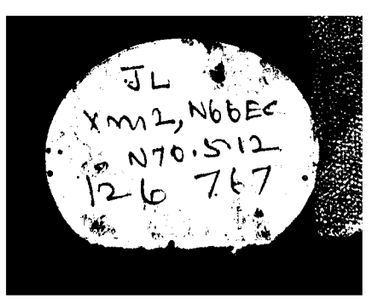

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ECONOMIC AND POLITICAL WEEKLY

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PITFALLS OF IMPORT SUBSTITUTION

BIGGER ROLE FOR FINANCIAL INSTITUTIONS

EMPLOYMENT IN CONSTRUCTION

SACRED CATTLE

PROBLEMS OF TECHNICAL EDUCATION

ECONOMIC AND POLITICAL WEEKLY

Founder-Editor : Sachin Chaudhuri

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Skylark 284 Frere Road Bombay 1

Phone 26 60 72

Editor

KRISHNA RAJ

Assistant Editor: Rajani X Desai

Business Manager: A Fernandes

Circulation Manager: Shiv Patil

Editorial Staff

Colin de Souza, Haresh M Advani, Shireen Heerjee, Ashok Rao

The Final Option

FOR all the attendant suspense and drama, events in Bengal have conformed to general expectations. The Governor refused, not without justification, CP(M)'s claim to form a government. And since the other parties were too spent after their anti-CP(M) manoeuvres to have a go at forming a ministry immediately, it was easy for him to politely complete the constitutional formalities before advising the Centre to clamp down President's Rule. None of the parties, one may be sure, is unhappy about this. CP(M) can claim, however unconvincingly, that the Governor (of course, acting as always at the behest of the Centre) prevented it from forming a government. The other parties plainly need to play for time. Some at least of the CPI leaders would like to carefully assess the party's recent experience in Kerala before jumping into another anti-CP(M) front.

The options are open for everyone since the Assembly has only been suspended. There are enough precedents for this by now; in any case, the proximity of the elections to Rajya Sabha provides a good enough excuse. The truth, of course, is that the Centre wants to give every opportunity to parties other than CP(M) to form a government, on the lines of the Achutha Menon Ministry in Kerala. Among the leaders of the major parties in Bengal, only the Bangla Congress Secretary has so far announced his intention to work for the formation of such a government. But, whatever their public postures just now, none of the parties is exactly itching to face an election and so, prodded on by the Centre, most of them may be expected to fall in line.

A major reason for the reluctance of these parties to form a government right away is the thought that such a government would have to face a continuing confrontation with CP(M). For this none of them is keen, especially not CPI. 'All of them would like the Centre to do the dirty work and if this requires that the State has to be under President's Rule for some length of time they will not be very unhappy. But the Centre is no more anxious than these parties to take on the task of 'containing' CP(M). In justification it can agree, with some conviction, that any aggressive anti-CP(M) measures taken while the State is under President's Rule will only provide CP(M) with an opportunity to whip up anti-Centre feeling to the disadvantage as much of the other parties as the Centre. From the Centre's point of view, the best solution would be a non-CP(M) ministry led by Bangla Congress (since it also has its eyes on an eventual Congress (R)-Bangla Congress combination). To make such a Government possible, the Centre will assure the support of Congress (R) MLAs.

In one significant respect the situation in Kerala and West Bengal, as viewed from the Centre, is different from that in other States. Critics of the Prime Minister have been harping on the fact that while she has spared no effort to topple 'stable' governments in a number of States, she is prepared to tolerate and even encourage non-Congress governments in these two States. The allegation is true, of course, but her dependence on Leftist support in Parliament is only part of the explanation for this; no less relevant is the fact that in both Bengal and Kerala there is CP(M) to be contended with as the largest single political force. For all her rhetoric about the importance of carrying the masses with Congress (R), the Prime Minister's efforts to further the fortunes of her party have taken very conventional forms — engineering defections, use of the Centre's considerable capacity for patronage and arm-twisting, etc. Of any systematic effort to build up the party organisation in States where it is weak and to create a mass base, there has been no evidence. This kind of manipulation works in certain situations. In Gujarat, for instance, with practically no following, Congress (R) has been able to unsettle the apparently well-entrenched Hitendra Desai Ministry and may even succeed in toppling it. But these techniques are unlikely to prove effective against CP(M). And for the kind of grass-roots political activity that is needed for facing upto CP(M), neither Congress (R) nor any of its allies have any stomach.

The disturbing conclusion that seems to follow is that whether CP(M) in Bengal and Kerala wants it or not, its opponents in both States will sooner or later force upon it a violent confrontation between it and the police apparatus of the State and, if necessary, the Centre. The sustained propaganda that CP(M) in Bengal is poised to unleash State-wide violence makes sense in this context as does Chavan's statements about caches of Chinese and Pakistani arms in the possession of the party. Both charges may well have an element of truth in them; but even if they did not, CP(M)'s opponents would have needed to invent them.

Self-Protective Budgets

ADMITTEDLY, nothing radical was expected of the State budgets for 1970-71. The basic factors that make for tame State budgets continue. State Governments have a more particular relationship with the State population, and imposition of State taxes is thus a more delicate task. Besides, the federal structure still ensures major assistance from the Centre and overdrafts on RBI — Morarji Desai's warning that 1968-69 would see the last of such accommodation notwithstanding. In fact, transfer of resources from the Centre to the States in 1969-70 was again higher than budgeted partly because of larger income tax transfers but mainly because of a nearly twofold increase in loans and advances.

This year's State budgets, therefore, run on anticipated lines. No major tax effort is evident. Among the better-off States, Maharashtra and Punjab have no new tax measures; Tamil Nadu expects Rs 6 crores from additional taxation while at the same time it claims a greater share in the Rs 175 crores set aside by way of Central assistance for the weaker States. Rajasthan, Kerala and Orissa, though less well-placed, have made marginal attempts to raise additional tax resources, and Bihar has claimed that there is no scope for additional tax measures. While the fresh tax effort is negligible and mostly in sales tax, State deficits are constantly on the increase. The deficit of all the States in 1969-70 was Rs 401 crores (against Rs 101 crores in the previous year) though with the Finance Commission's recommendations and the unexpectedly larger Central tax accruals it got scaled down to Rs 218 crores. For 1970-71, again, the States have left uncovered substantial deficits which, by past experience, will be inflated by the year-end.

A lot could, with justification, be expected of the State budgets, however. The States are better-placed — apart from being the constitutional agencies — for formulating and implementing schemes for regional development, housing, road networks, etc. Yet, except in Maharashtra, there is no mention of regional dispersion of the benefits of growth. Housing is casually touched upon. Roads are not in the news. Nor is agricultural development much spelled out, though funds for this from the Centre would be routed through State budgets. Is this understatement of agricultural development intended to cover up the lack of effort in agricultural taxation? A sizeable part of expenditure is mopped up — and increasingly so — by police and law and order items. Non-plan expenditure has, in fact, been rising noticeably.

On the revenue side again, the four major sources at the disposal of the States still go almost untapped. Land revenue and agricultural income tax have remained stagnant while agricultural incomes and prices have risen sharply. Similarly, not only have returns on investments made in States' public undertakings, such as electricity and irrigation schemes, been inadequate and fixed on non-commercial bases, but rates charged have often been subsidised. In 1969-70 State Governments were in fact estimated to have incurred a loss of Rs 100 crores on this account.

Lack of budgetary courage in the States is, perhaps, in no small measure aided by the fact of the Centre's flexibility. In such a category must fall the *'ad hoc* loans' given to repay the overdrafts, the yet easier terms for repayment of Central loans and advances recently formulated by the Planning Commission, the increase in size of States' plans which, in the absence of specific resource-raising commitment on the part of the States, will again lead to expectations of still larger transfer from the Centre to the States. While one may expect special consideration for the weaker States, nothing except political expediency justifies laxity towards the more powerful States such as Maharashtra, Punjab, Tamil Nadu, and, West Bengal whose budget is yet to follow.

Some Teeth for Licensing

THE latest press note on industrial licensing indicates further awareness of the possibilities of the licensing tool. So far enunciations of policy had been mostly general and vague, leaving the wheeling and dealing to be done at the licensing committee stage. This left too much to bureaucratic discretion with disastrous consequences from the point of view of achievement of the objectives of licensing.

In the first place, the latest note clarifies the definitions of large houses, dominant undertakings and foreign companies. This is important because, under the new licensing policy, all of these are to be discriminated against, particularly with respect to investment up to Rs 5 crores. In her address to the FICCI annual meeting, the Prime Minister had already pointed out that in effect the new policy does not re-introduce licensing in all industries which had been delicensed, but only in six industries. The press note on licensing carries two other substantive clarifications. Core industries are more clearly defined and 'marginal requirement of foreign exchange' is spelled out.

More substantive is the abolition of the so-called 'banned list'. The purpose of having the banned list was to prevent expansion of capacity in industries which were saturated (presumably in terms of local demand). This approach to licensing flowed from the concept of planning on the basis of import substitution. The result clearly was to induce diversion of investment into industries not on the basis of comparative cost advantage but purely on considerations of reducing imports. The fiat against fresh investment in certain industries also admirably suited the cosy high-cost-low-efficiency-high-price arrangements of those who had managed to get into these industries. By abolishing the banned list and announcing that proposals for further expansion in industries hitherto included in this list would be considered on merits, an attempt is being made to remove a major misuse that licensing policy had lent itself to all these years. Initially, given local saturation, further expansion in certain lines will be mainly to meet export demand.

However, licensing policy has still not acquired all the sophistication required for industrial development. The emphasis remains on control of large houses and related matters. More positive and substantive guidelines will have to be established soon to enable industrial growth on less unwitting bases than in the past.

White Fortress Consolidated

HIGHLY irrelevant and unconvincing are the British Government's feeble noises in protest against the 'illegality' of Ian Smith's proclamation of Rhodesia as a republic. It was British policy that made such 'illegality' consistently possible. Had an effective British challenge to Rhodesia's unilateral declaration of independence (UDI) come in November 1965, Ian Smith and his coterie of racialists would have had neither the strength of force nor even the undivided support of the settler community to withstand it. Whether Britain actually connived in the establishment of the racist regime in Rhodesia behind a smokescreen of pious platitudes is for future historians to unravel. But even British opinion now accepts that the Labour Governmen had made itself ineffective in advanc by publicly renouncing the use of force against UDI.

There was never any real hope that the economic sanctions which Britain chose in preference to, and as a substitute for, use of force would bring the Smith regime to heel, for South Africa had never made a secret of its intent to dishonour any UN sanctions. Events have proved that in the four years since the UN imposed mandatory sanctions, Rhodesia has become an economic colony of South Africa — with Portuguese Mozambique and Angola acting as other channels of supply. In such a context the prospect of Rhodesia collapsing speedily under its own weight have had to be rated remote.

There is also another aspect to the Rhodesian *coup* which seems to have received relatively scant attention in public comment. With South Africa refusing to relinquish its hold over South West Africa, and with Portugal well entrenched in both Angola and Mozambique (with unofficial NATO assistance!), only the final defection of Rhodesia from the British Crown was required to consolidate all of southern Africa, south of the Zambesi, as an armed fortress of white racist reaction. Rhodesia's new 'republican' constitution ensures that the colony's less than 250,000 settlers shall rule over its nearly five million African population. Neither Britain's affirmation of continuing responsibility for its colony nor the closure, in the wake of the proclamation of the republic, of the American and the few West European consulates in Salisbury, are likely to alter the accomplished facts. Altered they can be in time by the Africans themselves. While the independent nations of Africa are in no position today to match, even collectively, the economic and military might of southern Africa led by South Africa, there is yet hope that the white fortress will slowly be breached from within — and perhaps even from without.

"Facts about Drug Prices"

Ottuketkal writes:

ONCE again there have been reports of Government action to get drug producers to cut prices, though now the likely extent of the reduction is put more modestly at 25 per cent. Earlier reports had suggested that Triguna Sen had bravely demanded of the industry price cuts of 35 to 50 per cent. The industry has in the meanwhile stepped up its own efforts to convince the public that prices of drugs are in fact very reasonable and that no easy fat is being skimmed from the Indian market.

The Managing Director of Cipla, K A Hamied, the other day released to the Press a statement titled "Facts about Drug Prices" along with comparative data on international and Indian prices of basic pharmaceutical chemicals and formulations. His contentions were, first, that the bulk prices of chemicals supplied to drug manufacturers were high and, second, that retail prices of drugs were in fact lower in India than in UK. The first claim is not without basis; the second is irrelevant since the reasonableness of drug prices in India has to be judged by the actual costs of production of Indian drug manufacturers. The data released by Hamied are nevertheless interesting. Some of the data are reproduced below with certain changes for the sake of establishing comparability between bulk and retail prices.

Chloramphenicol: Landed cost inclusive of duty Rs 122 per kg; bulk price of the chemical manufactured in India by Parke Davis Rs 400 per kg; bulk selling price of imported drug by STC Rs 600 a kg. The bulk price is thus about four to six times the imported cost. At Rs 600 a kg, cost of chloramphenicol works out to 60 P per gram or Rs 1.80 for 3 grams. The maximum retail selling price of chloramphenicol for 12 capsules of 250 mg each (that is, 3 grams) is Rs 9.20 for the Parke Davis brand.

Tetracycline HCl: Landed cost inclusive of duty Rs 283 per kg; bulk price of chemical manufactured in India by IDPL (public sector) Rs 1,000 per kg. (Hamied does not mention the bulk prices of three other manufacturers all of whom are in the private sector.) The bulk price is about three and a half times the imported cost. At Rs 1,000 a kg, the cost per gram of tetracycline works out at Re 1 per gram or Rs 4 for 4 grams. The maximum retail selling price of tetracycline for 16 capsules of 250 mg each (that is, 4 grams) is Rs 18.40 for the Pfizer brand.

Vitamin B12: Landed cost inclusive of duty Rs 45 per gram; bulk price of chemical manufactured in India by Sarabhai Merck, Merck Sharp and Dohme and Themis Rs 88 per gram. The bulk price is about double the imported cost. At Rs 88 per gram, the price per 5 mg works out at 44 P. The maximum retail selling price of a 5 ml vial containing 1000 mcg per ml (that is, 5 mg) is Rs 8.30 for the Glaxo brand.

Vitamin C: Landed cost inclusive of duty Rs 25.50 per kg; bulk price of chemical manufactured in India by Sarabhai Merck Rs 88.79 per kg. The bulk price is about three and a half times the imported cost. At Rs 89 per kg, the cost works out at 89 P for 10 grams and 45 P for 5 grams. The maximum retail price of 100 tablets of 100 mg each (that is, 10 grams) is Rs 3.31 for the Glaxo brand and for 10 tablets of 500 mg (that is, 5 grams) is Rs 2.37 for the Roche brand.

Vitamin B1: Landed cost inclusive of duty Rs 151 per kg; bulk price of the chemical manufactured in India by IDPL Rs 487 per kg. The bulk price is a little over three times the imported cost. At Rs 487 per kg, the cost per gram works out at 48.7 P per gram or Rs 1.22 per 2.5 grams. The maximum retail selling price of 25 vitamin B1 tablets of 100 mg each (that is, 2.5 grams) is Rs 3.22 for the Glaxo brand.

Phenobarbitone: Landed cost inclusive of duty Rs 48 per kg; bulk price of the chemical manufactured in India by IDPL Rs 150 per kg. The bulk price is treble the imported cost. At Rs 150 per kg, the price is 15 P per gram and Rs 4.50 for 30 grams. The maximum retail price for 1,000 tablets of 30 mg each (that is, 30 grams) is Rs 6.83.

Diethylcarbamazine Citrate: Landed cost inclusive of duty Rs 104 per kg; bulk price of chemical manufactured in India by IDPL Rs 190 per kg. The bulk price is nearly double the imported cost. At Rs 190 per kg, the cost works out at 19 P per gram and 95 P for 5 grams. The maximum retail selling price for 100 tablets of 50 mg each (that is, 5 grams) is Rs 8.00 for the Cynamid brand.

Streptomycin: Landed cost inclusive of import duty Rs 227 per kg; bulk price of product manufactured in India at Pimpri (public sector) Rs 350 per kg. The bulk price is one and a half times the imported cost. At Rs 350 per kg, the price per gram works out at 35 paise. The maximum retail selling price for a 1 gram injection vial is 60 P.

Folic Acid: Landed cost inclusive of duty Rs 516 per kg; bulk price of chemical manufactured in India by IDPL Rs 1,200 per kg. The bulk price is more than double the imported cost. At Rs 1,200 per kg, cost works out at Rs 1.20 per gram and 60 P for half a gram. The maximum retail selling price of 100 tablets of 5 mg each (that

is, 0.50 gram) is Rs 5 for the Cynamid brand.

Two conclusions emerge clearly from these figures. First, bulk prices of pharmaceutical chemicals are two to six times their landed cost inclusive of duty, a notable exception being streptomycin produced by Pimpri (public sector). Second differences between bulk prices and retail prices are no less sharp. The retail price is more than four times the bulk price for chloramphenicol, four and a half times for tetracycline, about 20 times for Vitamin B12, at least four times for Vitamin C, over two and a half times for Vitamin B1, one and a half times for phenobarbitone, eight times for diethylcarbamazine citrate (which an Indian, Subba Rao, had helped Lederle to discover), eight times for Folic Acid (again, a Subba Rao effort) and less than double for a streptomycin.

While the drug manufacturers' complaint that prices of pharmaceutical chemicals is high in India is valid, even taking these high Indian prices, the retail prices of formulations seem to be excessively high. Of course, other costs apart from those of basic pharmaceutical chemicals enter the final retail price of drugs sold in the market, but question is whether these costs are so high as to justify the enormous differentials between bulk and retail prices noted above. The question can be answered only by an expert inquiry into the cost structure of the industry, such as that made by the Tariff Commission. The general public will, therefore, find the results of the Commission's inquiry far more persuasive on the question of the reasonableness of drug prices than selective comparison of Indian prices with those in a country like Britain.

Price Tag Still Missing

RESERVE BANK's cogitations to untangle itself from the coils of the misguided monetary policies of the recent past seem to be taking it, slowly and haltingly, towards measures for more adequate assessment of credit needs of industry and greater flexibility in supply of credit.

The first step in this direction is to lay down norms of working capital requirements. Banks' approach so far has been to provide credit so long as there was adequate collateral and the party was creditworthy (which to banks most often meant big). Under this approach, in a shortage or inflationary situation, all the credit needed for inventory hoarding would be deemed fully "justified". Now the Reserve Bank is seeking to lay down norms of inventories needed in different industries. It is assumed that these would take into account normal flows of raw material and other supplies and technical requirements of particular industries.

Second, given the norms, it would be necessary to "appraise" the credit needs of individual production units. The Dehejia Committee had referred to the widespread practice of using bank funds for capital purposes. It is also known that cash accruals are used for making investments, including financing of *badla* transactions. Appraisal of need for bank finance would need to take into account not only industry norms but the actual requirement of funds by a unit, based on the pattern of use of its own resources.

Third, it is apparently proposed to try to develop a bill market. The objective seems to be to create a transferable instrument, rather than book entries or specially-created documents which might not get traded in. The object of a bill market would be to enable flexible use of credit, enabling banks to discount bills with other banks or private financiers and only in the last resort with the central bank.

All these measures should improve the operational efficiency of the credit system. But they do not meet the substantive need of the economy which is for a proper price of credit. It is rational use of the price mechanism which can lend significance to these other policies. Credit is demanded in excess because it is so cheap; and it is only if the bills carry proper discount rates that they can be discounted with other banks. Unfortunately, there are still no signs of a sensible price tag being attached to credit.

BUSINESS

Cream on Jam

Hansavivek writes:

THE directors of Alembic Chemical and Alembic Glass Industries propose to pay themselves a commission of 7.5 per cent of net profit after the managing agency arrangements are terminated. They also propose that these companies make a substantial investment in the share capital of Neomer, a new company in the same group.

A section of the shareholders of these two companies have protested against these proposals. A circular issued by them asserts that the proposed remuneration for directors is "fantastically high", out of tune with present-day socio-economic thinking, and against the interests of the shareholders. Investment by ACW and AGI in the share capital of Neomer, the circular says, is a move on the part of Ramanbhai B Amin and his family to get 70 per cent of the new company's capital subscribed to from funds of ACW and AGI, practically without any investment of their own. It is stated that 5 of the 6 directors of this new company comprise R B Amin, his wife, his son and two employees working under him; R B Amin and his son C R Amin would, as non-retirable directors, acquire lifetime management of this company. R B Amin's son C R Amin is "still a student". Is such a young man to be given permanent directorship of a company wherein investments of Rs 3.5 crores is sought to be made by ACW and AGI? the circular asks.

The shareholders also argue that chemical concerns of the type of Neomer have a very long gestation period, say, 5 to 10 years. Moreover, while ACW and AGI have been paying to banks and depositors interest at 9 to 9.5 per cent on borrowings from them, it is "palpably wrong" to invest funds of these companies in a new venture which would not yield any dividend for a long time. The circular also points out that ACW owns shares of AGI, and in turn AGI owns shares of ACW. Both these companies have also invested in Shreno and Light Publications. Again, Shreno has also invested in shares of ACW and AGI, whereas Light Publications has invested in shares of AGI. Most of the directors of these companies are members of the Amin family.

Simultaneously, R B Amin has sent circular letters in English and Gujarati to ACW's shareholders reviewing in "depth and detail" the company's achievements during the long association of the managing agency with the company. Along with the circular, the shareholders have been sent a multi-coloured brochure titled "The Development Decade" in which R B Amin depicts himself as the "leader of the Alembic team". "I have had the honour", he says, "to be elected President of the Federation of Indian Chambers of Commerce and Industry in 1966-67 and of the Indian Pharmaceutical Congress Association in 1968. Nearer home, as the Chairman of the Baroda Citizens' Council, one gets the opportunity to participate in better planning the civic life of the fast-growing industrial city that Baroda has become. The membership of these and many other diverse institutions — such as the Gujarat State Advisory Council of Industries or the India-Japan Business Co-operation Committee — reflects the image of Alembic as an entity with a broader vision of events and affairs. It enables us to get a larger and longer perspective and a stronger and stabler base in a social and economic situation which is changing fast."

Large but Losing

IMPROVEMENT in the inflow of orders and production of high-value machines during 1968-69 enabled Hindustan Machine Tools to produce 1,825 machine-tools (valued at Rs 10.99 crores) as compared to 1,807 machines and two press brakes (valued at Rs 8.45 crores) in the previous year. Output of the watch division was also better at 300,000 watches (Rs 3.27 crores) against 250,000 watches (Rs 2.64 crores) in 1967-68. With some gearing up of sales, total turnover of HMT increased to Rs 15.35 crores in 1968-69 from Rs 14.65 crores in the previous year. Exports during 1968-69 also increased to Rs 97 lakhs from Rs 29 lakhs in 1967-68. Despite improvement in sales, operating loss for the year was Rs 34 lakhs (after providing depreciation of Rs 1.84 crores) against a loss of Rs 66 lakhs (after providing depreciation of Rs 1.82 crores) in 1967-68. Net loss for 1968-69 has been arrived at, however, after taking into account the withdrawal of excess provision of Rs 34 lakhs for income tax and Rs 7.5 lakhs for development rebate as no longer required; the profit on sale of imported machines amounting to Rs 27 lakhs has also been taken into account in computing the net loss for the year.

HMT's annual report bears out that the worst for the machine-tool industry is over. Market indications corroborate this. Carryover orders for 1969-70 were Rs 6 crores. Anticipating a continued improvement in the inflow of orders, HMT expects to manufacture machine-tools valued at Rs 13 crores absorbing 65 per cent of its capacity. Total turnover for the current year (including sales of watches worth Rs 4 crores and exports worth Rs 1.5 crores) are estimated to be Rs 17.15 crores — a jump of nearly 11 per cent over the previous vear.

In the absence of details about the operating performance of the various HMT units, it is rather difficult to comment on the performance of the company. In this respect at least, HMT's Annual Report is no different from those of any of the conglomerates in the private sector. Probably, of all the units, only the watch division contributes any profits to the company.

HMT has made much of its diversified product range, improvements effected in designs, newer avenues of expansion (tractors, printing machinery, and die-casting and plastic-injection moulding machines). Its present output constitutes over 60 per cent of the total production of machine-tools in the country. But compare its performance with that of a much smaller firm — Mysore Kirloskar — with gross fixed assets of Rs 4.80 crores and turnover during 1968-69 at Rs 4.57 crores on which it earned an operating profit of Rs 67.22 lakhs (a return of 14 per cent on net sales). Is HMT's size a deterrent to efficiency?

In Unenviable Company

IN his annual statement to shareholders, the Chairman and Managing Director of Unichem Laboratories, A V Mody, is understandably concerned about what he calls "a sytematic effort" to create the impression that drug prices are high and that drug companies are not "sufficiently conscious of their social responsibilities". By way of rebutting this impression, Mody points to the high research and experimentation costs of the industry which make it, as he puts it, "a high-cost and high-risk industry". This, in Mody's view, entitles the industry to higher than normal returns on capital employed. In this context Mody also refers to the steady increase in costs while prices have been pegged under the price freeze clamped on in 1963.

Having said all this, Mody cannot but concede in all honesty that "the pricing policies of a few of our friends are often guided by the concept of 'what one can get away with'". His own company, Mody claims, has continually striven for moderate prices and in fact has helped to bring down prices of "many important drugs". Even if this claim is accepted, it has to be remembered that Unichem is a relatively small company with a comparatively small range of products compared to the international giants who dominate the pharmaceutical industry. Its capacity to act as a market leader is, therefore, strictly limited. On the other hand, the "friends" whose pricing policies are based on the concept of "what one can get away with" are the market leaders and have the brand image and the high-powered selling apparatus to get away with a great deal — as indeed they do.

FICCI's Two Voices

A Correspondent writes:

THIS year's annual meeting of the Federation of Indian Chambers of Commerce and Industry revealed a clear division between FICCI's 'commerce' and 'industry' wings. Industry is on the whole not too unhappy because, apart from bank nationalisation, no stringent measures have been taken that will affect it. On the other hand, with possibilities of state takeover of import trade and even internal trade in agricultural commodities, commerce sees its existence threatened. This dichotomy was clearly visible in the proceedings of the FICCI meeting.

Ramnath Podar's Presidential address was essentially conciliatory in tone, though there were the routine demands. He wanted Government to keep the growth perspective in view and entered a caveat regarding the proposal to convert loans into equity. Indira Gandhi, for her part, refused to give anything away, on paper at any rate. She reiterated that public sector would be given a dominant voice in industry. She also emphasised the need to develop the core sector, and to continue experimentation in the joint sector. But industry is by now inured to repetition of these intentions.

On the second day of the session the commerce lobby injected some heat into the discussion. It claimed that state takeover of imports would lead to pressure on resources. The figure mentioned of additional resources which Government would need was Rs 1,650 crores. This presupposes that at present banks do not finance imports and that all the finance is provided by the trade itself. If banks do in fact finance imports, state takeover would

merely lead to diversion of bank resources to the state and there need be no shortfall. If, on the other hand, the resources are today provided by traders, two further issues arise. First, tax authorities need to look into these private sources of finance to ascertain whether these are all post-tax resources. Second, what will trade do with its resources, once these resources are freed from trading? Clearly, prospects for traders under the new dispensation are going to be more interesting than generally foreseen.

CAPITAL VIEW

Indira's "Team"!

