax-structure to plug holes and eliminate incentives for concealment of money and income as well as for evasion of taxation and trade regulation.

c. Linking of wages with productivity and the capacity of industry to pay with a simultaneous reduction of an automatic linkage between rise in wages and cost of living.

d. Establishment of a guided market economy where the bulk of trade and enterprise would be guided by market forces and the market would be free to take effective measures to minimise cost. The market forces themselves would be guided by national Plan priorities by such economic regulators as fiscal and monetary measures, strengthening of the infrastructure by expansion of public sector enterprise, regulation of foreign exchange as well as of foreign trade, and so on.

It is feared that in the absence of basic measures to hold the price line we cannot escape, apart from serious internal disequilibria in the economy, a further deterioration of the balance of payments position, leading to a second or even third devaluation of the currency in the near future. The task of an integrated price policy ought to be to build a low-cost economy for which restraints on claims for distributive shares are as necessary as basic monetary and economic reforms.

Leisurely Ways

LEISURE is a luxury for the poor and a problem for the rich. This is a truism which is becoming increasingly evident in the richer countries of the world. With increasing prosperity there is more time away from work; and it often becomes difficult to spend these idle hours.

In Denmark, this growing sociological problem was studied recently by the National Institute of Social Research; and the findings reveal some interesting facts. For instance, the period of "leisure" is unequally divided between the sexes, married women in particular having less time to themselves than men. Danes are largely stay-at-homes, only younger people tending to seek activities and contacts outside their homes. This does not mean that they just sit around, doing nothing. In fact, the majority spend at least five hours a week in the company of visitors. In the cities, watching television is the principal leisure activity, with more than three-quarters of the population owning TV sets. But, the best-educated people tend to resist acquiring sets and watching TV. TV is, however, least widespread in the rural areas; but those who have it spend more time viewing. The radio is another important entertainer, and in practically every

home there is a radio set. The total amount of listening time on any day is more than the time devoted to television.

According to the survey, one out of every four adults reads a book in a year.

But half of the population never, or hardly ever, opens a book. Reading is most widespread among young people and in towns, and seems to grow in proportion to the length of schooling.

Nearly everybody in Denmark reads one newspaper a day, and one in four reads several. Men are more avid newspaper-readers than women, who are more fond of weekly magazines. As far as cultural



Nearly everybody reads one newspaper a day

pursuits like the theatre and music are concerned, the number of persons interested is much smaller. Only three per cent of the persons interviewed had been to a classical concert and 17 per cent had visited museums and exhibitions. The cinema, on the other hand, regularly draws more than a quarter of the country's population.

Religion has a great appeal and 95 per cent of the adult population belong to the National Church; but less than three per cent go to church once a week. Sport is also a popular leisure-time activity; 15 per cent of the population, mostly young men, take an active part in it. Annual holidays of two or three weeks are customary, but a fifth of the population spends them at home, another fifth visits relations, and 11 per cent go to weekend cottages. However, 15 per cent of all Danes go abroad for their annual holidays.



High education goes with less TV watching
—Cartoons Courtesy: Danish Foreign Office Journal



IGNORAMAN

Wants to Know

who is paying the
PRICE
for whose
PROSPERITY

Illiteracy in Affluence

THERE is a common belief that illiteracy is a malady which afflicts only the underdeveloped or partially developed countries. While it is true that this problem is one of great magnitude, as far as the developing countries are concerned, affluence is not necessarily an antidote to illiteracy. This is highlighted by the fact that the number of illiterates in the United States was more than three million in 1960. Another 20 million Americans had less than eight years of schooling.

To tackle this problem, a massive Adult Basic Education Programme was launched in 1965. Federal funds have been made available to the States for the organisation of basic education classes for an estimated 28 million illiterate and under-educated people, who account for more than 20 per cent of the country's population.

Instructional materials have been developed to teach reading, writing, arithmetic—and speaking, if necessary, in the context of job orientation, health habits, family and community relations, and so forth.

Evil Effects of Tinkering With Market Mechanism

V. R. PILLAI

Government attempts to force the pace through indirect taxation and creation of additional money have accelerated the price rise.

There has been a redistribution of income in favour of agriculturists whose propensity to consume is greater.

The burden of maintaining subsidised prices of foodgrains should fall on the general tax-payer and not on the farmer.

All vexatious controls should be relaxed and prices stabilised at about 299 points.

AFTER 16 years of planning, Indian economy today has, as it were, come to a grinding halt. Under the stresses and strains which developed over the last four years, the economy has slid back from its growth path. We have now the phenomenon of a wave of recessions, especially in the basic and capital goods industries co-existing with a high level of prices. It has been a favourite theme of Growth Economics that an upward trend in prices is an inevitable concomitant of accelerated growth in underdeveloped countries and that a mild degree of inflation is a growth promoting factor. Indian experience, however, belies this thesis. Inflation has proved to be intractable and has brought in its train problems on the domestic as well as external fronts, which have tended to retard the course of economic development.

The price mechanism is a very delicate one. Its function is to equilibrate demand and supply. A rising price, therefore, is a clear indication of excess demand. It leads to rising profits, which, in turn, induce greater supplies until the equilibrium is restored. But the bane of a planned economy is

that it is subjected to a high degree of regulation in the pursuit of different objectives. Price controls have become the order of the day and they interfere with the operation of market forces tending towards equilibrium. Indian experience shows unmistakably the deleterious effects of tinkering with the market mechanism.

Four Distinct Phases

Broadly speaking, we can notice four distinct phases in the movement of prices in the Plan period. The First Plan period (1951-56) was one of declining prices when the average weekly general index of wholesale prices recorded a decline of 17.3 per cent. During the Second Plan period (1956-61), it rose by 37 per cent. The first two years of the Third Plan (1961-63) was a period of comparative stability when prices rose only by 2.4 per cent. From 1963 to the present we have the fourth period of runaway inflation when prices have risen by about 50 per cent.

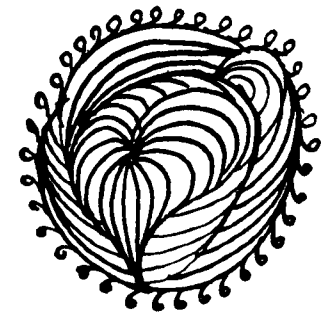
The annual rate of price increases in the last three years has far exceeded the earlier rates. Prices rose sharply by 9 per cent in 1963-64 and 1964-65, by 16.2 per cent in 1965-66 and 16.5 per cent in 1966-

67, as against an average rate of 5.9 per cent during the previous decade. The sectoral movement of prices shows that the group of food articles, which accounts for over 50 per cent of the weight of the general index, increased by 40.7 per cent during the Third Plan period and contributed to nine-tenths of the rise in the general index last year. The industrial raw materials group recorded a rise of 47 per cent in the Second Plan period but only 30 per cent during the Third Plan.

True, the last two years have been very abnormal and the unprecedented rise in prices was mainly due to a succession of droughts. But our mounting defence expenditure, the budgetary deficits of the Centre and the States and the money supply which increased at an average rate of Rs 400 crore during the last four years accentuated the inflationary pressures in the economy. The price index of manufacturers showed only a moderate annual increase of 3.4 and 4.5 and 3.8 per cent respectively in three Plan periods. It is thus clear that food and raw materials have been largely responsible for the rise in the general index of prices during the Plan period.

Impact on All Fronts

The cumulative rise in prices in recent years has eroded the real value of the Rupee and has created problems for the common man as well as the Government. The All India Consumer Price Index Number for Working Classes (base 1949: 100) rose sharply from 174 in March 1966 to 200 in March 1967 and to 217 in October 1967. Fixed income earners have been particularly hit by the increase in the cost of living.



escalated owing to continuous pressure in order to keep up with the rise in the cost of living, though real wages have, in fact, fallen rather than risen. The costs of production have increased greatly due to the higher wage bills and higher costs of raw materials and intermediate goods. Government expenditure on administration and developmental projects has also risen sharply. The propensity to consume on the part of individuals as well as Governments has shown itself to be a very stable function. This has resulted in a considerable slowing down of private as well as public savings. The average annual increase of real aggregate investment therefore fell from 10.7 per cent in the Second Plan to 4.2 per cent in the Third Plan and to a much lower level last year. The attempts of the Government to force the pace through indirect taxation and the creation of additional money has only resulted in accelerating the rise in prices.

As the prices of agricultural commodities have increased faster than that of manufactured goods, the terms of trade have shifted in favour of agriculture. Consequently there has been a redistribution of income in favour of the agricultural sector where the propensity to consume is greater, and savings have been adversely affected. Further, by diverting a larger proportion of non-agricultural income to the purchase of food and raw materials, the margin for saving in the non-agricultural sector has also been reduced.

The impact of inflation on the balance of payments has been most damaging. Steadily rising costs have undermined the competitive position of Indian products in the world markets and have acted as a drag on our exports. On the other hand, the high prices in the domestic market have placed exports at a discount and imports at a premium.

In spite of severe import restrictions which have adversely affected the growth of industrial production, our mounting adverse balance of payments led to the devaluation of the Rupee. This measure, though intended to be a corrective, has only aggravated our problems by considerably increasing the costs of im-

materials while not giving sufficient stimulus to our exports, which actually fell by 113 million in the devaluation year. Thus the inflationary process has retarded the pace of economic development by its adverse effects on saving, investment and the balance of payments. Recent Indian experience has demonstrated beyond doubt that a stable price level is a sine qua non of economic development.

Growth of Black Money

Government have, of late, been adopting a series of measures to moderate price rises of essential commodities, especially after devaluation. This included increased import to improve availabilities, controlled distribution of items of mass consumption at fair prices, support prices for major agricultural commodities and ceiling prices for a number of manufactured goods. But controlled prices had to be revised upward from time to time to cover the inflated costs of certain industrial products like cotton textiles, oil, sugar, iron and steel and automobiles. The policy of fixing prices for end products without controlling the prices of raw materials has in several cases, for example, vanaspati and soaps, led to severe losses for the producers. The system of administered prices has, by and large, proved a failure. Further, they have promoted black marketing on an extensive scale and resulted in an enormous growth of 'black money' which has eluded the tax authorities as well as the capital market and added to the inflationary pressures in the consumption sector. Price control alone without an effective control of the demand or an increase in availabilities is bound to fail in time of scarcity. No wonder, all the deficit States like Bihar, U.P., Gujarat, Rajasthan, Orissa, Mysore and Kerala were obliged to withdraw the maximum price control orders for cereals in 1965-66.

Kerala's Unhappy Experience

It is unfortunate that our price control policies have been mainly guided by a solicitude for the consumers and the electorate, at the expense of the producers who alone can deliver the goods. Farm management studies in Kerala showed

that the price of Rs 71 per quintal fixed for paddy procured by compulsory levy in 1964 (against the prevailing market price of Rs 78), only 10 per cent of the sample farms could cover their costs. The State Government, realising the damaging impact of procurement on production, gave a production bonus and a delivery bonus which raised the effective procurement price to Rs 65 per quintal in 1967. Though even this was far below the average cost of production, the Centre has now fixed the procurement price for this region at Rs 56.25 and has prohibited the payment of any bonus, as it would be discriminatory. Simultaneously it has withdrawn the subsidy and raised the issue price of rice supplied to the State by Rs 16 per quintal for coarse grains. This would further widen the gap between the procurement price and the distribution price and add to the discontent of the farmers. Should the State decide to continue to maintain the present distribution price, as it appears to have done, it would impose a financial burden on the State Government to the tune of Rs 20 crore.

Burden Should Be on Tax Payers

In India, food prices hold the key to the general price level. The Madras Government's policy of maintaining a low food price, though born out of the political slogan "One Rupee a Measure", is economically sound, as it will exert a salutary influence on other prices and prevent a wage-price spiral. But where the Madras Government has erred is in its policy of intensive procurement at an unremunerative price for the farmers which is only about half the market price in several areas. This is on the one hand discriminatory as it imposes a heavy concealed tax on the farmer in order to benefit the urban population, and on the other, it discourages agricultural improvements and retards production, thereby perpetuating the food problem.

While the deliberate maintenance of subsidised prices of foodgrains at a reasonable level throughout India would be a major step in stabilising prices in the country, the burden of it should

turn to PAGE 54

LESS EXPENDITURE, SELECTIVE INVESTMENT

K.S.L. PANIKKAR

- *Strategy of inducing inflation to promote growth has to be re-examined.*
- *Political and other institutional factors threaten the formulation of a sound price policy.*
- *Increased incomes in the government sector had a special role in raising prices.*
- *The policy of fixing prices for end products without controlling raw material prices has promoted large-scale blackmarketing.*

THE current accent on rapid economic growth, no doubt, marks a healthy reaction to the conventional preoccupation with price stability. Prosperity through disequilibrium was, however, found to breed a degree of instability that threatened growth itself and this realisation led to the alluring concept of development with stability. In the attempt to combine development with stability Indian economic planning seems to have missed both. The growth rate of the Indian economy consistently lagged behind Plan targets though the targets themselves were far too moderate. During the dismal period of 1965-67 we had an extraordinary degree of price inflation superimposed on a shrinking national product.

Throughout the three Plans, despite a clear recognition of the need for and the requirements of an adequate price policy, we seemed to have drifted and taken the line of least resistance. What is more disconcerting is that political and other institutional factors threatened the formulation and implementation of a sound price policy for ordered prosperity.

The argument of this article is, in sum, the following: The strategy of inducing inflation (or acquiescing in inflation) to promote growth needs to be re-examined as we have proved ourselves unequal to the concomitant task of containing its consequences. The right policy for coming years seems to be forestalling inflation and foreclosing it by a drastic reduction in production costs and a substantial curtailment of public expenditure and selective pruning of investment.

As the annual average weekly general index of wholesale prices stood at 165.1 in March 1967 the general price level may be said to have increased by 47.7 per cent over the entire Plan period. For an economy that doubled its rates of investment the above degree of price inflation is perhaps not excessive.

As a matter of fact the wholesale price index fell by 17 per cent over the four years of the First Plan though this could hardly be attributed to any deliberate disinflationary policy. During the Second Plan, the index rose by 35 per cent and during the Third by 32 per cent. An abnormal growth in net national expenditure (44 per cent and 50 per cent) chased a considerably smaller growth rate in net national output (22 per cent and 14 per cent).

Food articles and industrial raw materials constitute the crucial elements in the Indian wholesale price complex as these account for two thirds of its total weight. Agricultural commodities account for about 60 per cent of the price changes. During the Third Plan there was actually a 7.4 per cent fall in the average annual agricultural output. At the same time the demand for food rose steadily for the following reasons:

- (a) Increase in population of the order of 10 to 12 millions a year.
- (b) Progressive urbanisation (2.7 to 3 per cent annual growth since 1961) which called for increased marketable surplus.
- (c) Rise in employment and money income.

MORE JOBS PUSH UP PRICES

The third of the above factors has enormous significance in the inflationary developments and therefore for price policy. During the Third Plan factory employment rose at an annual rate of 5 per cent and the money wages by 3 per cent. Employment in the public sector rose by 32 per cent during the Third Plan. The annual rate of increase in income generated in government sector—wages and salaries—is estimated to be not less than 15 per cent during this period. The share of Government in total national expenditure rose over the three Plans from 10 to 17 per cent.

That the above category of income had a special inflationary bias on account of its origin, ownership and use is often not adequately recognised. The main factors that contribute to this bias are:

- (a) The accrual of this income was facilitated by a large dose of deficit financing.

(b) To a large extent public sector employment fails to create tangible capital or final consumer goods.

(c) Even when tangible capital is created, many kinds of lags and snags hamper and delay a steady flow of final goods.

(d) The income-receivers in government sector habitually display a high consumption propensity.

(e) Our recent experience in respect of payment of dearness allowance illustrates vividly the insurmountable difficulties in operating an income policy and in regulating the use of such income.

The period, March 1966 to October 1967, witnessed the superimposition of 'cost-push' inflation—mainly the result of stiff taxation, devaluation of the rupee and rising food costs and wage rates—on the demand-pull inflation experienced earlier. The wholesale price index rose from 203 to 221 and the food prices index from 219 to 260. The middle class cost of living index rose by 50 per cent in the last two years.

It is true that, thanks to a bumper Kharif crop (the foodgrains output of the year is estimated to be 95 million tons), food prices have started declining from October last year, pushing down the wholesale price index to 213.3 towards the close of November. This can hardly be considered the harbinger of a continuous disinflationary price movement as the universal clamour for the maintenance of incentive prices is already proving an irresistible force.

WHY THE SCARE ABOUT PRICE RISE?

The price policy in a developing economy has to take full account of the insatiable thirst for rapid development with its categorical imperative of substantially increased investment ratio. Any acceleration of investment unmatched by savings brings about inflation. Growth economists, by and large, recommend or at least acquiesce in this type of inflation. We have gained sufficient knowledge of the growth of the inflationary process; we have also the necessary tools to control the magnitude and the consequences of inflation. Then why should we be scared of any general price rise?

If experience be any guide, the developments during the last decade should tell us that the conditions for using price inflation as a strategy for promoting growth or tolerating the price rise generated by deficit-financed investment do not obtain in our country. As such, while some of the key prices will need rigorous policing, greater reliance will need to be placed on a restrictive expenditure policy, and a selective investment programme. We also need a policy for increasing output at reduced average cost.

It is often said that an extension of output is the only sure and lasting remedy for inflation as the price rise is an index of excess demand—relative scarcity—which is no doubt due to inadequate supply. An expansion of output, however, may carry with it such a large increase in spendable income as to cause an excessive rise in money demand. Or it may be that the unit cost of production rises due to the operation of the Law of Diminishing Returns. In either case, the increase in output ends up in intensifying infla-

tionary pressure. This is how, despite a four to five-fold increase in the annual output of electricity, steel, cement, automobiles and other key commodities and a ten-fold increase in a vast range of consumer goods during the last fifteen years, we have experienced an escalation of prices.