Romesh Thapar

UNLIKE other prime ministers, Indira Gandhi is compelled during these uncertain, factional days to run not only her own Government at the Centre but a host of State Governments. This has become only too apparent during the last few stormy, tension-packed weeks. Normally, the President of the party would be working overtime on such matters, but Jagjivan Ram is shrewd enough to play the game differently. Politicking is not everyone's *forte*!

All this — and more! — the PM could take in her stride if only she could manage to inject some kind of discipline and coherence into her own ministerial team at the Centre. It is not a very inspiring bunch of politicians, selected, as always in a democracy, on the basis of political expediency and regional need. To get this disparate lot moving meaningfully is made doubly difficult by the apparently independent posturings of yesterday's servitors, posturings which damage national interest while serving limited personal ends.

Extraordinary Situation

I refer in general to the extraordinary situation which prevails between the PM and several Ministers, but I shall take the specific case of the Ministry for External Affairs under the charge of Dinesh Singh. It is well known in informed circles that apart from creating near chaos in the internal functioning of the ministry, this gentleman's diplomacy against various nations has been conducted for some time through newspaper "leaks". Now the stage has been reached where the Foreign Minister is engineering a situation to permit his resignation—and, naturally, before the Prime Minister sacks him.

The other day, one of our newspapers front-paged and splashed a familiar "leak" to the effect that Dinesh Singh had sent in his letter of resignation to the PM and had been persuaded to withdraw it. As background, a few known facts about "differences" with the PM were provided. The story was dressed up deliberately to give the impression of some kind of principled contestation. It back-fired, like so many other "leaks". The pretentions of Dinesh Singh are incredible...But the damage, visible and invisible, is not inconsiderable.

There have been other tangles with ministers who seem to imagine, every now and then, that they have some sort of independent status in national politics. The Prime Minister must very often wonder why her colleagues don't concentrate on running their ministries and leave politicking to her. Those who do, have no complaints. It is the *durbaris* who are for ever creating situations of embarrassment—although, interestingly enough, it is the same *durbaris* who are for ever rising to the top. When the chips are down, we have a passion for stooges and stoogedoms!

With the conclusion of the Rajya Sabha elections within a fortnight, Indira Gandhi will probably launch on her long-awaited ministerial reshuffle, Will she get rid of the incompetent and the corrupt? There are so many of them in her "pack of cards". Is there scope to improve the ministerial team with the kind of talent available at the moment to the ruling party? Or will we have to continue to live with a system which attempts consolidation by breaking independent thought and initiative through the handing out of positions, privileges and perks? The ministerial exercise of the Centre inevitably sets the behaviour pattern at all levels; hence the dreary questioning.

Meanwhile, this long and tedious parliamentary session which stretches into May, is likely to see a series of eruptions during the coming weeks. The fast deteriorating situation in Bengal might well spark the beginnings of fresh alignments and adjustments. The repercussions will be wide and lasting...

March 16

FROM OUR CORRESPONDENTS

MAHARASHTRA

Not through Forest Lands

THE 10,000-strong *morcha* in Bombay on March 4 of Adivasis, landless labourers and poor farmers, under the joint leadership of CPM, CPI, Marxist Lal Nishan Party (Red Flag Party) and SSP — but CPM mainly — was significant for two reasons. First, it underscored Maharashtra Government's failure to implement its land reform measures. Second, it reflected a measure of recognition among the Leftist parties of the importance of working among, and awakening, the rural masses and of the need to join hands in this task.

Trouble has been brewing for some time now in the Adivasi areas of Maharashtra, in the districts of Thana, Nasik, Dhulia, Wardha, Chanda, Yeotmal, Bhir, Parbhani and Satara. In Thana more than five lakh Adivasi families, who live in the forest areas, are poised for a struggle under the militant CPM leadership of Godavari Parulekar, known among them as "Godarani". Their agitation is directed against eviction of those without land titles from Government land.

Some 1.55 lakh acres of Government land are roughly estimated to have been occupied by the landless, including Adivasis. These people have been cultivating this land and raising crops on it. Government, for its part, had agreed to redistribute only 40,000 acres, thus decreeing the eviction of the present occupants from over 1 lakh acres of land. Apart from the tensions created by such large-scale forcible eviction, two other factors have been responsible for heightening resentment among Adivasis. First, a good part of the 40,000 acres which Government has agreed to distribute among the landless is being given not to their present occupants but to others on grounds which are entirely political. Second, very often land from which Adivasis are evicted is subsequently bought by big landlords with the connivance of Government forest officers and other authorities.

Against Government's readiness to resort to repressive measures to check alleged encroachment on forest and waste lands must be juxtaposed its total failure to implement its much publicised land reform measures. When the land ceilings were introduced, Government had announced that in all 11 lakh acres of surplus land would become available for redistribution among the landless. In fact, however, Government was able to obtain only some one lakh acres, and of these, 35,000 acres belonged to farmers attached to private sugar factories. Since Government formed a corporation to manage this land, the surplus land available for redistribution was only about 60,000 acres. The bigger landlords systematically circumvented the ceiling law by resuming the land for 'personal cultivation'. Government stood by and watched all this manipulation which deprived the landless of some 10 lakh acres of land which should have been theirs had Government enforced the provisions of the law.

The Adivasis and the landless are today politically conscious, thanks to the work done among them by the late Shamrao Parulekar and by his wife, Godavari. What the landless are demanding is modification of the ceiling law and its strict enforcement. Under the current ceiling regulations an individual is permitted to hold 18 acres of irrigated land and 142 acres of dry farm. This has enabled big landowners to circumvent the law by distributing land among family members, including unborn children. The Leftist parties are, therefore, demanding a change from individual-based ceiling to a ceiling on family holdings, with a reduced holding for each family.

The four Left parties — CPM, CPI, SSP and the Red Flag Party — have joined hands to launch the struggle of the landless. The agitation, if it gathers momentum, will confront Government with a threefold choice. First, it can try to intimidate and suppress the landless by use of police force. Second, it can throw some crumbs to the landless by agreeing to distribute some more Government land, in addition to the 40,000 acres already agreed to. Finally, it can enact fresh legislation scaling down the ceiling on permissible land holding by a family and, what is more important, rigorously enforce the new ceiling. This alone will release surplus land on any scale adequate to satisfy the land hunger among the State's large landless population which has no means of livelihood except land. However, one may be sure that the policy Government actually adopts will be an amalgam of the first two alternatives. It will combine use of police repression on the plea of maintaining law and order with much-publicised release of a few thousand acres of Government land, ostensibly for distributing among the landless but actually to buy over some of the active and vocal sections of the landless. All the while the big landlords will be left alone to enjoy the fruits of the land they possess as a result of having evaded the ceiling laws.

Technical Consultancy Revisited

D C Kale

PLANNING Commission organised earlier this month a meeting in New Delhi to discuss Technical Consultancy Services. The matter had been brought to the fore first by the late S G Barve when he was a Member of the Commission and firms of consultants and other associated bodies had given their full co-operation to the Committee that was set up subsequently. The Notes, Definitions and Conclusions resulting from these efforts were the basis of discussion at the recent Delhi meeting. As is only to be expected, there are differences of opinion on some points, but on many important matters views have undoubtedly crystallised.

The basic conflict is yet unresolved, *viz*, whether technical consultants should have non-technical (by implication, financial) interest in the projects concerned. Both public-sector units, like FACT, and private consultants feel that the definitions of 'contractor' and 'manufacturer' in this context are vague. This makes it hard for a consultant to accept turn-key assignments without being branded a contractor, although the consultant may actually be doing nothing more than planning and co-ordinating the project. FACT has made a very strong case, pointing out that if process engineering, consultancy engineering and contract engineering are handled by different bodies, implementation of a big project becomes complex and involved. On the other hand, the Bureau of Public Enterprises wants manufacturers to "develop their own aggressive, engineering-oriented salesmanship". The distinction is fine. The sponsor of a project could, in fact, be misled by such (very often high quality) advice into believing that all his problems are being solved free of cost by the manufacturers.

Another unresolved issue is the passing on of acquired knowhow. Both consultants and project-owners could pass on such knowhow, often breaking the spirit, if not the letter, of know-how agreements. The final recommendation of the Committee reads "... foreign collaboration agreements should preferably be explicit on the point that the Indian unit will be free to pass on the knowhow to other units in the country at reduced royalty". With all the goodwill in the world, such clauses are not likely to be acceptable to the foreign collaborators. The only practical way to avoid repetitive imports of the same knowhow is to ensure that the new technology is understood genuinely and in depth by the recipient engineering organisation. From then on, new plants and processes would be evolved, rather than duplicated, by the same team.

Other parts of the Committee's report deal with the regulation of the profession. At present there are two rival all-India organisations, one in Calcutta and the other in Delhi. The recommendation is that a single Association or Institution should be formed, with a Code of Conduct. All Consulting Engineers should be compelled to become members of this body and those who cannot secure such membership should be debarred from practising as Consulting Engineers. There is no doubt that several floating 'consultants' will be eliminated by this process, and that clients will have fewer misgivings while engaging the remainder. The Code of Conduct, however, is not likely to be so easy to draw up since it will stumble against the problem of

contracting engineers. As the Chemical Plant Association points out, consultants have a professional relationship with their clients, while contracting engineers have a commercial relationship. They cannot be bound by the same Code. FACT says that clients' confidence cannot be assured by a code of conduct, but rather by the practice of the profession. There is general agreement that the UK Association has a sound Code, which can act as a model in India.

Scales of fees, the next item considered, is ticklish in that almost nobody is inclined to discuss concrete examples. Almost all consulting firms were, however, agreed about two things. First, selection of consultants should not be on the basis of lowest quotation (the practice of inviting tenders itself being criticised). Second, public and private sector consultants should be treated on an equal footing. The Indian Engineering Association goes a step further and says that a Code of Conduct for consultants is meaningless unless the clients accept a reciprocal code covering appointment, payment of fees, etc.

For promoting indigenous consultancy, the measures suggested are mainly negative, i c, against engagement of foreign consultants. An excellent positive recommendation is that permission to negotiate foreign aid should not be given unless a feasibility study has been prepared by an Indian consultancy organisation. This recommendation should be further strengthened, for obvious reasons, by stipulating that such feasibility studies are not made by firms belonging to the same industrial house as the sponsoring company.

A major difficulty noted by the Committee is that whenever process knowhow is imported from abroad, there is insistence that design engineering, plant and machinery be imported with it. The Committee accordingly recommends that Indian consultants should be allowed to import process knowhow and then indigenously undertake design engineering, etc. The Committee prefers collaboration with foreign consultancy firms on the basis of specific projects to the latter opening branches here. It would also discourage new units where the present ones are underutilised and is against sanctioning of foreign exchange for feasibility studies.

Among the fiscal incentives considered, the major recommendations are that consultants should be taxed on the basis of average income for three years, that they should bear lower corporate taxes, and should be allowed to create tax-free reserves to tide over bad/slack periods. Banks may be asked to give commercial loans to consulting firms, and foreign exchange should be allotted for study tours abroad. An interesting suggestion, from National Rayon, is that a tax like import duty might be levied on fees paid to foreign consultants. This author would go further and say that salaries of foreign consultants, far from being tax-free, should be taxed at higher rates in the clients' hands, as in Japan.

The Committee finally reviewed the industry-wise requirements of consultancy engineering services, along with the prospects of exporting Indian consultancy. The latter will be the subject of another seminar later this month in Delhi. In the meantime, it is good to see that serious and practical thought has been given to this important aspect of the country's development. One hopes that the final recommendations will be widely circulated, understood and enforced. If nurtured sincerely, the correct growth of Indian technical consultancy can not only help industrial development but stop, or even reverse, the brain drain among technologists. This will be a far bigger gain than the relatively small savings in foreign exchange which will accrue.

VIENNA

A Balkan Thriller

PLOTS? Subversions? Conspiracies? Attempts at *coups d'etat*? Military manoeuvres? Threats of invasion? Unrest in the army? Plotting among party leaders? Reports of all these come a dime a dozen in the Balkans, and there is no better gossip spot for collecting these rumours than the heart of central Europe, Vienna.

Vienna is still a major market-place where Western newspaper correspondents and diplomats (civilian and military) collect, often against payment, supposedly 'inside' dope on what is happening in communist East Europe. Graham Greene's "Third Man" was set in Vienna, but that was immediately post-War. The current setting for tales is more the Balkan region.

Rumours this time have been largely about Tito's Yugoslavia which, although not democratic in the Western sense of the term, has been stable and liberal for some years, without the cruel highhandedness of communist one-party authority in Bulgaria or Rumania. Though Marshal Tito, nearing 78, is agile enough to have hunted big game on his recent African tour, a successor (or successors) will have to be found in the near future. The country looks stable enough to provide a peaceful succession. The man (or men) to follow will not have the charisma and personal authority of the partisan hero, but several veterans of the War in Yugoslavia are still below 60. Eduard Kardelj, the man most popularly canvassed as the heir apparent for the job of party boss, only recently celebrated his sixtieth birthday. It was less than four years ago that Marshal Tito and his aides quashed the attempts of the then Number Two, Vice-President Alexander Rankovic, at a takeover. Tito managed the ouster of Rankovic without putting hundreds of people in prison. (There are few, if any, political prisoners in Yugoslavia.)

It was towards the end of January, as Marshal Tito was preparing to leave on his tour of East African and Arab countries that the West German news weekly, *Der Spiegel*, broke the story of an abortive *coup d'etat* in Yugoslavia by the army. To begin with, the Yugoslav Government appears to have left it to Yugoslav newspapers to scoff at the reports. A few days before *Der Spiegel* published the report, American United Press had circulated a long report about alleged unrest in the Yugoslav Army and about supposedly pro-Soviet Generals pushing for further orientation towards the Soviet Union so that military hardware supplies would be ensured. The United Press report carried an embargo scheduling the report for publication some days after the date of issue, and Yugoslav papers made much of this "mysterious embargo".

At a meeting of foreign correspondents with Yugoslav Prime Minister, the *Der Spiegel* correspondent was reported to have claimed that he did not have anything to do with the story published by his journal. He gave the impression that the story was cooked up by *Der Spiegel* in its office in West Germany on the basis of whatever the American news agency had reported. The Yugoslav Prime Minister joked about it, saying that *Der Spiegel* (which means "mirror") did not mirror Yugoslav affairs truly.

Despite the Prime Minister's lighthearted treatment of the subject, East European specialists from Vienna visiting Belgrade found a conspiratorial atmosphere there. In public, the Foreign Office dismissed the reports as beneath contempt. Early in March, before going to New Delhi on an official visit, the Yugoslav Defence Minister, who is a General, told the East European correspondent of an Indian paper that the entire *coup* story was ridiculous. The Defence Minister's talk with the Indian correspondent was about the only clear, formal official Yugoslav statement on the *coup* scare. Western correspondents in Vienna and British correspondents visiting Belgrade on the eve of the Yugoslav Prime Minister's visit to Britain came back with stories of some Yugoslavs attributing the *coup* story to Soviet inspiration. Others heard some other Yugoslavs tracing the story to emigre Yugoslavs who are in abundance in Germany and Britain. Some others talked of Western governmental inspiration. Tito's non-aligned conference plans would, these people argued, lead to an anti-Western barrage and not criticism of the Soviet Union. In other words, one could pick the version one liked depending on the orientation of the Yugoslav one talked to. Perhaps the most weird theory was that the reports of pressure by pro-Soviet Generals had been put out by some scheming Yugoslav government or party source so as to help Yugoslav negotiations for arms purchases from the West!

The Yugoslav Prime Minister, who was accused in one British weekly of having been a secret policeman and murderer, was hosted heartily by British Ministers. President Tito too came back to Belgrade from a triumphant African tour. And the Yugoslav Defence Minister went off to be received by Swaran Singh and got ample publicity in Indian newspapers which are specially flattering to visitors from friendly Yugoslavia.

There the matter would have ended, but for a postscript, which perhaps is the beginning of something serious. In the second week of March, the *Der Spiegel* correspondent in Belgrade was arrested and accused of espionage. Taken into custody at the same time were two Yugoslavs — a journalist and a military officer. Were these arrests an offshoot of the report about the *coup* or did they relate to something more serious in the nature of espionage? For some hints about the right answer one will have to wait to hear the prosecutor's story. Recent weeks have been quite productive in spy stories, in France, West Germany, Bulgaria — and now in Yugoslavia.

PERSPECTIVES

Role of Financial Institutions in Planning

Savya Sachi

WITH the nationalisation of the fourteen largest banks, practically the entire range of financial institutions have come under the direct control of Government. IDBI, IFC and SFCs as well as LIC, UTI and EPF have been under Government control and ownership; even ICICI is amenable to some degree of regulation by IDBI.

Control over financial institutions provides Government with a very effective instrument for mobilisation of saving and investment allocation along desired lines. For rational use of this instrument, it is essential to be clear about the objectives to be attained.

I

Saving Function

The first objective obviously should be to augment progressively the saving of the community in the form of financial assets like deposits with banks, bonds of IDBI, IFC, etc, LIC insurance policies, provident fund contribution and units of UTI. Mobilisation of saving in this form is a function of several variables: (a) saving preferences of the public; (b) growth of financial institutions and instruments; (c) convenience and ease of acquiring financial assets; (d) familiarity with these instruments of saving; and (e) the rate of return on financial assets as compared to that on alternative assets.

Banks can perform a critical role in such mobilisation of saving. In course of time they can open a network of branches spread all over the country. Areas where bank branches are not likely to be economically viable can be served by mobile banks. Such wide geographical coverage would make different sections of the community familiar with the services which banks provide and inspire confidence in financial assets like bank deposits. Satisfactory performance of this role would depend on the courtesy, persuasiveness and service provided by banks, particularly in the context of widespread illiteracy and unfamiliarity with financial institutions. Briefly, banks should try to woo customers instead of passively waiting for them to come to banks.

It is essential to realise that banks would not be able to attract deposits unless they, in turn, provide credit facilities to the deposit-holders. In a way, deposit mobilisation is a function of credit facilities. A depositor may require credit for a variety of purposes: for agriculture, trade, profession and industry; for education and housebuilding; for emergency purposes like marriages, hospitalisation and medicines. If a deposit-holder is certain of obtaining credit for these variety of purposes, he could be induced to keep his saving in the form of deposits, even if the rate of return on them is lower than that on alternative assets.

Another, and very important, function that banks could perform is investment service. Apart from the few big cities, savers are not familiar with the variety of financial assets in which they can invest their saving. Banks could function as effective *agents* of institutions like LIC, UTI and Government Small Saving Organisations. They should advise potential investors in this matter, undertake the investment function on their behalf and even keep for safe custody their financial assets. No other institution can perform this investment function and the other services which banks provide as effectively as banks because of their geographical coverage.

To induce potential savers to invest in financial assets, thus, should be one of the main functions of the nationalised banking system.

II

Investment Allocation Function

Financial institutions, including banks, have another key function to perform and that is with regard to rational allocation of investible resources

among various sectors of the economy in the light of Plan objectives. They are performing this function even now but rather passively and without any conscious effort at rational allocation.

The financial institutions, if they are properly organised, should be in a position to judge the direction and order of investment as it is taking place currently, the areas of potential investment which for some reason or other are not tapped and the likely order of investment in various sectors that is likely to take place in the next few years.

IDBI, for example, has in principle complete information with regard to investment projects that are being implemented with the assistance of term-lending institutions. If this information is properly analysed and processed, it would be possible to know the sector-wise breakdown of investment in the modern industrial sector, its financing pattern and its time-phasing. With this information, we would know first hand the order as well as the details of investment taking place currently and likely to take place in the next two to three years. We are in the dark at present with regard to trends in private industrial investment not because we have no information but because of our unwillingness to analyse the information we have.

Further, IDBI was conceived of as a development bank — as a bank which would identify viable investment projects, prepare feasibility studies and induce entrepreneurs to undertake them; IDBI itself was supposed to implement such projects on its own as could not be undertaken by private entrepreneurs. Being an apex financial institution, it could also arrange for financing of these projects through a consortium approach together with banks and other financial institutions.

In fact, plans for the private industrial sector have been weak simply because IDBI has not performed so far the planning function which only it could have performed. On the basis of (a) projects for which IDBI (along with other financial institutions) has already provided credit, (b) projects which IDBI thinks are viable and should be implemented in one way or the other, and (c) plan priorities, IDBI should formulate a moving five-year plan for industrial investment and also arrange for an appropriate financing pattern in continuous consultation with the banks and other financial institutions.

For this purpose, it would be essential for IDBI to have a planning cell directly under the Vice-Chairman. This cell should formulate moving five-year projections and the annual performance of IDBI should be judged in the light of such plan.

At the same time, IDBI should have another cell, specialised in project-making and appraisal. This cell should have the benefit of other special private and Government consultancy services; in fact, it should have on its panel the names of all such consultancy organisations and they should be approached for expert advice.

Once a project is properly examined thus, IDBI should take the initiative in arranging for its financing through banks and various financial institutions. Thus credit planning for new investment activity would emerge in a rational and scientific manner. Any other type of credit planning would be arbitrary and hence irrational.

IDBI's role as indicated is with regard to large-scale modern industries of national importance. The other sector of small and medium industries of regional importance should be the responsibility of IFC and SFCs. IFC should mainly function as an advisory body for the various SFCs and should provide necessary financial assistance to SFCs.

IFC's main function would be to identify industrial projects in various regions/States, study their feasibility and economic worthwhileness and recommend them to SFCs, who should induce entrepreneurs to undertake them or, failing that, induce State Industrial Corporations to implement them. Each SFC concerned should then arrange for the financing with the assistance of banks and other financial institutions. Here, too, credit planning would emerge as a result of these functions.

IFC and SFCs, too, should have a moving five-year plan on the lines indicated for IDBI.

III
Role of Nationalised Banks

Banks' functions with regard to mobilisation of saving have been discussed above. Their role in providing supplementary finance for projects approved by IDBI, IFC and SFCs has also been indicated.

Banks would have a critical role in financing working capital requirements of agriculture, small industry and exports and also for financing fixed investment of an order that would not come within the purview of SFCs. For this role, banks need to specialise in local problems relating to agriculture and small industry and be in direct touch with local entrepreneurs.

Large banks with a nationwide branch network are not equipped for this purpose; they have not the necessary specialisation nor are they in such intimate touch with the local scene. Their branches function under rules laid down by the Head Office whose primary interest is in large operations.

What is necessary then is a District Bank. It is not possible at this stage of banking development to start new District Banks. What is proposed, therefore, is not a new institutional framework but evolution of the present framework on lines required for the purpose of financing small industry and agriculture.

The proposal briefly is this. Each of the fifteen nationalised banks should be assigned ten districts for the explicit and specific purpose of financing small industry and agriculture. It would be better to start with Districts selected for Intensive Agricultural District Programme. Particular districts would be assigned to banks which have the largest deposits in that district. Branches of other banks in the district would be assigned to this bank.

The District Bank would function as a full-fledged subsidiary of the all-India bank which is assigned this district. Its functioning should be judged entirely by its business — deposits and advances — related to agriculture and small industry. It would utilise all deposits collected in the District for credit in the District and would also avail of credit from its parent bank, if required. Its functions would not be purely financial, however. It should provide technical services for projects, give guidance with regard to purchase of inputs and marketing and also provide expert advice for financial investment of saving of clients.

District Banks could support ten Department Stores in each District (located in places away from the principal city). These stores would keep or arrange to supply various consumer and capital goods required by rural areas. These stores would have mobile units to cover surrounding areas so that no village would be out of their reach. They should also have workshops attached to them for repairs of agricultural implements and other durable goods. The very existence of such stores would provide a stimulus for investment as well as saving. Familiarity with various capital and consumer goods would induce people to work harder and to save and invest more to augment their incomes. Initially 150 districts could be covered in the first five years. Within a decade it should be possible to cover all Districts.

Nationalised banks thus could perform the role which banks played in European industrialisation during the nineteenth century. Reconstructed on the above lines they could prove effective catalytic agents for widespread, broadbased development effort spread all over the country.

No further reorganisation of banks seems to be necessary. They should keep their separate identity and compete with each other. However, their boards of directors require to be completely changed. In the board of directors of each bank, there should be a representative of Central Government, State Government concerned, Reserve Bank of India and IDBI; in addition, there should be an industrial economist, one agricultural expert, and one representative each of depositors, employees, farmers, small industrialists and large-scale business.

The main lines of credit policy and branch expansion would be laid down by Reserve Bank. The bank inspection and supervision functions of Reserve Bank should continue but on more positive and purposeful lines in the light of the new objectives.

Reserve Bank's Economic Department would need to be strengthened for a detailed district-wise study of the banking system. It is only after such a study that rational branch expansion programmes can be formulated and credit policy measures suggested.

The management cadre for all financial institutions would have to be trained. New scientific management is essential not only in banks but also in all financial institutions. For this purpose, the Reserve Bank should change the scope of the Bank Management Institute and replace it by an Institute for Economic Development and Financial Planning.

The proposed Institute should organise regular courses for potential managers as well as advanced short-term seminars for actual managers. These courses and seminars should deal with (a) the process of economic development, (b) role of financial institutions in economic development, (c) techniques of financial planning, (d) techniques of project formulation and appraisal, and (e) the broad field of monetary, credit and fiscal policies.

The Institute should have a nucleus of five or six permanent expert staff members; for the rest, it should invite experts in various fields for short periods. The staff as well as outside experts should not only be well qualified but should have actual operational experience in the field of their specialisation.

Apart from trainees from the various financial institutions, the Institute should also provide training to civil servants from economic ministries at the Centre and in the States. Trainees from other developing countries could also be encouraged.

Along with this training programme, the Institute should also conduct research on various aspects of financial organisation and planning.

TEA

Chasing the Wrong Hare?

INDIRA GANDHI's budget proposals for tea, involving abolition of export duty and various increases in excise duties according to the quality and type of tea, are based on two assumptions. One is that, with a given quantity of tea produced in India, abolition of export duty and increases in excise duties would help to divert a greater proportion of tea to markets abroad. And the second is that, increase in the rupee price of tea would help jack up foreign prices of, and foreign exchange earnings from, tea. Last year there had been a substantial shortfall, of over 30 million kg, in India's tea exports. The abolition of export duty as well as the increase in excise duties were therefore generally expected. The shortfall in tea exports during 1969 had largely come about because of the depressed prices prevailing at the London auctions — the result of a glut in that country following excessive shipments by the various producing countries. Prices fetched in London were in fact so unremunerative that Indian producers who send teas to London started to divert substantial quantities of the tea to the primary markets in Calcutta and Cochin where prices ruled relatively higher. It was felt, therefore, that unless some direct inducements were given to producers, such diversion was likely to continue.

The budget makes the following changes in the rates of excise duty:

(Rupees)

Loose Tea	New Rates	Old Rates
Zone I	0.25	0.25
II	0.50	0.40
III	1.50	0.50
IV	1.00	0.55
V	1.15	0.65

The system of zonal division of tea-producing areas was devised by Government some years ago on the basis of the quality of tea produced in these areas. Zones I and II are areas in which plain and low-medium teas are produced. Zone III applies mainly to the higher quality Darjeelings, and the rate of increase here has been the highest at one rupee per kg. Zone IV, which consists largely of Nilgiri teas, now takes an increase of 45 paise; while in Zone V, which is mainly Assam teas, the increase is 50 paise. The changes in export duty and increase in excise duty were directed towards increasing exports of quality teas and curbing internal consumption.