Two years ago we had a record output of sugar, over 35 lakh tonnes. As against the world price of Rs 35 per quintal the open market price of sugar in India today is Rs 450 (the black-market price is higher still). This is so primarily because our cost of production is at least four to five times the figure in other countries. Rather than taking steps to raise cane output per acre, increase the rate of extraction of sugar, adopt modern technology to cut waste and exploit the byproducts, we have followed the easier course of raising the cane price and encouraging uneconomic production. Similarly production costs in respect of steel, fertilisers, automobiles and many other commodities, the output of which has been stepped up in the Plan period, are substantially higher in India.

Public enterprises, with some exceptions, suffer from a dearth of managerial skill, redundant labour, labour indiscipline, inordinate inventory, excess capacity and incompetent planning. Even the well-established private enterprises complain of stiff taxation, high cost and scarcity of imported raw materials or components and numerous controls that add to the cost of production. The cost of materials is estimated to account for 60 per cent of the production costs in large enterprises. It is easy to see how the lack of scientific control over the movement of materials has swelled up production costs.

The moral that emerges clearly from the above is this. A sound policy for price stabilisation should bestow much greater attention to the reduction of production costs which are excessive by any standard.

There is a growing tendency in our country to advocate or countenance a price rise in the name of incentive price. Foodgrains, sugarcane, jute, cotton, oilseeds, cement, steel and several others may be cited as examples. During the last four years sugar price was raised ten times and cement prices three times. In some other cases, like rail and air transport, prices tend to be raised to cover deficits. These tendencies should be resisted. Incentives to farmers may take the form of subsidised inputs and the provision of cheap infrastructure rather than increased selling prices.

The second plank of the counter-inflationary programme that needs to be specially stressed, is a re-ordering of public expenditure and investment programme with a view to ensuring a quick increase in the output of consumer goods that absorbs the impact of increased money expenditure. This will necessitate the screening of all projects on the basis of cost-benefit analysis, a postponement of schemes with a long gestation period, the pruning of prestigious enterprises, a drastic curtailment of non-development expenditure (defence and administrative) and a moderation of the outlay on social services. These may not be politically feasible, but unless economic considerations are given their due weight, both price stability and economic growth would be in jeopardy.

THE PRICE SYSTEM IS THE PIVOT OF A MARKET ECONOMY AND DETERMINES THE WORKING OF THE ECONOMY AS A WHOLE. THE GENERAL RISE IN PRICE LEVEL HAS WIDENED THE GULF BETWEEN THE RICH AND THE POOR. IT HAS DIVERTED RESOURCES FROM PRODUCTIVE TO SPECULATIVE PURPOSES.

THE TOTAL VOLUME OF NON-CONSUMPTION EXPENDITURE HAS TO BE REGULATED.

NO AFFLUENCE WITH GALLOPING PRICES

V. V. BORKAR

THE yawning gap between pronouncements and practice, typical of government policy in this country, is constantly evident in the realm of prices. In what is supposed to be our planned and controlled economy, the Government seems to be looking on helplessly as prices soar every day, while declaring its firm resolve to hold the price line. Even as the Prime Minister and the Finance Minister are solemnly announcing their determination to stem inflation by cutting down deficit financing, the actual amount of deficits goes on mounting into hundreds of crores of rupees. This is true of an integrated price policy too.

The price system is the pivot of a market economy. It determines the distribution of income as well as the allocation and degree of utilisation of resources. In short, it determines the working of the economy as a whole.

Prices determine the distribution of income, as the relative income of a person is derived from the price obtained from the sale of goods and services (including human labour). Prices provide the inducement to produce more or less of things in general or of particular commodities. The profitability or production is determined by the relationship between

two sets of prices, namely prices of inputs and prices of outputs. Changes in the relative prices of different types of outputs likewise, alter the relative profitability of producing different types of goods.

Higher prices provide monetary incentives to the producers by transferring more incomes to them. Hence the effects of change in prices on income distribution and on production (total quantity and its content) are inextricably inter-linked. It is not possible to have one effect and avoid the other. Therefore a conflict may often arise between the allocative and distributional goals of public policy. Higher prices may be justified for providing incentives but not for transferring incomes to the beneficiaries who may already be affluent.

No Compensating Gain

A general rise in price level, which India has been experiencing, has benefited the affluent classes at the cost of other sections of the community, and has further widened the gulf between them. The perverse redistribution of income takes place mainly because of the price of hired labour lagging behind the rising prices of their products. The real income of the business and propertied classes

improves, while that of working classes deteriorates. The sharp contrast between the living habits of different classes, which is further highlighted by the beneficiaries' proneness to show off their riches and to adopt the consumption habits of their western counterparts, disrupts social harmony and retards economic growth. It makes a mockery of our socialist pretensions. It is possible to tolerate the adverse consequences of a price rise in income distribution if it yields a compensating gain in terms of substantial increase in the production of urgently needed articles. The recent price rise in India is bereft of even this saving grace and has proved to be an unmitigated evil. The current spectacle of a recession super-imposed on inflation is evidence that rising prices do not necessarily encourage investment or other productive activity. On the other hand, resources have been diverted from productive to speculative purposes.

Too much should not be made of the unfortunate drought suffered by the country in the past two years in explaining away the soaring prices. We have been experiencing this phenomenon of price rise ever since 1942 except for extremely brief spells of uneasy stability. Besides, the fact that our agriculture should be dependent on the vagaries of nature even after eighteen years of planned development, almost as much as it did



before independence, is not a happy commentary on the performance of our Plans.

It is quite another thing to justify and accept a small increase in price which stimulates relatively large expansion of output (despite its unfavourable effects on income distribution). Maximising resource utilisation and growth rate usually entails a movement of the economy into the region of diminishing returns and marginal scarcities. The rise in price here reflects the increase in real unit cost of production, and is not the consequence of increase in efficiency wages. This is inevitable if productive activity is to be expanded beyond the "optimum" scale of output. Such a price rise is not an infructuous incentive. But what has been apparently lost sight of is that this works only until the limit of full capacity production is reached.

Consumption and investment

Actually, however, demand has been permitted to rise—nay, positively stimulated—even after the existing capacity in consumption goods industries (including farming) has been fully used up, the increasing effective demand spending itself mostly on raising prices and not in stimulating production. It seems that we have yet to learn the obvious lesson that an underdeveloped country cannot spend itself into prosperity, or ride into affluence on the crest of galloping prices.

The total volume of non-consumption expenditure of the com-

munity (including investment outlay) has to be regulated so that, given the consumption and saving habits of the people, it does not generate consumption demand outstripping the existing productive capacity. Next, it is necessary to ensure that the maximum possible number of consumers (that is, the people, since everyone is a consumer) are engaged in investment activity; and the full capacity consumption demand is linked with the maximum possible investment outlay. This necessitates restriction of the consumption propensity of some sections in the population. It should also be ensured that for a given outlay on new investment or better organisation, productive capacity expands by the largest possible extent, so that total effective demand can rise in the next phase without endangering the stability of the economy. This implies rooting out wastage and corruption which are today rampant in our country.

Production of the minimum requisites of subsistence should be the first charge on the economic resources of a country. People have to survive first before they are asked to wait for plenty. We have necessarily to acquiesce in the rate of economic development permitted by this (discounting foreign aid.)

Craze for Spending

I have not gone here into the problem of relative prices of output of different commodities which is vital to optimum allocation of resources.

A mild price rise may be per-

missible as the economy approaches the full productive capacity level of operation. But the annual rate of price rise should not exceed the interest rate. Otherwise it would be more profitable to hoard stocks of goods for resale and speculate in real estate than to use them for increasing production. Hardly any use has been made in our country of the technique of expanding productive capacity without augmenting demand by transferring unproductive consumers to investment activity. This has to be achieved mainly through effective organisation. But care has to be taken that this process does not eat up funds, since it would create as much new demand for consumption goods as would be created by an equivalent amount of investment. There is a craze for spending in India without full regard to the achievement of results. Public spending is looked upon partly as a method of distributing public patronage.

Easy money obtained not through sacrifice or self-help but from extraneous sources makes the Governments at various levels somewhat irresponsible in their spending. **If the funds are not made available, the Zila Parishads readily pass on the blame to the State Governments and the State Governments to the Centre, and the Central Government, in turn, to some international agency!**

The slogan should be: maximum expansion of productive capacity with the minimum expenditure.

and how they should be allocated between essential non-Plan needs (such as Defence) and vital Plan projects. Such a working model of the flow of real resources can act as a check against exuberant and often irresponsible, extra-polations of financial estimates made by pressure groups which are interested only in getting the Government committed to large-sized plans, later blaming an apparently ineffective administration for shortcomings in implementation. No Plan can honestly assume the achievement of maximum efficiency in administration, when its limitations and capabilities are too well known.

At the same time, too much conservatism, which results in getting our sights too low for the sake of stability, requires the rapid expansion of employment opportunities and the provision of minimum standards for the rapidly rising population. The present lull in planning is, therefore, not wise either. The future cannot be mortgaged for the convenience, political or economic, of the present.

G. T. HUCHAPPA

Two Objectives :

—*INCENTIVE TO PRODUCE MORE*

—*CONTROLLED PRICES FOR CONSUMER GOODS*

We have invested nearly Rs 20,000 crore and completed three Plans for the economic development of our country. As a result we have strengthened the foundations of economic and social life by the marked expansion of agricultural and industrial outputs, of transport, social services, scientific and technological advance. During the period of the three Plans which ended in 1966, the production of foodgrains increased from 55 million tonnes to about 80 million tonnes. The value of consumer goods increased from Rs 260.7 crore to Rs 487.6 crore and the value added in the manufacturing industries rose from Rs 385 crore to over Rs 1,434 crore. The general economic growth of this period is reflected by the increase in the net national income (at 1960-61 prices) from Rs 9,850 crore in 1950-51 to Rs 16,650 crore in 1964-65. During the same period, the per capita income in real terms increased from Rs 247.5 to Rs. 317.

While the achievements in the first three Plans are so impressive, in a welfare State the measure of the performance of the Plans should be judged in terms of the general increase in the prosperity of the bulk of its population. Economic planning in India has several objectives but ultimately all of them boil down to the more fundamental objective of the improvement in living conditions of the country's teeming millions. As the First Plan aptly puts it: "The central objective of planning in India at the present stage is to initiate a process of development which will raise living standards

and open out to the people new opportunities for a richer and more varied life."

Among the different classes of people the working class as a group occupies a strategic place in the economy. Their standard of living is highly vulnerable to shifts in incomes which are characteristic of a developing economy. As an important factor of production, labour's contribution to economic development need not be exaggerated. In this connection the First Plan rightly observes: "The worker is the principal instrument in the fulfilment of the targets of the Plan and in the achievement of economic progress, generally". The First Plan promised him adequate provision of his basic requirements as also a share in the social

and economic progress. It would be of current interest to inquire whether the planned economic progress has resulted in the provision of that assured due share to the working class.

The table that follows gives indices of national output, industrial production, money and real earnings of the factory workers for the period 1951-64. During this period, industrial production in the manufacturing sector showed a steady progress. The index of industrial production rose to 221.6 in 1964 indicating an average annual rise of 9.3 per cent. The net national output both at current and at 1948-49 prices also increased during the reference period at an annual average rate of 7.7 and 5 per cent respectively. (See table below)

Money and Real Wages, Industrial Production, National Output at current and 1948-49 Prices for 1951-64

Year	Index of money earnings of factory workers	All-India average of CPI numbers	Index of real earnings	Index of industrial production manf. sector	(Base 1951=100)	
					Index of net national output put (at 1948-49 prices)	Index of net national output (at current prices)
1952	107.1	98.1	109.2	103.4	104.0	98.4
1953	107.7	101.0	106.6	...	110.2	105.1
1954	107.7	96.2	112.0	...	112.9	96.4
1955	113.1	91.4	123.7	122.7	115.2	98.5
1956	115.4	100.0	115.4	130.3	120.9	113.5
1957	120.8	105.7	114.3	136.9	118.8	114.2
1958	122.3	110.5	110.7	138.5	128.0	126.4
1959	126.4	115.2	109.7	150.4	130.3	129.8
1960	134.4	118.1	113.8	168.6	140.0	141.8
1961	138.6	120.0	115.5	175.8	143.5	148.4
1962	144.0	123.8	116.3	191.0	146.2	154.4
1963	145.2	127.6	113.8	205.5	153.5	172.6
1964	150.8 (E)	146.9	104.1 (E)	221.6	165.3	200.6

Source: For columns 2, 3 & 4 up to 1955 *Indian Labour Statistics* 1962, Table 12.9, and from 1955 onwards *Indian Labour Journal*, June 1967, pp 507-8.

For column 5, up to 1959 *Indian Labour Statistics*, 1962, Table 12.9 and from 1960 onwards, Reserve Bank of India Bulletin, Dec. 1966, Table 26—base shifted to 1951.

For columns 6 & 7, Reserve Bank of India Bulletin, April 1966, Table I, base shifted to 1951.

K. RANGACHARI from Page 22

goods, and a proper balance between projects of long gestation and those which can mature quickly, are now accepted as essential features of future Plans.

But the lessons of adversity can be quickly forgotten under political pressures just as the wise counsel of the Bernstein Mission was cast to the winds almost immediately after its report. The main point to note, even when Plans are deliberately kept high in the hope of raising larger resources later, is that estimates of financial resources should always be supported by corresponding assessments, on a realistic basis, of real resources on hand and likely to materialise through careful planning. Like the proposed taxation or borrowing policies intended to raise financial resources, the planners should have a broad idea of the manner in which they can attempt to bring about the required shifts in real resources, from consumption to investment or from a low priority to a high-priority sector,

Money earnings of the factory workers were rather sticky during the first four years of the First Plan but began to move upwards from 1955 onwards more or less consistently. The average rate at which money wages rose would work out to 3.8 per cent per annum. Since the consumer price index also increased almost at the same rate that is 3.6 per cent, the position regarding real earnings during the end of the reference period was not materially different from the base year period. The index of real earnings stood at 104.1 in 1964 which means the average annual increase was very negligible, being only 0.32 per cent.

If the rate of increase in money and real wages is compared with that of industrial production and national output, the conclusion is very obvious. Whereas industrial production of the manufacturing sector and the net national output (at 1948-49 prices) rose at an average annual rate of 9.3 per cent and 5 per cent respectively, during the reference period, the corresponding figure for real wages of the factory worker is only 0.32 per cent. It is true that money wages showed a much higher rate of rise than real wages, namely 3.8 per cent. But when this rate is compared with the rate at which the national output at current prices rose, namely 7.7 per cent; the position does not purport to alter. In other words, from the analysis of the above table it is clear that planning in India has failed to ensure to the industrial worker a due share in the fruits of development commensurate with the rate of economic progress achieved.

Need of the Time

In our analysis of the extent of benefits accruing to the industrial worker on account of planning, a notable point that emerged is that in spite of a comfortable increase noted in respect of money wages the rate of increase in real wages was insignificant. While money wages may itself be a result of a rise in prices, the impact of prices on real earnings of the workers should not be overlooked. It may be seen that while money earnings rose by about 51 per cent during the reference period, since the consumer price index also rose by

almost the same rate, that is, 47 per cent the rise noticed in respect of real earnings was very negligible. Therefore, the rise in prices had eaten away the major proportion of the increase in money incomes of the industrial workers. Besides, the inflation of prices by giving rise to anti-social shifts in incomes causes strains on the fixed income earners, particularly the wage earner. Therefore, the need of the time is to work out a planned price structure for the future which may ensure a due share of the economic progress to the common man, particularly the industrial worker.

Control of Food Prices

In a developing economy like ours, where the methods of financing the Plan projects are inflation-oriented, price escalation seems to be an inevitable phenomenon. While measures to check such general rise in prices by following proper monetary and fiscal policies are necessary, in the present context the price policy has to be something more than that. A rational price policy for planned economic development should have two basic ends: prevention of undue rise in prices and the need for provision of incentives for increasing production.

This is possible only if a policy of relative, rather than general prices is worked out. From the

point of view of the industrial worker, it is most essential to control the consumer goods prices. Since he spends well over two-thirds of his budgeted income on food, a price policy has to first operate on this item of the consumer goods. Any increase in the prices of food articles is likely to substantially affect the cost of living of the industrial worker. It may be noted, the wholesale price index (1952-53 = 100) of food articles, which was more or less stable during the First Plan period, began to record a rapid rise from 1957 and more so since the latter part of the Third Plan period. In fact, in 1964 alone, the index of wholesale prices of food articles rose by 22 points over the preceding year as against a mere 5 point rise with respect to manufactured articles; and the result is that the index of consumer prices also rose by 10 points during the same period. Control of food prices should form an integral part of the price policy if the policy aims at ensuring him a due share in the country's economic progress. But control of food articles prices alone will not be meaningful unless production is increased. Incentives to the agriculturists in the form of reasonable prices for their products may go a long way in stimulating production. A rational price policy may therefore try to integrate both the objectives.

PRAKASH VIR SHASTRI

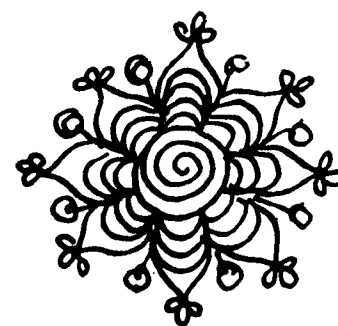
from Page 14

decoration and frittering away their energies in useless pursuits.

Our leaders used to criticise the pre-independence educational system. But in spite of 20 years of freedom our government has taken no step towards the formulation of a national education policy. Even today, the educated elite is absolutely unaware of the needs and inspirations of the people and has no respect for the dignity of labour. Without radically changing the education policy, our leaders have raised a new controversy over the language which had adversely affected the entire economy of the nation. There is no reason why our nation cannot progress if we evolve an educational policy keeping in view our national

requirements.

It is true that during the last few years the population of the country has considerably increased which has also adversely affected our planning. But we should not forget the fact that whosoever is born with a mouth is born with two hands too. If we fail to engage our young men in nation-building activities, then we have only to blame ourselves. Unemployment and increasing population are incompatible with the right sort of planning and a correct national education policy. The methods by which family planning is being propagated in the country directly contribute to the deterioration of moral standards. It is also contributing to ruination of the national health.



The unabated price rise of the last two and a half years has upset family budgets.

The common man has to spend Rs 142 for his daily necessities which used to cost him Rs 100 three years ago. Sections of the community other than farmers should not be made to pay for the prosperity of agriculture.

Price policy is an integral part of a whole along with fiscal, monetary, budgetary and trade policies which make or mar the country's prosperity.

ARTIFICIALLY CONTRIVED PRICES ARE NO ANSWER

M. SRINIVASAN

It is increasingly recognised that production is intimately connected with attractive or incentive prices. Unless the prices are sufficiently remunerative, the agriculturists or the manufacturers may not have the incentive to produce anything, let alone producing more. While this is the producers' side of the picture, the consumers' side has been an unchecked rise in prices of almost all essential commodities leading to great hardships and suffering and a fall in the real standard of living. All this has happened in spite of the planned developmental efforts.

The causes of the price rise have been attributed to various factors, like the fall in agricultural production due to two successive droughts, the consequent recession in certain sectors of manufacturing activity, deficit financing, swollen incomes consequent on Plan and non-Plan expenditures, system of controls, licensing, zonal restrictions on movement and artificial pegging of prices.

Apart from seasonal variations in prices which can only be ironed out by buffer stocks, great variations have taken place in wholesale prices of agricultural commodities, food articles, industrial raw materials and finished products. Thus the index numbers with base 1952-53=100 was for all commodities 118.0, agricultural commodities 118.8, food articles 111.0, industrial raw materials 141.5 and for finished manufactured products 119.0. By 1955-56 the respective indices stood at 92.5, 88.0, 86.6, 99.0 and 99.6. By 1960-61 the respective indices had risen to 124.9, 123.8, 120.1, 145.4 and 124.6.

The general wholesale price index fell by 2 per cent during 1951-56 and soared by 35 per cent during the Second Plan. The general wholesale price index in

1961-62 was only 6 per cent above the level reached ten years earlier. By 1963-64 the bulk of increase in the index was accounted for by agricultural commodities. The index of agricultural commodities rose by 13 per cent in 1963-64 compared to a rise of 0.6 per cent in 1962-63 and a fall of 5.6 per cent in 1961-62.

The reasons may be attributed to a decline in the production of foodgrains, sugarcane and oilseeds. The Reserve Bank's credit control was circumvented by unaccounted money. Buffer stocks of foodgrains and fair price shops proved unavailing against the price rise. On July 31, 1964 the maximum wholesale and retail prices of coarse rise for consumers in the South Zone were announced by the Central Government. The price ranges for different coarse varieties of rice were prescribed.

PATCHY PRICE PATTERN

In 1965 and 1966 prices of agricultural commodities, specially foodgrains, soared to unprecedented heights due to two successive droughts. The prices of cereals and pulses declined during October-December 1967 due to seasonal factors and bumper crops. The "Financial Express" indices for cereals and pulses touched the bottom in 1967 at 182.72 and 243.64 respectively, but they stood on January 4 this year at 216.33 and 286.50 in spite of bigger crops. In the preceding quinquennium, they rose at an average annual rate of 30.5 per cent and 52.3 per cent respectively. The Economic Adviser's index number of wholesale prices reveals that food prices have risen faster than the prices of manufactured goods, by 37 per cent since 1952-53.

Intensified purchases of jute by the State Trading Corporation and the Jute Buffer Stock Association have raised the prices of jute to more than Rs 41 per maund while raw jute minimum support price has been

fixed at Rs 40 per maund (Rs 107.17 per quintal). Prices of oilseeds and oils dropped sharply during the second half of 1967 from 202.38 on December 31, 1966 to 159.91 on December 30 last year—a fall of 42.47 points or 21 per cent over the year. The index for oils closed at 164.72 showing a decline of 39.72 points or 19 per cent over the year. In 1966 the prices of oil seeds and oils had increased by 14 per cent.

On the other hand, the prices of gur soared to 46.28 on October 12 last year—a rise of 302.72 points or 200 per cent as compared to the level at the beginning of the year. More than half of the gains were wiped out as the price of gur retreated to 294.65 at the close of 1967. The index for spices started at 134.98 in January, advanced up to 181.24 on October 16, but fell to 162.07 on December 30 with a gain of 27.09 points or 20 per cent over the year.

Thus the price pattern presents a patchy picture of some commodities falling in price and others rising. It is difficult to forecast price behaviour merely on the size of the crop owing to the intervention of extraneous factors like speculation, size of buffer stocks, hoarding and profiteering, and inflation.

THE CASE FOR PRICE RISE

The case for a steady rise in the price level in the context of developmental policies in India is made on the following assumption. It enables the savings ratio to rise higher every year; (b) It causes the ratio of marketable surplus to crop production to be higher. (This is not the case in India where there is no correlation between this ratio and the rising prices as is shown by difficulties in procurement); (c) It causes the capital-output ratio or the incremental capital-output ratio to be lower; (d) It raises the rate of growth of productivity at a faster rate; (e) It helps a redistribution of wealth and income in favour of growth-promoting processes as against growth-retarding forces; (f) It causes the socio-political climate to be more oriented towards economic progress; and (g) It prevents a potential deterioration in the terms of trade.

It was found that the beneficial effects of a long-run inflationary policy were not realisable under Indian conditions. It was realised that deficit financing on which so much reliance has been placed during the three Plans must be eschewed if the economy was to achieve stability.

Unfortunately the efforts of the central banking authorities to restrain deficit financing seem to have met with little success last year. The Reserve Bank's net credit to the Government rose by Rs 213.95 crore to Rs 3,281.44 crore last year as against Rs 186 crore in 1966. Loans and advances to State Governments, which amounted to Rs 114.77 crore at the end of December 1966, stood at Rs 105.39 crore in December 1967. Currency notes in circulation, which form an important component for measuring the money supply, went up by Rs 197 crore during the last year as against Rs 145 crore in 1966.

CONSUMER'S SHRINKING BASKET

The unabated rise in prices during the past decade and especially during the last two and a half years has seriously upset the family budgets of Indian house-

wives. The "market baskets" of daily necessities today (1967) demand 42 per cent more cash; that is, the common man has to spend Rs 142 for the same items which used to cost him Rs 100 three years ago. Everyone is aware of the all-time high prices of fruits and vegetables, milk, meat, fish, and oils. Even clothing, housing, entertainment and personal care show additional cost of 25 per cent. There was particularly a sudden spurt in prices following devaluation. The following table shows the percentage increase in 1967 over 1965 level.

FOOD : Fruits—108.8, Condiments and spices—87.1, Vegetables—79.7, Pulses—73.8, Milk—48.1, Tobacco, supari, etc.—41.8, Meat, fish and eggs—37.5, Oils and fats—34.6, Cereals—21.9, Sugar and tea—10.4. Total : 54.4.

OTHER ITEMS : Clothing, bedding and footwear—32, Personal care—28.1, Housing—25.5, Entertainment—24.4, Fuel and lighting—20.6, Travel—20.0, Medical—16.6. Total : 41.8.

It is difficult to imagine that consumers will continue to bear patiently such a big erosion of their incomes. Steps have, of course, been taken to introduce remedial measures like the setting up of super markets, consumer co-operatives, fair price shops and ration-shops.

It is difficult to assess exactly the effects of price rise on production. The effect on agricultural production depends on many factors. Firstly, on the farmer's ability to change his cropping pattern. In many areas the pattern of land use is determined by physical conditions and by tradition as in the Thanjavur District of the Madras State, and the farmer finds it difficult to make significant changes. Secondly, it depends on the extent to which the economy of the farm is market-oriented. In less market-oriented economies, the influence of price is likely to be less. A big fall in prices seems to have some influence in reducing the area as in 1954-55, but a big rise does not seem to produce significant effects on area (a 25 per cent increase in prices in 1956-57 had negligible effects on the area as revealed by the Farm Management studies in the Coimbatore and Salem Districts by the Directorate of Economics and Statistics. Probably there is an intensification of inputs. It is true, agriculturists respond positively to price increases, but it should not be at the expense of other sectors of the community. The latter should not be held to ransom and be made to pay for the prosperity of agriculture.

AGRICULTURAL PRICE POLICY

The Government has the responsibility of ensuring minimum food to the people, but if this objective is sought to be achieved in a way that distorts market forces for supply-demand signals, it will work against agricultural production in the long run. Since agricultural price policy may often be used as a political tool, the relation between long-term agricultural growth and short-term social and political gains must be clearly understood.

Five important criteria should be applied to the agricultural price policy in future :

Recent Important Books by DR. S. CHANDRASEKHAR

	Rs.
ASIA'S POPULATION PROBLEMS (Allen and Unwin, London)	40
AMERICAN AID AND INDIA'S ECONOMIC DEVELOPMENT (Pall Mall Press, London)	30
PROBLEMS OF ECONOMIC DEVELOPMENT (Heath and Company, Boston)	35
INDIA'S POPULATION (Meenakshi Prakashan, Meerut)	6
CHINA'S POPULATION CENSUS AND VITAL STATISTICS (Oxford University Press)	12
INFANT MORTALITY IN INDIA (Allen and Unwin, London)	22
POPULATION AND PLANNED PARENTHOOD IN INDIA (Allen and Unwin, London)	12

OXFORD BOOK AND STATIONERY CO.,
CALCUTTA-16 NEW DELHI-1

Scientists, Engineers and Doctors

Current information on our scientific and technical personnel is vital at the present juncture to assist utilisation and planning.

A Mid-Census Revision of the National Register of Scientific & Technical Personnel is under way and is scheduled to be completed by March 1968.

Anyone, employed or unemployed, who holds a degree or diploma in engineering, technology, medicine or science is eligible for enrolment in the National Register.

Please send in your registration card early

Registration cards may be had free of charge from the nearest Employment Exchange, the State Census Office or from :

**Directorate of Scientific
& Technical Personnel**
C.S.I.R., Rafi Marg,
New Delhi-1

1. The response of producers and traders to price changes has to be kept in view in planning and executing specific programmes.

2. Stability of harvest prices is important to agricultural production and marketing decisions. Therefore the cultivator should be assured of at least some minimum price as a basis on which to plan the following year's production. Unremunerative procurement prices would retard the progress of the production effort, though what a proper price is cannot be stated in the absence of properly and scientifically conducted farm-management-cum-cost of production input-output studies on various representative farms of various sizes growing a variety of crops.

Mr. Jagjivanram has assured that "we would be in a position to give the farmer a price commensurate with his sweat, toil and labour". But the Hariyana Government, which chose to pay its farmers a premium of 23 per cent over the procurement prices fixed by the Centre in an overzealous mood to help the farmer, is now saddled with 49,000 tonnes of wheat which will have to be sold at a loss. In this effort to make the State prosperous at the cost of areas deficit in food, it has burnt its fingers.

3. A balanced programme should attempt to raise and stabilise harvest prices, while holding within limits the seasonal variability.

4. The structure of all agricultural prices must be considered, and not just those of selected items like wheat and rice.

5. A rational agricultural price policy has to balance various factors and the interests of various groups and sectors.

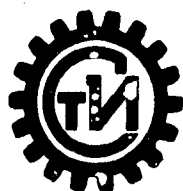
Perhaps it is too late in the day to advocate *laissez faire* and a free play to market forces of demand and supply and in the determination of prices. The Indian economy is beset with built-in imbalances and rigidities as in the cost structure of agricultural and manufactured products, market imperfections, farmer traditionalism and inertia. But controls and artificially contrived prices do not provide the answer. Prices are intimately linked with capital formulation in agriculture and consumer savings mobilisation. There is the inevitable dichotomy between the manufacturers who welcome rising prices with consequent boost in equity values and consumer resistance as evidenced in the select industrial recession of 1967.

A free market economy, identified with a boundless era of prosperity as in the United States, may not be relevant to Indian conditions. Nor will a rigidly controlled State economy where all prices are fixed by the State regardless of economic considerations. A *via media* does not mean an escapist course in which *ad hoc* policies are followed like concessional sale of fertilisers and partial decontrol of sugar. A balanced consideration of the proper allocation of resources, exploitation of full capacity, considerations of equity of all the classes constituting the body politic, should pervade the price policy of the Government. Price policy is an integral part of a whole along with fiscal, monetary, budgetary and trade policies. They make or mar the prosperity of the country.



MOSCOW

USSR



S T A N K O I M P O R T

"STANKOIMPORT"

exports a wide range of measuring tools ON RUPEE PAYMENT

The Measuring Tools we furnish are distinguished for their high accuracy and stability of measurement. They meet all modern requirements for convenient handling. We are ready to offer a wide range of Measuring Tools both standard and special types :

Gauge blocks, vernier calipers, vernier height gauges, vernier depth gauges, gear tooth vernier calipers, micro-meter calipers, inside micrometers, bevel protractors, precision straight edges, precision squares, surface plates for inspection and marking, V-blocks for inspection and marking sine-bars, screw pitch gauges, radius gauges, thread measuring wires, plug and snap gauges, thread gauges.

Detailed pamphlets sent on request :

"STANKOIMPORT", Moscow, G-200 USSR

For further particulars please contact :

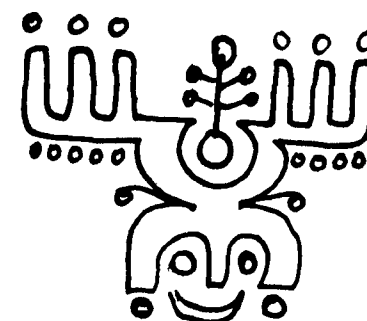
Trade Representation of the USSR in India

New Delhi	Calcutta	Bombay	Madras
Plot No. 6 & 7	1, Bishop	46, Peddar	50-A, Mary's
Block 50-E,	Lefroy Rd.	Rd.	Rd.,
Nyaya Marg,			Aiwarpet.
Chanakyapuri.			

Interads

Prices up the ladder

M.R. HAZARAY



PRICES are an index to the prosperity of a nation. True; but only in the relative sense and not in the absolute sense. The slow, steadily rising, price level is rightly regarded as an inevitable outcome of the entire process of economic development. It is also agreed that functional rise in prices is absolutely necessary for ever-expanding sectors of the economy. However, it cannot be gainsaid that the price index, together with production index, must mirror properly the degree of prosperity ushered in the era of development.

Capital formation is the *sine qua non* of economic development in modern times; but it is beyond the capacity of the underdeveloped countries to achieve it with the help of orthodox principles of sound finance. They are a poor solace to them. The underdeveloped countries are traditionally caught up in the low-level income trap, that is, their level of income is low, their propensity to consume is very high and consequently their propensity to save is very low. Obviously, they must take recourse to deficit financing for the sake of their economic development. At the same time, it should be made clear that neither the inflationary financing of development is without blemishes nor can it always guarantee the requisite capital formation. On the contrary, if it is carried too far and too long, it is bound to impair productive capacity, which is detrimental to the very process of capital formation. After 17 years of deficit financing we have indeed arrived at such a crossroad.

A Superb Theory

The theory of deficit financing is too simple and superb. It is supposed that inflationary financing would generate the level of voluntary savings to match the proposed level of investment till ultimately it tapers off into non-inflationary

Price rise is an inevitable outcome of the developmental process and is necessary for ever-expanding sectors of the economy.

Deficit financing carried too far impairs productive capacity.

After 17 years of this policy we are at a crossroad.

Income has not been redistributed in favour of the rich who love to save and invest. Chief gainers have been peasants and merchants who seldom invest in productive ventures.

Prosperity down the ladder

finance; that is to say, one can kick away the very ladder by which one has risen to the top of prosperity. The theory further assumes that the inflation it creates would be of short duration and of not so severe a variety. In the process of development it would so redistribute the newly created national income, especially in favour of the rich, as to make them save more and invest more. By that time the bottlenecks of the economy would have been overcome to give further impetus to investment activities. In case it misfires, leading to speculative and unproductive investment, the Government would be competent enough to check the socially undesirable, conspicuous investment effectively. And, if all goes well, we are promised increased real investment in the end, in the form of dams, irrigation, canals, roads, railways etc. It firmly lays down the necessary infrastructure for the developing economy, and increases its productive capacity.

Fraught with Danger

A quick glance at the following table is, however, enough to show that we are going down the escalator.

Especially since 1963-64, we are going up the price-ladder but going down the prosperity-ladder (See Table on next Page).

It appears that the Keynesian theory of deficit financing for development has worked wonderfully in its price multiplier effect, but unfortunately has gone against us in its employment and/or output multiplier effect. For instance, in 1965-66 national income had gone down by 4.7 per cent while per capita income had slid further back by 7.10 per cent. Up to 1962 the rise in the wholesale price index may be considered as normal, that is, 6 per cent per annum; but its escalation in the recent years is fraught with danger.

The very simplicity and convenience with which money supply can be circulated in the economy had led to the utter neglect on the part of the Government of tapping the other sources of finance like savings drive and tax-enforcement. Branch expansion of banks was confined only to the cities and towns; and the higher level of taxation resulted in more and more tax avoidance and evasion,

The duration and extent of inflationary financing surpassed all previous expectations. Government had failed to build up buffer-stocks, of even essential commodities like foodgrains, gur, sugar and kerosene, while hoarding of these articles by speculators sent the prices skyrocketing.

Little wonder then that prices and profits have disturbed the whole investment pattern in the private sector. Whatever increase in production that occurred was absorbed by increased consumption and population explosion; savings consequently did not increase proportionately.

Income Distribution Not Favourable to the Rich

The redistribution of income has taken place, but not in favour of the rich who loved to save and invest and give the developing economy a forward-looking character. The chief gainers in the underdeveloped countries are the peasants and merchants who happen to be the only entrepreneurial class, but they seldom take to productive ventures. One has simply to see the reports of the Committee on Income-distribution or the one on monopolies to know where the newly-created money has gone. In the period of

For holding the price line—

- taxes to be deepened and widened
- agricultural income tax to be introduced
- a drive for rural savings
- strategic controls on essential goods

planning the rich have become richer and the poor have got more children.