There are two basic fallacies, however, in Government's logic. Prices of tea in international markets are determined by the balance of demand and supply — not by the cost of tea to the producer. The excise duty is a direct levy on the producer, which he has to pay at the time the teas are despatched from the factories, and is not paid by the purchaser. In other words, it is part of the cost of production just as railway freight is. The prices a buyer pays in the outmarket or in the auctions in India are not inclusive of the relevant excise duty. Such prices are based on market conditions. Government, however, has been labouring under the mistaken premise that, like tobacco where the increase in excise duty is immediately passed on to the consumer by way of higher prices of cigarettes, any increase in the excise duty would be reflected in a higher price of tea. Secondly, supply of tea need not be inelastic, as the attempt to divert tea to foreign markets seems to assume. The tea industry argues that, if tea production were to be a profitable proposition and fiscal policies were to aid in the long-term planning in the plantations and industry, there need be no conflict between the demands of the

internal and external markets. Long-term measures to increase production and to embark on a massive programme of re-plantation and extension have been hanging fire for long. Producers claim that their profit margins have shrunk so substantially that they cannot finance these operations from their own resources. With the "proper inducements", the industry has easy hopes not only of boosting production to accommodate the galloping increase in internal consumption — 30 million kg last year alone — but also to successfully compete in international markets.

The following are other changes that have been made in respect of package teas in 1970-71's budget proposals.

	Old Rates	New Rates
Package containing 25 gm or less	40 paise plus loose tea duty	No change
In containers of more than 25 gm but not more than 20 kg	40 paise plus loose tea duty	Re one plus loose tea duty

There is also to be a rebate of excise duty on loose teas exported, which would be equivalent to 30 per cent of the f a s price in excess of Rs 5.25 per kg subject to a maximum of 75 paise per kg. A similar rebate will be admissible on loose teas exported on consignment account to foreign destinations and on the loose tea contents of package teas exported. Full rebate of the duty on package tea will also continue to be admissible.

Yet the impact of these changes may not be entirely as Government has visualised. The benefit of a reduction or abolition of export duty is not necessarily passed on by the buyer/exporter in its entirety to the producer through an equivalent increase in the price he pays for it. The price an exporter pays for a tea is, to repeat, dependent on world supply and demand. The only way a producer can ensure that he derives full benefit from the abolition of export duty will be through direct shipments or consignments of teas abroad. It may be expected, therefore, that the initial months following the budget changes, will see a spurt of direct shipments to the London auctions, where current prices have improved somewhat because of the current low stock. But it is to be expected that the producer-shipments will, after a point, create a surfeit of teas on the London market, thereby depressing prices there. At the same time, the removal of a large quantity of teas from the Indian scene will raise prices here and the producer may then once again have second thoughts as to whether it would not be more remunerative to market their teas within the country itself; so there may again follow a chasing of markets by the producers in the coming months.

THE FOURTH ESTATE

Sick Ones All

Nireekshak

OH CALCUTTA! Originally the title of an off-Broadway play of dubious quality, this evocative expression has been seen recently splashed in more than one Indian newspaper. However, unlike the play itself, there is nothing even mildly exciting in the newspaper imitations. R K Karanjia's 'Oh Calcutta!' series in *Blitz* was a political dissertation on United Front politics in characteristic Karanjia style. These were interspersed by another piece on the city itself (March 7) in which the paper's correspondent sought to tell the tale of some of Calcutta's better known horrors, such as gangsterism and molestation of women.

Calcutta's notoriety among the world's cities, of course, predates the Broadway play, and as a writer in *Amrita Bazar Patrika* wryly remarked (March 10): "To many foreigners and to the non-Calcuttans, Calcutta is known as a city of garbage. It may be partly true." Whether or not this writer intended 'non-Calcuttans' to mean non-Calcuttan Indians only, it is safe to say there is much more to Calcutta than its high-piled garbage, as Bijit Ghosh sought to point out in a full-page article in the Sunday supplement of *Hindustan Times* (March 8). This Delhi daily too borrowed the Broadway play's title to tell its story of Calcutta.

Bijit Ghosh's was a matter-of-fact account of the city's many problems and how the various authorities concerned were tackling them. "Our first objective," he says "should be at least to halt, if not immediately to improve, the present deterioration of the Calcutta Metropolitan District. A crash short-term programme which can achieve this result within a short period is therefore a crying need. This crash programme should necessarily aim at providing, first, a minimum urban infrastructure and, next, housing for the poor." Ghosh then goes on to detail other programmes like water supply,

One of a series of 'city profiles' that *Hindustan Times* has been running in its Sunday supplements, Ghosh's profile of Calcutta may help the serious student to inform himself about the problems facing India's largest city. Had it been more readable, it would probably have succeeded also in spreading the message to a wider audience.

How Readable?

How readable is the Indian Press? Foreigners acquainted with the Press in their own countries are often pleasantly surprised at the general high quality of the Indian Press, especially the English language newspapers which alone most of them see. Yet they are also sometimes surprised, unpleasantly this time, at the language that the English Press uses in its columns. Most Indians in their late thirties and forties have probably grown up on the same diet of English as journalists in the English language Press like to serve. There is no problem of communication here, between the journalist and the reader. But how effective is the communication between journalists and a growing generation of readers who are being brought up on a somewhat different diet?

An Australian journalist-student, living in India, asked me sometime ago why editorials in the English language Press tended to be so ponderous. They may be more pedantic than ponderous. Yet one suspects he was speaking not just for Australians like himself but probably also for a number of young Indians who have learned their English without the severe constraints imposed on earlier generations, not only by Nesfield, Fowler and Co but by their more tyrannical Indian imitators. At some stage journalists will have to begin writing a language that their readers find easy to read and understand. This does not necessarily involve a lowering of standards so much as a change of style.

Much depends, certainly, on the type of readership that a newspaper caters to. The simpler the language the wider the audience. This is particularly true of the English-reading audience in India whose size is, after all, quite limited. A recent British Council survey discovered that an English-speaking Bengali could not communicate with an English-speaking Tamilian, and that neither could communicate with an English-speaking Nigerian! This had probably to do with accent and pronunciation more than with language itself. Anyhow the Press could perhaps help by writing a language that is intelligible to all.

While on the subject of communication, it is interesting that certain newspapers remain tongue-tied on Monday mornings. Such diverse newspapers as *Western Times*, *Hitavada* and *Deccan Herald* come out without editorials on Mondays. This may sometimes be a relief for readers, but the cause of the omission is less praiseworthy. There is no rational explanation for this weekly vow of silence except that it is a hangover from the days of the empire when British editors retired on Saturday afternoons to bear the burden of empire on tennis courts and in club rooms, to return to their desks only on Monday morning. Apparently time has stood still for their latter-day imitators. It is curious also that while the reporter and the sub-editor are expected to be on their jobs on Sundays, the editor alone has the prerogative of unfailing weekend holidays.

No Answers

The All-India Newspaper Editors conference sponsored a two-day seminar in Delhi last January to discuss the question: "What Ails the Press?" A record of this seminar has been published in book form. ("What Ails the Indian Press? Diagnosis and Remedies", Somaiya Publications, New Delhi, Rs 10.) Participants covered familiar ground — editors bemoaning the loss or dilution of their independence; managers trying to show that the independence of the editor has only 'academic relevance'; and reporters and news editors taking everyone to task for lack of enterprise. Yet three broad conclusions emerged from the seminar. First, that the Press is in a serious state of chronic ill-health; second, that there is absence of enterprise and creative journalism; and, third, that journalists should be trained at all levels for their professional duties.

There was, however, no consensus on how enterprise and creative journalism could be promoted or who should institute training facilities for journalists. All that AINEC has to say is that it hopes that the views expressed at the seminar will help "in the formulation of new guidelines" to newspapers. Which is the same thing as saying that it is unable to do anything about the situation!

REVIEWS

Soviet Impact on Nationalist Movement

Colonialism in East-West Relations: A Study of Soviet Policy towards India and Anglo-Soviet Relations, 1917-47 by Zafar Imam; India Eastman Publications, 1969; pp 485, Rs 40.

AN "Open Letter to the Indian Communists", published in June 1932 by the Comintern journal made this prognostication: "In the approaching deadly struggle between world imperialism and the proletarian state — the role of the Indian Communists is enormous. The Indian anti-imperialist and agrarian revolution can deliver a death-blow at British Imperialism and thus hasten the complete destruction of capitalism throughout the world and guarantee the victory of the world revolution." Stalin repeated this warning to imperialists two years later, speaking at the 17th Congress of the CPSU.

Zafar Imam takes 1917-47 as his period of study and analyses the interaction of Soviet policies towards the rising tide of nationalism in India and Soviet relations with the leading imperialist power of the day. His objective is to examine the claim that "the birth and growth of the socialist system in Russia steadily weakened the hold of imperialism over the colonies, on the one hand, while on the other, it inspired and encouraged the nationalist movements agitating against imperialist rule; thus the dialectical process worked towards the break-up of the world colonial system".

Imam seeks to establish that while fear of Soviet subversion in India played an important role in determining British policies towards the Soviet Union during the period under review, the actual Soviet impact on the Indian nationalist movement was marginal and the Soviet strategy was to exploit its apprehensions as a lever to extract concessions. As the initial revolutionary fervour gave way in the Soviet Union to hard-headed assessment of Soviet interests in the world of nation states, the Soviet Union came progressively to use the struggle against colonialism as an instrument of State policy. Consequently, the intensity of Soviet denunciation of British colonialism and support to Indian nationalism varied according to the exigencies of its bilateral relations with Britain. The tortuous path traversed by the nascent communist movement in India in response to the changing dictates of the Comintern is another subject on which Imam sheds considerable light through his painstaking research.

The decisive impact of communalism on the Indian political scene and the emergence of the concept of Pakistan presented a tricky challenge to Soviet ideologues. An analysis of the Indian situation written by A Dykov in 1939 dismissed Muslim League as a reactionary organisation helping the British Government to discredit Congress. In a long commentary published in July 1940, the journal of the Central Committee of the CPSU denounced the demand for Pakistan as having been made "at the instance of British imperialism . . . to fan enmity between the two main religious communities of India in order to divert them from the struggle against imperialism". By 1946, however, the Soviet attitude had become more ambivalent. Balabushevich, in his article "The Struggle of India for Freedom", on the one hand characterised the demand for Pakistan as a "demagogic slogan of reactionary elements" and on the other hand welcomed the movement for Pakistan because it manifested "the development of national consciousness among Muslim masses, who are beginning to move towards active political life". By May 1947, the *volte-face* was complete. E Zhukov, the then head of the Eastern section of the Institute of Orientology, in an article written in *Pravda* after his return from a trip to India, implied that Pakistan was a just demand of the Muslim masses, which deserved support on ideological grounds.

Imam brings to his work the objectivity and diligence of a dedicated

scholar. However, his presentation leaves much to be desired. A multitude of facts float around without fitting into a coherent framework. The material has not been organised, and the book is littered with irritating repetitions. There is also a curious lack of precision in Imam's language. He describes a categorical offer of a deal by the Soviet emissary Krasin to Curzon in 1920 as "a broad hint". This would have been comprehensible, if there was a general tendency towards understatement in the book. But this is not so. For instance, some 40 pages later he speaks of "*unconditional* support to Indian nationalism" by Soviet Union in the early 1920s (emphasis added).

The book is also marred by inconsistencies, partly a product of imprecise language. Thus on page 254 the author states that "Soviet foreign policy [from 1933 onwards] had become *entirely* oriented towards a durable relationship with the capitalist Powers in face of the rise of the Nazi Party in Germany" (emphasis added). Barely two pages later comes the bland assertion, that "Soviet policy towards India had shown *no* visible effect of the changed political situation in Europe" (emphasis added).

The section relating to early Soviet contacts with Indians is disappointing. The author has corresponded with Raja Mahendra Pratap with reference to the latter's meetings with Trotsky in 1918. But he tells us nothing more enlightening than that Trotsky "showed a reasonably lively interest". What sort of interest? What advice, if any, did he give?

One hopes that the author will have an opportunity to undertake an extensive revision of the work, making his arguments more cogent and his presentation more lucid. Merely by chopping off repetitions he could reduce greatly the length (and, consequently, the price) of the book. The book deals with an important subject, of more than only scholastic interest, and laborious research has gone into its preparation. It would be a pity if potential readers were put off by the deficiencies of style and the exorbitance of the price.

OFFICIAL PAPER

Dim Light on Import Substitution

V V Desai

Import Substitution and Its Impacts, A Review by the Directorate General of Technical Development for 1960-67; Government of India, Ministry of Industrial Development, Internal Trade and Company Affairs (Department of Industrial Development); 1969; pp 54.

THE strategy and programme of import substitution have formed an important part of our Plans, particularly from the Second Plan onwards. That during 1955-56 to 1965-66 we achieved substantial reduction in import dependence is indisputable, though the Plans neither reveal adequate understanding of the mechanism of import substitution nor care to give economic justification of the strategy adopted. The publication under review brings out these features rather sharply. While the data given indicate the substantial results achieved, the presentation and interpretation of the same reveal a lack of understanding of the basic issues. This has produced a number of conceptual and methodological errors leading to wrong estimates of the extent of import substitution achieved.

Import substitution is primarily a strategy of development and, as such, includes more than "import saving". It cannot be regarded as just one of the many facets of import-saving. An import substitution programme has to be growth-oriented while circumventing the foreign exchange constraint on the rate of growth. Unlike other measures of import-saving, import substitution has to be aimed at the twin objectives of foreign exchange saving and accelerating the process of growth. It is because of preoccupation with the former objective and inadequate appreciation of the latter that planners in India as well as in other countries have misconstrued the strategy of import substitution. It should be realised that every act of import-saving does not call for import substitution. Moreover, every act of import substitution does not necessarily contribute to the process of growth. In the introductory paragraphs, the Review shows a certain awareness of this though, throughout, the text assumes that

(i) all the increase in import substituting output has been called for by the policy of import-saving;

(ii) all such output contributed in its entirety to the process of growth; and

(iii) this increased output has resulted in saving of imports and foreign exchange.

The misconception that whatever cannot be imported should be produced indigenously as an effort of import substitution and that it contributes to the process of growth has been at the back of allowing the growth of non-priority industries. Imports of a number of commodities would have to be reduced/banned due to inadequacy of import capacity as also for considerations of priorities. The objective of import-saving rules out a certain source of supply while the consideration of priorities would require a decision to be taken as to whether the same commodities should be made available for consumption from an alternative source of supply. Only to the extent that consumption of such commodities is found justified by considerations of priorities, should they be supplied in the required quantum through indigenous production — by import substitution. There is no justification for undertaking production of other commodities and so import substitution in the case of such commodities is uncalled for. It has been maintained in fact that their production, apart from resulting in sub-optimal resource utilisation, may actually hamper the process of development.[1] In the case of India, it is argued that production and consumption of some non-priority commodities during the period 1954-55 to 1963-64 has resulted in sub-optimal utilisation of foreign exchange worth Rs 300 crores and that this has affected saving potential to the extent of about Rs 800 crores.[2] Any review of import substitution and its contribution to economic development must first of all examine the relevance and necessity of the industrial structure brought about in the context of time sequence of priorities laid down. Any claim to 'foresight' — as made by DGTD — must, therefore, sound hollow, pending such a scrutiny.

The assumption that the import-substituting output necessarily results in import and foreign exchange saving is patently fallacious. This is because with the development of an import-substituting industry, import saving would take place to the extent imports of finished goods are eliminated. However, the very process of indigenous production would create its own imports by way of imports of raw materials and components. Initially, at least, the net import saving is unlikely to be significant as the process of production often does not extend beyond the 'assembly' or 'formulation' stage. Sizeable import saving would come about only when the process of production percolates downwards to various input-supplying industries.

Similarly, to find out how much foreign exchange is saved by a programme, it is necessary to take into account the new forms of foreign exchange expenditure brought about by such a programme — *viz*, charges on imported capital and technical fees. When the foreign exchange outgo in various forms consequent upon a programme of import substitution is taken into account, the net saving in foreign exchange brought about by an import substitute industry would often appear to be more imaginary than real.[3] DGTD can, of course, derive some consolation from the fact that it is in the company of Planning Commission in neglecting this important aspect. However, one hopes that with its resources, it would make an effort to take into account three aspects in the future.

In addition to these theoretical misconceptions, data and methodology used to compute import substitution and foreign exchange saving are equally unsatisfactory. The exercise to find out foreign exchange saving is incomplete inasmuch as it takes into account the foreign exchange made available to producers of import substitutes for import of raw materials and components only. Even this incomplete exercise is faulty insofar as there is an element of double counting in it. Production of automobiles (all types) is placed at Rs 197 crores in 1967 and that of ancillaries at Rs 65 crores — giving an import substitute production of Rs 262 crores! Foreign exchange expenditure on this output being Rs 45 crores, the net foreign exchange savings on this account is placed at Rs 217 crores!! The underlying assumption seems to be that in the event of this output not being produced indigenously, imports of this magnitude would have taken place. Apart from the objection to this approach indicated earlier, it is unreasonable to assume that imports — of automobiles as well as of ancillaries — of the given amount would have simultaneously taken place.

Expressions like "annual" (foreign exchange) saving achieved "in 7 years" are used to convey the difference between the actual foreign exchange allocated for certain industrial output in 1967 and that which would have been necessary had its import component remained unchanged at its 1960 level. To make things worse, average "increase" in (foreign exchange) saving is derived by dividing the above amount by 7.

Nowhere does the Review give any idea about the basis of valuation of industrial output. The important aspect of cost structure of the import substitute industries is not even referred to. It is safely assumed that to arrive at the CIF equivalent, domestic valuation could be deflated by 40 per cent.

Even the arithmetic in the text is not always convincing. For example, in Annexure I, the foreign exchange component of all types of automobiles including two-wheelers is indicated at 15 per cent and that of ancillaries at about 25 per cent. Annexure III in the report, however, shows the import component of most vehicles — trucks, cars, jeeps and scooters — to be between 1 per cent and 6 per cent. The obvious inconsistency in the two sets of figures is due to the use of either different data or different bases. The foreign exchange expenditure on aluminium in 1960 is shown around Rs 40 lakhs, i e, less than 7 per cent of the value of output, while import of raw materials alone were over Rs 100 lakhs in that year. In fact, it has been estimated that foreign exchange expenditure on imported raw materials for primary aluminium was substantially higher than indicated by the Review, at least till 1963-64.[4] It is further estimated that the net foreign exchange saved by production of primary aluminium in 1960 was around Rs two crores and not Rs five crores as shown in the Review. Similarly, foreign exchange components of production of some commodities in 1964 appear to be actually more than those indicated by the Review for the same commodities for 1960.[5] It is surprising to find that production of paper, paperboard, pulpstraw-board converted paper products of Rs 130 crores in 1967 involved a foreign exchange expenditure of Rs 60 crores, i e, 55 per cent!

No one will question the contribution that DGTD has made to our industrialisation. However, in this Review it seeks to claim credit for much more than is its due. Unfortunately, the preparation and presentation of the Review is such as to obtain for it much less credit than it should get.

(The author is grateful to V R Panchmukhi for his useful comments and suggestions.)

Notes

1 A R Khan: "Import Substitution, Export Expansion and Consumption Liberalisation", *Pakistan Development Review*, Vol III, Summer 1963. In the same issue also see John H Power: "Industrialisation in Pakistan: A Case Study of Frustrated Take-Off?"

2 V V Desai: "Import Substitution and Growth of Consumer Industries", *Economic and Political Weekly*, March 15, 1969.

3 For methodology and case studies in estimating net foreign exchange saving see S N Sanklecha, "Development of Indian Shipping and Foreign Exchange Earnings, *Foreign Trade Review*, July-Sept 1967 and, V V Desai, "Import Substitution and Foreign Exchange Saving: Case Studies of Primary Aluminium and Rayon", *Foreign Trade Review*, October-December 1968.

4 V V Desai: "Import Substitution and Foreign Exchange Saving: Case Studies of Primary Aluminium and Rayon", *op cit.*

5 C S Krishana Moorthy: "Additional Foreign Exchange Required for Full Utilisation of Capacity, Private Sector", Ministry of Finance Memoranda, 1964.

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Employment in the Construction Industry

Does It Have to Be So Unstable?

S N Guha Thakurta

Instability of the construction industry signifying the volatility of construction investment, and the unstable and irregular nature of construction employment, are not the same thing and need to be distinguished from each other. This paper is concerned with the latter problem and its possible solution.

While in the developed regions the construction industry has long been regarded as an economic shock absorber, in the developing countries the industry's expansion may be yet considered for soaking a large influx of unemployed people.

In fact, even the view that construction workers cannot expect assured jobs round the year is largely based on custom and tradition, and not on any scientific observations. While in the European countries, in the USA, and in Canada, it has been found possible to carry out construction jobs during winter, the monsoon in India has been regarded as a deterrent factor in construction leading to large-scale instability in employment for a vast body of workers. A field study of the roads and buildings construction industry of the Union Territory of Tripura indicates that, the period of involving unemployment is not significant enough to cause serious anxiety, but that, on the other hand, the uncertainty for the workers is enormous. The co-existence of relatively high continuous employment and an air of anxiety and uncertainty calls for special study in any scheme of decasualisation.

I

A PERSISTENT characteristic of the construction industry is the instability of employment. At the macro-level such instability has two principal reasons; first, a general deficiency in the aggregate demand — a phenomenon which periodically visits a capitalistic economy; second, the deliberate reduction in the investment programme of government to control inflationary pressures. These two factors are not, however, peculiar to the construction industry, but apply to all industries.

The instability of the construction industry needs to be distinguished from instability of the employment for the labour force. While it is true that the factors which cause instability in the former may also be responsible for the instability in employment, the opposite may not necessarily be true. A detailed examination of the first two problems, *viz*, the problem of general deficiency of demand and that of a deliberate reduction in the aggregate demand, will lie outside the scope of the present study. Suffice it to say here that, bearing in mind the employment potential of construction sector,[1] there is urgent need to sustain the construction employment in India at a high level. In this paper, an attempt is made to examine the problem of instability in construction employment and to suggest the feasibility of a decasualisation scheme, in the light of a sample survey carried out in the roads and buildings construction industry in the Union Territory of Tripura.

II

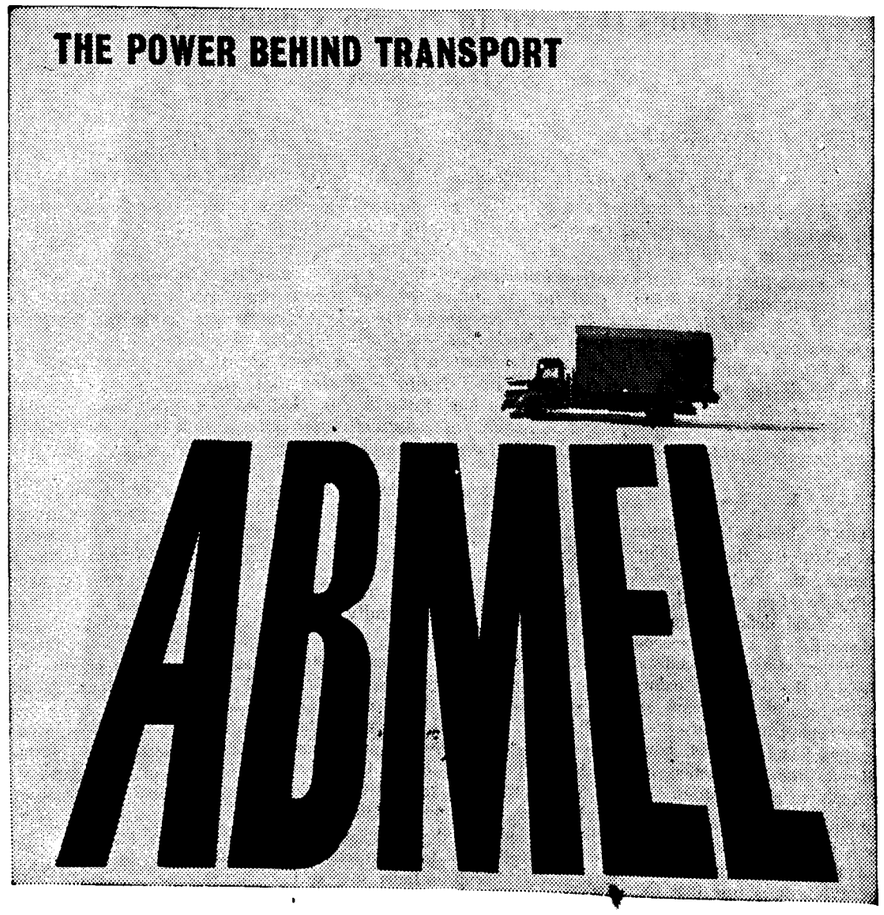
Construction Employment as Percentage of Economically Active Persons

In the developed regions, construction employment accounts for six to eight per cent of the total 'economically active' persons, as against one to three per cent in the underdeveloped regions. India's share seems to be the lowest. Even countries like the UAR, Ceylon and Greece command a higher share. This only indicates that a long way has to be travelled in India to create a construction boom in India so as to raise the proportion of working force in the construction industry.

III

Cyclical and Seasonal Unemployment in Europe and America

Traditionally, it has been held by economists that the construction industry should act as a shock absorber in the economy, i e, that the industry should expand or contract according to the needs of the overall economy. While its shock absorbing capacity cannot be denied, too much emphasis on these points may lead to unnatural growth giving rise to manifold problems later. This is not, however, to deny that the construction industry is also "among the hardest hit industries in times of depression but, paradoxically enough, many have at the same time long regarded public works as an ideal sponge for soaking up the unemployed workers in the economy as a whole. To persons engaged in the industry, however, a policy of putting unemployed workers with no construction experience to work on construction has disquieting implications. It may lead to many undesirable results such as a dilution of labour skills, a resort to improvised and hastily planned projects, a lowering of work standards, a departure from traditional contracting procedures, the undertaking of marginal... projects, the introduction of political considerations in construction decisions, and the over-expansion of the construction and construction materials industries. In short, it is felt that stabilisation of the economy as a whole, if it is sought by such means, may be at the expense of creating additional instability in the construction industry."[2] This may be true in the short run; for, although the construction industry will definitely be hit by a general depression resulting in a diminution of aggregate demand of the economy, it is again through construction that an attempt may be made to boost the economy; and once the economy is rescued from the lower ebb, much of the element of "creating additional instability in the construction industry" will recede. Through "soaking up the unemployed workers in the economy as a whole" — whatever be its repurcus-



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TABLE 1: PERCENTAGE OF ECONOMICALLY ACTIVE PERSONS EMPLOYED IN CONSTRUCTION

Countries	Year	Total Employed (in '000)	Percentage of Total Economically Active Persons
USA	1965	5001.0	6.4
Federal Republic of Germany	1965	2195.0	8.1
France	1962	1613.4	8.2
UK	1951	1430.5	6.3
Canada	1966	447.0	6.2
Japan	1965	3040.0	6.2
Italy	1965	2120.0	10.6
Columbia	1951	132.9	3.5
Pakistan	1961	346.6	1.2
Phillipines	1960	177.0	2.1
UAR	1960	157.5	2.0
Ceylon	1953	56.7	1.9
India	1961	2095.5	1.1

Source: ILO Year Book of Labour Statistics, Geneva, 1966.

sions in the construction industry itself — the economy stands to gain, and since the overall economy stands to gain, the construction industry, *ceteris paribus*, cannot lose. Thus, while in the long run, the construction industry may be a beneficiary, the industry may suffer from a situation of excess demand in the short run. Unlike the European countries, the USA, and Canada, where the supply of labour force is generally not in excess of demand, the situation as it exists in most underdeveloped regions is quite different; it perhaps, therefore, invites a remedy opposite to what may be used in the developed regions.