The real wage rate, therefore, declined though money wage-rate rose during the Second Plan. The Second Agricultural Labour Inquiry Committee had to tell the same story about the earnings of agricultural labour. Their wages had come down by 11 per cent between 1950-51 and 1956-57.

No Savings Worth the Name

All our planned investment has been of a long-term character; in the short-term, inelastic supplies of goods have made the inflationary trends more accentuated and monetary and fiscal controls difficult to administer. After all, economic development achieved so far was not without sweat and tears. The group of professionals, Government employees and industrial workers had to suffer the consequences of inflation, even though the big farmers, profiteering merchants and the few rich could escape its rigours. The Government then had to think of some neutralising measure from time to time, such as increased D.A. for its employees, price-fixation at higher levels every time, compulsory levy and procurements etc. When incomes rise accompanied by rising prices, there are no forced or voluntary savings left worth the name; deficit financing becomes a self-frustrating experience

and yet it is regarded as inevitable!

Even at this impasse deficit financing can be made selective, keeping its extent and duration deliberately under control. It must also be recognised that there is no royal road to development—not even with deficit financing on a large scale. A developing country must adopt a mixed formula for its jigsaw puzzle of development, which should include deepening and widening the tax-structure, including the unpalatable agricultural income tax, a more dynamic drive for mobilising rural savings, strategic controls on essential commodities like foodgrains, cloth, kerosene and industrial raw materials. The overwhelming importance of these measures for holding the overall price-line, can hardly be overemphasised.

P.N. MATHUR

From Page 17

meet their basic food needs, leading to a further depression in market for other commodities.

Droughts in the past two years aggravated the situation. This year a good harvest has given us an opportunity at least to adjust our economy in such a way that no further harm is done and the whole fiscal policy is matched to the requirements rather than to the least political resistance. The recent decision of the Chief Ministers not to tax even big agriculturists is a pointer in the wrong direction. Another unfortunate pointer is the stiff attitude of the Finance Ministry not to countenance deficit financing to help rehabilitate even the industrial sector. These two policy dogmas reinforce each other in condemning our economy to the present unfortunate situation. Let us pray for a miracle to take us out of the present economic morass, if dogmas are to rule, rather than a policy derived from a detailed analysis of interconnected economic processes.

Special Agency For ECONOMIC INTEGRATION

The country needs a positive and purposive price policy which will ensure larger savings and higher levels of investment.

The idle capacity in many industries is an indication of defective planning.

D. BRIGHT SINGH

PLANNED economic development in India has primarily two objectives in view—to bring about a rapid development of industries and agriculture so that aggregate national income and per capita income rise appreciably, and secondly, to ensure a more equitable distribution of wealth and income which implies that the benefits of economic improvement would be shared by all members of the community equitably so that economic growth would assist in the realisation of the ideal of a socialist pattern of society.

Looking back over the last seventeen years, we find that the progress towards the first objective of a significant increase in incomes has not been in any way impressive while, as regards the latter, namely an equitable distribution of wealth and incomes, the record has been quite disappointing. And, the major reason for this unsatisfactory performance is the steady rise in prices which has seriously affected our programmes of planned development by introducing a great deal of uncertainty in our calculations and has also caused greater disparity in the distribution of incomes by seriously affecting the real incomes of the poorer sections of the population. Since 1952-53, the wholesale prices in India have increased by about 125 per cent which means that the rupee has shrunk in value to about 45 per cent of what it was fifteen years ago. The average intake of food in the country is still below accepted nutritional standards and the consumption of cloth per head, which rose from 9.2 yards in 1950-51 to 15.5 yards in 1955-56, has remained constant since then, and is only around the pre-war level. Housing is woefully deficient, and about a half of the population of India has, on an average, only Rs 13 per month per head to spend on consumer goods. These depressing facts make one feel that there is less of economic democracy today in the country than a decade and a half ago.

This underlines the need for not only an economic policy but a price policy as well. Economic development in a low-income country requires that the price policy should be a positive and a purposive one that would ensure larger savings and higher levels of investment. But, in the present context in India, price policy has to be of a restrictive nature, aiming primarily at controlling the inflationary uptrend in prices. Basically a rise in prices is due to excess demand in relation to supply. Heavy investment outlays are justified on the ground that a strong capital goods sector and the building up of an economic infrastructure are necessary to pull the economy out from a state of stagnation. But, to the extent that such large outlays increase the money incomes and the purchasing power of the community without correspondingly increasing the supply of consumption goods, there is bound to be excess demand which manifests itself in the form of a rise in prices. Continued budgetary deficits for financing investment outlays in excess of current savings have undoubtedly contributed to both internal and external imbalance in the economy.

Nature of the Price Policy

Logically then, an efficient price policy should have two aspects, both of equal importance—(a) income and demand management and (b) supply management.

There is a close relationship between income and prices. Hence, effective income and demand management as a means to control inflationary pressures would involve the application of devices by which the link between money income and prices, particularly that involved in wage claims and price level, is broken. Excessive income claims arise from unwillingness on the part of income earners to bear a loss in real income when prices rise. Such an attitude on the part of wage earners and profit earners results in the putting up of claims for higher wages and higher returns on investment when prices rise. This can be

	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67
Net national output at 1948-49 prices in Rs. 100 crore	127	131	133	140	150	145	not available
Per capita net output at 1948-49 prices	293	294	293	301	317	298	not available
Output of food-grains in million tons	82	83	78	80	89	72	95 (expected)
Money supply with the public in crores	2869	3046	3310	3752	4080	4530	4962 as on Sept. 29, 1967
Wholesale price index	125	125	128	135	153	165	221.3 as on Sept. 30, 1967

controlled by some arrangement by which money incomes can be made downward responsive when prices fall. The tax on capital gains, provided it is administered efficiently, would be a useful instrument for the purpose of controlling the inflationary effects of rising profits, while the cost push effect of higher wage claims can be held in check if wages are prevented from rising at a rate faster than productivity. The recent Brazilian experiment of fixing the public sector salaries and limiting further rises of money wages just to the extent necessary as to equate real wages to the average level prevailing over the preceding 24 months is illustrative of an anti-inflationary wage policy. A scheme like this may be introduced in the public sector, to begin with, and then extended to the private sector. This would be theoretically an ideal arrangement, but the practical difficulties in implementing it should not be minimised, specially in a situation in which the demand for the services of labour is great, and in which labour has acquired sufficient bargaining strength through organisation. Nor can the dampening effect of a control of profits on investment and production be ignored. There is a reason to believe that a sharp rise in profits assists the fulfilment of the development programmes so far as the private sector is concerned, for a high proportion of the enlarged profits were ploughed back into investment. Thus the price policy based on wages and profits control should have to be finely adjusted one, and has to be administered with great care.

Turning to the supply side, it should be stressed that in the ultimate analysis an effective control on prices is possible only if as much attention is devoted to the adjustment of supply to demand as to the adjustment of demand to supply. Deficiency in supply in the various sectors of the economy may be due to temporary factors, or seasonal factors as in the case of agriculture, or again may be due to structural causes. The last mentioned factor reflects the deficiencies in planning, and underlines the need for devoting more attention by the authorities to the long run allocation aspects of the economy. It is clear that a considerable lessening of fluctuations could be brought about by enabling firms to be more certain about their long-run prospects. The emergence of idle or excess capacity in recent times in many industries, both in the private and in the public sector, is a clear indication of defective planning and of mistakes in our estimates of demand and supply. It is relevant in this context to examine the feasibility of increasing the production and supply of both consumption and capital goods by providing greater scope for the expansion of the private sector and by adjusting fiscal and monetary policy in a manner that would be helpful to private business. Insofar as investments in the private sector are of a more quick yielding type, compared with those in the public sector, any measures to encourage investment in that sector would contribute to the increase in the supply of goods and thus help in holding down prices.

The basic principle in our policies of industrial and agricultural development should be the attainment of higher average yield from given inputs of labour and capital. Much improvement in this

direction is possible if attention is focussed on particular sectors rather than on aggregate production. Equally important is the elimination of existing bottlenecks in certain sectors of the economy such as inadequate transport and irrigation facilities or insufficient foresight in the matter of training industrial workers to meet the changing requirements of industrial skill. There is, besides, scope for encouraging production by the use of tax and subsidy instruments and by the manipulation of demand and supply through methods of selective stimulation or suppression.

The Means for Implementation

Our experience in planning in the last 17 years and the accretions to public power acquired over these years in the matter of control and ownership of production and the regulation of private enterprise should make it possible for the authorities to formulate a suitable price policy along the lines indicated above and to implement it efficiently. In a low income country like India, where the income elasticity of demand for basic consumption goods is high, it is important to keep the prices of necessary articles of consumption, especially food and cloth, stable. In fact, the success of wage control measures depends on the control of the prices of basic consumption goods. On the other hand, a moderate rise in the prices of manufactured goods may be permitted with a view to providing sufficient incentive for private business to increase production. In other words, the inflationary process has to be confined within the area where it will do some good, that is, the industrial sector, the expansion of which depends on the entry of venturesome entrepreneurs, and kept out of the traditional sectors in which the price elasticity of supply is limited.

In a democratic setup, regulatory economic measures such as price controls have necessarily to be based on negotiating among the parties concerned, the state, private business and the wage earners. Conflicting claims for higher money incomes can be avoided only by creating among the various income groups an interest in price stability. An effective control of the prices of basic consumption goods is the best way of preventing labour from putting forth constant claims for higher wages.

Similarly, the craze for excessive profits can be held in check about any deleterious effects on production and income growth if the Government takes the private sector into confidence in drafting its policies of planned development. The deliberations of the Government and private business on this matter would provide material for formulating economic objectives and for drawing up annual economic budgets alongside of the financial budgets. The economic budgets would indicate the investment goals and the optimum level of income flows to the different classes of income earners, particularly wage and profit earners. For this purpose a special agency needs to be created on the lines of the Department of Economic Affairs in Britain, which should be entrusted with the task of regulating prices, costs and outputs and promoting economic integration.

More Food And More Industries Will Lower Prices

B. R. K. RAU

IN 1965-66, agricultural production recorded a sharp decline. The fall was 16.9 per cent, the index number going down from 158.4 in the previous year to 131.7 (base 1949-50=100). It was even lower than the index number of the last year of the Second Plan, which was 42.2. The rice production declined to 30.6 million tonnes (by 21.6 per cent) in 1965-66 from 39 million tonnes in 1964-65. This was due to the shrinkage of area as well as drought. The output of wheat declined by 12.8 per cent, from 12.3 million tonnes in 1964-65 to 10.7 million tonnes in 1965-66. In 1966-67, however, agricultural production was expected to go up by three per cent, which would still be 14 per cent less than that of 1964-65. Foodgrains production in 1966-67 was estimated to be 76 million tonnes as against 72.3 million tonnes in 1965-66, and it falls short of the production targets for 1967-68 by 14 million tonnes.

We imported 7.46 million tonnes of foodgrains in 1965 and 10.36 million tonnes in 1966. In 1967 the imports would be about 11 million tonnes. In 1968 we may have to

import about 18 million tonnes (14 millions for meeting actual requirements and 4 million tonnes for any emergency).

In the four years that ended with 1966-67, the price index of food rose by as much as 76 per cent. Almost three fourth of the rise in the general index of prices in 1966-67 was contributed by the rise in the prices of food articles, which went up by 24.1 per cent. Industrial raw materials caused one eighth of the price rise. Their prices rose by 12.4 per cent. The prices of cereals went up by 18 per cent and of pulses by 22 per cent in 1966-67, as against a rise of 6 per cent in the prices of cereals and a decline of 2 per cent in the prices of pulses in the previous year.

In 1965-66, the rise in the prices of food articles was 14.1 per cent and of industrial raw materials 28.6 per cent. These two groups together accounted for three-fourths of the rise in price level.

The price index of manufactures rose by 6.5 per cent in 1966-67 as against 11.4 per cent in 1965-66. The intermediate products registered a price rise of 20.2 per cent while the finished products registered a price rise of 3.7 per cent.

The rise in price level has resulted in higher cost of living, lower standards of living, demand for higher wages, industrial strikes, loss of man days and fall in production. The average general index of industrial output (base 1956=100) of 191.6 for 1966 showed only a small increase of 2.5 per cent over the year, compared with a rise of 5.6 per cent in 1965, 6.8 per cent in 1964, more than 8 per cent during 1961-63 and 11 per cent in 1960. Shortage of raw materials, both imported and indigenous, power cuts and slackening demand for the products of some industries were also responsible for the small rise in industrial production.

In 1964 there were 2151 industrial disputes involving 10,02,955 workers and loss of 77,24,694 man days as against only 1,630 disputes involving 8,89,371 workers and loss of 64,29,319 mandays in 1957. The position in 1966-67 is worse, as more strikes took place in a number of large industries, in both the public and private sectors.

Edward Higbee in his "Farms and Farmers in an Urban Age" (The Twentieth Century Fund 1963) says that most people in the world spend at least half of their disposable incomes on food. In western Europe food costs amount to 30 to 45 per cent of spendable wages; in Russia they go up to 55 per cent; in parts of Asia and Latin America most people spend almost all their earnings on food and even then they are badly under-nourished. The Indian worker spends a greater portion of his spendable income on food.

According to Higbee, the real cost of food in any country increases as the proportion of farmers increases within the total labour force, and food costs are highest where 90 per cent or more of the people work the soil. In India three-fourths of the people depend on agriculture and each farmer produces food only for three people even at the low per capita food consumption levels. In the U.S.A. only 8 per cent people depend on land and each farmer produces food for 33 people, meeting the high levels of consumption, and also for exporting to other countries. The per acre and per labour productivity in India is low. The cost of cultivation is very high. Therefore food prices and consequently the cost of living are high, leading to aggressive demands for higher monetary wages.

A lower monetary wage is only possible when food prices are lower. This demands in a compelling manner the need to increase agricultural production through mechanisation and modernisation and at the same time reducing the cost of production.

Besides this a number of industries to produce agricultural machinery and fertilisers are to be set up. The question whether they should be in the private or the public sector has no immediate validity when our economy is in a stagnant and dangerous condition. If Lenin was not afraid of private enterprise, why should we be? The liberal terms offered to foreign private investment up to the end of 1967 are not enough. There should be a guarantee that they will not be nationalised for a considerably long period. When there is a strong socialist

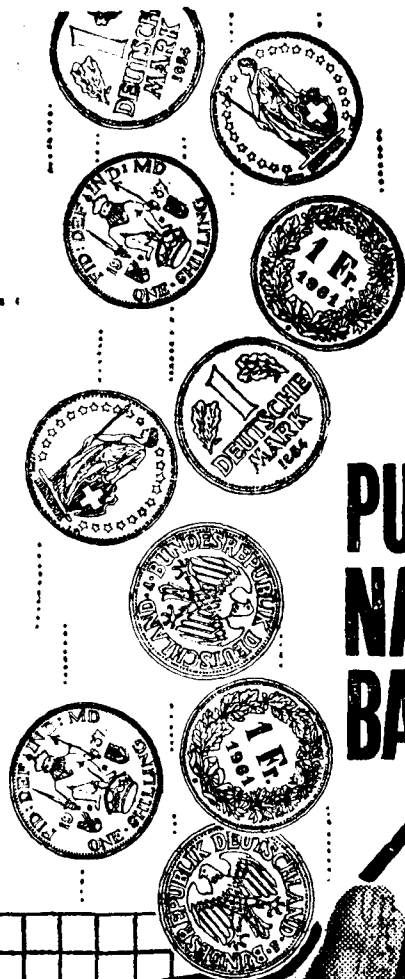
turn to PAGE 59

produce more...
export more...
earn more
foreign exchange...

Foreign exchange is the backbone of a nation's economy. We need it today more than ever.

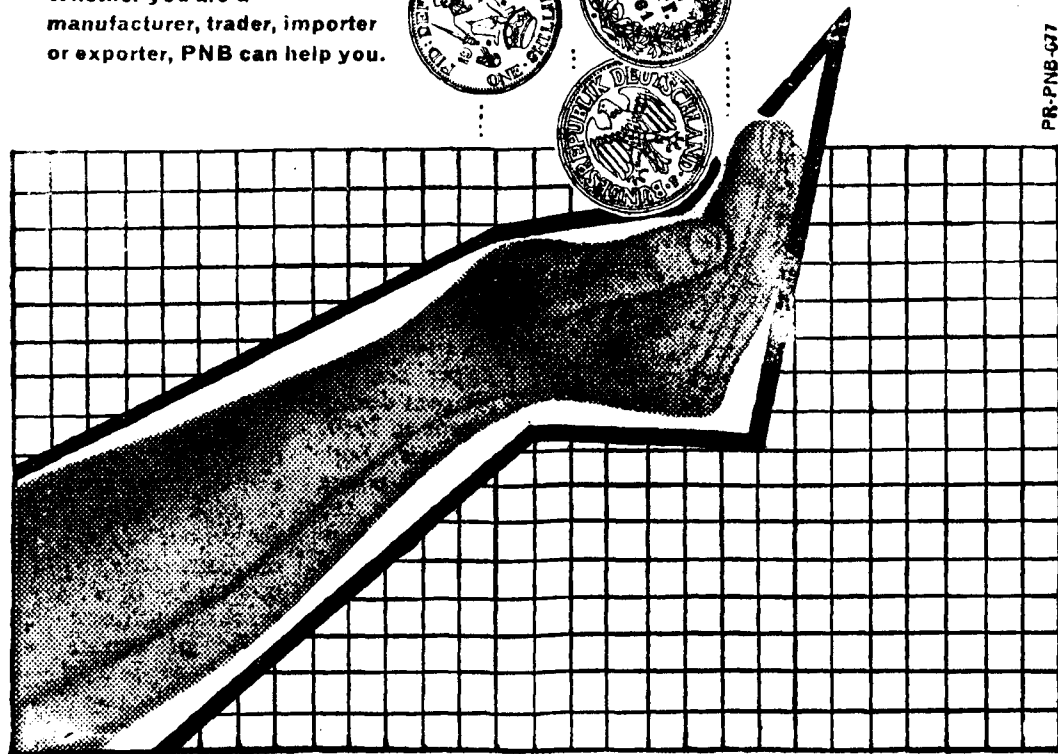
You are part of the economy. Produce more to earn more. And export more to bring more foreign exchange for the country—an achievement you will be proud of. Since 1951, the country has increased industrial production three-fold. It can do better—obviously with your efforts.