Like the winter months in the European and American countries, the monsoon in India halts construction for a temporary period of two to four months. Seasonal unemployment, therefore, does not arise because of lack of demand;[3] nor, as our survey indicates, is there an increased demand for construction during the pre- and post-monsoon period. In fact, because of climate and traditional custom, it has so far not been possible to undertake construction activities during the monsoon. Yet, simply because construction activities are high in the summer and autumn in the European and American countries and in the summer and winter in the tropical countries it does not follow that the demand for construction is high only during that period.

Haber and Levinson list five contributory factors to seasonal unemployment. These are (i) weather, (ii) custom and tradition, (iii) organisation of the construction process, (iv) structure of the industry with its many small and weak firms incapable of using advanced building methods, and (v) the general level of income. The Building, Civil Engineering and Public Works Committee of the ILO made a detailed study of the pattern of seasonal unemployment in the industry.[5] The broad conclusions of the study are as follows. During depressions, seasonal unemployment is high. This was the experience in the 'twenties and 'thirties in a number of countries, *viz*, Belgium, Denmark, France, the Netherlands, the UK and Norway. Secondly, during the Second World War, when human and material resources were fully utilised for war purposes seasonal unemployment was reduced to "practically zero". Thirdly, the severity of post-War seasonal patterns has diminished compared to in the pre-War period.

The post-War decade stands in many respects in sharp contrast to the 'twenties and 'thirties. First, after the Second World War prices were rising and an inflationary tendency prevailed. Secondly, there was in some countries shortage of construction workers. Thirdly, this was in fact a decade of construction. All these factors favoured the industry; the severity of seasonal unemployment was less than in the pre-War period in most of the countries of Europe as well as in Canada and the USA. The ILO study also indicates that besides the "actual impossibility of continuing outdoor work owing to weather" the seasonal unemployment in those countries (mainly in the winter season) resulted from other factors such as December holidays, "disinclination to build under threat of frost, the size of undertakings, availability of capital, traditional customs etc. Further, some disincentive element like reduced winter earnings on account of shorter daylight and absence of piece work etc also contributed towards seasonal unemployment".[6]

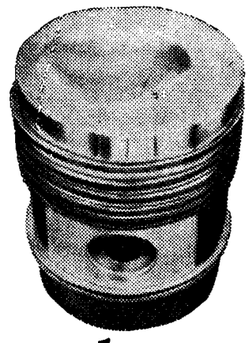
Of the factors listed above causing seasonal unemployment in the construction industry, *viz*, climate and social custom and tradition, climate seems to be the most important responsible factor. Horst Mendershausen's study[7] on the influence of temperature on employment in five European countries — the UK, Germany, Denmark, the Netherlands and Belgium — during 1916-36 showed a distinct correlation between the seasonal decline in employment in winter and the prevailing temperature during those months. His study, however, suggests the presence of other factors affecting the winter level of employment in the construction industry. For example, Denmark which had the greatest drop in temperature had less seasonal unemployment than either Netherlands or Germany. Secondly, his interpretaation was that "in countries confronted with a more vigorous climate, the construction industry has found it imperative to develop construction techniques for the winter operation".[8] Another study made in the USA in 1924 indicated the "importance of non-climatic factors in determining the level of employment in a given time". This study showed that, like winter, monsoon was also not a deterrent factor in maintaining the stability of employment.[9] Similar instances were also found in the case of reconstruction programme carried out in Greece by the United States contractors under the supervision of the US Corps of Engineers. During the worst part of winter, employment did not move below 70 per cent of the peak employment reached in early September 1948.[10] Even as far back as the 'twenties, a change of attitude towards seasonal unemployment is noticeable in the construction industry

TABLE 2: PERCENTAGE DISTRIBUTION OF PERSONS WITH NO WORK IN DIFFERENT MONTHS AMONG GAINFULLY EMPLOYED PERSONS IN AGRICULTURE AND CONSTRUCTION

Industry	Rural/ Urban	Months												
		January	February	March	April	May	June	July	August	September	October	November	December	Average of the year
Agriculture	Rural	10	11	12	14	13	9	4	4	6	6	5	6	8
Construction	Rural	10	6	5	6	7	9	11	16	18	16	16	14	11
Agriculture	Urban	9	10	12	12	13	9	4	4	6	6	5	6	8
Construction	Urban	4	4	3	3	2	7	8	9	10	8	7	6	6

Note: The percentages have been rounded off.
Source: NSS Ninth Round (Preliminary) Report No 16, pp 40 and 69.

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One of the reasons is we have the largest and the most modern piston assembly-making unit in South East Asia. Another is we give precisely what our customer specifies.

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TABLE 3: AVERAGE PERIOD OF EMPLOYMENT AND UNEMPLOYMENT OF CONSTRUCTION WORKERS

Reference period: one year

Occupation and Sex	Average Period of Employment (in months)			Average Period of Unemployment (in months)		Total (in months)
	Constn	Agri	Other than Constn and Agri	Involuntary	Voluntary	
Skilled, all male						
Masons	9.29	0.42	0.29	1.84	0.16	12.00
Carpenters	9.88	0.33	0.34	1.33	0.12	12.00
Fitters	9.90	0.00	0.60	1.40	0.10	12.00
Khalashis	8.00	1.55	0.64	1.63	0.18	12.00
Others, skilled	9.43	0.23	0.92	1.23	0.19	12.00
All skilled	9.30	0.50	0.56	1.49	0.15	12.00
Unskilled						
Male	8.17	0.65	1.00	2.05	0.13	12.00
Female	6.80	0.72	2.28	2.20	0.00	12.00
All Unskilled	7.48	0.68	1.64	2.13	0.07	12.00
Total	8.39	0.59	1.10	1.81	0.11	12.00

Source: Field investigation by the writer.

in the USA, where a committee of the President's Conference on Unemployment reached the following conclusion: "Custom, not climate, is mainly responsible for seasonal idleness in the construction industries. Contrary to popular belief, bad weather is not the principle cause of variation in employment from month to month".[11] Further studies subsequently made in that country re-affirmed the conclusion reached by the President's Conference on Unemployment. Almost similar views are held by the governments of the UK and Canada.[12]

IV

Seasonal Unemployment in India

Survey on Contract Labour in selected industries (including construction) conducted by the Ministry of Labour and Employment, Government of India, and the NSS Ninth Round, offer two valuable sources of all-India data relating to seasonal fluctuation in construction employment. While the latter presents an overall picture of the industry, the Labour and Employment Ministry Survey presented, costwise, the magnitude of seasonal unemployment. In other words, it was shown how the magnitude of seasonal unemployment differs according to cost considerations. It gives us three sets of data, one for Central Public Works Department (CPWD) projects, the other for State PWD projects, and the third for private construction. (Besides, seasonal variation in dam construction was also given. This has not been included in our present study.) The non-uniformity of the two public sector data has been due to the fact that, in the State PWD projects, only variation due to weather and climatic conditions could be indicated because of certain limitations, whereas the overall seasonal variation in employment has been exhibited in the case of CPWD projects. Thus the former clearly depicts the effect of monsoon on the construction employment which starts declining irrespective of the cost of the projects right from the month of May and starts rising only at the end of the monsoon, *viz*, September and October. It is interesting to point out that, in case of big projects (Group V: above Rs 1 crore), the upward trend starts much earlier although it crosses the January employment index only by November.

If, however, one takes the overall seasonal variation into consideration, one would find that, in the aggregate, monsoon months cannot be taken as lean employment months. The average employment was much higher than the January figure. Projects covered according to cost in Group II (Rs 5 lakhs to Rs 25 lakhs) show a persistently rising trend reaching 433 in December 1959 (January 1959=100). Similarly, in projects covered in Groups III (Rs 25 lakhs to Rs 50 lakhs), IV (Rs 50 lakhs to Rs 1 crore), V (Rs 1 crore and above) one cannot explain the employment fluctuation by climatic considerations alone. There seems to be no impact of monsoon on private constructional activities. Rather, the index has shown a rising trend in the monsoon months. Similarly, the NSS Ninth Round data, as given in Table 2, indicate that both in the rural and urban areas the percentage of people having 'no work' in the construction industry is higher in the post-monsoon stage than in the monsoon period. This is particularly evident in the rural areas.

One can thus reasonably conclude that, like winter in European countries, the monsoon is not necessarily a major deterrent factor causing fluctuation in employment. In any case, there seems to be little objective reason to justify the non-feasibility of repair as well as most indoor building work during the monsoon months. Furthermore, the monsoon, like winter, is not uniform throughout the day and its severity varies from region to region.

The data in Table 2 also indicate some inverse relation between agricultural and construction employment. The high unemployment month in construction seems to be the low unemployment month in the agricultural sector, and *vice versa;* and this pattern is visible both in the rural and urban areas. But this by itself need not necessarily imply that migration of workers from construction to agriculture (and *vice versa*) is most common. In the case of

TABLE 4: PERCENTAGE DISTRIBUTION OF CONSTRUCTION WORKERS BY EMPLOYMENT-PERIOD IN CONSTRUCTION PROJECTS AND OCCUPATION

Reference period: one year
Base: workers of each occupation and sex

Occupation and Sex	Employment in Construction during Last 12 Months					
	Less than 2	2-6	6-9	9+	NR	Total
a Male						
Masons	0.00	3.23	29.03	67.74	0.00	100.00
Carpenters	0.00	6.06	0.00	93.94	0.00	100.00
Fitters	0.00	5.00	10.00	85.00	0.00	100.00
Khalashis	27.27	18.19	54.54	0.00	0.00	100.00
Others, skilled	5.88	17.65	76.47	0.00	0.00	100.00
Unskilled	2.87	12.07	25.29	58.05	1.72	100.00
b Female						
Unskilled	0.00	23.08	38.46	34.61	3.85	100.00

Source: Field investigation by the writer.

an unskilled working force such migration does take place, but the proportion among the semi-skilled workers is much less and among the skilled workers it is negligible. The need for hired labourers in the agricultural sector seems to be on the decline,[13] and this decline is likely to persist in future.

V

Results of Field Study in Tripura

That the demand for construction workers is not as irregular as it is generally supposed to be will be evident from Tables 3 and 4. The industry alone, it appears, needs the services of workers for an aggregate period of 8 1/3 months of a year; the break-up between skilled and unskilled is 9.30 and 7.48 months respectively out of the 12 months. In other words, 80 per cent of skilled and 55 per cent of unskilled workers are employed in the industry for a period of nine months or more in a year. Occupation-wise, the position of carpenters and the position of fitters seem to be the best, inasmuch as 94 per cent and 85 per cent of them, respectively, are employed for the same period. The relatively low percentage of stable employment for unskilled workers may be due to their easy mobility in the absence of any particular skill in their possession, in that that they may more easily take an opportunity for access to any other job where much skill is not required. Agriculture, household cultivation, and petty trade, are the important trades/sectors where these people get employed during the lean season of construction activities. It may be reasonably claimed, therefore, that the diffusion of technical skill and knowledge may give these unskilled labourers a better footing in the construction sectors, but such a projection cannot be stretched too far in the absence of knowledge of the demand and supply position for each category of labour force.

VI

Need for Deseasonalisation and Decasualisation

A careful reading of Tables 3 and 4 may raise questions about the desirability or justifiability of a decasualisation scheme for the construction workers; for, excepting unskilled women workers, the average period of construction employment is not as low as to cause any serious anxiety. On the whole, unemployment for two months (although much of it is involuntary) in a year, in a country like ours, is not likely to attract sufficient attention of planners, economists and public authorities since still more deplorable is the economic condition of others who remain unemployed for a far longer period. The problem should, however, be looked at from another angle. First, a relatively short period of unemployment is likely to make the scheme feasible at least from cost considerations. The shorter the period of unemployment, the lesser will be the cost of any unemployment benefit. With regard to the length of the benefit period, it should be noted that, the occupation-specificity of certain categories of workers is relatively flexible, i e, they can be employed, in various manual activities. It is expected that a compensation scheme for these workers would involve less cost than that for those whose occupation-specificity is relatively more rigid. If one month's leave with pay is added to a period of continuous employment, which may come to about 10 months in a year, the period that may have to be covered to provide them with 100 per cent employment or income guarantee comes to one month only or the corresponding income thereof. Initially, the expected period of unemployment may be covered at a reduced rate — say at 50 per cent.

Secondly, a provision for such a benefit may act as a check on the volatility of the demand-initiating process. When the problem of uncertainty in employment of workers in a particular industry arises because of the uneven pattern of demand for the product of the industry, it may be examined whether the demand pattern can be made uniform so that the industry can employ labour on a regular footing. To talk about making demand uniform, or spreading its quantum over the year at an even rate, naturally suggests some effective control over the demand-initiating process. This is possible in a centrally planned economy like the USSR. And. if demand is initiated from one or two sources only (a situation which in a restricted sense resembles monopsony), then the demand can be regulated even in an economy like ours.

Thirdly, it may be argued that, although the factor-demand in the industry as a whole is not seasonal, when it comes to a single construction firm it becomes not only seasonal but also very much irregular and intermittent. So long as a particular project is under construction the workers will remain engaged, and after the construction is completed the services of workers will be dispensed with. The problem thus becomes structural and institutional rather than one of irregularity in demand as such. Labourers are employed casually not because the demand for them or, for that matter, the demand for the product they produce is irregular, but because the structure of the industry is such that their services are required by each firm for a particular period. If, however, by an additive process — i e, taking into account the demand for workers by a series of firms — it is observed that employment of workers is more or less continuous and not very intermittent, it can be argued that decasualisation is a possibility, provided some structural change can be made in the industry.

Lastly, the need to provide a continuous employment to replace what was aptly described by Beveridge[14] as a situation where "men were continually being taken on and discharged as jobs began and ended", is obvious from the socio-economic point of view. Besides the traditional argument in favour of decasualisation — which is that casualisation brings in its train an army of non-committed labour force — the following arguments may be advanced in support of any scheme for decasualisation. (A) What little labour-welfare measures may be codified, employers can escape them by providing *ad hoc* and casual employment. *Ad hoc*, casual employment also enables employers to obviate the "necessity for graded pay and promotion, for bonus and provident fund, and for leave with pay".[15] No wonder that, a constant change in the labour force is also preferred by employers when it provides them with the opportunity to reduce their wage bill.[16] (B) Instability and constant change-over in employment also hinders solidarity among the working class.[17] As is generally the case in the construction industry, even workers working in the same project are not united by any economic bonds because employment is casual. (C) In the past, the system of casual employment has resulted in a new category, *viz*, the 'rentier' class, popularly known as the jobbers who were interested in constant change-over of the labour force, as that entitled them to a higher commission. The system is in vogue even today. Although the system has long been recognised as unscientific, unsatisfactory and undesirable, it has continued to exist nevertheless, and even today its total abolition has not been found practicable largely because a sudden increase in the demand of labour force necessitates the help of these intermediaries.

Climatic variations apart, an excessive supply of labour, particularly of the unskilled category, acts as a hindrance to any decasualisation scheme. It is argued that, so long as a stable output can be had without maintaining stability of jobs or, in other words, with an unstable labour-force most of which is employed on a casual basis, there may be a tendency in the policy on employment to be subjected to a 'go-slow' on decasualisation. Again, if one looks not from the output-stability point of view, but from the employment-stability point of view, it may be argued with equal force that, so long as the demand for labour in the aggregate is maintained at a stable level for a fairly long period, there seems to be *a priori* justification for decasualisation.

VII

Conclusion

If the quantum of construction investment is maintained at a certain level, and if there are suitable structural and organisational changes, the construction industry could be brought on par with any other organised industry. What provides the construction sector with an additional advantage over the other industries is that the former suffers from no marketing problem, inasmuch as it functions in a sheltered market. In other words, given certain structural and organisational changes, the construction industry can provide as much stable employment as the cotton textile or the engineering industry. On the theoretical plane, we do not, therefore, find any justification for instability of employment simply on climatic considerations.

Notes

1 In the first draft of the Fourth Five-Year Plan it was pointed out that construction would absorb more than 50 per cent of outlay.

2 I.L.O : Building, Civil Engineering and Public Works Committee, Report III of the Seventh Session, p 3 (mimeo), Geneva, 1964.

3 Unlike consumer goods, particular kinds of weather does not and cannot affect the demand for durable and highly costly investment in houses, roads, bunds and railway construction.

4 Harber and Levision : "Labour Relations and Productivity in Building Trades".

5 I.L.O, Report II of the Seventh Session, *op cit.*

6 ILO, *ibid*, p 8.

7 Horst Mendershausen : "Les Variations du Movement Saisonnier dans l'Industries de la Construction", University of Geneva, 1937, p 167. Quoted from ILO, B C E and P W, Committee Report III, the Third Session, 1951, p 23, Geneva, 1951.

8 ILO etc, Report III of the Third Session, Geneva, 1951, p 23.

9 *Ibid.*

10 *Ibid*, p 22.

11 *Ibid.*

12 *Ibid.*

13 D Ghosh : 'The Agricultural Labourer 1950-51 to 1956-57', in "Agricultural Labourer in India", edited by V K R V Rao, Asia, 1962.

14 Lord Beveridge : "Full Employment in a Free Society", Allen and Unwin, 1960, p 45.

15 Daniel Thorner, 'Casual Employment of a Factory Labour Force — The Case of India, 1850-1939', *Economic Weekly*, Annual Issue, January, 1957, p 121.

16 R K Mukherjee, "Indian Working Class", p 36.

17 *Ibid.*

Sacred Cattle and More Sacred Production Functions

V M Dandekar

In his article "India's 'Surplus' Cattle: Some Empirical Results" (Review of Agriculture, December 1969, p A-225), Hanumantha Rao's central proposition is as follows: "If a significant female cattle population is surplus or redundant then one should expect the elasticity of output (i e, breeding efficiency, milk and dung) response for an animal with respect to the feed and other inputs to be more than unity. Elasticities significantly less than unity could mean that the existing number is less than the number desired by the farmers on economic grounds."

This is not a correct formulation; for, what is relevant here are not elasticities but marginal productivities.

Output elasticities are irrelevant to answer the question under discussion. Even if they are relevant, the choice of the Cobb-Douglas function is inappropriate, first, because it can rarely yield elasticities greater than unity and, second, because it assumes the elasticities to be constant.

In fact, marginal productivities are relevant. But the choice of a linear production function would be inappropriate because it assumes marginal productivities to be constant. What is needed is a production function which permits variation in marginal productivities.

C H HANUMANTHA Rao [1] is evidently perturbed by the recent debate between K N Raj [2] and Marvin Harris [3] on the one hand and myself [4, 5] on the other, on India's 'surplus' cattle and wants to believe that, thereby, the controversy has considerably narrowed down. In evidence, he quotes me to say : "India needs all the draught animals that there are; with the existing technology and institutional arrangements, their number cannot be reduced." I shall quote the original so that the reader may know how anxious Hanumantha Rao is to show that the controversy has narrowed down. The original is as follows : "Before pursuing this point further, it will be convenient to get a certain detail out of the way... Harris suggests, along with others, that with the existing technology and institutional arrangements prevailing in Indian agriculture, it is not possible to

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reduce the number of draught animals; . . . As 'technology' and 'institutional arrangements' are sufficiently omnibus terms, it will simplify argument if we accept this proposition . . . Let us therefore suppose that India needs all the draught animals that there are in the country but cannot afford any more. In a discussion of the right size of the cattle population, we thus isolate the cow". [5] On a re-reading, this may disappoint Handmantha Rao, but I cannot help. I did not say that India needs all the draught animals that there are in the country; I said let us suppose so. I did this because it is analytically convenient to isolate the cow in this manner, to focus attention on her as the producer of draught cattle and to ask how many cows are needed to reproduce a given stock of draught animals. I took the same position in my criticism of Raj when I said : "Let us suppose, as Raj argues, that under the existing technology and institutional set up in Indian agriculture, this number (of 1490 draught animals in certain farms) is irreducible. There remains nevertheless the relevant question : Are 950 cows needed to maintain a stock of 1490 draught animals? Raj has totally neglected this aspect of the problem." [4] Hanumantha Rao is aware of this.

I hope, on a re-reading, Hanumantha Rao will see the logical point. But I am not sure. Hanumantha Rao appears to have a real difficulty with elementary logical reasoning. Consider, for instance, his observation : "The fact that farmers do resort to deliberate starvation for getting rid of redundant animals leads one to expect the actual not to be higher than the desired stock." [1] I suppose no comment is needed. If one wants to read Hanumantha Rao with more charity the above is the same point which Raj makes when he says : "Obviously, killing must be taking place, but perhaps the main technique adopted for getting rid of the cows is infanticide and deliberate starvation." [2] On this, I will ask the same question which I have asked Raj : "Does he suggest that infanticide and starvation are exact substitutes for slaughter and result in exactly the same size and age-sex composition of the cattle population?" [4].

Consider again Hanumantha Rao when he refers to me and says that "surplus cattle is expected essentially among large farms having three cows or more". [1] The reference is to my criticism of Raj [2] where he seeks to justify "the large number of relatively under-nourished cows maintained in the rural areas" on grounds of indivisibility of the cow so that when a small farmer has only a small demand for milk for home consumption, he keeps a small under-fed cow because he cannot keep a fraction of a good cow. In my criticism, [4] I examined the data presented by Raj, pointed out that only about 30 per cent of cows were held by farmers owning only one cow, that another 30 per cent were held by farmers owning two cows each and that the remaining 40 per cent were held by farmers owning three or more cows; and I asked how did one justify the existence of underfed cows with the latter two groups of farmers and especially the last group of farmers (owning three or more cows each) on grounds of indivisibility. I did neither suggest nor imply that "surplus cattle is expected essentially among large farms having three cows or more".

I would ordinarily pardon such failure in logical understanding in a younger person because one hopes that in due course it would improve. I think it is unpardonable in so senior an academician as Hanumantha Rao.

But, let us meet him on his home ground, namely, the production function which also is the central theme of his present paper. Raj asked the relevant question, "whether, given the amount of food that can be spared for maintaining animals in the situation, a higher output is secured by giving this food to a smaller number and raising their productivity or by distributing it over a larger number" [2] but immediately offered the apology: "A firm answer to this question cannot be offered without much deeper investigation into the relevant production functions." [2] Of course, we need to know the nature of relevant production functions. But it is not as if we know nothing about it. For instance, Raj observed that "the productivity of live-stock as milch animals is highly responsive to the quantity and quality of the feed" [2] and conceded that "one should expect the holders of milch animals to be more concerned about their feed requirements and . . . choose perhaps to hold a smaller number of animals and feed them well than keep a large number in a serious undernourishment by distributing the food among "them". [2] Similarly, I suggested "that with better feeding their productivity can be more than proportionately increased; that, therefore, with given resources, a smaller stock of such animals can give more milk, traction and dung than the much larger stock of non-descript animals at present gives." [5] Thus, on this central question, namely the nature of the relevant production functions and the conclusion to be drawn therefrom, there was a substantial agreement between Raj and myself. The differences between us were essentially on other points.

But, in the matter of production functions, both Raj and myself are non-specialists and were content to discuss the subject in rather loose and non-technical terms. Hanumantha Rao is an acknowledged specialist in this field and naturally desires to formulate the propositions in more rigorous and technical terms. This is welcome. It helps make many things clear.

Hanumantha Rao's central proposition is as follows: "If a significant female cattle population is surplus or redundant then one should expect the elasticity of output (i e breeding efficiency, milk and dung) response for an animal with respect to the feed and other inputs to be more than unity. Elasticities significantly less than unity could mean that the existing number is less than the number desired by the farmers on economic grounds." [1] I venture to suggest that this is not a correct formulation; for what is relevant here are not elasticities but marginal productivities. As the readers are aware, the confusion between output-elasticities and marginal productivities or between demand-elasticities and marginal propensities is quite common among economists with a weak mathematical base. That it should prevail with a production-function specialist is surprising. Its occurrence here is also not due to an accidental lapse. Hanumantha Rao proceeds to fit Cobb-Douglas production functions, presents the results and, because the co-efficients are all smaller than unity or significantly different from unity, concludes: "These results suggest that in the regions and for the period studied, the actual number of milch animals may not have exceeded the desired number and, in Andhra, the actual number seems to have been close to the desired or optimal number." [1] These are called "Some Empirical Results". [1]

I think this is all wrong, that no such conclusions follow from the values of output-elasticities. But, let us suppose, for the time being, that output elasticities are relevant and that elasticities greater than unity indicate existence of surplus cattle population and that elasticities less than unity indicate less than optimum cattle population. (Please

do not drop the opening phrase while quoting.) The next question to ask a production-function specialist is: How often does one expect elasticity coefficients in a Cobb-Douglas production function to be significantly greater than unity? Elementary production theory suggests that the normal phenomenon is constant-returns-to-scale and that therefore, provided all the important factors of production are incorporated in the Cobb-Douglas production function, the *sum* of the elasticities will be close to unity. I presume that the production functions presented by Hanumantha Rao are per animal, which means that one of the most important factors of production, namely, the number of animals, has been held constant. In the circumstances, constant returns to scale are impossible and even the *sum* of the elasticities in the Cobb-Douglas production function would not be close to unity. It follows that the elasticity for any one factor such as feed cannot be anywhere near unity and that the larger the number of factors included in the production function, the smaller will be each single coefficient. This is my understanding of the elements of the Cobb-Douglas production function. If this is correct, I do not know what Hanumantha Rao is talking about.

There is yet another point to note about the application of production functions to questions such as the one under discussion. Suppose Hanumantha Rao accepts my initial point namely that not elasticities but marginal productivities are the relevant quantities. In that case, he would fit not the Cobb-Douglas production function but the linear production function. The Cobb-Douglas production function offers ready estimates of the output elasticities because it assumes them to be present throughout the range of production. Similarly, the linear production function offers ready estimates of the marginal productivities because it assumes them to be constant throughout the range of production. Hanumantha Rao fitted Cobb-Douglas production function because he wanted to estimate output elasticities. He would have fitted the linear production function if he knew that he should estimate the marginal productivities.

If, in a linear production function, the output and the inputs were expressed in money terms, the marginal productivities have a simple meaning. For instance, if the coefficient of marginal productivity of a certain input is greater than unity, it means that an additional one rupee worth of that input gives more than one rupee worth of additional output. If the coefficient is less than unity, it means that an additional one rupee worth of that input gives less than one rupee worth of additional output. It is clear therefore that the coefficients of marginal productivity of feed and fodder are relevant to answer the question under discussion.

But the question: "Will the output increase if the available feed and fodder are given to a smaller number of animals than at present?" implies that the marginal productivities of feed and fodder are not constant throughout the feasible range of input and output. If they were indeed constant, the question would be meaningless; the output would not increase if the available feed was given to a smaller number of animals; but the output would also not decrease if it were given to a larger number of animals. In fact, under those conditions, the output depends only on the amount of feed available no matter to how many animals and how it is distributed.

To sum up: Output elasticities are irrelevant to answer the question under discussion. Even if they were relevant, the choice of the Cobb-Douglas function is inappropriate firstly because it can rarely yield elasticities greater than unity and secondly because it assumes the elasticities to be constant. In fact, marginal productivities are relevant. But the choice of a linear production function would be inappropriate because it assumes the marginal productivities to be constant. What is needed is a production function which permits variation in the marginal productivities.

Two lame defences may be put forward. To avod further correspondence on these elements of production function, I shall anticipate the arguments. The first argument is in defence of the linear production function. It will be pointed out that the linear production function does not 'assume' constant marginal productivities but estimates the average values of possibly varying marginal productivities. This is admissible semantics but it does not justify the use of 'average' marginal productivities to answer the question under discussion.

The second argument is in defence of the Cobb-Douglas production function. After admitting that marginal productivities and not output elasticities are the relevant quantities and that the production function should permit variation in the marginal productivities, it will be pointed out that the Cobb-Douglas production function satisfies this condition and hence is appropriate. This is of course correct and Cobb-Douglas production function would be appropriate provided it is used to estimate the varying marginal productivities and not the elasticities assumed constant in the function. But there is a further difficulty. The Cobb-Douglas production function, though it gives varying marginal productivities, for reasons already stated, gives only declining marginal productivity of each input, while what we need is a production function which permits the marginal productivity of feed to both increase and decrease over certain ranges. Thus, the Cobb-Douglas production function appears quite inappropriate to examine the question under discussion.

Hence, in general, if one is looking for a production function which permits such a variation in the marginal productivity of an input, it may be simpler to attempt a production function which is at least a cubic in that input. There are of course other forms of production function which permit similar variations in marginal productivities. Presumably, such production functions, when inputs and output are all expressed in value terms, will show that the marginal productivity of feed and fodder is very low at lower levels of feeding, that it increases over a certain range and then falls off and that within a certain range of feeding, the marginal productivity of feed is greater than unity. A production function which brings out these essential features of animal response to feeding will alone enable one to decide as to how many animals a given feed and fodder should be distributed to in order to maximise output.

It is obvious that there is no single production function for the entire cattle population in India. The function will be different for different breeds or kinds of stock and for different feeding practices. Moreover, we should note that a production function, howsoever elaborate, by itself is not enough to answer the initial question: "Will the output increase if the available feed and fodder are given to a smaller number of animals than at present?" because the available feed and fodder are not easily quantifiable. Hence we must know not only the production functions appropriate to different breeds and feeding practices but also as to how many animals are maintained at different points of the production function in each case. Judging by the difficulties of securing data and deriving necessary production functions therefrom listed by Hanumantha Rao, it seems that we shall never have a satisfactory set of production functions in our armoury adequate to answer the question. Shall we therefore refuse to answer urgent questions of practical policy?

Practical Policy

I submit that, though improvement of data and their economic analysis are always welcome, we know enough about the nature of the relevant production functions and the state of cattle in the country to be able to answer certain questions of practical policy in this field. As mentioned above, we can reasonably guess that the production function will have an initial range where the marginal productivity rises from zero to unity, a middle range where the marginal productivity rises above unity and falls back to unity, and an end range where the marginal productivity declines from unity to zero. The initial range is the maintenance range where part of the feed goes towards the basic maintenance of the animal. The middle range is what interests the producer. The end range is the range of uneconomic feeding. These are reasonable guesses based on what we know of animal response to feeding. It was on some such guesswork that both Raj and myself put forward what we believed would be the nature of the production function and the conclusion we should draw therefrom. Hanumantha Rao, though he is a specialist, is not necessarily adverse to making similar intelligent guesses either. Consider for instance his observation: "Secondly, animals fed under confinement can be expected to show a higher output response than when they procure the same quantity of feed through open grazing. Open grazing represents the substitution of animal labour for human labour towards producing feed and a good part of feed is expanded to meet this energy requirement." [1] I submit that it is legitimate to supplement data with such informed guesswork and accept professional responsibility to answer urgent questions of practical policy.

If this is agreed to, some simple propositions follow. An animal should be maintained, if it is maintained for an economic purpose, within the middle range of the production function in which the marginal productivity of feed is greater than unity. Indeed, it is only the latter part of this middle range, where the average productivity of economic production. This means that an animal must receive full quantum of its basic maintenance ration and a good deal more. A cursory glance at the cattle population today is enough to show that a vast majority of the animals do not receive even their basic maintenance feed. Some of them will not respond to better feeding and hence cannot possibly be brought within the range of economic production. These animals are plainly uneconomic; they may be old, diseased, or otherwise unproductive. No amount of dung collection by economists can justify their encroachment on the limited feed and fodder resources. Other animals are good, will respond to better feeding and can be brought up within the range of economic production. The farmer knows this. But the animals are too many and the fodder and feed too little for this to be done. Therefore, the farmer must be permitted to make a selection, maintain only as many animals as can be maintained in economic production within his resources and weed out the rest. Today, he has not the choice.

Legitimate Economic Use

After all what is at stake? No one has suggested that the economists should assess as to how many cattle are surplus, round them up all one evening and bring them to the breakfast table the next morning. All that is suggested is that cow slaughter should be legalised so that a legitimate economic use of the animal is brought within the purview of the production function and the farmer is given the choice whereby he may put his resources to their several alternative uses. This cannot but improve the productive efficiency of the cattle population. But Hanumantha Rao says that legalisation of cow slaughter may not be Paretowise optimal. I do not know what this is. But is ban on cow slaughter Paretowise optimal? This is a facade of objectivity as barren as the Sacred Cow.

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India Sugars and Refineries

INDIA Sugars and Refineries, which doubled equity dividend at 15 per cent in the preceding year, is totally skipping distribution for the year ended September 1969 during which it showed a trading deficit of Rs 15 lakhs against a surplus of Rs 60 lakhs in spite of crushing an all-time record quantity of cane at 2,49,482 tonnes (1,48,257 tonnes) and producing 22,669 tonnes (15,871 tonnes) of sugar. The nigger in the pile was average recovery which declined from 10.59 to 9.06 per cent. Other factors contributing to this dismal picture were a "steep" fall in market price of free-sale sugar and "high" price of cane fixed by Mysore government. The company contends that its factory has been wrongly bracketed with Zone. One units whose levy prices is "much below our actual cost of production". A writ petition field by the company in the High Court, challenging the validity of classification of its factory is still pending hearing as also the writs filed by sugarcane growers and some of the societies challenging the validity of the government order in respect of the additional cane price liability. The Pampsar distillery unit produced 50 per cent more alcohol at over 30 lakh litres, but I S R's total turnover was still 9 per cent lower at Rs 3.26 crores. Income from investments and loans, however, increased by more than Rs seven lakhs at Rs 10 lakhs. After depreciation, net deficit swelled to Rs 25 lakhs to be set off against the general reserve. The performance of the current season is also said to be not satisfactory, with the sugar recovery running at an "all-time low".



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Problems of Technical Education

D P Nayar

Problems of technical education may be studied under three broad heads: preparation for technical education, technical education itself and the succeeding practical training.

The ground for technical education has to be prepared by general education, through teaching of humanities and the basic sciences as well as imparting of basic skills over which the superstructure of more complicated skills can be built at a later stage.

Coming to technical education proper, the problems concern the quality of students who joined technical institutions, determining how many students should be admitted at different levels and in different specialisations and preserving and improving quality in the context of the rapid expansion of technical education in recent years.

Practical training is very unsatisfactorily organised today with industry taking very little interest. What is necessary is to formulate clearly the nature, content and methods of industrial training.

The manner of financing of technical education is very important. The major beneficiary of technical education is industry. Industry should be made to pay and take full responsibility for the products it consumes. It is worthwhile in this context to examine whether some measure on the lines of the Industrial Training Act in UK would not be beneficial to technical education in this country.

AS technical manpower is an essential and important input in production, the return from technical education is very high and immediate. Technical education, however, is very expensive. Further, it has to be planned in very close co-operation with industry, at both the stages of institutional training and in-plant training. Hence, its planning has to be most carefully done. Planning means identification of problems and finding solutions for them.

Pre-Technical

Problems of technical education may be studied under three broad heads: preparation for technical education, technical education itself and the succeeding practical training. The ground for technical education has to be prepared by general education, through the knowledge of humanities and the basic sciences as well as the imparting of basic skills over which the superstructure of more complicated skills required by industries can be built at a later stage. These simple skills are the skills of fingers and of muscle co-ordination and can be best taught when the child is very young. They can be taught very cheaply through simple handicrafts, which, even otherwise, are a valuable medium of education at the lower stages. These crafts have the additional advantage of inculcating in the students the dignity of labour and the readiness to roll up one's sleeves which is essential for industrial production.

Other attitudes which are relevant and which have to be built right from the beginning are initiative, resourcefulness, capacity for team work, leadership, etc. These qualities are especially important in a developing society in which technical manpower has a large scope for self-employment. Self-employment is also the only safety-valve in a situation where maladjustment between demand and supply in the organised sector will be a frequent phenomenon. These qualities are a function of curricula and methods of teaching which need to be devised with very great care and kept up-to-date.

Technical Students

Coming to technical education proper, the first problem concerns the quality of the students who join technical institutions. The general impression is that people want to go to white-collar jobs and the problem in India is to persuade them to go to technical institutions. This is, however, contrary to the actual situation where, till the recent unemployment among technical manpower set in, the number of applicants was far in excess of the numbers who could be provided seats in technical institutions. For, however strong might have been the preference for a white-collar job in the Indian social system, under the stress of economic circumstances, that factor has not been operative in determining admissions to technical schools and colleges. The best boys have gone to engineering colleges, the second best to the polytechnics and the next grade, either because of poor ability or because of lack of economic sustaining power, have gone to the craftsmen training schools.

"Best" has, however to be carefully interpreted: They are the best according to the criterion of the examination held. In view, however, of our largely academic type of education, both at the elementary and the secondary stage, and the absence of an effective system of aptitude testing on the one hand and of vocational guidance on the other, one cannot say with certainty that boys with the greatest aptitude for technical jobs go to technical institutions. The right student for the right course is accidental and exceptional rather than the result of a deliberate and well informed choice. Many students who go in for engineering would perhaps have done better, both from their own point of view and that of society, if they had gone to social sciences, medicine, general science or other areas. For the healthy growth of the economy requires sound leadership in all fields and that the students should be helped into the most appropriate subjects according to their aptitudes. The situation has become even worse now from the point of view of the engineering courses as even the best examinees are no longer coming forward to take them. Spread of vocational guidance on a large scale has become doubly important today so that students are informed in time of the courses they should pursue, depending on their aptitudes, without being unduly affected by short-term market conditions.

Quantitative Determination Manpower Planning

The second problem, and perhaps the most difficult one, is the one of quantitative determination. How many students should be admitted at different levels and in different specialities? These have to be related to the needs of the economy five or six years hence, when they will complete their courses. The lead time differs at different levels, but is especially long at the higher stages, which makes adjustment at that level more difficult. The growth of the economy, especially in developing countries, over long periods, is difficult to predict with accuracy

and in sufficient detail. For it is subject to so many interferences — local, national and international — that it would be surprising if the rate and pattern of growth followed in the wake of predictions. The pattern of employment in different industries not only changes with advances in technology but also depends upon the size of the enterprises as well as the general attitude of the employing agencies and that of technical men about the jobs and the personnel who should do them. For example, in India management, marketing and sales are generally in the hands of non-technical men. Recent experience in the developed countries, however, shows that it adds considerably to profitability to put technically trained men in charge of management, marketing and sales of goods produced. With such a change in attitudes, the present unemployment among engineers could perhaps turn into a shortage.

About the factor of size, there is no proportional relationship between the size of production and the technical manpower required so much so that changes in plant sizes could substantially affect manpower requirements especially in quantity. For example, the Committee on Manpower for the Expansion of the Steel Industry during the Fourth Plan period pointed out in June 1964 that "with increase in planned capacity there is a significant decrease in the requirements of supervisory or executive engineering personnel per unit of capacity/production" [para 11(a)].

Further, to operate any meaningful admission policy it is necessary to know not only how many engineers and technologists will be required by the economy 10 years hence but their breakdown by educational levels and among the different specialities. This will need details of future investment, pattern of growth in economic sectors, likely advances in technology, etc, which it is practically impossible to predict with any precision. These difficulties are further aggravated in a mixed economy where the State has neither control over admissions nor over deployment — except in a limited way, so far as it concerns the public sector, which is about half of the total economy.

In the USA, which is somewhat similarly placed as India, especially with reference to freedom of individuals to take up courses and employment of their choice, the emphasis is on providing an extensive system of career guidance and counselling for students and the provision of educational/training programmes organised and/or supported by industries. Consequently a high degree of occupational mobility among professional manpower groups becomes possible and keeps the demand and supply reasonably balanced in a rapidly changing situation. In the USSR where macro and micro manpower planning is resorted to on a national scale, the State has full control both over admissions and deployment. Even then maladjustments between supply and demand do arise. The Soviet Union overcomes the difficulty by putting the trained engineer in any job that is available. This course has the additional advantage of bringing new experience to a job, with the result that both the job and the man are renovated.

In India these difficulties which are inherent in the situation and would be in evidence in any democratic country became magnified by the conflict with our neighbours in 1962 and 1965 as well as by one of the severest droughts in history continued over two consecutive years (and this in a country where about 50 per cent of the national income comes from agriculture and where over 70 per cent of the population are dependent on agriculture as a livelihood). Another difficulty in the Indian federal structure is that the mobility of technical personnel is seriously limited by physical, social and political factors, which make it necessary to plan manpower in the context of each State rather than on a country-wide basis. This immediately multiplies the problem as the variables in each State have to be determined, which are in turn dependent on what happens in the rest of the country. Again, while mobility is restricted it is there and the precise degree of it which should be taken into account in arriving at final calculations is very difficult to determine.

In spite of all these defects manpower planning is as indispensable as planning in other areas. It must, however, be emphasised that it can only be indicative. Its limitations could be reduced by making full use of the latest techniques and fuller knowledge of the various factors involved in determining future employment. A strict and continuous watch should be kept over the employment situation as it develops, and the admission pattern changed if certain trends become sufficiently established. The present employment data need considerable improvement in regard to its scope, detail, validity and speed. There needs, further, to be a close liaison between the educational and training authorities and the employment service agencies as well as the employing sectors. Industry needs to be closely involved in the periodic reviews of manpower forecasts, since it is in the best position to foresee changes in technology, size of enterprises, etc, and their likely impact on the pattern of employment. In the USA, for example, each major industry does very detailed planning of its own future manpower requirements as a part of its business forecasting. In India, industry has not yet become sufficiently aware of this need.

A close liaison of the industry and the planning and employment service agencies also needs to be worked out with the educational institutions so that timely changes can be made in the pattern of admissions. The manoeuvrability in this regard, however, is limited. The development of institutions is an integral whole and it cannot be interrupted in the middle even though it might become evident that the required admissions would be less than those for which an institution was planned and, if admissions are cut drastically, the question of underutilisation of expensive equipment and staff becomes a serious problem.

This is exactly what has happened at the present juncture. Against the sanctioned intake capacity of 25,000 at the degree level and 48,600 at the diploma level, the actual admissions in 1968-69 have been only 17,890 and 27,255 respectively. An extreme case is presented by one State where against the intake capacity of 1,270 students in diploma courses the students admitted were only 199. In such cases alternative uses of the facilities created have to be seriously thought out. One course could be to use them for upgrading the existing labour force. Another course could be the diversification of the courses to meet some immediate and acutely felt industrial needs. These programmes can, however, be chalked out only in the context of a concrete situation and in consultation with industry in the area.

Another effect of the panic that has overtaken students and their parents has been the further upsetting of the balance between degree and diploma holders required for full utilisation of technical manpower. As the diploma holders have been squeezed out by the unemployed graduates on the one hand and the craftsmen on the other, the number of students seeking admissions in polytechnics has sharply fallen which will further aggravate the existing position where in the stock of engineering personnel degree-holders are proportionately much larger than they ought to be.

This excessive and panicky response to market conditions has been partly due to the sudden reversal of the earlier situation where the engineers were in scarce supply and a highly-sought after commodity. Earlier the salary scales which the engineering graduate got used to expecting were very high. Now, with excessive supply, those scales have come down sharply. The disillusionment has been in proportion to the earlier high expectations due to a condition of scarcity, which prevailed till recently. This unbalanced response is, however, a temporary phenomenon and the engineering candidates will soon get used to the market conditions that get confirmed. With this adjustment the capacity of industry to employ engineers is also likely to increase to some extent. For demand is determined at any point partly in relation to the remuneration that has to be paid. If the remuneration to be paid is lowered, the employer may find it profitable to employ a comparatively larger number than he would do at the previous rates.

These violent fluctuations and their reactions can lead to acute shortages later on if the economy picks up. Normally however, such fluctuations do not occur over short periods of time, especially if the employment situation is kept under constant review. For while demand does change, it does not alter radically over short periods of time, as it is the resultant of a variety of factors which very often cancel each other out.

This is, however, not to underrate the demand of the rapid changes in science and technology which will tax all our ingenuity to keep pace with them. The time scales of obsolescence have been shortened during the last 20 years to 4 or 5 years in some industries. This requires action both at the end of industry as well as at the end of educational institutions. So far as industry is concerned it has to promote R and D on the one hand and plan to exploit commercially the research results, which would include indentification of the types and numbers of manpower that would be required for implementing such a plan. The educational system, which initially made it possible for industry to undertake R and D, has to keep pace to provide the new manpower skills, required for future, especially for the practical utilisation of new technological breakthroughs.

This may require that educational institutions emphasise principles and impart broad-based education rather than narrow specialisation. Even to the exent specialisation has to be provided it should be shifted as far as possible towards the end of a course. For example, it may be examined whether the general engineering subjects could not be extended to the first three years instead of the two years as at present and the break-up into specialities postponed to the last two years, shifting whatever general education and basic principles are taught in the fourth and fifth years to the first three years.

Institutions, again, must not take upon themselves the responsibility for job preparation. It should remain the responsibility of industry and should be done on the job. Even at the diploma level, where it is necessary to narrow the field in order to impart a certain facility in skills and knowledge, it is better to train a middle level technician for a group of related industries rather than for only one industry. The narrow specialisation which was earlier the strength of the German system, has now become its major weakness. Narrow specialisation is possible in a state of stable technology but not in a fast changing one. The embodiment of these principles in their training system is the strength of the USA.

To keep pace with change a manpower plan should be a "rolling plan". That is, the estimates for each year may be precisely made and the long-term perspective corrected in the light thereof. This revision of manpower estimates will be made in the light of the changing rate of growth of the economy, pattern of investment, attitudes of employers and employees, technology, size of plants decided upon, employment situation, etc. Manpower planning, as already stated, will, however, at best remain indicative and will be for the general guidance of the students and their parents on the one hand and the employers, including the State, on the other.

The third problem of technical education is the problem arising from rapid expansion during recent years. The admission capacity at the graduate level increased from 4,120 in 1950-51 to 25,000 in 1968-69, at the diploma level from 5,900 to 48,600 and at the craftsmen level from 10,500 in 1955-56 to 147,000 in 1968-69. The provision of staff and facilities did not keep pace with this rapid expansion. The latest figures are not available but a survey, which was carried out in December 1963, revealed that technical institutions were short by 35 per cent of staff, 53 per cent of equipment, 51 per cent of instructional buildings and 55 per cent of hostel facilities. This has resulted in a certain deterioration of standards. That is why the emphasis in the Fourth Plan is on consolidation.

Qualitative improvement requires, apart from improved physical facilities, duly qualified and adequately motivated students and teachers, clarity of objectives at various levels, well-designed curricula, effective teaching methods and close liaison with industry. The problems under each of these factors vary at the four levels: craftsmen level, diploma level, graduate level and post-graduate levels. It is not possible to deal with them in detail within the compass of a single article and hence it is proposed to deal with them only in certain broad aspects.

Craftsmen Training

The first problem in the training of craftsmen is to know the exact number of craftsmen required and the training seats that have to be provided for, institutionally or otherwise. Craftsmen come in through a variety of ways. They may be recruited as unskilled workers and by learning on the job go up the ladder. The second method is through regular training organised by the plants themselves. Many of the public sector enterprises as well as some of the private establishments like TISCO provide such facilities. Departments like Defence and Railways have established regular programmes and training centres for meeting their demand for craftsmen. Another source is where a candidate undergoes institutional training followed by in-plant training under the Apprenticeship Act. The Junior Technical Schools also train semi-skilled workers but their number is very small and their liaison with the National Council for Training in Vocational Trades has not been effectively worked out. There is no comprehensive and up-to-date data to indicate how many craftsmen come in through the different methods. We do not have full data even in regard to the total number of skilled craftsmen employed by industry — excepting those covered by the biennial occupational surveys of the National Employment Service for the Act [Em-

ployment Exchanges (Compulsory Notification of Vacancies) Act, 1959] and non-Act establishments — or of the training facilities existing in various establishments. Therefore, it is difficult to estimate even total demand in the future on the basis of past trends, leave alone planning the number which should come through each of the different channels, which would be necessary to plan training facilities. Another difficulty in this regard is that in the absence of equivalence between the Standardised Trade Classifications used by the Army and the civilian sector, one is not able to judge the impact of the influx of the persons discharged from the armed forces on the supply position, which is necessary for determining additional facilities required. The Directorate General of Employment and Training, however, have taken some steps to establish this equivalence and it is hoped that in course of time this difficulty will disappear.

The second problem is basic: whether any institutional training, intervening between education in schools and employment in industry, is required at all, separate from the apprenticeship training. The disadvantage of the present system is that there is no effective commitment of industry, excepting under the Apprenticeship Act, 1961, and consequently the training is not strictly related to the specific needs of an enterprise or industry. Maladjustment between demand and supply as regards numbers is, therefore, inevitable. At present about 200,000 craftsmen are on the live registers of the employment exchanges. Institutional training outside the educational system is also a very costly method, the burden of which falls on the public exchequer. This form of vocational training is found to be too expensive by most developing countries. Industry can more effectively provide costly equipment for training than institutions supported by public funds can. From this point of view, it is a welcome move that the Directorate General of Employment and Training are bringing the Industrial Training Institutes (ITI) programme in line with the Apprenticeship programme. Under the Apprenticeship Act the first 12 months have to be spent in basic training. Those establishments employing more than 500 workers have to set up their training centres for this purpose. But, for the apprentices in establishments employing less than 500 workers, the ITIs, suitably oriented, could serve the purpose.

The third problem is the problem of the curriculum, which has to be based on general knowledge, consisting of humanities and scientific principles, and on broad-based occupational skills to keep pace with rapid changes in the qualitative and quantitative aspects of the occupational structure which are characteristic of the age of science and technology. This is taken care of by the fact that most of the students take up these courses after the Matriculation and that of late, there has been an increasing emphasis on science and mathematics in the ITI curriculum itself. Earlier the theoretical instruction given was only such as was related to the trade. The poor standard of the Matriculation has, however, to be kept in view. Again, the syllabus has to be kept under constant review in consultation with industry so that it can keep pace with changing industrial needs. It is to be considered to what extent the present Trade Committees, which are responsible for these revisions, are equipped for this task in the absence of any scientific study of the problems of the curriculum on a continuing basis. The experience of the Boards of Technical Studies at the higher levels shows that Committees and Boards by themselves are not adequate safeguards against obsolescence.

The recent change in regard to the duration of courses is another welcome step. Earlier a course of 18 months in the institutions followed by 6 months of in-plant training was considered necessary for all engineering trades. It has, however, been realised that different trades will require different durations. Broadly, there are now two types of trades. In craft-based trades, where the concentration has to be on attaining skill, there is not much emphasis on science and technology. The duration for such courses — blacksmiths, carpenters, etc — is only one year. The other type is where science and technology are involved like electricians, radio mechanics, etc. In such cases the duration for institutional training is two years. In nearly all the trades, the first year of the institutional training will be devoted to basic training in apprenticeship in that trade so as to establish a correspondence to the similar training of apprentices under the apprenticeship scheme. In both cases institutional training is followed by in-plant training, again of varying duration, though generally the total institutional and in-plant training comes to about 3-4 years.

A major weakness of the present system of craftsmen training is the absence of large-scale provision of part-time education and training by which a craftsman could equip himself for moving to the supervisory level. The absence of facilities or incentives or both for vertical mobility of the labour force characterises all levels of professional education and is an important deterrent to people entering the world of work at an early age, even though the demands of their personal and national situation may demand it. In a system of education effectively linked with employment, students should be siphoned off from the stream of general education at various terminal points. That is not happening for lack of training and employment opportunities on the one hand and the fact that in the absence of part-time facilities for training with a view to moving up, to enter life early is to be condemned to remain always at the bottom. Even the part-time facilities provided to workers for improving their efficiency and earnings in a limited way have been nullified by the attitude of the trade unions who see these facilities as a device by the managements to promote their favourites and thereby create divisions in the working class movement and weaken it.

Another problem is the problem of teachers. The DGE and T has set up 7 Central Training Institutes, which would admit experienced craftsmen from industry and train them as instructors in their own trades. But due to various reasons such people have not been forthcoming and these institutes have consequently had to take up fresh ITI boys and give them training as instructors or to combine both these programmes into a longer one of providing trade skill followed by instructor training. This is not a satisfactory arrangement and people in industry should be drawn to the institutions on a full-time or part-time basis.

Diploma Level

At the diploma level, the most important problem is to establish, through appropriate training courses, a distinct and irreplaceable role for the middle level technician. Today, as already stated, the diploma courses being only a diluted form of the degree course and the diploma holders lacking the practical skill of the craftsmen, they are being squeezed out by the unemployed graduates seeking lower category jobs on the one hand and craftsmen rising up on the strength of their trade skills on the other. That is why the unemployment position is most serious among the diploma holders. The diploma course must be made more practical and diversified in consultation with industry at the local level. At present, the subject divisions are mostly confined to the broad areas of mechanical, electrical and civil engineering. These will need to be reorganised so that a technician can cater to the needs of a group of selected industries as a specialist. These courses may be, for example, Machine Shop Technician, Foundry Technician, Construction Technician, Road and Highways Technician, Automobile Technician, Hydraulic Technician, Radio and Television Technician, Electronic and Electrical Instruments Technician, Power Plant Technician, Transmission and Distribution Technician etc. Secondly, in view of his supervisory role, a diploma holder must be trained in human relationship and organisational matters. Further, in view of the large unorganised sector and the need and scope for self-employment, his training should include all operations, technical and managerial, pertaining to a small business, apart, from inculcating qualities of initiative resourcefulness and leadership indispensable in such ventures, Thirdly, as the aim is to produce a technician who would closely fit the needs of industry, it is essential to give freedom to the institutions to devise the courses in consultation with local industry. Fourthly, to give boys the necessary industrial experience, a four-year sandwich course may be designed where institutional and industrial experience alternate and the student is progressively led from general to specialised training.

As regards the students, the situation could be considerably improved if the present salary differential between the diploma-holder and the degree-holder — which would be unimaginable in technically advanced countries — could be reduced, the tendency of society to look down upon the diploma holder could be corrected and facilities for part-time education provided so that the road to the top positions would remain open to intelligent technicians prepared to work hard. The present facilities in our engineering colleges, partly unutilised in the wake of the the recent unemployment among engineers and the consequent slump in admissions, could be used with advantage for promoting this vertical mobility. A promising source of recruitment to the polytechnics could be developed in a big way. ITI trained boys, with general education up to the Matriculation, and industrial experience of 3 to 4 years may prove to be the ideal students for polytechnics.