Whether you are a manufacturer, trader, importer or exporter, PNB can help you.



**PUNJAB
NATIONAL
BANK**

PR-PNB-677



GROWTH Has to Be Integrated with WELFARE

S. C. JOSEPH

The underlying issue is the stable value of money.

Agriculture is the strategic element in bringing down the prices.



THE strategy of planned economic development was adopted in India in 1951-52 so as to "initiate a process of development which will raise living standards and open out to the people new opportunities for a richer and more varied life". But owing to the shortfall in achieving targets of production, particularly in the agricultural sector, the annual growth rate was far behind even the minimum 5 per cent fixed for the U.N. Development Decade. The compound annual growth rate during the first fifteen years of planning was only 3 per cent for national income and 1.3 per cent for per capita income. Evidently the promises of a planned economy in raising the living standards of the people are not being realised. The most mixed and vexed socio-economic problem which agitates the mind of every man in India today is the falling 'value of money' or the rising level of prices. Owing to the abnormal rise in prices of essential commodities, there seem to be a steady decline in living standards of low and fixed income groups.

The abnormal upward trend in foodgrain prices observed since the Second Plan and aggravated during the Third Plan, has given rise to the socio-economic problems. It is directly linked to the high price of industrial raw materials and intermediate products. While the cost of production has been rising with the increasing price of material inputs, labour charges have also been rising via the cost of living link in order to catch up with the runaway foodgrain prices. Money incomes too have been rising but they lag behind the price rise. Nevertheless increase in money incomes and population generate excess demand out of tune with available supplies.

Under these circumstances, the low and fixed income groups suffer a severe strain while the other groups benefit from the inflationary situation. At low levels of real income in an underdeveloped economy, the consumer's demand is primarily directed towards the satis-

faction of the basic needs, such as food, clothing and shelter. The rationale of planning consists in achieving these goals which is vital for stability. The growing industry must be fed with raw materials and other components at fair prices so as to secure a steady growth of the economy and better living in the future. The welfare and growth aspects of price policy must therefore be integrated in suggesting policy measures. The underlying issue is the stable value of money.

Money serves a two-fold purpose: it is used for buying goods and services for immediate consumption and for obtaining instruments of production or capital goods for providing more consumption goods in the future. When money is thus employed indirectly, there is a demand for saving and to that extent current use of consumption goods is being given up. With the falling value of money, its "store value" function gets distorted. There is very little to save as the expenditure is more than the income in the case of the low income groups, with abnormal rise in prices of essentials. There will be little incentives to save, as the future "real value" of the cash balances represent but a small percentage of the original. These are obvious facts but they need emphasis in order to highlight the intimate link between current welfare and future welfare on the one hand, and stability and growth on the other, all in a way inescapably intertwined with the internal value of money.

Uneven Increase

The price policy may be guided not in relation to aggregate demand and aggregate potential supply or relative prices but relative sectoral prices. For, the uneven increase in relative prices of goods in different sectors may be taken as the basis of future price policy. The key sector seems to be agriculture supplying food both to man and machine.

The decline of 17 per cent in agricultural production in 1965-66

after a bumper harvest of the preceding years and the index of farm output receding to the level registered in 1959-60 was a major setback. This gave the primary impulse to the price rise. The wholesale price index rose by 25 per cent during 1964-65 and 65-66 and by 16.5 per cent in 1966-67. The high price of agricultural commodities in turn pushed up the cost of living, wages, dearness allowance and speculative and trading margins, thus completing the circle of spiralling prices.

Lucrative Investment

It must be recognised, however, that an underdeveloped economy striving towards rapid development has to pass through a "period of gestation" before reaching the stage of "take off". This period has to be one of scarcity and austerity. There is a short-term conflict between growth and welfare.

With low domestic savings, a high rate of capital accumulation is feasible at the expense of current consumption. The size and composition of investment must be such that a high rate of capital accumulation may be achieved. The larger the size of investment, the smaller the portion of national income available for consumption. The greater the capital goods component of national output, the smaller will be the consumption goods component. In the interests of growth, capital goods and economic overhead investment must receive top priority. Capital accumulation is independent of the propensity of the people to save. To that extent a fixed portion of the national output is withdrawn from current consumption. This is bound to be the essential strategy of rapid industrialisation. Are we justified in postponing the satisfaction of current needs for the sake of a future generation? To some extent this is being done by parents for their children. Fruits of development may be distinguished from its seeds and the time sequence has to be kept.

Further, a distinction has to be made between a Plan and the achievements of targets in a mixed economy. The Plan is made by the Government but the targets are to be achieved with the active co-operation of the entire people as

a whole, including millions of independent producers in their private firms and farms.

A price policy in a developing country should have two objectives: (a) It must ensure the minimum availability of essential articles, particularly to the low income groups. (2) The relative prices must be such that allocation of resources for investment would be in accordance with Plan priorities and defined objectives. The level of consumption depends on income, availability of goods and prices. Given the incomes and goods, price seems to be the key factor. Agricultural production is the strategic element in bringing down the prices. Productivity in the agricultural sector may be raised by institutional reform rather than by any other Governmental policy.

Foodgrain Prices

High prices for foodgrains given as incentives to the farmer do not result in increased production. Anyway in the short period, agricultural production does not respond to changes in prices. High prices do not also attract more supplies to the market. In the case of cereals, the availability in the market actually declines. It may be that the farmer gets more income by disposing smaller quantities. The "single valued diet" overweighted in favour of cereals obliges the consumer to keep his purchases almost constant in spite of high prices. With prices going up and demand remaining constant or increasing, the big farmer and trader take advantage by withholding stocks from the market and hoarding in expectation of still higher prices. Confronted with scarcity conditions, the consumer stocks more than what he needs for his future use. This aggravates the scarcity conditions in the market. The solution consists in changing the food habits. But habits are hard to change in the short run. Therefore the only way to tide over the transitional period is to have enough buffer stocks. Nevertheless it is important that the Government adopt a national food policy equating aggregate supply and demand for foodgrains and distributing them equitably among all, particularly for the

benefit of the low and fixed income groups and the non-farming population.

Government has also to evolve fiscal-monetary measures, along with a national wage policy, so as to balance the flow of incomes to available supplies. If the non-developmental outlay of the Government is reduced to the minimum, avoiding deficit financing at any cost, enforcing economy at all levels of public administration, it is feasible for the public sector undertakings to become efficient production units, avoiding indolence, indulgence and waste. Efficiency is measured not merely by input-output ratios but also by the length of the gestation period of the project. To illustrate, the Tiruchi State housing unit took two years after the completion of construction work of the buildings to provide light, water and sanitary facilities, due to delay in administrative action. It means postponement of the use of the benefits of investment. There is no doubt that the patriotic labour movement will fall in line in the general interest of the nation and opt for a "wage freeze". If not, the Government has to come in for a monetary reform of the pattern of West Germany and France in order to save the "value" of the rupee and the stability of the economy. An annual rise in prices of more than 2 per cent cannot be tolerated while accepting the principle that in early stages of deliberate industrialisation, the composition of output and the composition of demand cannot be in balance.

NEW DIESEL LOCOMOTIVE

The first Indian built diesel hydraulic shunting locomotive was commissioned on January 5, 1968. The diesel locomotive has been built for shuttle service in the goods yards as also for shuttle service from metropolitan towns. The horse power of the loco is 650 and its total weight a little over 60 tonnes. Distributed over three axles it can haul more than 10 coaches in main line service at a maximum speed of 65 Km per hour and loads varying from 2,000 to 3,000 tonnes in the goods yard.

Growth Strategy for Diffusing Prosperity

C.H. HANUMANTHA RAO

OVER 20 years ago on August 15, 1947, broadcasting to the nation for the first time as the first servant of independent India, Jawaharlal Nehru said:

"...Today our people lack food and clothing and other necessities and we are caught in a spiral of inflation and rising prices. We cannot solve these problems suddenly and yet we cannot also delay their solutions. So we must plan wisely so that the burden on the masses may grow less and their standards of living go up..."

These words seem as fresh and relevant today as they were 20 years ago. It is, therefore, pertinent to ask whether we have in fact planned wisely so that the standards of living of the masses may go up.

The single biggest factor contributing to the recent impoverishment of the broad masses of people—urban working classes, middle class employees, landless labourers and poor and middle class peasants—is the shortfall in the output of foodgrains and the consequent rise in prices, because a major part of their income is spent on food. This has meant not merely an adverse distribution of income within the community—which can occur despite a rise in the income of the poor—but also an absolute decline in the real incomes of these groups over the last few years.

For urban working class and middle class employees whose incomes lagged very much behind prices, the obvious effect has been a decline in the level of real incomes. Same is the position with landless labourers as they now

receive a significant part of their wages in fixed cash amounts. Poor and middle class peasants could not benefit from the rise in the prices of agricultural commodities because they could afford to sell only a very small part of their output after meeting their own food needs and even this meagre surplus was nearly wiped out as a result of drought in the last two years.

General Imbalance

Behind this very unfavourable turn in the price structure is the drastic fall in agricultural output and general imbalance between the

The socio-political framework of the Soviet Union and of China has been conducive to larger procurement and equitable distribution of food.

Socialist pattern of investment taken too far in a democracy would be self-defeating, leading to increased inequalities.

fore, to assign the highest priority to certain basic and heavy industries and to postpone projects like irrigation and fertilisers which support immediate food needs. Soviet Union and, perhaps, China now provide examples of a success in this strategy. However, the specific circumstances obtaining in each country have to be taken into account while adopting this strategy and planning for the relative rates of growth of different sectors.

These countries, as also Japan, had a much better agricultural base in terms of climatic conditions as well as cultural practices when they

A BOLD PROGRAMME OF RURAL INDUSTRIALISATION WILL SOLVE THE PROBLEM OF RURAL SURPLUS

A SUCCESSFUL AGRICULTURAL REVOLUTION MAY INCREASE DISPARITIES

relative performance of agricultural and non-agricultural sectors in the course of economic growth. A suitable price policy that will help in an equitable sharing of national prosperity can, therefore, be reduced to a suitable production and income policy. The rest of this paper discusses how the diffusion of prosperity by way of lower prices and higher incomes can be effected through a suitable growth strategy.

Planning for economic development inevitably involves some sacrifice of present consumption in the interest of much higher consumption in future. It is tempting, there-

launched on programmes of economic development. After partition, India emerged with much less agricultural resources *per capita* when compared to undivided India and with much greater vulnerability to monsoons. Second, our population has been growing at a much higher rate than in the Soviet Union or Japan during the comparable period and, therefore, our food needs are much higher. Thirdly, although China has been experiencing similar population pressures, its socio-political framework as also that of Soviet Union has been conducive to greater discipline in

terms of mobilising food surpluses from the farmers and distributing the available surpluses equitably among the people. Also, their organisational capability helped them to use farm labour and other non-monetary resources for increasing output through capital construction in agriculture, thus releasing resources for non-farm sectors. In a democratic set-up like ours, the difficulties in this respect are inevitable.

Socialist Pattern Taken Too Far

In devising our own strategy of development, we overlooked these basic dissimilarities and tried to move ahead with an ambitious programme of investment even when the shortfalls in agricultural inputs, namely water and fertilisers became quite evident. Such a strategy in a monsoon-based, over-populated and democratic country was bound to hit the poor man in the process through a steep rise in the prices of foodgrains and other necessities. It is often ignored that "socialist economic strategy" is a package of measures consisting of good programming of investment as well as of providing the necessary discipline and organisation. A socialist pattern of investment taken very far within a democratic framework would be self-defeating and would only contribute to an increase in the inequalities of incomes.

It is gratifying to note, however, that the planners and the policy-makers in the country are now persuaded of the need to redress this imbalance between the growth of agriculture and the rest of the economy. The new strategy of agricultural development based on the improved varieties of seeds with a high capacity for fertiliser intake holds the promise of a phenomenal increase in foodgrains output with our limited land and water resources. Since the success of this programme depends crucially on the supply of fertilisers, we need to assign the highest priority to fertiliser production in our agricultural programmes. This needs to be coupled with an expanded and effective research programme to discover and combat plant diseases. If effectively pursued, the new strategy could be expected to bring about a significant increase in food-

grains output within a period of five to ten years resulting in a substantial reduction of foodgrains prices relative to other commodities. This may bring relief to the poor man, especially in urban areas, as food would then claim a smaller part of his budget than before.

However, the benefit to the rural poor is not so straightforward. Prosperity depends on prices as well as incomes. The situation would indeed be serious if the very process of lowering food prices through increased production impoverishes a large section of rural population. The present strategy based on high-yielding varieties is pregnant with such consequences.

The success of the present strategy depends crucially on the availability of irrigation and the capacity to invest in fertilisers and other inputs. Since irrigation is very unevenly distributed in the country and the investible capacities of farmers differ very much, the agricultural revolution, if successful, may produce glaring disparities between different regions as well as income groups. Moreover, the new strategy is essentially fertiliser-based and the labour requirements per unit of output produced will be much less than under traditional methods. Land owners would thus benefit more than labourers from the new strategy, unless the rise in wages is high enough to offset this tendency. For many of the drought-stricken regions and small farmers whose cost of production is high, agriculture may become an unprofitable proportion owing to the decline in the relative prices of crops. All this may present a paradox of rural poverty amidst plenty and of the co-existence of significant marketed and even exportable surpluses along with insufficient consumption in rural areas.

Investment for Rural Surplus

If we are not to be caught unawares again—this time with the problem of rural poverty amidst plenty—we have to plan right now for finding solutions, because the period between actual investments for such purposes and their fruition can be very long. The problem is not merely one of providing alternative channels of employment for landless labourers and small farmers in the depressed pockets. The Ru-

ral works programmes have so far been oriented largely to such welfare objectives. It is also a more positive one of finding alternative channels of investments for rural surpluses and entrepreneurial talents in prosperous pockets. This has become especially important as the possibilities of mobilising these surpluses through taxation is very much limited in a democratic set-up like ours.

A bold and imaginative programme of rural industrialisation is the only solution. There is a vast scope for small-scale enterprises in rural areas, namely, manufacture of agricultural inputs, processing industries and rural transport. The basic bottleneck for rural industrialisation is the lack of necessary infrastructure, that is, electrification, transport and communication facilities, banking institutions and training in skills. These are beyond the means of small entrepreneurs taking a start in rural areas and will have to be planned much in advance and provided for by the government. The mobilisation of rural resources for rural industrialisation is a major question deserving the highest attention of planners in India now. There is hardly any alternative to this for a nation committed to prosperity through the diffusion of economic opportunities and political power.

MERIT AWARD FOR GUJARAT REFINERY

The Gujarat Refinery at Jawaharnagar (near Baroda) has qualified for the Award of Merit from the National Safety Council, Chicago, U.S.A., for operating over one million man-hours without any disabling injury to any worker during the period July 13 to September 28, 1966.

The Gujarat refinery operated by the Indian Oil Corporation is one of the three refineries in the public sector.

A notable achievement of this refinery is that 40 per cent of the design drawings were done by Indian engineers at Baroda itself in a record time of six months. Also, design drawings for the expansion project have been done completely by the design organisation.

Increasing Output at Lowest Cost

A KEY REMEDY

P. C. GOSWAMI

PROSPERITY is not identical with rising or falling prices. Prosperity for a country is a condition where there is full employment, supply of adequate quantities of daily necessities and enough purchasing capacity of the people. It not only means stability or maintenance of the status quo, but also connotes improvement of the standard of living of the masses and of the economic condition of the country. Hence prices and prosperity are neither contradictory nor complimentary terms.

If prices rise rapidly in a chaotic manner, the people's purchasing capacity cannot cope with the rise, and as a result the common man has to sacrifice a great deal of his consumption needs. On the other hand, when prices fall, supply may not respond adequately and closure of business and unemployment will ensue. Full employment together with price stabilisation will tend to bring about the ideal condition for prosperity. Price rise, if it is not accompanied by greater employment and investment, is bound to create critical recession in the country.

Since 1962-63, a few months after the Chinese aggression, prices began to rise rapidly in India. The following table gives the index number of wholesale prices in recent years.

Unless every citizen gets his minimum necessities at fair prices, prosperity in terms of *per capita* income has no meaning.

Income from high prices is invested in speculative trade and not in development.

Total money supply has increased three times since First Plan. Industrial and agricultural output has lagged behind.

A Central agency for distributing essential goods should be set up.

Food articles, which account for nearly half of the total for all commodities and industrial raw materials have shown the highest increase. As a result, consumers' price index for the working class has also risen proportionately. From 131 in 1962-63 (base 1960=100) the consumer's price index for working class rose to 191 in 1966-67, to 211 in June 1967, and 215 in August 1967. Compared to this the consumer's price index for non-manual urban employees showed a slower rise. From 108 in 1962-63 (base year 1960), the index number rose to 146 in 1966-67, and to 158 in June 1967. It is true that there has been a rapid rise in wholesale prices in several other countries also. But, compared to the recent trend in India, especially during the last two years, the price rise in most other countries has been slow. In

U.K., U.S.A., Canada, Australia, Japan, and even in Pakistan, the price structure has remained more or less stable between 1958 and 1965, whereas in India during the same period prices have increased by about 50 per cent.

Manual Workers Worst Hit

From a cursory glance at the above data it is clear that manual workers are the worst sufferers. A large portion of their family budget is devoted to food articles alone and hence a rise in prices of these articles affects this class more adversely. In the absence of data regarding the rise of income of different groups it is not possible to know exactly how each of the different classes of people are combating the price rise. Nevertheless the earnings of employed persons have not risen in the same proportion as the price increase. The condition of those who are unemployed or underemployed can easily be imagined.

Even under conditions of rising prices there are certain classes of people who are able to derive substantial benefits. Apart from people belonging to high-income groups, whose earnings in recent years have increased tremendously and who spend only a small portion of their income on

INDEX NUMBER OF WHOLESALE PRICES
(1952-53=100)

Year	All Commodities	Food Articles	Liquor & Tobacco	Fuel & Power	Industrial Raw Materials	Manufactures
1962-63	127.4	123.5	117.0	137.6	135.3	129.5
1963-64	138.9	141.0	119.4	140.4	146.3	133.0
1964-65	151.0	153.6	138.4	148.2	163.3	141.2
1965-66	174.0	175.3	127.5	160.3	210.0	157.3
1966-67	202.7	217.6	128.0	172.9	236.1	167.5
June 67	216.8	246.4	131.4	178.1	233.3	166.8
Aug. 67	218.6	257.7	133.6	176.6	212.8	164.4

food articles, a section of the community which does not have to depend on the outside market for its requirements (of food articles) are not much adversely affected by the recent rise. A section of farmers with marketable surplus have also been able to reap a good profit from the rise in prices of food grains. For instance, while the price of paddy (in the open or unregulated market) in Assam in 1964-65 was only around Rs. 17 per maund, the price increased to Rs. 40 per maund in September 1967. Moreover, speculators who purchased foodgrains at cheaper prices after the harvest have also been able to make huge profits by selling their stock during the lean season. **Price rise has thus benefited richer sections of the people and has caused serious hardship to people with fixed incomes. In this context, it may be noted that only a fraction of additional income derived from high prices is spent on development.** Instead, the bulk of this income is invested in speculative trade. If the profit from industries and farms are spent for industrial expansion and farm improvement, the present state of scarcity, unemployment and high prices would not have arisen. Because of the chaotic condition in the market, investors hesitate to block their savings in new investment.

Difficulties Due to Deficit Financing

The present inflationary condition in India is both a demand and a cost inflation. Increased income has given rise to increased demand, while higher wages have increased the cost of production. But, with the shrinkage of the demand for non-essential goods due to increased prices, several industries are facing a difficult situation because they are unable to reduce the cost of production.

The present difficult situation may be traced to our resorting to heavy doses of deficit financing, since the beginning of the Second Five Year Plan. From Rs. 333 crore in the First Plan, deficit financing mounted to Rs. 954 crore in the Second Plan, and to Rs. 1,100 crore during the Third Plan, despite the earlier decision to reduce the figure to Rs. 550 crore during the Third

Plan period. If 12 to 15 per cent of the total Plan expenditure has to come from deficit financing, it is only natural that money supply with the public would rise disproportionately with the rise of output of goods and services.

External assistance may also, in some cases, give rise to inflationary pressure if the assistance received is converted into rupees, as in the case of PL 480 funds. The total money supply with the public has increased about three times since the start of the Five Year Plans. With the increase in velocity due to increased trade and commerce and the provision of credit facilities by banks, the volume of money would naturally create an inflationary pressure. The devaluation of the rupee in June 1966 has given a further push to the internal price structure.

The output from the agricultural and industrial sectors has remained far behind the money supply with the public. Compared to 1949-50, agricultural production has increased by only 50 per cent and industrial production by 150 per cent in 1964-65. In the last two years the production index has remained almost stationary.

Since 1962 Government spending in the non-development sector has increased enormously, especially on Defence and General Administration. These expenditures have not been able to raise the output of goods. Even the so-called expenditure on development has mainly been oriented towards building up imposing structures to "show" the masses the impact of planning, rather than to bring about an increase in output in the agricultural and industrial sectors.

Because of prevailing conditions it might be difficult to make effective use of the well known weapons like maximum price fixation, rationing of essential consumer goods and licensing of new investment for checking price movements. Nevertheless, it should be our endeavour to ensure the equitable distribution of essential consumer goods like foodgrains, pulses, vegetable oil, kerosene, etc. at fair prices. For this it may be worthwhile to attempt procurement of a certain portion of essential goods by levy from producers for distribution by a central agency.

Taxation of high income, compulsory savings and imposition of an expenditure tax might lessen money supply with the people. But, if tax evasion is not prevented and loopholes in the rules plugged, such measures may have a disincentive effect on the honest producer.

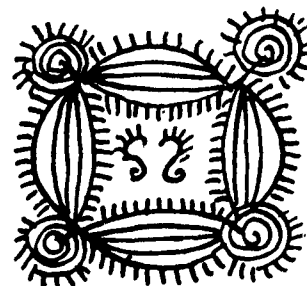
Increasing Output Most Practical

Under the present circumstances the most practical measure is to increase agricultural and industrial output. If the production of goods is increased considerably, the price structure would automatically be stabilised. For this, it will be necessary to take measures to penalise defaulters and to reward the efficient. The right to land must be made dependent on good farm practices. Ownership of industries must be accompanied by efficient management. Government should make the utmost effort to economise and also to avoid wastage. It is no good blaming private sector if the Government is unable to set its own house in order. There should be proper fixation of responsibility at each level and evaluation of work everywhere.

The main objective of our economic policy, for the present, should be: (1) to stabilise the price structure, and, if possible, to reduce the prices of essential commodities without reducing the income of producers; (2) to ensure to the ordinary citizen the minimum quality of essential commodities at fair prices; and (3) to increase output in the agricultural, as well as essential industrial sectors in order to make a greater quantity of goods and services available to the public.

The key to the whole process lies in increasing output at the lowest cost. For this, productive enterprises, both in the farm and in industry, must be efficient. Some sort of compulsion, by way of punishment of the inefficient and reward of the efficient, may help to ease the situation. If the expansion of income is not accompanied by an expansion of output, the resultant price rise affects prosperity. Prosperity is not a condition in which the rich becomes richer and poor poorer. Unless every citizen is able to get his minimum necessities, prosperity in terms of increase or decrease in per capita income has little meaning.

ERRATIC IMPACT ON SAVINGS



A. VASUDEVAN

THE proposition that inflationary financing of economic development would lead to rapid capital formation through forced saving is largely taken for granted and rarely put to the test. It is, therefore, necessary to examine the validity of this assumption in the context of the economic conditions prevailing in India.

At the outset, it may be pointed out that, although the concept of forced saving is diversely interpreted, it has been generally understood to denote an initial expansion of money supply leading to price increases that would consequently bring about a temporary reduction in aggregate consumption, and thereby promote an increase in the ratio of profits to national income. In modern terminology, this classical view of forced saving may be expressed as *ex post* investment minus *ex ante* savings, with savings being passive. Patinkin interpreted that if there occurs a decline in the interest rate as a result of monetary expansion, investment by entrepreneurs may rise, so long as there is no sudden preference for liquidity. This view of forced saving would mean *ex post* savings minus *ex ante* investment, with savings being dominant and investment being the adjusting variable.

Despite Patinkin's ingenious interpretation, economists still cling to the classical view which,

Professional economists think that controls, including rationing, would go into operation as soon as prices rise as a result of accelerated investment, and manage to raise consumption.

There has been an increase in scheduled bank credit and total money supply all through, except in the initial two or three years. It is difficult to prove that such monetary expansion has led to increase in the stock of capital.

Savings rose fast during the First Plan period from 5.3% to 9.7% of national income, but it does not seem to have greatly gone up further.

however, carries assumptions like initial full employment, a determinate resources' allocation, the diversion of resources from the consumer goods sector to the capital goods sector, and 'steady' marginal propensity to save (or high marginal propensity to save of entrepreneurs).

The Second Five Year Plan, which is said to have inaugurated scientific planning in India, was based on the assumption that market borrowings, small savings and deficit financing are "devices for diverting private savings, either voluntary or forced, through price rises to the public exchequer". Also, it was pointed out: "So long as total savings transferred are adequate, it is a matter of comparative indifference whether they take the form of subscriptions to loans or small savings or are held in the form of currency by the State". The Third Five Year Plan was merely content to maintain that both currency and credit expansion "have to be viewed together and their appropriate limits decided upon in the light of relative requirements as well as what the economy can absorb in the aggregate".

But neither the Plan documents nor the writings of professional economists* would indicate approval of price rises favouring profit-earning class, or particular enthu-

siasm over the probable influence on investment of changes in interest rate. They also seem to argue that controls, including rationing, would go into operation as soon as prices rise, as a result of accelerated investment and manage to raise aggregate consumption or at least keep it at the already recorded levels. But this position could be justified only if the initial levels of consumption in India are enough to keep men 'efficient' at work. In view of insufficient data on *per capita* consumption for different years, we have to be content with the data of *per capita* availabilities which also do not seem to favourably compare with those of some of the now developed countries in their initial stages of growth.

How should we uphold the thesis of forced saving in the Indian situation? The planning experience of 1951-52 to 1964-65, the period for which data is available, does not give conclusive answers. As at present, there is little information about the effect of price variations on redistribution of income among classes with different marginal savings propensities. But it is

*This writer cannot claim full knowledge of all writings of all economists of India. But influential policy thinkers like V.K.R.V. Rao, D.R. Gadgil, and A.K. Das Gupta seem to rest their faith in forced saving mechanism, although they do not go deep into its analysis or into the basic assumptions that go with the concept.

	Money supply with the public	Bank credit to private sector	National income (at 1948-49 prices)	Approximate Percentage Variations in Saving in				All commodities Price index (1952-53 = 100)
				Government sector	Domestic corporate sector	Household sector (gross)	Household sector (net)	
1951-52	-8.5	7.1	2.8	94.9	81.7	-71	12	5.5
1952-53	-2.7	-7.3	4.0	-45.4	98.2	119	-97	-15.3
1953-54	1.6	3.3	6.0	-9.3	2254.5	130	95	4.6
1954-55	6.9	14.7	2.5	0.86	94.2	194	271	-6.9
1955-56	13.4	19.7	1.9	19.2	19.2	40	25	-5.0
1956-57	5.6	19.4	5.0	58.6	2.5	-16	17	13.8
1957-58	3.0	7.2	-1.0	-11.3	69.2	-10	1	2.9
1958-59	4.7	5.7	7.0	-11.9	80.0	14	6	4.2
1959-60	7.7	12.8	1.8	46.9	77.7	24	14	3.7
1960-61	7.4	18.8	7.3	18.0	85.2	5	12	6.7
1961-62	6.2	9.3	2.6	-48.8	-3.6	13	17	0.2
1962-63	8.7	13.2	1.9	14.4	5.1	160	14	2.2
1963-64	13.4	13.9	5.0	29.1	16.7	24	12	5.8
1964-65	8.7	11.6	7.7	4.5	-35.8	17	8	12.9

Source: Reports on Currency & Finance

generally true that barring the initial two or three years, there have been increases in both scheduled bank credit and total money supply throughout. It is difficult to prove that the entire or even a major portion of such monetary expansion had directly led to increases in the stock of capital.

Effect on Savings Rate

Price rises occurred from 1956-57, but their impact on savings rate cannot be easily established. Savings rate, year by year in the household, corporate and government sectors, as the table shows, tended to be erratic. Total savings seem to have risen fast during the First Plan period; they rose, as percentages of national income, from 5.3 in 1951-52 to 9.7 in 1955-56. The latter figure does not seem to have been very much exceeded thereafter.

The data about interest rates are difficult to get, partly because of the believed-to-be-wide disparities in it in organised and unorganised money markets. The fact that high interest rates are recently preferred to restrict, the flow of investible funds into the business sector could only be a partial indicator. But the data given in the table has to be interpreted with reference to the number of direct and indirect controls exercised during the period under study. For forced saving doctrinists would have to show how far controls were responsible for variations in savings or how far savings could have risen without

controls. The upward revision of prices in public sector enterprises could hardly be brought under the mechanics of forced savings. And

V. R. PILLAI

from Page 30

fall on the general taxpayer and not on the farmer. However, no Government can afford to feed 500 millions at a subsidised rate for an indefinite period. The Centre has not only refused to share this burden, it is also withdrawing the subsidy on imported grains supplied to deficit States. If procurement is done at market prices, the distribution of subsidised foodgrains is limited to the vulnerable sections only, and free movement and sale of food stuff is permitted throughout India, it would put an end to blackmarketing and profiteering which are rampant in the country, and would help bring down food prices to a reasonable level.

The new year holds out bright prospects for stabilisation of the price level, provided the opportunity afforded by the improved agricultural situation and the wave of recession which is spreading throughout the economy are taken advantage of. In the present context the recession should be viewed as a corrective to the inflationary pressures on the economy which the play of natural economic forces has brought about, and not as something alarming which has to be counteracted by stepping up investment, even if it be by deficit financing.

does this analysis then sanctify the forced saving hypothesis?

The period taken may not be long enough to give meaningful conclusions. Also there is the difficulty of insufficiency of data. The present groping with price policy, supposedly necessitated by either non-implementation of Plans (including policies) or devising of wrong Plans and policies, could only be appreciated under one important assumption, namely, that there is an inherent inflationary bias in Indian development process. Without disturbing this bias, 'formulation' of price policy seems to be the best evidence of the timidity of economists to face the issue straight. In a situation of continuous and/or potential extensive excess demand, price controls, which form the main plank of price policy, would probably be theoretically not tenable.

The last few weeks have witnessed a marked trend of fall in the prices of several commodities, specially in the food group. The wholesale price index has fallen from 224.1 in October 14 to 216.8 in October 28. This falling trend was even more noticeable in December though figures are not yet available. The opportunity should be utilised to relax all vexatious controls and stabilise prices at about 200 points in the general index number by appropriate measures.

It is disheartening to find that the current price policies are still cast in the same old mould. The partial decontrol of sugar has created a muddle in the market for profiteers to thrive, while it has caused untold suffering to the consumers. Partial control is a contradiction in terms and is worse than either control or no control. The imposition of controls on cement appears to be quite unwarranted as the cement industry had made great strides during the brief period of decontrol, and cement is no more in short supply. The sooner 'Control Raj' is dethroned, the better for the country. The present state of the economy demands a bold approach to the problem in order to restore the operation of the market mechanism.

MACHINERY INADEQUATE

for Mopping Up Food Surpluses

V. S. MAHAJAN

ANALYSIS of price behaviour of a principal consumer articles during the past fifteen or sixteen years of planning brings home the fact that price rises have been most pronounced in agricultural products, especially in foodgrains. As against the overall rise in prices by 62 per cent during the last ten years, the rise in prices of foodgrains is of the order of 75 per cent and that of industrial raw materials 64 per cent during the same period. This shows the important role the behaviour of the agricultural sector plays in determining the success or failure of our Plans.

Against this background, let us examine what have been our achievements and failures on the food front. According to the Draft Outline of the Fourth Plan, index of foodgrains production went up by 65 per cent during the fourteen years (1950-51 to 1964-65), or at an annual rate of 4.7 per cent. Assuming that the population increased by 35 per cent during these years, it still leaves a substantial per capita surplus, which is also corroborated by the Planning Commission when it says that per capita production of foodstuffs, in terms of calories per day, went up from 1636 in 1951 to 2014 in 1964-65; and including imports, the per capita availability went up from 1759 calories to 2145 calories per day.

If the above were correct, which, of course, has to be accepted with a good deal of reservation considering our progress in collecting agricultural statistics, it would be tantamount to suggesting that, insofar as agricultural output was concerned, things had improved a good deal. Then where did things go wrong?

This would imply one, or a combination, of these possibilities: (a) though the output of foodgrains had increased, the consumption per head had increased much faster; (b) additional output of foodgrains was not marketed; (c) though there were marketable sur-

pluses, these had by and large been hoarded by wholesalers.

There is no direct statistical evidence to test these hypotheses. The approach has necessarily to be indirect and based on general observations.

As a consequence of rapid expansion of industrial base of the economy, there has been considerable outflow of surplus manpower from villages to industrial towns. How much is the actual outflow is anybody's guess. Again, relying on the Plan document, it appears that during 1951-1966 the labour force increased by 36 million and jobs were found for nearly 25 million people, thereby leaving a backlog of nearly 9 million of the unemployed. This, in other words, means that, on an average, 1.5 million people were absorbed every year during this period. In fact, such averaging will not give a true picture of the economy as relatively larger jobs have been created in subsequent Plans as compared with the First Plan. For instance 3 million jobs are expected to have been created every year in the Third Plan. Such an increase in the labour force would have put additional demand of 8 million tons of foodgrains during this period. Against this, the increase in the output of foodgrains during the corresponding period comes to about 13 million tons.

If it is so, it suggests that while the output of foodgrains has been rising, there has not been a pro-rata increase in the marketable surpluses. Again, it is difficult to know exactly how much of additional foodgrains produced during

the last three Plans have been marketed. However, considering the slow expansion of marketing facilities as a consequence of tardy development of communications and transport, especially in the rural sector, it would not be incorrect to say that surpluses of foodgrains have been quite slow to move to the consuming industrial and urban areas. This is also corroborated from the continuously rising price spiral of foodgrains during the last twelve years. In other words, if the agricultural output has been increasing faster than the population (or labour force), surely it is the nonflow of adequate surpluses to consuming areas which has been the principal factor responsible for the price rise.

This brings us to the third possibility, namely the hoarding of foodgrains. When there is a continuously rising demand for foodgrains and surpluses from rural areas are slow to flow in, such a state of affairs is bound to encourage hoarding, and the greater the food deficit the larger is the hoarding.

The above analysis points to the inadequacy of organisational machinery for mopping up food surpluses from the rural areas and hence encouraging the price-rise in foodgrains. The organisational inadequacy could have been considerably moderated if proper care had been taken to provide transport and communication facilities in the rural areas. As things are, the agricultural prices in general, and food prices in particular, have resulted in the distortion of cost structure of our industries and encouraged concentration of wealth and income in the hands of a few people, especially traders. By artificially manipulating the market forces, as a consequence of slow movement of foodgrains and essential raw materials, these stockholders have been able to reap large profits.

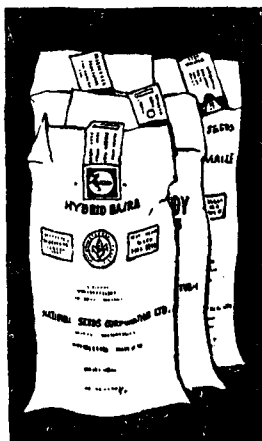
An alternative to such a price behaviour and concentration of wealth in the hands of a few rich, is a vigorous effort to improve the organisational machinery and marketing opportunities for agricultural commodities.