As regards teachers, they generally lack industrial background, an imaginative view of their tasks, as well as up-to-date knowledge of their technical subjects and methods of teaching. A teacher training programme — both short-term for the existing ones and long-term for the new teachers — therefore, assumes critical importance. A training programme has to continue the general liberal education of the trainees, create in them an imaginative and open attitude towards problems of curriculum, methods of teaching, etc, as well as give them an environment in which they are encouraged to read, think, discuss and experiment in regard to problems of curriculum, teaching methods, examinations etc. Their knowledge about modern teaching methods has also to be updated. In India, we have set up six technical teacher training centres, four by the Central Government and two by the State Governments in Andhra Pradesh and Maharashtra. They could be very useful with full involvement of industry, not only to train technical teachers for the diploma courses but also to provide necessary support for research in the changing technician functions in the industry and the educational/training implications thereof.

Equipment in polytechnics needs a careful look. The whole concepts of the laboratories and workshops in polytechnics needs to be re-examined. The laboratory equipment in institutions should really be intended to illustrate the theoretical instruction imparted. It cannot provide practical or industrial skills. That is a task which only industry can tackle. The present tendency, therefore, in our institutions to create conditions of the factory needs to be corrected. So even though there are shortages of equipment in the light of the lists laid down, these lists themselves may need revision. In regard to teaching aids, however, our institutions are very ill-equipped. These are overhead projectors, loop projectors, tape-recorders, education films and film strips, duplicators, sound projectors etc. These aids are necessary for adopting modern methods of teaching.

Degree level

With rapid development and wide diversification of industry, and with reorganised education and training of technicians as mentioned earlier, the role of the engineering graduate would change from routine maintenance to designing and manufacture of machinery and doing research to solve new problems coming up every day. He has, moreover, to be prepared not for the task of today alone, but for the tasks of at least ten years hence also.

The present curriculum is outdated and over-loaded. There is not enough research in curriculum which could keep it up-to-date and the mechanism of introduction of changes in the curriculum is clumsy. The review of syllabi through the Boards of Studies, unsupported by any cell, where intensive research in curricula and teaching methods are being done, is not likely to serve the purpose. This research is being contemplated in the Fourth Plan. This responsibility would naturally fall on the Indian Institutes of Technology. Such an arrangement will have the additional advantage of breaking their isolation and linking them effectively with the general stream of engineering education.

The problem of overloading of the curriculum is partly the result of its being outdated. The process of keeping the syllabus up-to-date involves a double process — the inclusion of new knowledge and the elimination of knowledge which has become redundant or, at any rate, much less important. For the physical capacity of the students lays down certain limits to the curricular load which they can carry. But our syllabi do not cast off the load of subjects which are no longer important and hesitatingly take on new subjects with the result that the syllabus gets overloaded beyond the capacity of the students to carry efficiently. For example, the syllabus in electrical engineering still continues to be dominated by the steam. Nuclear power, on the other hand, is not even mentioned in the Model Syllabus. Many universities are behind even this Model Syllabus. For example, whereas electronics as a part of electrical engineering is contained in the Model Syllabus, it is not taught in many of the universities. On the other hand, in the American universities, for example, electrical engineers have to learn modern subjects like systems analysis, computer science, etc.

Another lacuna in our curricula is insufficient emphasis on higher mathematics, whereas higher mathematics is at the heart of modern engineering. In foreign countries, for example in the USA, mathematics is being greatly

emphasised at all stages of engineering education. Again, there is insufficient attention given to laboratory experimentation, design and practical training. Moreover, laboratory work is not always synchronised with theoretical training.

Another major weakness is the insufficient involvement of industry in framing the syllabus with the result that the products do not always meet the needs of industry and hence are not as eagerly sought after by it as would be the case otherwise. The courses would require diversification by adding electives in the final year to meet specific industrial needs. Again, practical training ought to be an essential part of the curriculum and examination. At present, practical training is treated as if it is redundant, both by the students as well as by industry, with the result that in most cases the engineer coming out of an institution is ignorant of the problems with which he has to deal and is initially a liability to industry. Practical training needs to be carefully organised and both the institutions and the industry should be involved in it. The problem is how to interest sufficiently teachers in industry and industry in institutions in regard to this vital aspect of the training of graduates, who are going to be responsible for production in industry. The current developments in the United Kingdom in pursuance of the Industrial Training Act, 1964 are of great importance and relevance to India, especially with reference to the provision of "planned practical experience" to engineers.

Another defect is the lack of flexibility in the curriculum. The teachers ought to have considerable freedom to vary the content of courses and they should be involved in syllabus making. The result is that there is no co-ordination between those who frame the syllabus, those who teach and those who examine. This triple co-ordination is vital for the quality of the graduates trained.

As regards the methods of teaching, there is at present too much spoon feeding, too little encouragement to use the library and too few innovations in laboratory experiments and theoretical instruction. The teaching methods should be such as do not handicap the bright boys. The aim should be to reach down to the average student. Students below average should be given separate coaching classes. Teaching aids should be progressively used. Discussion groups should be encouraged rather than lectures. It may assist if certain standard experiments and the laboratory set-up they will require are indicated to the colleges. Carefully thought out design problems and a large number of typical examples at the different stages of their work may also help. It will be useful to prepare laboratory manuals and design manuals. Laboratory work should seek to develop skill in experimental testing of scientific and engineering principles and not to fill the time of the students with repetitive exercises. This will require the active interest of the senior members of the staff in the use to which the laboratory is put. There should further be considerable freedom given to the teacher to buy equipment so that he can introduce variations in the laboratory experiments from year to year. Design problems and practices should be planned to develop the ability in the students to apply the integrated knowledge of engineering bearing on their professional responsibility.

Coming to teachers, the Ministry of Education has a programme of teacher training fellowships. This was introduced in 1959 at 5 centres, which were later expanded to 14 centres, for the training of 250 graduates annually. The teachers trained under the programme have been well received. The main problem here is to attract and retain good teachers in view of the greater monetary incentives that industry can offer. One way would be to accept the position that only such first class talent would come to our technical institutions as is really interested in teaching. We should do everything possible to give sufficient opportunities for unfettered self-expression to these genuine teachers. They should have the maximum possible initiative and freedom in regard to the conduct of courses and the teaching methods. Financial rules, etc, should be so revised as to give them a full sense of responsible autonomy. The second type of teachers, who will come on the basis of remunerative incentives will be second-rate men. They will form our second line of defence. They should be given opportunities to grow in the profession through summer institutes, frequent assignments in industry, consultancy practice and a number of other measures which would stimulate them in their work, make them more efficient from the point of view of teaching rather than from the point of view of industry. In regard to these men, industry will not be a competitor to the technical institutions. These teachers can also be put as understudies to the first category of teachers mentioned above. Their capacity as teachers could also be up-graded through fellowships and scholarships and opportunities for study abroad. An important lacuna in teacher preparation is, however, the isolation of the teacher from the industries. This is suicidal for an engineer because without live experience of industry, a teacher cannot prepare the students who are to take a leading part in production. Therefore, it is very necessary that the teachers in technical institutions should have brief assignments in industry and are encouraged to take up consultancy work. Industrial experience can also be injected into technical institutions through part-time lecturers from industry. Frequent seminars of the faculty and those employed in industry should also assist in the cross-fertilisation of ideas and up-dating the knowledge of those engaged in industry. The linking of teaching and research has been regarded as essential for keeping teaching up-to-date and stimulating. The emphasis on research, however, has to be kept within limits for otherwise teaching is likely to get neglected.

The present examination system with its emphasis on the external examination cuts at the root of emphasis on work throughout the year and the vital co-ordination between those who frame the syllabus, those who teach and those who examine, which is necessary for getting the best results. For any sound system of education, it is necessary to introduce internal examinations. Similarly, the semester system. These practices have been introduced already in the IITs and should be extended to some of the good institutions so that progressively these practices become the prevailing system.

As regards equipment, certain minimum level of equipment and physical facilities have to be laid down and should be provided in every engineering institution before it is allowed to take up teaching. It is, however, to be remembered that equipment in itself is not important but the use that is made of it. In regard to sophisticated equipment, it should be shared between various institutions. For example, in Delhi, there is lot of sophisticated equipment in various laboratories and institutes. It should be possible for the engineering colleges to utilise this equipment. This sharing of sophisticated equipment that when not in use, it would be available for use by other institutions and organisations.

Post-Graduate Level

Post-graduate education is needed for the production of design and research engineers as well as teachers of the highest calibre. The lack of co-operation between institutions and industry is in very great evidence at this stage also. We have expanded facilities for post-graduate education without taking into account whether industry feels their need or not. Industry at present is not geared for design and development. Therefore, the expansion of facilities for post-graduate education and research ought to keep pace with the progressive realisation of its need by industry. The courses again ought to be decided upon in consultation with industry. The result of the absence of these conditions is that today post-graduate students have to seek the same jobs as graduates. They get no credit for their post-graduate studies. On the other hand the students who got into steal a march over them with resulting dissatisfaction among the post-graduates. Another factor which might council caution in the rapid expansion of post-graduate education and research facilities is that at this stage of education the most important thing is quality and quality needs slow growth. Unfortunately, post-graduate education has been taken as a prestige programme and irrespective of the capacity of the institutions they have exerted pressure to be allowed to take on post-graduate education. The need for consolidation consequently is very great. Really, the main centres of post-graduate education and research ought to be the IITs and some of the older, very well-equipped colleges. A review of the existing position should be carried out by a high-powered committee and post-graduate education centres not making the grade should be closed down.

Post-graduate education is a great help to under-graduate education. The purpose could be served by 'sisterhood' arrangements entered into by under-graduate colleges with a few institutions mainly devoted to Post-Graduate Education.

Two very profitable areas in which post-graduate courses can be constituted are the training of small entrepreneurs and the building up of industrial consultancy services. Entrepreneurship and post-graduate courses are closely linked in a country like Sweden, to a lesser extent in the United States. The tendency to come back for post-graduate training after a period of working in industry is commonly prevalent in the USA and in some other countries. These courses are collateral to in-service training facilities, at various levels. A higher technical training institution has to look upon itself as a repository for entrepreneurship and consultancy in a country such as ours. To the extent that they take over this role, they can influence industrial establishments to set aside a proportion of financial gains for design and development of future products.

Research

Engineering and industrial research is poor in volume, variety and quality. The contributory causes have been that teachers of competence have moved from their research posts to industry. The demand for engineering graduates till recently was so high that no competent graduate considered it worthwhile to enter upon a research career. Industry also displayed very little interest in this important field and stuck to its tradition of looking upon engineers only as routine maintenance agents and trouble-shooters. The remedy lies in improving the terms and conditions of service for engineering teachers. As industry in its own interest becomes more research and development conscious, more and more attractive careers will open up for research/design/development engineers. To some extent, the lure of research degrees abroad has also dulled the necessity of developing facilities here. Easy reliance on foreign know-how has also had the same effect. The present attitude of building up self-reliance in the knowhow should assist in the rehabilitation of research. As industry and institutions realise the mutual benefit resulting from close collaboration, industry is likely to become more research minded. Encouragement of consultancy services by the institutions to industry should also open up new avenues of benefit to research workers. Industry could assist by setting up professorial chairs in institutions for promoting definite objectives. There is great need for developing an inter-disciplinary approach towards engineering research as in other areas of research.

Expansion of research facilities, however, is not something which can be rushed. A tradition of research has to be built up which is of slow growth. Manpower capable of conducting research has to be built up. Research facilities ought to be very selectively encouraged around institutions. Research activity can at best be limited. The priorities consequently should be very carefully determined especially in a country with unlimited needs and very limited resources.

Practical Training

As regards the practical training stage, it is very unsatisfactorily organised today. Industry takes very limited interest in the student. Very often they regard them as a nuisance rather than a potential asset. So the time spent in industry is insufficient and unprofitably spent. The Ministry of Education have now organised four regional boards and brought institutions and industry together to supervise practical training. The number of seats have been increased from 2,000 in 1967-68 to 11,000 in 1968-69. The Fourth Five-Year Plan proposes to continue this and consolidate this work, in order to make practical training effective. As seen in the UK, effective industrial training is a very complex task. It requires the formulation of clear guidelines for conducting the whole programme. The nature, content and methods of training have to be determined. The advisory and supervisory staff have to be appointed. Institutions and industries both have to be effectively brought. It is better to appreciate the complex task involved in the preparation, processing and administering of training schemes and take adequate steps in this regard.

Financing

The manner of financing of technical education is very important. The major beneficiary is industry and yet today it has no responsibility for technical education. This is one of the reasons for the lukewarm attitude of industry towards technical institutions. Consequently, industry sets itself up as the critic of the products of technical institutions rather than take the responsibility for suitably training the students and employing them. The situation calls for a radical alteration so that industry is made to pay and take full responsibility for the products it consumes. The Industrial Training Act in the UK readily comes to one's mind in this context. The different Training Boards covering the major sections of industry — in fact, establishments with a total of over 10 million employees have been covered — were able to raise about £ 92 million as a result of the first "levies" imposed on the industries. It may be worthwhile to examine whether a similar step would not be beneficial to technical education in India.

THIS IS AN ANNOUNCEMENT AND NOT A PROSPECTUS AND PERSONS INTERESTED ARE REQUESTED TO APPLY FOR A COPY OF THE PROSPECTUS FOR FULL DETAILS FROM THE COMPANY'S REGISTERED OFFICE, BANKERS TO THE ISSUE, MANAGING BROKERS, BROKERS AND UNDERWRITERS NAMED BELOW:

The Ahmedabad Electricity Company, Limited

REGISTERED OFFICE, KILLICK HOUSE, HOME STREET, FORT, BOMBAY.

Issue of 70,000 7-¾% (1980) Mortgage Debentures of Rs 1000/- each at Par

SHARE CAPITAL

AUTHORISED:

10,00,000 Shares of Rs 100 each	**Rs 10,00,00,000**

SUBSCRIBED AND PAID UP:

8,74,771 Equity Shares of Rs 100 each fully paid up	**Rs 8,74,77,100**

PRESENT ISSUE;

70,000 — 7¾%

Subject to tax Mortgage Debentures (1980) of Rs 1000/- each at par for cash PAYABLE IN FULL ON APPLICATION, or in case any holder of the existing Debentures of the aggregate value of Rs 5,00,00,000 wishes to surrender any of such Debentures held by him in exchange for the equivalent face value of the Debentures of the present issue, then on his surrendering the same along with the APPLICATION.

BOARD OF DIRECTORS:

Name and Address:	Occupation
Mr KANTILAL NAHALCHAND "Kantilal House", New Queens Road, Bombay-4.	*Merchant*
Mr JEHANGIR PESTONJI PATEL "Goolestan", 37, Cuffe Parade, Colaba, Bombay-5.	*Cotton Merchant*
Mr NAVNITLAL SAKARLAL SHODAN Near Railway Crossing, Ellis Bridge, Ahmedabad.	*Businessman*
Mr ROHITBHAI CHINUBHAI MEHTA Ram Niwas, Ellis Bridge, Ahmedabad-6.	*Mill Agent*
Mr SHANTANU NANUBHAI DESAI "Sharda", 1st Floor, Churchgate 'A' Road, Bombay.	*Chartered Accountant*
Mr MOHANLAL CHHAGANLAL KAPADIA "Nirant", 14th Road, Khar, Bombay-52.	*Businessman*
Mr JASHWANT PITTAMBERDAS THACKER Asha Mahal, 46-B, Pedder Road, Bombay-26.	*Solicitor*
Mr ARVINDKUMAR NANDLAL KILACHAND Bakhtavar, 5th Floor, Opp: Colaba P O, Bombay-5.	*Industrialist*

MANAGING AGENTS

(only upto 31-3-1970)

Killick Industries Limited,
Killick House, Home Street, Fort, BOMBAY-1.

UNDERWRITERS:

Name and Address:

Life Insurance Corporation of India,
'Yogakshema', Madame Cama Road, Bombay-20.

Unit Trust of India,
Bombay Life Building, 45, Veer Nariman Road, Post Box No 2000, Bombay-1.

The Industrial Credit and Investment Corporation of India Limited,
163, Backbay Reclamation, Bombay-20.

Indian Guarantee and General Insurance Company Limited,
Gresham Assurance House, P M Road, P O Box No 165, Bombay-1.

The Oriental Fire and General Insurance Co Ltd,
Oriental Buildings, Mahatma Gandhi Road, Bombay-1.

Bank of India,
70-80, Mahatma Gandhi Road, Bombay-1.

Bank of Baroda,
Apollo Street, Fort, Bombay-1.

Central Bank of India,
Mahatma Gandhi Road, Fort, Bombay-1

The Andhra Bank Limited,
18-A, Hamam Street, Fort, P B No 1114, Bombay-1.

The Bank of Karad Limited,
82, Nagindas Master Road, Commonwealth Building, Fort, Bombay-1.

Champaklal Devidas,
Bhupen Chambers, 9, Dalal Street, Fort, Bombay.

H P Mehta and Co,
Stock, Share and Finance Brokers, 3rd Floor, Akash Deep Bara Khambha Road, New Delhi-1.

D S Purbhoodas and Co,
Share, Stock and Exchange Brokers, Stock Exchange Building, Apollo Street, Fort Bombay-1.

BANKERS TO THE ISSUE:

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Ucobank Building,
D N Road, Bombay-1.

Bank of India,
70-80, Mahatma Gandhi Road, Fort, Bombay-1.

The Chartered Bank,
Mahatma Gandhi Road, Fort Bombay-1.

Bank of Baroda,
Apollo Street,
Bombay-1.

Central Bank of India,
Mahatma Gandhi Road,
Fort, Bombay-1.

Andhra Bank Limited,
18-A, Hamam Street, Fort,
P B No 1114, Bombay-1.

The Bank of Karad Limited,
82, Nagindas Master Road,
Commonwealth Building,
Fort, Bombay-1.

MANAGING BROKERS

Champaklal Devidas
Bhupen Chambers,
9, Dalal Street, Fort, Bombay-1.

BROKERS:

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Champaklal Devidas,
Bhupen Chambers, 9, Dalal Street, Fort, Bombay-1.

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Stock Exchange Building, 5th Floor, Apollo Street, Fort, Bombay-1.

R P Shroff and Sons,
8, Stock Exchange Building, Apollo Street, Fort, Bombay-1.

Narandas and Sons,
Union Bank Building, Dalal Street, Fort, Bombay-1.

Keshavdas Pranjivandas,
54, Karsondas Natha Building, Dalal Street, Fort, Bombay-1.

D S Purbhoodas and Co,
Stock Exchange Bldg, Apollo Street, Fort, Bombay-1.

Champaklal Jamnadas,
84, Stock Exchange New Bldg, Apollo Street, Fort, Bombay-1.

Chimanlal J Dalal and Co,
107, Stock Exchange New Building, Apollo Street, Fort, Bombay-1.

CALCUTTA

Place, Siddons and Gough Pvt Ltd
6, Lyons Range, Calcutta-1.

Stewart and Co,
14, India Exchange Place, Calcutta-1.

MADRAS

Paterson and Co,
11/12, Second Line Beach, Madras-1.

Chitra and Co,
322/323, Linghi Chetty Street, Madras-1.

V S Krishnaswami and Co,
106, Armenian Street, Madras-1.

NEW DELHI

Harbans Singh Mehta and Co,
33, Regal Building,
Parliament Street, New Delhi-1.

H P Mehta and Co,
3rd Floor, Akash Deep, Barakhamba Road, New Delhi-1.

BANGALORE

M Nanjappaiah Jahgirdar,
205, Cavalry Road, Bangalore-1.

HYDERABAD

P B Afzulpurkar,
Sultan Bazar, Hyderabad, (A P)

AHMEDABAD

Chimubhai Chimanlal Dalal,
Fatehbhai's Haveli, Ratanpole, Ahmedabad-1.

LOCATION OF THE COMPANY'S UNDERTAKING:

The Company is engaged in the generation and distribution of electricity to consumers within the Area of Supply covered by the Licence which comprises (a) the area contained within a circle with a radius of six miles from the Ahmedabad Municipal Office, which admeasures or covers about 113 square miles (292.44 Sq Kilometres) and (b) the new State Capital of Gujarat, the Gandhinagar Township, admeasuring about 24 square miles (62.12 Sq Kilometres), thus constituting an overall area of about 137 Square miles (about 354.56 Sq Kilometres). The electrical energy distributed by the Company to consumers within its licensed area of supply is partly generated in the Company's Power House and partly received in bulk from Gujarat Electricity Board.

EXISTING AND PROPOSED ACTIVITIES:

The Company does not intend to acquire any new business out of the proceeds of the issue but will utilise the same for financing capital expenditure on power distribution facilities within the area of supply of the Company and to redeem the existing debentures.

DATE OF OPENING AND CLOSING OF SUBSCRIPTION LIST:

The subscription list will open at the commencement of Banking hours on Wednesday, the 1st day of April 1970 and will close at the close of banking hours on Wednesday, the 8th day of April 1970 or earlier at the discretion of the Directors but not before the close of banking hours on Saturday, the 4th day of April 1970.

PROSPECTUS AND APPLICATION FORMS:

Application forms along with copies of the Prospectus can be had from the registered office of the Company as well as from the Underwriters, Managing Brokers and Brokers whose names are mentioned above and from the main office of the Bankers to the Issues at any of the places mentioned below:

United Commercial Bank, Bombay/Ahmedabad/Bangalore/Calcutta/Delhi/Hyderabad/Indore/Madras

Bank of India, Bombay/Ahmedabad.

Bank of Baroda, Bombay/Ahmedabad.

The Chartered Bank, Bombay.

Central Bank of India, Bombay.

The Andhra Bank Ltd, Bombay.

The Bank of Karad Ltd, Bombay.

Needed Action, Not Warnings

Nishtar

TEXTILE Commissioner Rangaswami warned mills the other day that any violation of the directive on stock limits would be dealt with severely. He also asked mills and traders to submit periodical returns of stocks and consumption and warned that penal action would be taken if they failed to do so. Does the Textile Commissioner still have to think in terms of warnings? Has not the position in respect of cotton prices assumed sufficiently alarming proportions to demand stern action? It is quite some time ago that the president of the East India Cotton Association made the charge that some of the affluent mills had indulged in massive and aggressive buying and had acquired stocks much in excess of the prescribed limits. That a large number of traders and mills had failed to supply the requisite returns of stocks and consumption should have served as an eye-opener.

One should have thought that the Textile Commissioner would in the normal discharge of his duty trace out mills carrying stocks in excess of prescribed limits and deal with them properly. Is there no one to ask him to explain why he has been so soft on the mills? Government cannot remain a silent spectator to the rising trend in cotton prices which can have serious repercussions on textile exports and tell on the general health of the industry. The number of affluent mills is relatively small; prices can be kept under control if these mills can be made to behave. Not only is there a strong case for enforcing stricter discipline on the erring mills but it may even become necessary to reduce mill consumption in order to avoid undue pressure on cotton prices. Since credit curbs and stock limits have failed to produce the desired impact on the market, Government will be well advised to introduce promptly a permit system for movement of cotton from the place of origin — warehouses of merchants or terminal markets — to mills' premises. Movement permits should be given after Government fully satisfies itself about (1) seller's name, (2) contract price and (3) contract date. This can have a far-reaching impact on the market. A cut in consumption of short staple cottons which are reported to be in short supply should also prove useful. The need for effective check on the rising trend in cotton prices requires no special emphasis. The responsibility for enforcing the necessary discipline required to keep prices under check rests essentially with the Textile Commissioner.

An official committee set up by Government in October last to draw up a detailed scheme for establishment of a cotton corporation in the public sector has recommended that the proposed corporation should only takeover imports and not undertake market operations in domestic cotton. The supply position of cotton being what it is, the committee does not visualise any prospect in the next few years of adequate surplus of domestic cotton for building up a buffer stock. The committee has, however, opined that if and when buffer stock operations commence, the proposed cotton corporation should be the agency for such operations.

Export sales in Bengal Deshi registered up to March 14 are placed around 1.80 lakh bales — about 15,000 bales more than shipments made in the entire 1968-69 season. This has been possible because of the larger Deshi crop this season. Despite downward revision of estimates, Deshi crop is placed around 4.80 lakh bales against 3.49 lakh bales in the previous season. Imports of cotton this season up to the end of February are placed around 3.35 lakh bales against 1.33 lakh bales in the corresponding period last season.

With the US agreement to supply additional 1.25 lakh bales of cotton under PL 480, the total supply of such cotton this season will be of the order of 3.75 lakh bales. The additional quantity of cotton is in lieu of wheat covered by the PL 480 agreement; imports of wheat are being reduced by 2.50 lakh tonnes. Together with 4.50 lakh bales of global cotton, 1.50 lakh bales of staple fibre and 1.75 lakh bales of cotton received against the previous season's quotas, total supply of imported fibre this season will come to 11.50 lakh bales. Such massive imports — the largest for nearly two decades — would have been in vain if they do not help bring down prices.

Package Deal

OILSEEDS prices are up again at the season's best levels. In a matter of a few days the spot quotation for groundnut oil has risen from Rs 4,650 to Rs 5,050 and for linseed oil from Rs 3,950 to Rs 4,250 (per tonne); in futures, castor April has moved up from Rs 123.37 to Rs 128.37 and linseed April from Rs 159.12 to Rs 167.50 (per quintal). If the oilseeds market is aflame again the blame rests squarely with Government which has provided the bullish fuel. For, it is the increase of Rs 300 a tonne in the price of vanaspati which has given a fresh boost to the bullish psychology.

One would not like to lend ears to market gossip about a so-called 'package deal' under which Food Ministry (or is it only the Minister?) has agreed to raise vanaspati prices. But the fact that market men were freely talking about the exact quantum of increase four days before the actual announcement is not without significance. Instances of such advance information are not common. Government had let it be known at the time of the last revision of prices early in February that there would be no change in prices until the end of March. But the resourceful industry did not give up its fight and has had its way. Government has announced that the uniform increase of 30 paise a kilogram in all zones, effective from March 18, is due partly to the further rise in indigenous oil prices during the past few weeks and partly to the new levy of excise duty imposed in the Budget on tin containers used for packing vanaspati.

Industry's case for upward revision of prices rests on an apparently sound basis. Since groundnut oil and other vegetable oils from which vanaspati is made account for as much as 80 per cent of the cost of vanaspati, the rise in vegetable oil prices requires to be offset by a matching increase in controlled price of vanaspati. It might not be out of place to mention here that some of the vanaspati factories have filed a writ petition in the High Court of Punjab and Haryana challenging Government's authority to fix controlled prices for vanaspati and the validity of the control on vanaspati under Vegetable Oil Products Control Order, the Essential Supplies (Temporary Powers) Act and the Essential Commodities Act. They have also challenged the present procedure for determining raw oil prices and fixing vanaspati prices.

The rise in vanaspati prices which merely seeks to neutralise the increase in groundnut oil prices need not lead to a further rise in groundnut oil prices. But the matter is not all that simple. Experience shows that in a rising market groundnut oil and vanaspati prices keep chasing each other in a vicious circle. The major factor behind this vicious circle is the less known fact that speculative activities of the major vanaspati manufacturers who set the pace (a dozen companies account for nearly three-fourth of total production) have assumed serious proportions. It is not easy to trace these benami transactions, but a very thorough probe might not prove altogether unrewarding. Despite the not-so-comfortable supply position, edible oil prices can be kept under check if speculative activity is effectively curbed. The need for a check on the price of an essential commodity like edible oil can scarcely be overemphasised; never has groundnut oil been quoted around Rs 5,000 a tonne so very early in the season. If Government cannot break the vicious circle of groundnut oil and vanaspati prices chasing each other it had better give up control over vanaspati prices. Periodical revision of prices at short intervals leads to speculation which is detrimental to the interests of the common man.