4 YEARS OF UNDAUNTED COUNTRYWIDE SERVICE



TO THE FARMERS

- DEVELOPMENT OF QUALITY CONSCIOUSNESS IN SEEDS.
- INTRODUCTION OF SEED CERTIFICATION ON LARGE SCALE IN HYBRIDS, VEGETABLES AND OTHER CROPS.
- POPULARIZATION OF HYBRID MAIZE, HYBRID JOWAR AND HYBRID BAJRA.
- RAPID MULTIPLICATION OF OUTSTANDING VARIETIES OF PADDY, e.g. TAICHUNG NATIVE 1 AND IR 8, WITH THE SIMULTANEOUS LARGE SCALE INTRODUCTION OF SEED CERTIFICATION IN PADDY.
- POPULARIZATION OF PUSA SAWANI BHINDI, WHICH IS NOW CULTIVATED PRACTICALLY IN THE WHOLE OF INDIA.
- REPLACEMENT OF IMPORTED SEED VARIETY OF SNOWBALL CAULI, LOWER AND PERFECTION NEW-LINE SEAS BY INDIGENOUS PRODUCTION.



- DEVELOPMENT OF A LARGE NUMBER OF FARMER-SEED PRODUCERS, CERTIFIED SEED COMPANIES AND CERTIFIED SEED CO-OPERATIVES, DEALING IN CERTIFIED SEEDS.
- ESTABLISHMENT OF SEED PROCESSING PLANTS IN THE PRIVATE AND GOVERNMENT SECTORS THROUGHOUT THE COUNTRY.
- POPULARIZATION OF LAND LEVELLING EQUIPMENT, PLANTERS AND SEED DRILLS.
- MANUFACTURE OF SEED PROCESSING EQUIPMENT INDIGENOUSLY, REPLACING IMPORTS.
- ORGANIZATION OF PROGRAMMES FOR THE TRAINING OF SEED PRODUCERS AND STATE GOVERNMENT PERSONNEL IN CERTIFIED SEED PRODUCTION.
- NEW IMPETUS TO FERTILIZER DEMAND OWING TO HIGH RESPONSIVENESS OF QUALITY SEED SUPPLIED OR CERTIFIED BY THE CORPORATION.



NATIONAL SEEDS CORPORATION LTD.
(A Government of India Undertaking)
4, WEST PATEL NAGAR, NEW DELHI-8

Newfields

Books

PRICING IN INDUSTRIES

PRICE FIXATION IN INDIAN INDUSTRIES. By G.P. Kapadia and seven others. Published by the Economic Research Foundation of the Indian Merchants Chamber, Bombay. XVIII + 246 pages. Rs. 25

K.S. Ramamurthi

THIS is a research study of the procedures followed by the Tariff Board, the Tariff Commission and other authorities for price fixation in Indian industries. In a few chapters it traces the history of price fixation in India from the period before the first World War and examines critically the methods of price fixation authorities. Chapter VIII contains a useful summary of the mechanism adopted in leading industrial countries, including the U.K., the U.S.A., the Soviet Union, France and Scandinavia.

It must be mentioned at the outset that this study has little in common with the concept of price determination as understood in economic theory. One way of looking at the economic problem is too look at it as the distribution of scarce goods among the large number of people needing them. The function of price mechanism will then be to equate supply and demand. At the equilibrium price, the quantity of a commodity in demand will be equal to the supply. This kind of automatic price fixation is possible only under conditions of perfect competition when a large number of firms produce the same commodity in small proportions.

No firm can influence the market price by changes in output, so that a firm takes the price at which it must sell as fixed. In these circumstances there is an incentive to keep the production costs down without impairing the quality of the commodity and thus ensure competitive prices. It will be seen that this is a desirable state of affairs from the consumer's point of view. In actual practice, however,

such a state of affairs does not exist even in the advanced countries. We have heard of cartels exercising monopoly to the detriment of the consumer.

The authors of the volume under review do not pretend that they are arguing for strict application of economic principles to price fixation. If that were so, they would not cavil at the state stepping in to regulate prices in the interest of the consumer. But this is exactly what they do when it is claimed that controls do not provide an Utopia for all economic ills. However there is grudging admission that the era of laissez-faire is gone once for all and that there should be some kind of regulation either self-regulation by industry or regulation by the State.

The crux of the matter is the principles of regulation. The authors make no bones about their belief that price regulation should take place in such a way that profits are unimpaired. This then is the message of the book and the thought runs like a thread throughout the volume. It is not surprising, though, for the study has been sponsored by the Indian Merchants Chamber, who, after all, must keep the interests of the business community uppermost.

As can be expected, the authors welcome as a healthy sign the progressive decontrol of steel, cement, cotton, sugar, commercial vehicles and coal. The result of such a policy in respect of at least one commodity—cement, is known. If the book were to be written now, the authors would perhaps have second thoughts. The lesson of decontrol of cement is that, to put it crudely, sections of Indian industry cannot be trusted to discharge their share of obligations to the community. The judgement cannot be generalised and made applicable to the entire business community but the authorities will now think twice before relaxing

controls. Hence the statement on page 159 that the Planning authority had realised the inefficacy of price controls is premature.

The essential fact emerges that Indian Industry must emancipate itself from its obsession with profits which should be an important, but not the over-riding, consideration. The idea of protection to particular industries, it would seem, has been misinterpreted by the business community as essentially designed to maximise profits. On the contrary, the *raison d'être* for protection is the opportunity this gives to new infant industries to become firmly established. The industry is expected to take advantage of protection to improve quality, reduce costs and progressively liberate itself from dependence on imported components. It cannot be gainsaid that protection has failed to subserve this purpose in the last twenty years. What Indian industry has enjoyed all these years is the monopoly in a wide variety of goods in a seller's market. Protection and price control are, or should be, deemed to be axiomatic. Indian industry cannot have the cake and eat it too.

It must be granted that the book has been written on the assumption that there will be and there should be an agency to determine fair prices in relation to costs of production. The authors recommend an Industrial Price Commission charged with the task of price fixation and another organisation called "The Indian Conference on Cost and Price Research" to provide a forum to debate and resolve issues that arise in the work of price fixation. The authors bring out the conflict in the price fixation process. On the one hand, authorities think in terms of restricting the components which should go into determining the cost of price of a product; industry on the other hand attempts an overclaim by including items which are not scientifically sustainable. The authors make an attempt to strike a balance between the two approaches but in the process, have produced a brief for industry. The book is a must for all students of economics who wish to understand the basic motivations of the Indian business community.

CONSUMER

Well Served and Protected

M. K. PARDHY

THE consumer finds himself utterly helpless against the galloping prices in the country. He feels he has been left to the mercy of sellers and producers who make big profits out of his necessity. Efforts have lately been initiated to build up a consumer movement. In this context it would be interesting to know how the interests of the consumer are promoted in advanced countries. In the United Kingdom, for instance, there is a well coordinated network of Government agencies and public organisations to safeguard the consumer's interests and guide him in his shopping. A pamphlet, *Consumer Protection and Guidance in Britain*, released by the British Information Services, gives information on this network.

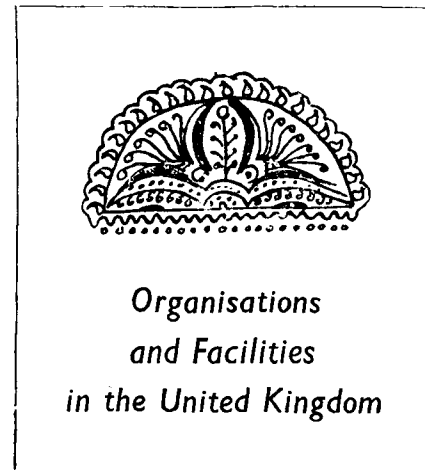
PROTECTIVE LAWS

There are two types of services for the consumer—protective and informative.

The protective services are provided mainly by the Government. They are twofold—legislative measures and service agencies.

The legislative measures protect the consumer against artificial price fixing, fraud and malpractices by traders and producers. The more important among them are the Weights and Measures Acts, the Merchandise Marks Acts, the Sale of Goods Act and the Food and Drugs Acts.

The Weights and Measures Acts ensure uniform weights and measures throughout the country and prohibit short weights and measures. In the case of a large number of pre-packed foods, the



packings are required to be marked with the minimum quantity of food contained in them. When goods are sold by quantity and are delivered to the customer's house, a statement of the quantity supplied has to be sent with the goods.

The Merchandise Marks Acts make it obligatory on the producers that trade marks and trade descriptions given in writing on the goods are both honest and accurate and that there are no misleading claims in regard to the quantity, weight, composition, fitness for purpose, performance and place of origin.

The Sale of Goods Act lays down rules to be applied in cases of alleged breach of contract between the buyer and the direct seller of an article. A buyer, who finds that the article is defective, can repudiate the contract, claiming

refund of the price already paid, or claim damages. However, he does not have a legal right to get the faulty article replaced or repaired, although many sellers do this in the interest of their 'goodwill'. The Misrepresentation Act protects the consumer from incurring loss even through talk, literature and advertisements about sales. The buyer is also given the right to reject the goods and treat the contract as repudiated until he accepts the goods.

The Foods and Drugs Acts provide special safeguards for foods and drugs, in addition to those provided by the Weights and Measures Acts and the Merchandise Marks Acts. They forbid the sale of any food or drug which, to the prejudice of the consumer, is not of the substance, nature and quality demanded by him. They also make it an offence to offer for sale any food which is unfit for human consumption or is injurious to health. Standards have been fixed for drugs and food articles.

The Consumers Protection Act prohibits the marketing of dangerous consumer goods. It also provides for regulations as to the composition, design and appropriate warnings or instructions for such goods.

The legislation on advertising protects the public against nuisance and false or misleading statements.

Safeguards are also provided for the consumer in relation to the operation of statutory agricultural marketing schemes. The Seeds Act enjoins that most kinds of agricultural seeds are tested before sale and the results, together with useful information, are declared by the seller.

ADVISORY BODIES

Apart from enacting laws and regulations and providing adequate machinery for their implementation, the Government undertakes various surveys, investigations and research work relating to the consumer protection and guidance. It has set up committees, such as the Food Standards Committee and the Food Research Advisory Committee, for these purposes. The various agencies set up by the Government to serve the consumer are linked with res-

pective Ministries on the one hand, and the respective public organisations on the other. The Government has also introduced a number of schemes which take care of agricultural products right from the stage of sowing up to the finished goods. Seeds, fertilisers and pesticides have been regulated and standardised. Public safety, health and hygiene are taken into consideration and provision has been made to investigate public complaints about the harmfulness of any consumer article.

Among the service agencies set up by the Government, the Consumer Council is the foremost. Its functions include: (1) to inform itself about the consumer's problems and about matters affecting his interests, (2) to consider the action to be taken to deal with such problems, or to further or safeguard such interests, and (3) to provide advice and guidance for the consumer through the Citizens' Advice Bureaux and other organisations and by its own publications. Much of the Council's activities result from the complaints made by the public as well as from reports of local consumer groups, the press and its readership services, and other official and private bodies. Purely advisory in nature, the Council is free from any Government interference in its work. It is now evolving a programme of consumer education.

Another important advisory body is the British Standards Institution. It does not itself initiate or impose standards of manufacture, but acts as a forum where makers, distributors and users all get together to draft standards. It emphasises safety, durability and hygiene of all consumer goods and insists on correct description and labelling. It issues a certification trade mark for standard goods. It also collects the views of consumers, mainly through its Women's Advisory Committee, for the guidance of the industry, and informs consumers of the safeguards available to them.

The Citizens' Advice Bureaux help people who need information, advice or encouragement to solve practical problems arising in their daily life. There are about 465 bureaux throughout the country, and more are to be established.

They take up the case of any aggrieved party and the service is confidential. They deal with over 12.5 lakh enquiries a year. They also assist in negotiations between the consumer and the retailer or manufacturer. They are closely linked with the National Council of Social Services.

There is also a Consumers' Association which aims at raising and maintaining the standards of goods and services. For this purpose, it conducts comparative tests on consumer goods and services. It publishes a monthly magazine, 'Which', which had 4,30,000 subscribers at the end of 1966. In addition to publishing information for the guidance of buyers, the Association makes representations to Government and industry on behalf of consumers.

Similarly, there are local consumer groups, townwise and regionwise, to promote consumer interests and to improve, by constructive criticism, the standard of goods and services in their respective areas. Each group finances itself through its members' subscriptions. There are about 100 such groups with a total membership of 18,000. They have formed a National Federation

B.R.K. RAU

from Page 45

government, private enterprise cannot do any harm. Their production and prices can be regulated and controlled according to a policy which will not endanger private enterprise.

Greater production of food is not enough. There should be a more equitable distribution of food and other essentials through strict price controls and rationing. This requires the establishment of a strong chain of cooperative consumer's stores that can compete with and rectify the private business. Today's cooperative consumer stores are not only inadequate and inefficient but also have all the that the private business suffers from.

A lower monetary wage allows a higher fixed capital leading to diversified investment and more employment, besides increasing productivity and production. This increases the supply of necessities

of Consumer Groups. They conduct fact-finding surveys and also provide public services such as local transport.

The Council of Industrial Design serves both the industry and the consumer. It promotes improvements in the designs of industrial products. It encourages manufacturers to employ qualified designers on the one hand, and on the other, seeks to influence retailers to stock well-designed goods and the public to buy them. It organises conferences, courses and lectures on designing, and maintains a Register of Designers. It publishes the magazine, *Design*. It also advises Government and other public bodies on the selection of furniture and equipment. It has opened a Design Centre which houses a permanent but changing exhibition of consumer goods in current production. The exhibits are included in the Council's Design Index which is available to the public at the Centre. The Council also organises displays overseas of good, modern designs.

Besides all these facilities, the radio, television and the press disseminate information useful to consumers.

and brings down the prices and raises the standard of living.

In a developing economy, inflationary pressures are bound to be there in the gestation period. Money circulation should not be restricted by restricting investments as development needs investment.

The increase in money supply in 1966-67 was only about Rs. 424 crore (9.4 per cent) while it was Rs. 449 crore (11 per cent) in the previous year. However monetary resources comprising currency and aggregate deposits showed a higher rise of Rs. 686 crore in 1966-67 as against Rs. 657 crore in 1965-66.

When food production increases and enables us to save the foreign exchange utilised for importing food, it can also be utilised for imports for industrial expansion. Greater industrial production means a larger supply of consumer goods as well as capital goods. Prices will then come down. There will also be an increase in employment opportunities.

P. S. LOKANATHAN

from Page 12

prices, there can be no excuse or defence for the continued rise in prices which has been apparent in India over the last several years. Secondly, while development requires large investment, the volume must be limited to the available resources. When domestic resources even supplemented by foreign aid, are inadequate, investment is pursued by deficit financing, and this process becomes not only costly but injurious in the process. Thirdly, the country should make up its mind to invest mainly out of its own resources. To live beyond one's resources is a bad policy for a country as it is for an individual. The country no doubt can supplement its resources by foreign borrowings just as an individual also can borrow. But even if more foreign borrowings are possible, without proper domestic resources, they will turn out to be burdensome. Fourthly, the country should concentrate on educating the people to save more and consume less. For a totalitarian Govern-

ment this would be easy. For a democratic country like India, this calls for great leadership—to educate the people in respect of the importance and urgency of saving. The savings behaviour of the community may not be altered overnight. But certainly, over a period of years, it can be. And unless the savings as behaviour alters, there will be a severe limit to the capacity to invest and to a reasonable rate of growth of the economy and thus to a reasonable increase in the standard of living. In other words, there can be no rapid rate of development without tears. And to add to our worry, we are obliged to put up with a stiff defence bill too.

It is not possible to aim at a high rate of growth on poor savings and low investment. We have now realised that that would be a self-defeating policy. There will be no permanent or enduring result from trying to plan for big investment without planning equally for high savings. As pointed out earlier, it is not merely financial savings that is our problem; there are other bottlenecks. But it would be easier to remove them if our Plan investment and outlay are matched by adequate domestic savings and resources.

R. K. AMIN

from Page 13

neries, could import cheaply and were developed beyond their legitimate scale. Similarly as the government was keen to develop several essential industries, there was an excess capacity built in course of time. The insulated economy and the monopoly-position of several essential industries gave them not only a booming start but permitted them to develop by leaps and bounds.

Since the Government and planning authorities were engaged in implementing industrial plan, agriculture was almost neglected. The planners forgot the fact that agriculture was India's basic industry and not Durgapur or Bhilai. The Government paid only lip-service to agriculture and gave it a very low priority. During the Second Plan the scheme of improved seed farms did not make any progress; similarly the work of providing warehousing and marketing facilities went at a snail's pace. The farmers did not receive adequate prices. Agriculture remained and even today remains as India's least important industry.

Meanwhile, we failed to attain

the ambitious targets fixed in our Plans in several important sectors, such as fertilisers, production of improved seeds, iron and steel. This made confusion worse compounded. The neatly-settled commodity balances and consistency in input-output relationship were all upset with the result that the economy did not have any integrated development, nor could it avoid bottlenecks and surpluses.

During all these years, the policy of deficit financing was doing its work. It created expectations of rising prices, which when proved correct led to further expectations. It also led to a shift in income, from poor to the rich and from the rich to the richer. It created hardships for agricultural labourers who can least bear such hardships while it led to a 'cadillac type' socialism in which big and organised groups obtained the lion's share. These inequalities of income came to be reflected in famines, although *per capita* availability of foodgrains might have been higher; they led to apparent prosperity in terms of 'Coca-Cola' culture,—nylon, terylene, motor-cars, refrigerators, air-conditioners, etc. behind which the grinding poverty of the large mass of people remained concealed.

When the inequalities of income could no longer be tolerated social tensions began to break down the economy—industrial unrest welled up; farmers refused to respond to Government's attempts to induce them by subsidies and other means; the cost price spiral began to operate; Government's deficit financing went beyond control. It is only then the Government gave a holiday to the Planning Commission and planning, decided not to resort to deficit financing, changed the external value of our rupee by devaluation and began to dismantle some of the controls. The Government also considered it necessary to give higher prices to agriculture. A sort of market discipline is being introduced.

But, the impurities in the economic body are so many that the body will have to fast for some time to remove them. Since the body is not adjusted to the new type of medicine, known as market discipline, it will take some time to get adjusted. Possibly in a year's time our economic health may be restored if a planning process is adopted to create a climate of growth and the policy of deficit financing is abandoned lock, stock and barrel.

J. P. CHATURVEDI

from page 23

On January 26, 1920, the prices were almost the same as in 1906.

The cloth prices are listed like this:-

20 yards piece of Mulmul—Rs 5, eleven dhoties and dupattas—Rs 11, two silk lahanga—Rs 8, one Sela—Rs 4, one cap—Rs 2, five blouses—Rs 0, one Banarasi silk dhoti—Rs 3, one Lihaf cover—Rs 1½, one bed cover Re 1. Rice was bought at ½ seers a rupee. Gold rate had come down to Rs 21½ per tola.

The cost of living two years later continued to be the same. A suit cost only Rs 12 and a pair of shoes only Rs 2. A band and gaslights were hired for Rs 30. Wheat and gram was available at 8 seers a rupee, coconut cost only 4 annas a seer.

By 1934 food prices had fallen. A maund of wheat cost only a rupee. A cycle cost only Rs 40.

In 1936 my father had to spend only Rs 4 on milk and Rs 2 on curds to feed the bridegroom's party and our guests for my younger sister's wedding. He bought wheat floor at 12½ seers a rupee, potatoes at Rs 2 a maund and ghee a rupee a seer.

Soon after the war, during 1946 the prices had risen high. The price of wheat had gone up to 8 annas a seer, of ghee to Rs 3 a seer, of sugar to Rs 48 for a bag of 2½ maunds and of maida to 12 annas a seer. Gold prices had risen to Rs 104 a tola. A Chanderi sari was bought for Rs 200, and a silk suit for Rs 200, a watch for Rs 80 and 15 cotton sarees with blouses for Rs 120.

In 1948 wheat was selling at Rs 15 per maund and ghee at Rs 210. A vegetable ghee tin cost Rs 33. This was the first time that vegetable ghee was mentioned in our household accounts. Rice cost eight annas a seer.

An analysis of the register of accounts shows that except during the world war, the price structure was more or less stable. During the second world war and for some time later, essential articles were rationed and prices were kept in check. The second world war led to a sharp

increase in prices. However, there was a commensurate rise in wages. But in the economy developed by our Plans, the wage level of the common man has not risen very much. On the other hand, middlemen, contractors, corrupt officials in departments that deal with businessmen, capitalists and business executives have made considerable earnings through corrupt practices. This has actually led to the price spiral. There are hotels in New Delhi

where a Christmas eve or New Year's eve dinner costs Rs 85 per head—a month's salary of an average employee.

Since planning started, prices began to rise. In the first two Plans the price rise was not too steep. It was really remarkable that prices did not increase at the time of the Chinese attack. But after Pandit Nehru's death prices have gone up several fold.

Our Contributors

MR. H.V.R. IENGAR is a retired member of the I.C.S., a former Governor of the Reserve Bank of India and now the Chairman of the E.I.D.—Parry Group, Madras.

MR. L.N. BIRLA is the President of the Federation of Indian Chambers of Commerce and Industry.

MR. B.N. BHATTASALI is Executive Director, National Productivity Council, New Delhi.

MR. CHIMANLAL B. PARIKH is the President of the Indian Cotton Development Council.

DR. R.C. COOPER is the ex-President of the Indian Merchants' Chamber.

DR. P.S. LOKANATHAN is former Director General of the National Council of Applied Economic Research.

PROF. R.K. AMIN is a Member of Parliament and a former Professor of Economics, Vallabh Vidyapeeth.

MR. PRAKASH VIR SHASTRI is a Member of Parliament.

PROF. BALRAJ MADHOK is a Member of Parliament and former President of the Bharatiya Jan Sangh.

MR. P.N. MATHUR is Head of the Department of Industrial Economics, Gokhale Institute of Politics & Economics, Poona.

DR. ASHOK MITRA is the Chairman of the Agricultural Prices Commission.

MR. K. RANGACHARI is Deputy Editor of the Statesman, Calcutta.

MR. J.P. CHATURVEDI is a Delhi Journalist.

DR. J.N. SINHA is a Senior Fellow of the Institute of Economic Growth, Delhi.

DR. BALJIT SINGH is the Professor and Head of the Department of Economics, Lucknow University.

MR. V.R. PILLAI is Professor and Head of the Department of Economics, University of Kerala.

MR. K.S.L. PANIKKAR is Professor of Economics, University College, Trivandrum

DR. V.V. BORKAR is Head of the Department of Economics, Marathwada University.

DR. G.T. HUCHAPPA is Professor and Head of the Department of Post-Graduate Studies and Research in Economics, University of Mysore.

DR. M. SRINIVASAN is Professor of Agricultural Economics, Agricultural College & Post-Graduate Research and Training Centre, Coimbatore.

DR. M.R. HAZARAY is Professor and Head of the Department of Economics, Siddhartha College of Arts and Science, Bombay.

DR. D. BRIGHT SINGH is Professor of Economics, Madurai University.

DR. B. R. K. RAU is Reader in Economics, Sri Venkateswara University, Tirupati.

MR. S.C. JOSEPH is Professor of Economics, University of Madras Extension Centre, Tiruchi.

DR. C.H. HANUMANTHA RAO is a Senior Fellow of the Institute of Economic Growth, Delhi.

DR. P.C. GOSWAMI is the Director of the Agro-Economic Research Centre for North-East India, Jorhat.

DR. A. VASUDEVAN is Senior Fellow, Department of Economics, University of Bombay.

MR. V.S. MAHAJAN is in the Department of Economics, Punjab University.

Calling All Readers

Dear Reader,

You have, perhaps, liked reading Yojana and found it satisfying. It is also possible that there are many more things you would like to see in Yojana. We invite your suggestions to make it worthy of reflecting a facet of India's image.

—EDITOR

THE UTTAR PRADESH SMALL INDUSTRIES CORPORATION LTD.

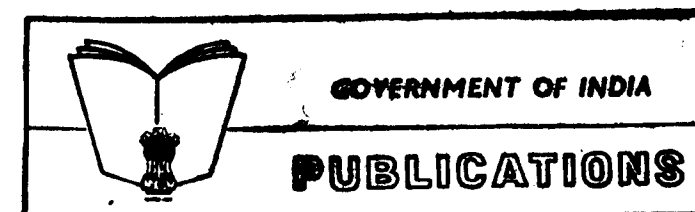
14/40, CIVIL LINES, KANPUR

This Corporation was registered as a State Government Undertaking in the year 1958 in order to protect and promote the interests of small industries in the State. Its present paid-up capital is Rs. 60 lakhs. It offers assistance to small-scale industries of U.P. in the following ways :

1. Supply of raw material, both ferrous and non-ferrous, chemicals and oils through its Raw Material Depots situated at Kanpur, Naini (Allahabad), Varanasi, Meerut and Agra.
2. Supply of indigenous machines on Hire-Purchase basis.
3. Marketing assistance.
4. Import of non-ferrous material for small import licence holders.

For details please contact Managing Director of the Corporation.

- * *H.E. greets the nation on the 18th Anniversary of the Republic and rededicates itself to the service of the nation by manufacturing with greater enthusiasm heavy electrical equipment to speed up vital projects.*
 - * **H.E. Hydraulic Turbines**
Along with matching Water Wheel Alternators, will equip Basi, Upper Bari Doab Canal, Pong, Dehar Projects in Punjab, Khodri, Chibro, Obra, Ramganga Projects in Uttar Pradesh, Ukai Project in Gujarat and Koyna project in Maharashtra.
 - * **H.E. Steam Turbines**
And matching Turbo-Generators assigned for Basin Bridge Thermal Power Station, Madras, Parli and Nagpur Thermal Power Stations, Maharashtra, and Santaldih Thermal Station, West Bengal, Chandrapura Power Station of D.V.C.
 - * **H.E. Transformers**
Units upto 75,000 KVA in 132 kV Class already in service. Units in still higher ranges, including that of 2,50,000 KVA in 230 kV Class for Atomic Power Station at Kotah under manufacture. Equipped to manufacture upto 400,000 KVA at 400 kV.
 - * **H.E. Rectifiers**
Combined Transformer and Silicon Rectifier Equipment for West Coast Aluminium Smelter Project, Belgaum of Indian Aluminium Company.
 - * **H.E. Switchgear**
For use in 11,000, 33,000, 66,000 and 1,32,000 Volts systems already rendering service in every nook and corner of the country. Order for Switchgear of 2,20,000 volts system from Madras.
 - * **H.E. Relay Control Panels**
For sub-stations and generating stations upto 2,20,000 voltage system.
 - * **H.E. Traction Equipment**
For Electrification of Indian Railways. Bulk requirements of Integral Coach Factory, Perambur, Diesel Locomotive Works, Varanasi, Chittaranjan Locomotive Works and Jessops & Co. Calcutta being met. A number of 3-Car trains fitted with this equipment already rendering service in Bombay Region.
 - * **H.E. Industrial Motors**
Upto 13,000 H.P. for use in Cement Factories, Rolling Mills, Steel Mills, Mines and other applications.
 - * **H.E. Capacitors**
For Power Factor correction, for Power Supply sub-station with automatic control and also for Industries.
 - * **H.E. Also manufactures Generators for Steam and Diesel Engine Sets, A.C. Synchronous Condensers, Silicon Rectifiers, Thermac Welding Sets. Etc.**
- Heavy Electricals (I) Ltd., Bhopal**
(A Government of India Undertaking)
(Issued by Publicity & Public Relations Division)



Symbol	Title	Price Rs.P.
PC. 121	Committee on Transport Policy and Coordination Final Report	3.75
DLB. 78	Report on Survey of Labour Conditions in Cotton Textile Factories in India	7.00
FRI. 109	Some Useful Aromatic Plants	6.00
PC. 134	Implementation of Land Reforms	5.25
DGO. 78. III	Meteorology for Air Men Part III Climatology of Aerodromes	5.25
CWPC. 50	Public Electricity Supply All India Rate Book (Brought upto 31.8.1966)	20.50
N, Bo. 17. I & II	Hand Book for Building Engineers in Metric System	22.00
DL. 402	Report of The Central Wage Board for Tea Plantation Industry—1966	8.75
CSO. 5. 66	Statistical Pocket Book of the Indian Union—1966	5.75
DES. 81	Agricultural Price Policy in India	2.35

Available from all authorised Selling Agents

FOR CASH SALE GOVT. OF INDIA KITAB MAHAL, JANPATH, NEW DELHI (PHONE 44561) GOVT. OF INDIA BOOK DEPOT, 4, HASTINGS STREET, CALCUTTA (PHONE 23-3813)	FOR MAIL ORDERS MANAGER OF PUBLICATIONS CIVIL LINES, DELHI-6
---	---

NOTE: Prices are to be prepaid. They are inclusive of postage and packing in India.

dayp 67/418

NEW RELEASES

FOR A UNITED INDIA

(Speeches of Sardar Vallabhbhai Patel 1947—1950)

Royal 8'vo. Pp. 198 Price : Pop. Rs. 7.50
Del. Rs. 10.00

Contains speeches and statements made by Sardar Patel during the eventful period of 1947-1950 in modern Indian History. Sardar Patel played a unique role in the integration of more than 560 princely States and in tackling the problem of millions of refugees who poured into India from Pakistan. Illustrated.

M. K. GANDHI—An Indian Patriot in South Africa

by Joseph J. Doke

Demy 8'vo. Pp. 116 Price : Rs. 2.00

This, the first biography of Gandhiji, was first published in 1919. The author's intimate knowledge of Gandhiji's personality and his activities lends particular value and authenticity to this biography. Written in a very interesting manner.

THE INDIAN ARMY

by Dharm Pal

Demy 8'vo. Pp. 121 Price : Rs. 3.00

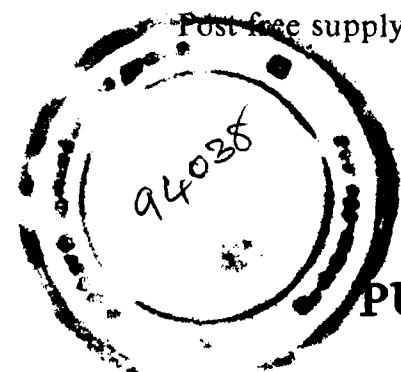
The book has been written with the sole object of stimulating the interest of the people of India in military matters and the defence of the country. It gives details of steps taken by the Government of India in making the Indian Army a truly national army. Written in simple and interesting language.

NEW FRONTIERS OF MEDICINE AND SURGERY

Demy 8'vo. Pp. 48. Price : Re. 1.00

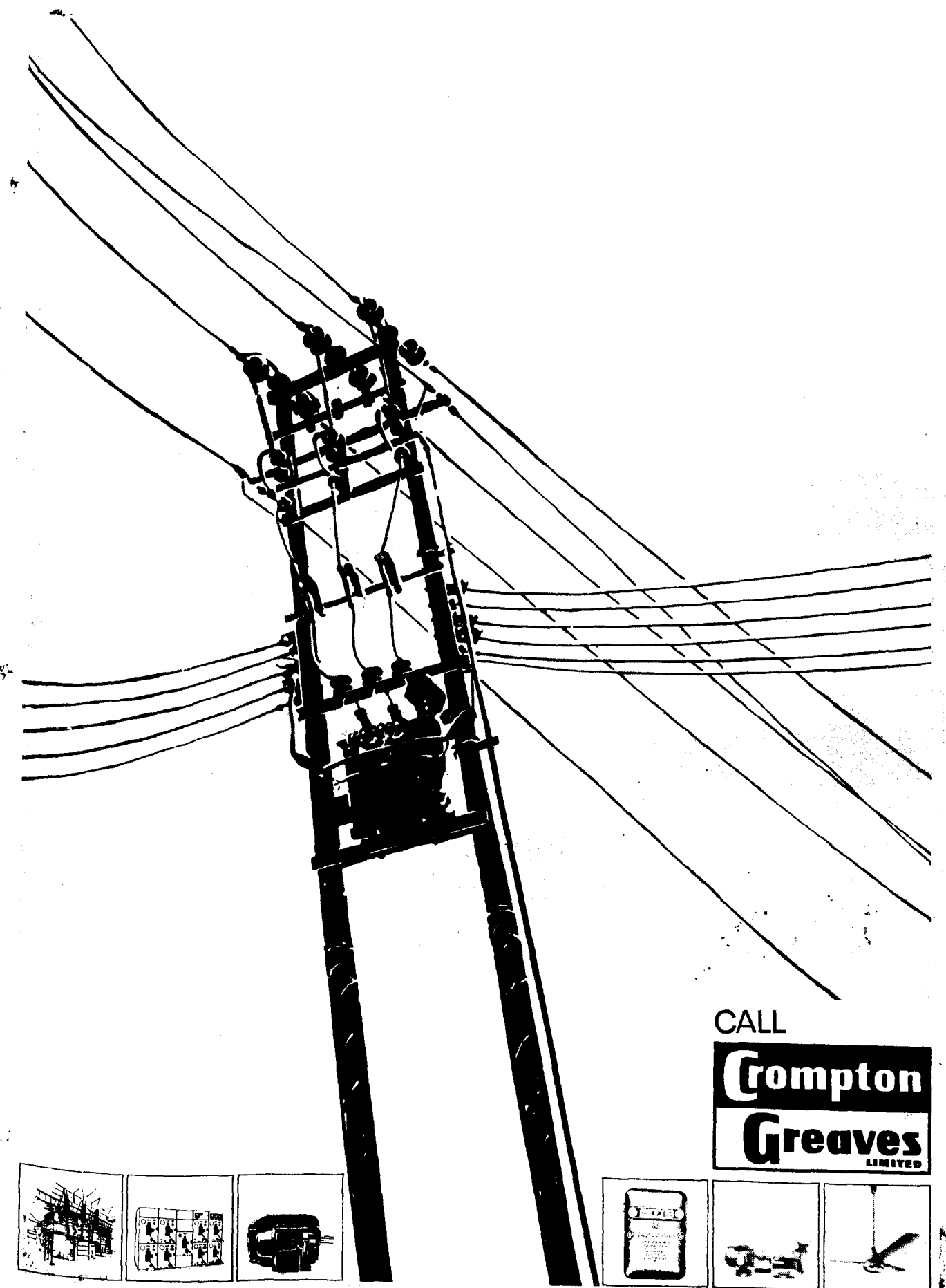
A collection of series of interesting broadcasts from All India Radio by eminent physicians and surgeons explaining, for the benefit of the layman, the advancement made in the field of medicine and surgery, specially in the field of saving human lives from the deadly diseases like Cancer.

Post free supply. Books worth Rs. 3/- or more can also be supplied by V. P. P.



BUSINESS MANAGER
PUBLICATIONS DIVISION

(P. Box No. 2011)
Old Secretariat, Delhi-6.



CALL
Compton
Greaves
LIMITED

marks the biggest International Meet in India

UNITED NATIONS CONFERENCE
ON TRADE AND DEVELOPMENT

with an ENTIRE ISSUE devoted to it.

YOJANA of February 4, 1968

brings to you

GRAPHIC PICTURE of the evolution of the world organisation;
VIEW with Dr RAUL PREBISCH, UNCTAD'S Secretary General,
its role in making Freedom, Progress and Prosperity indivisible;
ARTICLES by Eminent Men and Experts.

*In short, this issue will come in handy to all those interested in studying the complex play
of international forces in politics, trade and development.*

YOJANA of February 18
SOCIAL CONTROL OF BANKING

YOJANA of March 3
WRITERS' ROLE IN DEVELOPMENT

YOJANA of March 17
HUMAN RIGHTS

DO NOT MISS THIS ISSUE OF YODIA