Marking Time

THE post-budget excitement has abated and stock markets are inclined to relax and mark time. Pressure of corrective profit-taking and institutional selling has obliged them to beat a retreat. Nearly a third of the ground gained in the post-budget dashing advance has been lost. Critics who refuse to see anything good in Indira Gandhi's budget are inclined to argue that the stock market is coming round to their view. But the retreat so far has been very orderly and it hardly calls for any special comment. The sick and anaemic stock market had overstretched itself; it was necessary that it should pause for a breather.

While technical considerations alone underlined the need for caution, the stock market has also had to take note of disturbing political developments. The situation in West Bengal is highly explosive and political weather in some of the other States has been getting increasingly rough. That Lyons Range should have managed to keep its head cool despite ominous developments in West Bengal suggests that stock markets have learnt to live with political tensions. Political uncertainties do not seem to worry stock markets much as long as the law and order situation does not tell on industrial production.

The statement of the Minister of State for Finance regarding conversion into equity of loans advanced to the private sector received only casual notice. Nor was the market much bothered by Indira Gandhi's observations at the annual meeting of FICCI that Government would not allow unlimited freedom to those industrial units which are already well-established. There is nothing new about it. Unlike big business, the stock market seems fully reconciled to Government's industrial policy. The corporate sector is doing reasonably well and it is expected to do much better under the impetus of growing demand. Margins could come under pressure but profits are likely to grow. What is more, good shares remain scarce. There have been reports of a possible change in the investment policy of LIC. Since LIC is the single largest investor in the country, details of its new investment policy will be awaited with interest. The stock exchange community is eagerly looking forward to resumption of forward trading sometime next month. The Anjaria Committee will have submitted its report in another few weeks, but can one be too sure of prompt Government action.

Day-to-day Management

Hansavivek

GREAT EASTERN SHIPPING's board proposes to appoint on termination of the office of its managing agents, A H Bhiwandiwalla and Company, Ardeshir Hormusji Bhiwandiwalla as chairman and part-time director of the company, Vasant Jagjiwan Sheth as deputy chairman and managing director and Kanaiyalal Maneklal Sheth as managing director. Bhiwandiwalla has been a director and chairman of the company practically since its inception and Vasant Sheth is a director of the company. Both of them are directors of the managing agency also. Kanaiyalal Sheth, at present operations manager of the company, is a cousin of Vasant Sheth and Jayantilal Jagjiwan Mulji, another director. According to the explanatory statement issued by the company alongwith the proposed resolutions, Bhiwandiwalla will conduct the "management of the company" and Sheth and Kanaiyalal its "day-to-day management". The remuneration proposed for them include (1) Rs 90,000 per annum to the chairman and part-time director as allowance and Rs 7,500 per month as basic salary to each of the other two directors, (2) a commission at 1/3 per cent of net profits with a maximum limit of Rs 45,000 per annum to each of the three, and (3) other perquisites for all of them. Besides, all of them will be entitled to their usual fees as payable to directors for attendance at board meetings and meetings of all committees appointed by the board. The appointments will be valid for 5 years, but it is proposed that the directors may increase their remuneration, payments, benefits, perquisites and amenities after 3 years from the date of appointment.

It is also proposed to remunerate the other directors (excluding the abovenamed three) by paying a maximum of one per cent per annum of the net profits, subject to an annual ceiling of Rs 2,50,000. This remuneration, it is stated, will be distributed among all or some of the directors in accordance with the directions given by the board. The managerial remuneration by way of allowance, salaries and commission alone will amount to Rs 6,55,000 per annum, apart from cost of perquisites, amenities and benefits. On the face of it, the total remuneration in cash and kind seems to be on the high side keeping in view the guidelines laid down by government, though it must be conceded that shareholders may not grudge this because of the excellent progress made by this 21-year-old company in recent years. Over the 4-year period ended June 1969 the company's net profit expanded well over sevenfold; it has made a number of free scrip issues and the scrip enjoys a high

rating among investors with the Rs 10 share quoting around Rs 26.

BAJAJ-TEMPO had to contend with the recession in the first half of its year ended September 1969, but its sales picked up in the second half and the total turnover exceeded the previous year's level by Rs seven lakhs at Rs 3.37 crores. With improvement in margins, gross profit was up by Rs six lakhs at Rs 39 lakhs. After providing for depreciation and development rebate, there was left a surplus of Rs six lakhs (against a deficit of Rs nine lakhs) which was utilised to reduce the accumulated debit balance to Rs 11 lakhs. The unchanged dividend of five per cent will again be paid out of reserves.

MADRAS ALUMINIUM produced 30,011 tonnes of alumina and 13,238 tonnes of aluminium during 1969, against 28,582 tonnes and 13,044 tonnes respectively in the previous year. Aluminium production is expected to be increased by 1,000 tonnes per annum from this year by raising the operating current of electrolytic pots from 80,000 amps to 90,000 amps. The company also has an expansion project which, if necessary, can be implemented in stages with the generated resources. Licences for import of machinery and equipment are awaited. Production of alumina will be further stepped up this year, which will then be more than sufficient for 18,000 tonnes aluminium production. Till the smelter is ready, the surplus alumina will be marketed. The management complains that the supply position of some essential raw materials, like cryolite, aluminium fluoride, carbon blocks, calcined petroleum coke, and pitch, continues to be critical because of limited indigenous production and shortage in world market. MALCO has undertaken a programme for manufacture of spare parts and components, at present being imported. During 1969, sales increased from Rs 5.70 crores to Rs 6.08 crores, and gross profit from Rs 1.92 crores to Rs 2.30 crores. After depreciation, net profit was Rs 119 lakhs (Rs 83 lakhs) which covered equity dividend, stepped up four points to 12 per cent, nearly twofold. Return on total funds employed worked out to 7.7 per cent.

BAYER (INDIA)'s parathion stage-one plant commenced production in the third quarter of 1969 and the company completed its entire project, as originally outlaid, by the end of that year. Satisfactory utilisation of production capacities of all the plants in 1969 lifted turnover from Rs 4.19 crores to Rs 5.76 crores, and gross profit from a mere Rs 18 lakhs to Rs 106 lakhs. After providing for depreciation and development rebate, the company after two years of production made a maiden net profit of Rs 41 lakhs against a deficit of Rs 40 lakhs. The surplus was utilised to reduce the accumulated deficit to Rs 123 lakhs. The management intends to step up capacity of the rubber chemicals plant and to undertake production of certain intermediates such as antioxidants and accelerators.

MADHUSUDAN increased its turnover by 8 per cent from Rs 2.53 crores to Rs 2.75 crores but with margins widened its gross profit leapt about 50 per cent from Rs 21 lakhs to Rs 32 lakhs, even though it had to experience the adverse effects of recession. Net profit was Rs 13 lakhs (Rs 7 lakhs) to cover the unchanged dividend of 10 per cent 2.8 times. Return on total funds employed worked out at 5.1 per cent. The directors expect the current year's working to be "much better".

DUNLOP INDIA expanded its turnover from Rs 71 crores to Rs 81.74 crores and gross profit from Rs 7.02 crores to Rs 8.10 crores during 1969. According to preliminary figures, net profit was up from Rs 2.73 crores to Rs 4.15 crores. Equity distribution was stepped up 2.5 per cent to 20 per cent, with a final of 12.5 per cent. Total preference and equity dividends will absorb Rs 2.05 crores.

ASHOK LEYLAND showed improved results for the year to September 1969 despite "recurring shortage of production materials". With turnover up from Rs 26.15 crores to Rs 29.11 crores, gross profit rose from Rs 2.33 crores to Rs 2.65 crores. Net profit was Rs 114 lakhs (Rs 98 lakhs) to cover the nine per cent equity distribution 1.6 times. Return on the total funds employed came to nearly 6.5 times. The current year is expected to show further improvement as demand for heavy duty vehicles is picking up. Consistent with its policy of taking a long-range view of things, the company is pursuing its expansion programme. AL's sister concern, Ennore Foundries, has reported satisfactory working results.

Regional Co-operation to Solve Rice Problems

A WARNING that Asia may face a severe crisis of over-production of rice and uneconomic costs, unless measures are taken in regional co-operation, was given at a meeting in Bangkok at the end of February under the auspices of the United Nations Economic Commission for Asia and the Far East (ECAFE). Representatives of rice-producing and rice-importing countries met to discuss proposals for regional co-operation, to solve common problems in the rice industry.

The ECAFE Executive Secretary mentioned several factors which had induced many of the rice-importing countries to pursue a policy of self-sufficiency in food — "severe balance-of-payments difficulties, the often acute shortages of rice due to unfavourable weather and the resulting high price of the commodity in the world market, the hardening terms of foreign food aid, and the exceptionally high output potential of the new high-yielding varieties". As a result, the traditional trade arrangements in rice are likely to be disrupted. The rice-surplus countries of Asia do not know who will buy their rice, how much will be purchased and at what price. The rice-importing countries on the other hand are deeply concerned as to whether, with the limited foreign exchange available, they will be able to procure enough rice to meet their consumption requirements.

The adoption of new high-yielding varieties of paddy in many countries of the region has aroused widespread hope of there being a straightforward technical solution to the nagging food and population problems of Asia. However, technical and socio-economic obstacles would have to be overcome before these new rice varieties could be adopted on a sufficient scale by the countries of the region.

On the stabilisation of the price of rice through buffer-stock operations, as a measure for establishing orderliness in the rice trade, it was suggested that such a scheme may not be practical in view of the heavy costs involved which make the investments too heavy for any one country to bear on its own. The Executive Secretary of ECAFE proposes, therefore, to use the avenues open to approach international and regional financial institutions with a view to obtaining the necessary financial support for the buffer-stock scheme as it has great strategic importance as a price stabilisation measure.

FROM THE CHAIR

VOLTAS LIMITED

Optimism after a Year of Stress

THE following is the Statement by Mr R. F. S. Talyarkhan, Chairman & Chief Executive, Voltas Limited, circulated to the Members of the Company with the Annual Report for the year 1968-69.

To the Members,

The financial year 1968/69 will remain on record as the crisis year for your Company. For the first time in its 15 years' history, the disposable profits were insufficient to pay a dividend to the shareholders. This sad state of affairs was not brought about by any abnormal business conditions, nor by Government policies, but was due almost entirely to the deliberate and harmful agitation launched by the Federation of Unions which affected the interests of the Company and its thousands of shareholders. It was expected that the total turnover of the Company would reach a figure of over Rs 80 crores for the year 1968/69 but this was not possible because of the prolonged and deliberate disruption of work.

The direct loss of business due to the labour agitation and disruption of work can be estimated at about Rs. 12 crores, but it is difficult to assess the indirect or consequential losses. Members were kept informed during the period of the labour trouble, through the Press and by direct correspondence, of the details of this unfortunate episode. I do not propose, therefore, to go over the ground again but in the context of the overall harm done to the Company, it would not be out of place for me to mention the deliberate attempt made by a section of the employees to denigrate the Company's image, and even of the products handled by it, whether of its own manufacture or otherwise. For such acts the Federation and its constituent Unions must accept full responsibility.

The agitation assumed a particularly militant form in Bombay and, to a lesser extent, in Bangalore. What was the issue at stake? A very simple one, namely the Management's declared policy to extend the appointment of dealers and stockists in certain areas for selected lines of business, so as to augment the Company's distribution organisation, obtain a better market coverage and achieve improved profitability. This was objected to on the ground that there would be redundancy and retrenchment of staff. The Management gave an undertaking that there would be no retrenchment as a result of a wider distribution of the Company's products. After five months of futile struggle the Federation accepted the Company's assurances in September 1969. They were no different from those given voluntarily by the Management, both verbally and in writing, as early as April 1969. Apart from the serious loss to the Company's profits, the actions of the Federation caused nothing but hardship to thousands of employees.

It may be asked then why is union leadership so anxious to confront Management at every stage and on any pretext whatsoever? The answer would appear to be the antiquated notion that unless a union engages in constant confrontation with the Management, it will not justify its utility to its members. Much was said during and after the five critical months about the need to foster good industrial relations and to keep open channels of communication. Very few people could have known of the extent to which the Management of your Company had gone in its efforts to attain both objectives. It is perhaps the lot of almost all progressive managements, that it is they who always suffer most in industrial disputes. Just as freedom is often confused with licence, so is responsive management regarded as weak management.

No effort was spared by the Federation to pressurise and embarrass the Management. Never before has the Company's managerial cadre had to face such difficulties and such frequent and deliberate provocations, but I am glad to say that no one amongst the management staff faltered in their duty throughout this difficult period. They worked round the clock and even attended to the most menial of jobs, in an attempt to minimise the harm being done to the Company and its business. They deserve your highest praise for their tremendous zeal, loyalty and devotion to work.

The Company ended the year with a sales turnover of just over Rs 68 crores, which was only slightly better than the figure for the previous year. Because of the Company's product-mix, these sales yielded a lower gross margin, and since costs of operations remained at a high level, the disposable profits were no more than about Rs 3.5 lakhs as against Rs 77 lakhs in the previous year.

It is perhaps necessary to explain the effects of the product-mix on the financial results of the Company. Broadly speaking, the Company's operations fall into three main groups. The first is heavy engineering equipment, both mechanical and electrical; the second is medium and light engineering goods; and the third would cover durables and consumer products. The profit margins between group and group, and between products in the same group, vary considerably — some might relate to high volume-low margin business, while others may be of comparatively low volume with reasonable profit margins. The days of high margin business in any sphere of activity are a thing of the past. The pattern of the last two or three years has been an increase in business yielding low margins, which explains to a great extent the declining rate of profitability.

I would now like to give members a brief summary of certain significant features relating to the various activities of the Company.

In *Air conditioning and Refrigeration*, the Company broke new ground in the field of dairy refrigeration equipment, which will help it play a very important role in the extensive programme planned for the development of dairies throughout the country. In another sphere, plans are under way to cater for every form of mobile air conditioning and refrigeration. The availability of highly sophisticated equipment from Tata-Merlin & Gerin and of products from National Electrical Industries provide a well-integrated programme for the *Electrical* division in power distribution and generation. *Earth Moving and Construction* equipment as also *Mining and Conveying* did not show signs of such improvement except in the case of Tata P & H excavators, but if all goes well, the Fourth Plan should open up new and fresh avenues of business for heavy engineering products. Two divisions which gave promise of better business were *Materials Handling* and *Machine Tools*. Both are growth areas in the context

of the industrial development of the country, and your Company is well entrenched here; in fact, it is perhaps the foremost in the design of systems and the supply of products in the sphere of materials handling, while in machine tools it is today the largest distributor of quality equipment, whether manufactured in the public sector or in large or small units of the private sector. In *Agro-Industrial* products, your Company was well on the way to consolidating its position as the leading marketing organisation for all kinds of agricultural inputs. It would be superfluous to stress here the importance of this sector and of the unlimited opportunities it offers your Company. Similarly, in *Pharmaceutical and Consumer* products, the trends indicate the possibility of substantial growth of business and the division concerned is being geared to handle a larger volume, wider range and deeper market penetration. *Chemicals* is a mixed and uncertain bag, partly because of the dependence on imports; however, more indigenous representations are being acquired which will help this division materially. *Project Engineering* is presently engaged in aerial ropeways and precipitators, but various other fields are being explored.

Increase in prices and shortages of critical raw materials greatly hampered *Manufacturing* activities at Thana. This unit is going through a phase of diversification of its air conditioning and refrigeration, mining and materials handling programmes, side by side with the streamlining of operations and the creation of better research and development facilities. This unit is the base on which the future well being of the Company will be founded; an appreciable part of the manufacturing programme generates a large volume of business by the incorporation of Thana products in turn-key installations and systems.

The sales turnover during the first five months, i.e. upto the end of January, 1970 is somewhat better than the same period last year. So also are the forward orders booked so far. The Management hope that they will reach the target of sales which was fixed for the year under report. Unless something untoward happens or the industrial relations are again disrupted, the Company should achieve this target.

Your Company has been regarded, and quite rightly too, as a growth company and its achievement during the Sixties bears this out. At the start of that decade, the Company had a turnover of approximately Rs 20 crores and ended with a figure of almost Rs 70 crores, which in reality would have been over Rs 80 crores but for the unfortunate events of 1968/69 mentioned by me earlier. There is every reason to believe that given the freedom to expand its business in an era of political stability and industrial peace, the Company can achieve a similar rate of growth by the end of the Seventies. This is not wishful thinking but something which, with careful planning and organisation, is well within its grasp.

With the passing of the Monopolies and Restrictive Trade Practices Bill into an Act by Parliament and, furthermore, with the acceptance in substantial part by the Government of the Dutt Commission's Report, I must, however, caution the members that though there may be no outright embargo on our growth, our future development and diversification will depend largely on Government policies.

I would plead that Government adopt, preferably through the instrumentality of an independent body, a "balance-sheet" approach to our performance, evaluating both our limitations and achievements in the light of the goals of national priority. It has always been argued that distribution, particularly in a modern economy, is nothing less than a factor of production and any attempts to categorise and penalise your Company as belonging to the "non-priority" sector would, I venture to say, be entirely unjust.

On the contrary, it is a fact that as a major engineering concern, your Company is helping the Government to achieve the goals it has set itself of creating a wide net-work of small-scale entrepreneurs, both in manufacture and in retailing. Thus, on the one hand, these entrepreneurs would reap the fruits of a wide national market, and so overcome one of the severest limitations of both the small-scale and the co-operative sectors of industry at a reasonable cost; on the other hand, the Company would create a demand for the products of small industries. For example, almost half of the annual purchases made by the Company for its Thana Works and for its various Branches is obtained from small or medium-scale industries. These purchases presently total over Rs 3 crores and provide employment for thousands of men scattered all over the country. Expansion of your Company's activities will surely create greater employment potential not only for artisans but also for engineers. Restrictions on the growth of your Company would mean denial of these opportunities of employment. Your Management has in mind the setting up of more and more ancillary industries to be run by small entrepreneurs including its own ex-employees, with the support of the Company. No conception is thus so unrelated to reality as that of a basic "class-war" between the large-scale and small-scale sector.

Apart from any restraint placed on your Company by Government, there is another feature which might affect progress in the new decade. I refer to the resistance of the Federation and Unions to the introduction of new management aids and techniques. I would like to repeat what I have said on many earlier occasions that your Company can only hope to continue as one of the finest engineering and marketing houses, if it introduces without further delay new and highly sophisticated tools of management. It cannot continue to give the excellent service for which it is known throughout India, whether it be to Government projects and corporations or to the millions to private individuals who use one or other of the products handled by the Company, if it is to rely on its old traditional methods of gathering information on which to base decisions. A vast and growing dealer and stockist organisation, coupled with new and more front-line offices of the Company is one of the ways to ensure better coverage, better service and greater economies of operation. To control this vast network, it is vital to get faster access to reliable and up to date data, so that the system responds more quickly to changes in the market-place. This cannot be achieved without the early introduction of much faster methods of data acquisition, processing and retrieval.

In conclusion, I am happy to say that the tempo of work throughout the Company's establishments during the last few months has shown a marked improvement, which, I trust, will continue unabated, thus enabling the Company to achieve considerably better results.

Note: The above Statement is not a report of the proceedings of the Annual General Meeting which will be held on the 26th March 1970.

The Chartered Bank Group

Chairman, Mr W G Pullen's Statement

THE following are extracts from the Statement by the Chairman, Mr William George Pullen, to be presented at the Annual General Meeting of The Chartered Bank on 8th April 1970, at 38 Bishopsgate, London E C 2.

Since my statement a year ago we have taken a momentous step in merging with our good friends, The Standard Bank Limited, and The Chartered Bank is now a wholly owned subsidiary of Standard and Chartered Banking Group Limited. Such a change of status after 116 years of independence, during which the bank passed through many vicissitudes, including two world wars, and emerged strong and successful, caused inevitably a measure of nostalgic regret in a loyal staff past and present, and we believe in many customers and stockholders too. However, this is the day of larger and larger banks giving the widest range of services to, amongst others, the huge international operating companies, and with our merger we become part of an organisation with more than double our capital, reserves and balance sheet figures, and with a correspondingly increased geographical coverage. Above all, The Standard Bank Limited make ideal partners for we are both British overseas banks steeped in the same tradition, handling the same type of business and yet we complement each other and do not overlap in our world branch system. Finally, and this we, and I am sure our connections at home and overseas, cherish most of all, The Chartered Bank will continue to operate as it has through the years giving the same service with the same staff to our customers and our host countries.

Turning now to our fortunes in 1969, we passed through a year which, not unusually for a bank established in so many countries, was always eventful and yet fundamentally less worrying than its predecessors because of the steady strengthening of sterling and the general more stable conditions of world currencies once the parity of the French franc and the Deutschemark had been adjusted. It was a relief to be able to cover the exchange risks of our overseas importers and exporters without undue risk to ourselves and we were able even to take our part dependence on expensive money in our stride, which meant that with increased commercial activity and higher commodity prices in our area we experienced a very successful trading year.

At home we reluctantly had to relinquish our investment in Financings Limited following a merger, but fortunately our relationship with the Hodge Group has been even closer and is developing in the promising manner we had anticipated.

In Europe by the establishment of a bank in Zurich in collaboration with Christionia Bank og Kreditkasse, Oslo, and Bankhaus Conrad Hinrich Donner of Hamburg under the name of Anglo Nordic Bank Limited, and in Rotterdam a bank in the name of European and Overseas Trading Bank N V also with Bankhaus Conrad Hinrich Donner as a partner, we are pursuing our policy of giving the fullest services to our branches overseas and to our International Banking Division in London.

The Allahabad Bank Limited

In the pursuit of a socialistic ideology the Indian Government considered it advisable and necessary to nationalise all locally registered banks having deposits in excess of Rs 50 crores and the assets and liabilities of our affiliate in India were taken over by the Government with effect from 18th July 1969. Although the Government's decision in this regard is being challenged in the courts the figures of our former affiliate have been excluded from our consolidated balance sheet and we now await results of our claim for the payment of compensation. India has always punctiliously honoured its overseas obligations, and we confidently expect to be reimbursed in sterling for monies we have invested from this country in the Allahabad Bank Limited.

This Year's Accounts

Owing to the nationalisation of Allahabad Bank Limited, to which I have already referred, the assets and liabilities of that bank are not included in our consolidated balance sheet. The balance sheet totals of Allahabad Bank for 1968 were £73 millions and, in view of the elimination of figures of this size from our group accounts for 1969, I am pleased to be able to report that our consolidated balance sheet totals have increased by £27 millions to £935 millions. Current, Deposit and Other Accounts have decreased by £12 millions but if the comparative figures for 1968 were adjusted to allow for the deposits of Allahabad Bank there would be an increase of £51 millions.

The rights issue to stockholders in January 1969 increased the Bank's issued capital to £9,680,000. The premium amounting to £2,117,500 resulting from the issue has been credited to the Reserve Funds. After an adjustment to the Reserve Funds due to the exclusion of Allahabad Bank's figures, the Bank's capital and consolidated published reserves together with the balance on profit and loss account now total £29,163,910 an increase of £4,118,899.

Profits and Dividends

After making the usual provisions and deducting minority interests in subsidiaries, the consolidated net profit for the year is £2,960,210 an increase of £482,803 on the previous year. At the halfway stage we reported that profits were slightly below the comparable figures for the first half of 1968 and the improvement now shown is due to an increased volume of business in the second half of the year which improved our profitability, especially in our overseas branches and subsidiaries.

With the balance of profit brought forward from last year of £989,776 the amount available for distribution is £3,949,986 out of which £1,082,364 has been transferred to Reserve Funds and £370,000 to Reserves for Contingencies. The interim dividend of 7½ per cent paid on 26th September 1969 absorbed £726,000 and a second interim dividend of 7½ per cent payable on 27th February 1970 makes the total for the year 15 per cent, the same as for the previous year. The balance to be carried forward to 1970 will then be £1,045,622.

India

Externally the year, particularly in the early weeks, was uneventful. China was pre-occupied with its Soviet borders and Pakistan had no time for other than its internal problems and a few straws in the wind created cautious optimism, which has however evaporated with the realisation that many of the

Prime Minister's more recent appointments will pursue an Eastern bloc orientated policy to the detriment of the West.

Industry is beginning to recover slowly from its recession although substantial capacity still remains idle. There is a serious shortage of raw materials and an acute lack of steel whilst widespread labour unrest has proved particularly harmful to the tea and jute industries. The unsettling effect of the nationalisation of the commercial banks, followed by a resolution passed at the plenary session of the ruling Congress Party in Bombay in December calling for the nationalisation of general insurance and state control over the bulk of the import trade, together with the recommendations of the 'Dutt' committee designed to disperse concentrated wealth and economic power, have made many industrialists prune investment programmes and curtail plans for expansion. For a long time such momentum as existed in the economy was generated by the private sector and the present switch to extreme left-wing socialism can only be detrimental to industrial expansion, to the welfare of the country and to the masses the Congress Party is avowedly attempting to help.

Fortunately in agriculture the picture was brighter for, helped by government policy and a succession of good monsoons, the progress of the previous year was sustained. Further advances too may be expected from the high yield seed programme, the increasing use of fertilisers and insecticides and the growing acreage under irrigation and food production may reach 100 million tons for the first time, which would represent a six per cent increase over 1968/69. The rapidly increasing food crops and the consequent reduction in imports significantly narrowed the trade gap and for the year ending in June 1969 the country's reserves increased by US $118 million. If tea prices have turned the corner and more settled conditions prevail on the estates, profits in agriculture generally could be promising.

There were signs early in the year that the results of devaluation, coupled with a will and drive to export by established industrialists aided by cheap export finance, was at last having a beneficial effect on the balance of payments and for a time the country seemed to be on the road to economic recovery, but the present altered policies will undoubtedly cause a setback.

Our Local Advisory Board continued to meet regularly over the year and we also had the benefit of a personal meeting in London with some of its members, whom we were happy to welcome into our midst.

Conclusion

As each year passes and the new or developing countries as we are still apt to call them, become that much older, it is more apparent that those with liberal governments encouraging private enterprise are forging more and more ahead. Even a benevolent dictatorship not anti-business and against profits is likely to have a more successful economy and a more satisfied people than any so-called democracy where extreme socialistic measures, bureaucratic interference and high taxes stultify enterprise and initiative. Lack of success in the more doctrinaire countries, instead of producing policies to restore the balance and give impetus to trade, often merely sees an increase in a form of resentful nationalism. Internal politics cannot unfortunately be left completely out of business, even in the industrialised Western nations, and world politics also play their part in deciding the pattern of trade and aid, but with strains developing in their own economies, the older industrial countries will need to be more critical and more satisfied that assistance is turned to the best advantage. Those Asian countries with mature statesmen, liberal at home and in their international outlook and understanding, deserve full support and one hopes that their countries will gain added stability from increased world trade and investment. At the same time, it is hoped that there is continued realisation that the overseas banks, such as The Chartered Bank Group, play an important role in the stability of the countries in which they operate.

National Industrial Development Corporation

THERE was a marked shift in emphasis in 1968-69 in the National Industrial Development Corporation's activities from pre-project investigation studies to detailed project engineering work. The value of total services rendered during the year amounted to Rs 43.90 lakhs, including a foreign exchange earning of Rs 6.13 lakhs. The Corporation paid a dividend of 10 per cent on its paid-up share capital of Rs 10 lakhs for the year.

The Corporation undertook the following major assignments in India during the year:

(a) Complete engineering of the resin and turpentine factory at Bilaspur, Himachal Pradesh. The plant was completely designed by the Corporation without any foreign exchange expenditure, and the design was evolved around Indian equipment, Indian knowhow and Indian engineering and operating skills. The plant has been successfully commissioned and is now in commercial production.

(b) Complete engineering of heavy plate and vessels plant, Visakhapatnam. The design engineering has been completed and construction and erection are in progress.

(c) Korba alumina plant for Bharat Aluminium. The detailed design work is in progress. In designing this plant the Corporation is maximising the use of Indian equipment which is estimated to account for more than 90 per cent of the total value of equipment required for this project.

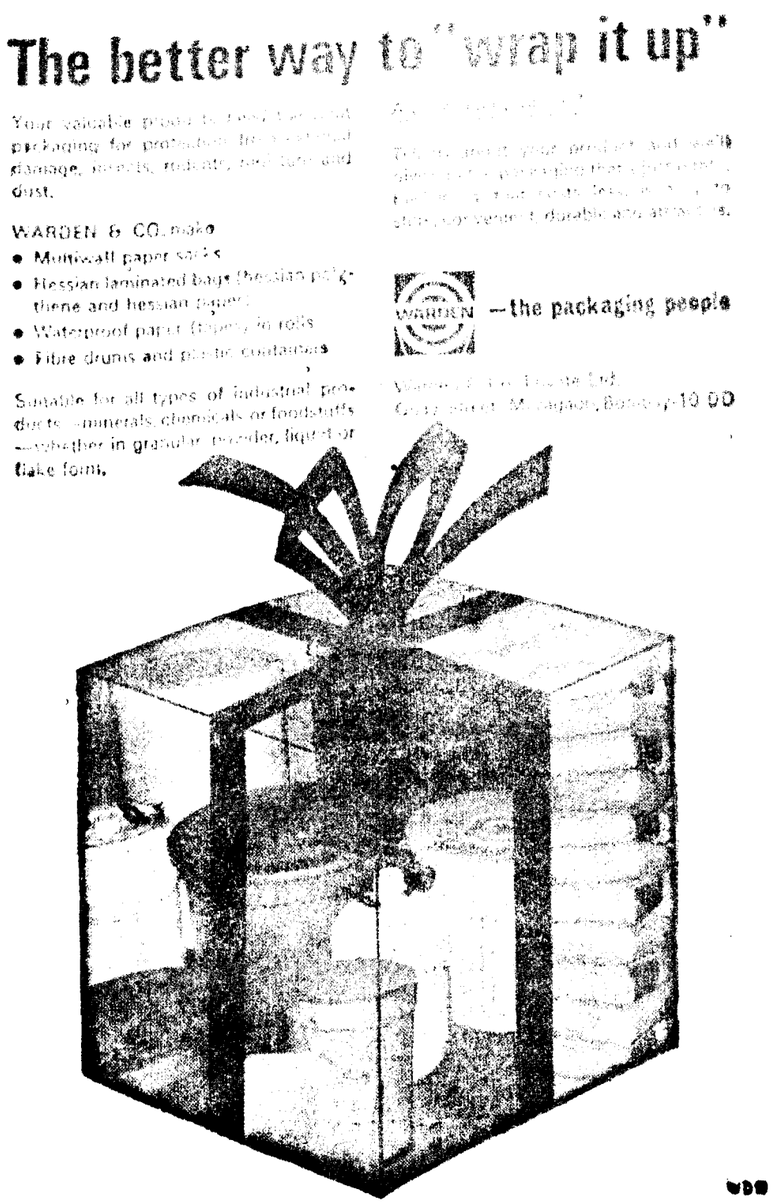
(d) Marine diesel engine plant for Garden Reach Workshop, Calcutta. Almost all the design work for the plant has been completed.

(e) Grinding machine tool plant at Ajmer. The design work for the project was completed by the Corporation earlier and the construction is now in progress. The Corporation has also been commissioned to design the associated township facilities for this plant.

(f) Project report for manufacture of tractors utilising existing surplus capacities in various public sector units. The report has been submitted to Government.

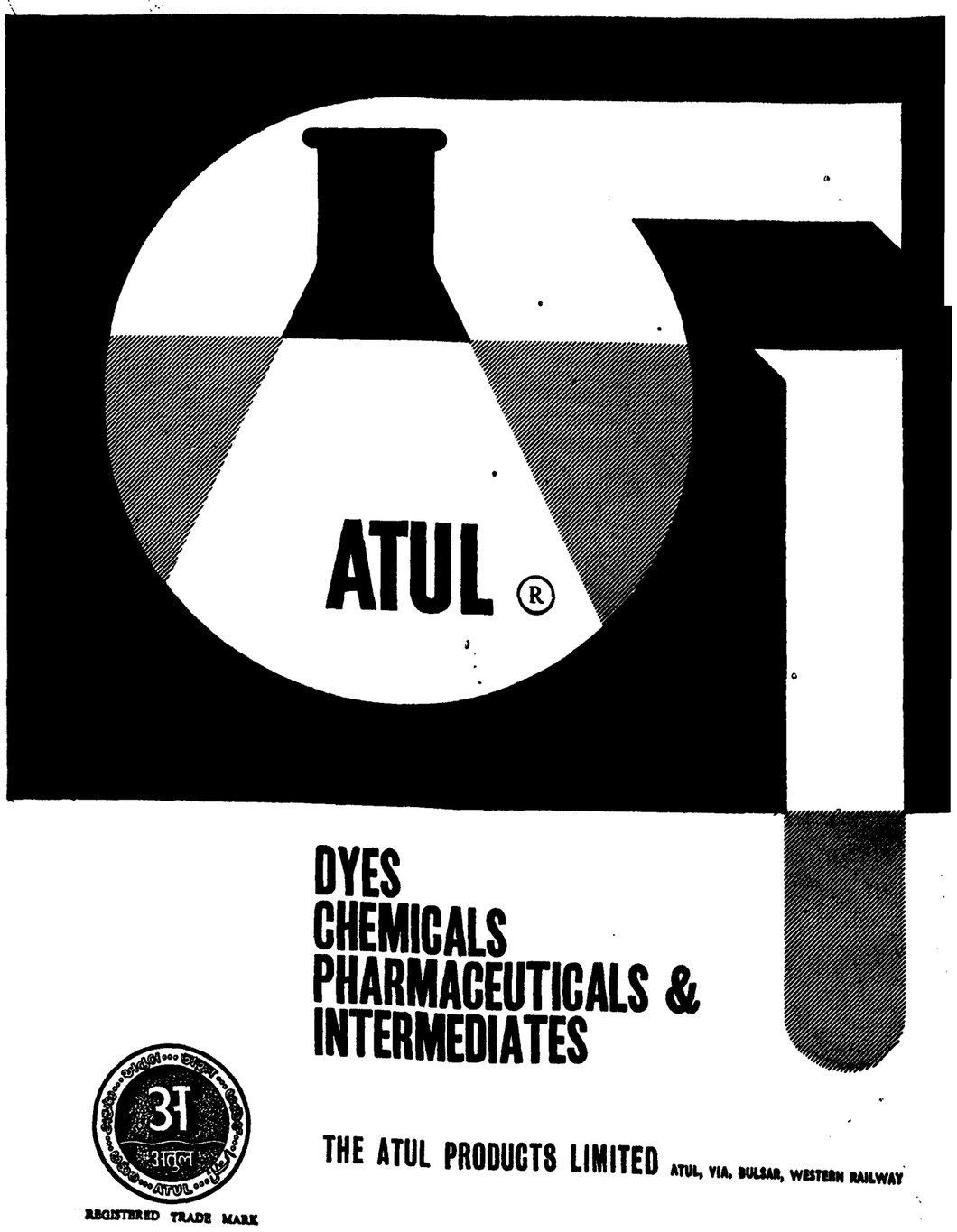
(g) Preparation of project report for manufacture of gas cylinders in the public sector. The report has been submitted to Government.

(h) Detailed engineering work on Hindustan Organic Chemicals' intermediate plant at Panvel.



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DEPUTY SECRETARY TO GOVT. (INDUSTRIES) 9 - APR 1970 INDUSTRIES DEPARTMENT

AFTER RAJYA SABHA ELECTIONS

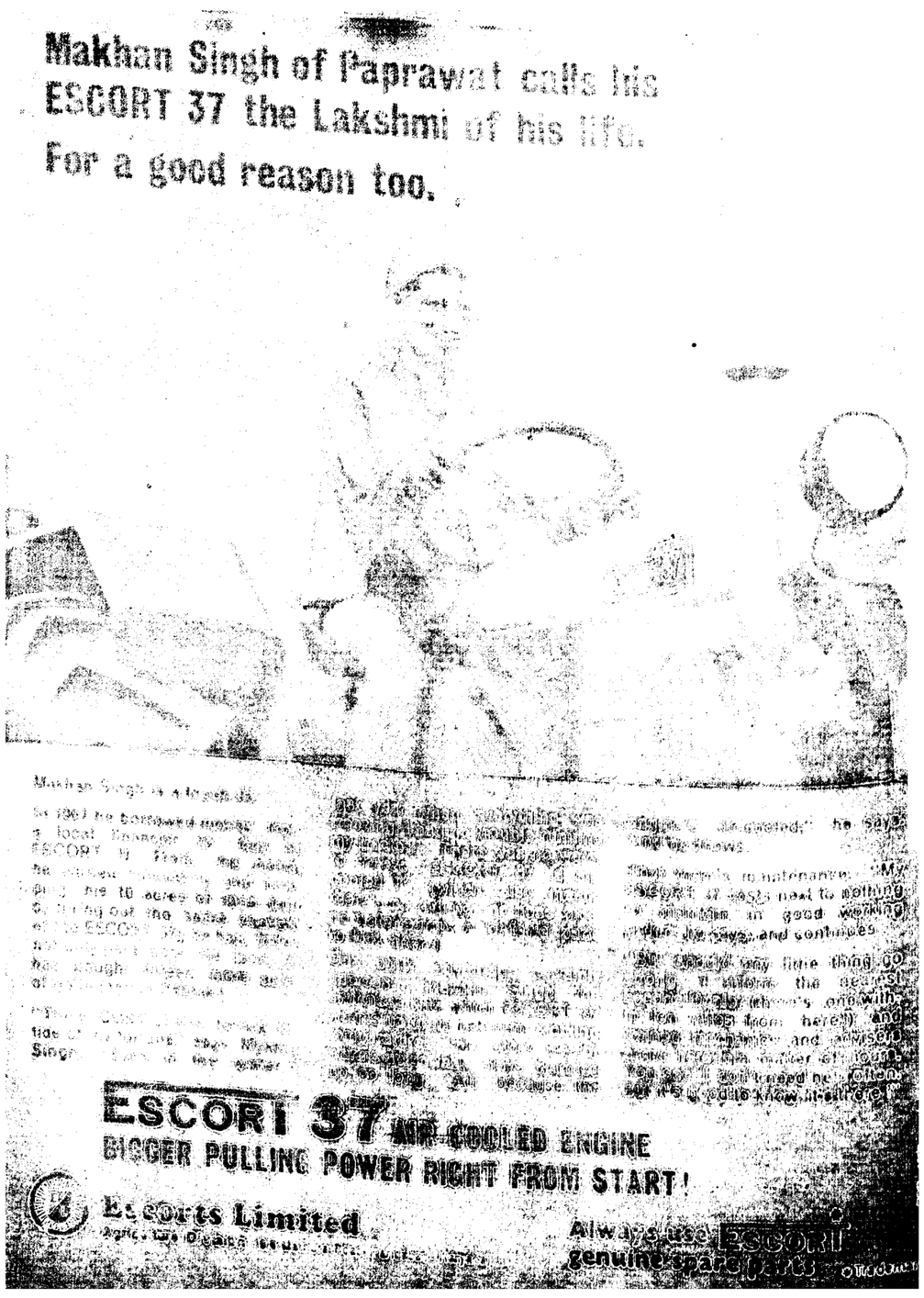
SMALL FARMERS AND HYVP

RETURNS TO HIGHER EDUCATION

INVESTMENT DECISIONS AND PRICES

DIVIDED DEMOCRATS IN NEPAL

Makhan Singh of Paprawat calls his
ESCORT 37 the Lakshmi of his life.
For a good reason too.



ECONOMIC AND POLITICAL
WEEKLY

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Skylark 284 Frere Road Bombay 1
Phone 26 60 72
Editor
KRISHNA RAJ
Assistant Editor: Rajani X Desai
Business Manager: A Fernandes
Circulation Manager: Shiv Patil
Editorial Staff
Colin de Souza, Haresh M Advani,
Shireen Heerjee, Ashok Rao,
Ranjeet R Chandi

Inflation Built In?

HOW final is the Fourth Plan that emerged from the recent meeting of the National Development Council? The Planning Commission's 'Paper' titled "Fourth Five-Year Plan: Revised Outlay 1969-74" was supposedly approved by the assembled Chief Ministers. However, it is not clear what this approval meant. At the NDC meeting more than one Chief Minister spoke of the Plan in terms which could hardly be construed to indicate 'approval'; and now Maharashtra's Finance Minister has declared that his Government "has not accepted the Planning Commission's decision fixing the size of the State's Fourth Plan". Other State Governments, one may be sure, are no more lacking in concern to do the right thing by their own subjects. But quite apart from the uncertainties created by hope springing eternal in State capitals, what about the 'revised' Plan as it stands? Can it be said that all that is necessary to produce the final Plan document is to work the new figures of resources and outlays into the Draft Plan?

The States' demand for larger Plans — naturally to be financed out of the existing pool of resources — was a major factor behind the changes made in the Draft Plan. But along with that there was also pressure, arising from the political necessity to make explicit the benefits of nationalisation of commercial banks, to raise the Centre's Plan outlay. Since the demands of the States could not be denied and the Centre's outlay had to be raised to justify bank nationalisation (though initially the Planning Commission's chairman had taken the position that bank nationalisation would not make any appreciable difference to Plan resources) and, further, since it was thought frankly impractical to work on the basis of a saving-income ratio higher than visualised in the Draft, the axe had to fall on private investment which in the course of the 'revision' has been slashed by over Rs 1,000 crores. What is significant is that the cut did not stem from any deliberate policy decision but came about because private investment was the residue which had to make room in the pure arithmetic of balancing saving and investment. This would be nothing to complain about if, first, it could be ensured that the actual allocation of saving between the public and private sectors would conform to the pattern of outlay and, second, the deployment of savings retained by the private sector would accord with the desired pattern of private investment. However, in the process of 'revision' of the Draft Plan neither of these issues appear to have received any attention.

The public sector as well as the private corporate sector depend on transfer of saving from the household sector to finance their investment. The part of the household sector's saving that can be thus transferred is that held in the form of financial assets. On the assumption that, as in the past, saving of the household sector would be divided between physical and financial assets in roughly equal proportions, of the revised figure of Rs 12,090 crores of household saving over the Fourth Plan, Rs 6045 crores would be in the form of financial assets. Now, the draft by Central and State Governments on private saving is estimated at Rs 5210 crores, leaving Rs 835 crores out of the household sector's saving for possible transfer to the private corporate sector. The corporate sector's saving is estimated at Rs 2070 crores (including co-operatives) which, together with the Rs 835 crores available to it from the household sector, gives a total of Rs 2905 crores for financing the sector's investment. Corporate investment, however, averaged Rs 725 crores per annum even in the post-Third Plan years of industrial recession. If this sector's investment is no more than maintained at this level, it would total Rs 3625 crores over the Fourth Plan or Rs 720 crores in excess of the estimate of saving likely to be available to the sector. The sectoral breakdown of private sector investment envisaged in the 'revised' Plan is not given, but one may be certain that it is not the intention to bring about a decline in the absolute volume of private corporate investment — and that too by as much as 20 per cent!

That being so and an impressive increase in public sector outlay being, at the same time, inescapable, the only recourse was to assume an arbitrary change in the distribution of household sector's savings between physical and financial assets. This is reflected in the breath-taking expansion postulated in commercial bank deposits. Bank deposits are expected to increase in real terms by Rs 3,000 crores as against Rs 1900 crores in the Draft. The annual rate of growth of deposits works out to 11 per cent cumulative as against 5 to 6 per cent achieved during the last seven or eight years. Quite apart from whether such a massive shift into financial assets — into bank deposits specifically — could be achieved with even the most ambitious programme of branch expansion and deposit mobilisation, the fact is that the very priorities envisaged in the Plan do not permit such a shift. Thus investment by the household sector (in physical assets) in agriculture, small industry, trade and housing are actually sought to be encouraged. Similarly, since the financial institutions are expected to lend more for agriculture, small industry, etc, the sector's financial liabilities are likely to go up, again reducing its *net* saving in the form of financial assets.

Of course, there is one way out of this situation — a price rise. If prices rose over the Plan period then the rate of growth of deposits at current prices could be much higher and the financial balances expected in the 'revised' Plan would be capable of achievement. Have we, then, in the process of revising the Draft Plan moved from a position where price stability was a basic objective to one where inflationary pressures have been virtually built into the outlay pattern? Will the Planning Commission, simultaneously bullied by importunate Chief Ministers and hard pressed to demonstrate the benefits of bank nationalisation, examine this aspect of the 'revised' Plan before it is sanctified in the final Plan document?

A Break for Pentagon

WHAT credence one may place on the new Cambodian Government's claims of massive Viet Cong infiltration and advance on the capital city, it is difficult to determine. Curiously enough, no clashes have been reported between the infiltrators and the Cambodian armed forces, nor any casualties, though the hostiles are said to be within miles of Pnom Penh. The Cambodian army is admittedly small in size, a force of not more than 40,000 men, but in conditions of invasion and seige it cannot have failed to engage the 'enemy' — unless the army itself has been demoralised or rendered ineffective by the ouster of Prince Sihanouk. That small bands of Viet Cong guerillas have been operating from Cambodian territory bordering South Vietnam has been known for some time, and Sihanouk himself had vigorously protested against their presence; but chances of the Viet Cong attempting to overrun Cambodia when South Vietnam is thick with alien forces must be regarded as almost nonexistent.

It seems more probable that Lon Nol, the new Prime Minister who headed the 'constitutional' coup against Sihanouk, hopes to stabilise his regime by whipping up an invasion scare before the supporters of Sihanouk, who comprise the majority of Cambodians, succeed in mobilising forces against his regime. Sihanouk is known to have been trying to obtain a negotiated withdrawal of Viet Cong stragglers from Cambodia, whose presence has been used by Americans as a convenient pretext for violating Cambodian sovereignty, and he might even have succeeded in the attempt. The irony is that he was deposed just when he was in the midst of these delicate negotiations. Sihanouk was the only man who could have maintained Cambodia's neutrality and prevented his country from being sucked into the vortex of the Vietnam war. With his removal, and the setting up by him of a Government of National Union in exile, it must be feared that the whole of Indo-China has once again reverted to the position that existed before 1954, except that Americans have replaced the French as the alien interlopers.

Whether or not there was any alien inspiration behind the coup that overthrew Sihanouk, the resultant situation is one that suits the book of the Americans more than anyone else. General Creighton Abrams, US commander in South Vietnam, has long propagated the view that if Viet Cong could be flushed out of Cambodia the war in Vietnam would end within a year. Also, it seems logical that extension of the strife, and the opportunity it will give of collective identification of the opposing force in all the three countries of Vietnam, Laos and Cambodia, must help the alien interventionists more than the defenders of nationalism. Irrespective of whether Lon Nol seeks American assistance, and whether such assistance is openly given, the ouster of Sihanouk fits in with the designs of the Pentagon, which President Nixon's policy of 'Vietnamisation' of the war has not concealed. In such a context, it is idle to pretend that either United Nations, whose aid has been sought by Lon Nol, or the International Control Commission can make any useful contribution to a resolution of the conflict. Only when foreign interference is eliminated from the peninsula can the countries of Indo-China hope to settle down to conditions of peace and stability.

Mixture as Before

FEW departures from the traditional trend distinguish the import policy for 1970-71. A few items have been added to the banned list, reflecting further diversification of indigenous industry; a few items have been added to STC's monopoly list, evidently to prove Government's socialist bias; and a few concessions have been given to industrial units making certain minimum levels of exports.

A total of 159 items have been added to the banned list. These include some sizes of E R W tubes, seamless tubes, ball and other bearings, band saws, power factor capacitors, lightning arrestors, power and distribution transformers, some items of textile machinery, some items of drugs and medicines, some chemicals (including insecticides and weedicides), electric hoist blocks, and so on. It is a measure of the industrial development already achieved that few of these items are totally new to the list. In the last three years, industrial growth has essentially taken the form of diversification, and this is reflected in the banning of import of wider size- and category-ranges of products.

State trading organisations, particularly STC, are a major beneficiary of the current socialistic fervour. To the list of items which are to be exclusively imported through these agencies 38 new items have been added. These include platinum, copra oil, hops, some drugs, raw film, chemicals like formic acid, titanium dioxide, tinplate, and so on. With this it is estimated that imports by STC and other Government trade organisations will increase to Rs 300 crores in 1970-71.

Other established nuances of import policy also continue: (a) three industries (pipes and tubes, transmission towers and weighing machines) have been added to the compulsory export category; (b) manufacturers with minimum 10 per cent exports will continue to be able to choose the source of their imports; (c) the allocation for small industry sector is doubled; and (d) the hardy list of 59 priority industries continues as it is.

This is very much the mixture as before and reflects hardly any progress in official thinking on achieving a better balance in our international account by improving our import capacity. Some initiatives making for a more dynamic trade policy were clearly needed. First, given the differing degrees of softness of markets, it is necessary to vary the size of the carrot more than is done now. At present India exports large quantities of basic goods (for example, steel products) to rupee-trade countries and the middle-east which do not have many other sources to buy from (for various reasons, including shortage of free foreign exchange). The present incentive licensing system leads to the odd situation where we buy goods with free foreign exchange and export them after varying degrees of manufacture for tied exchange. In other words, we act as a conduit for supply of goods and currencies in short supply to these countries. It is necessary that incentives are more closely related to the nature of export markets built up, being relatively greater for exports earning free foreign exchange.

Second, given STC's export performance in the last nine months and the new import policy, STC is fast becoming an import agency. Tandon's presence at the press briefing on the new import policy reflected STC's interest in the policy. In such a situation, it is not difficult to make profits, as STC is doing. It is time STC accepted the obligation to earn foreign exchange by developing new markets. It would not be unfair to ask it, as a beginning, to earn at least 50 per cent of its import expenditure. STC should become a trading house — on the lines of Japanese trading houses — which should try to balance its foreign exchange budget.

There are other directions in which foreign trade policy can stand some innovation. For example, more specific export obligations can be laid down, based on the extent of foreign control of local industry. More positive export targets can be specified for industry groups where India has a cost advantage (and not merely where we have excess capacity in relation to local demand). Moreover, export incentives can be related to "real" export earnings — that is, local value added (and not total sales value). Finally, our export effort needs to be closely related to the likely growth of export markets (for example, in Africa as it develops) and to the likely forms in which demand will arise (for example, building infrastructure through separate construction firms for dams, roads and railways). At present the emphasis of trade policy is negative, far more on import-pruning than on export development to earn all the imports needed. All this requires a clear conception of our export goals and a careful working out of export strategy. But is anybody concerned about such things?

How Poor Are the Poor?

AN interesting point with regard to income inequality has been made in a study, "A Configuration of Indian Poverty: Inequality and Levels of Living" by P D Ojha (Reserve Bank of India *Bulletin*, January 1970). The study suggests that income inequality is an insufficient measure of the levels of poverty in a society. This is because income inequality at best represents the relative position of a household in the aggregate income hierarchy. This type of relative poverty exists even in an affluent society. Moreover, while the state of relative poverty is largely a question of subjective judgment, conclusions on absolute levels of poverty can be based upon facts.

Since consumption of foodgrains (cereals and pulses) constitutes a significant proportion of total consumer expenditure, particularly at the lower levels, an absolute index of poverty is constructed using actual consumption data in quantity terms. The difference in terms of quantity between the minimum calorie requirements and the actual consumption for each expenditure group is taken to represent the nutritional gap. The percentage of deficiency to the estimated norm is taken to be an index of the absolute level of poverty; a deficiency of 10 per cent and less was ignored in the study.

What emerged was that, of the total rural population of 355 millions, 184 millions (i c, about 52 per cent) were in the category of absolute poor in 1960-61; in 1967-68 70 per cent of the population in the rural areas was found to be at poverty levels. Households in the expenditure group Rs 0-18 were in the absolute poverty range. Interestingly, those above the poverty line were found to be consuming in excess of the required norm.

The study concludes that a minimum income of Rs 18-43 per month for an individual, or Rs 105 to Rs 188 per month for a family, is desirable to eliminate absolute poverty thus measured. The minimum level of income thus stipulated in the study still does not ensure elimination of deficiencies in respect of consumer items other than foodgrains. But the minimum would enable elimination at least of poverty related to consumption of foodgrains. If other deficiencies are also to be eliminated, the level of minimum income would, of course, need to be higher.

Minimum income level estimates, through the method adopted in the study, compare well with other estimates made in this respect. At 1960-61 prices, the perspective Planning Division had estimated a minimum level of income of Rs 20 (Rs 36 at 1967-68 prices) to be achieved by 1975-76. The Fourth Plan Draft document however believes that a consumption level of just Rs 15 per month (at 1960-61 prices) may be feasible. Compared to this, the National Labour Commission's estimate of a 'need-based' minimum wage of Rs 155-225 per month (at 1967 price level) is telling.

Since the estimates of absolute level of poverty are based on the NSS data which are subject to several limitations, the present study cautions that they represent broad magnitudes rather than any precise index of poverty.

What measures could eliminate such poverty? The study believes that, detailed regional and functional investigations would first have to be attempted. Although the long-term answer lies in the rapid growth of the economy, this by itself may not be sufficient to solve the problem of absolute poverty, and the study suggests among other things a proper alignment of educational planning with development planning at all levels. Further, since for some households there exists excess consumption of foodgrains in relation to norms, an elimination of deficiencies for households below the poverty line would imply a redistributive policy — possibly through rationing. At the same time, there would have to be creation of additional income for households below the poverty line through increased regular employment opportunities to create the necessary purchasing power for the minimum essential food requirements. To effect such real transfers to those below the poverty line the state would have to accept much greater direct responsibility. The provision of a diffused social welfare expenditure budget of Rs 125 crores under the Central Plan — most of it consumed in salaries, so that net real transfer is even smaller than the apparent one-tenth (Rs 125 crores of a required Rs 1,350 crores) — indicates the long path the Government has to tread to be able to claim having taken some steps towards amelioration of poverty.

A few minor points may be noted. While the study confines itself to provision of minimum foodgrain intake, it ignores the problem of balance in diet which too could be a poverty index. In the urban areas, since there are distribution margins on sales which the study does not consider, the extent of poverty there, has been underestimated. In the rural areas, on the other hand, ownership of land accentuates poverty differences even within the poverty group between the landless and the land-owning poor.

Uses of Cement Control

THE decision to decontrol cement was reversed in December 1969 — till such time as Government had once again fully studied the question. Industry had wanted control to continue and there was no paradox here. With the cement market showing evidence, after nearly three decades, of turning into a buyers' market, the majority of cement manufacturers were shying away from the novel experience of competition. The industry's agitated pressures on Government were supported by the Madras High Court's decision which made the question of decontrol *sub judice*. Pending final resolution, an inspired newspaper report has declared prolongation of control inevitable for another three years at least, as shortages are already emerging. While last year demand and supply had just about matched around 13 million tonnes, with exports being marginal, the report warns of shortage in the current year with production at 15.5 million tonnes and demand — including 0.5 million tonnes of subsidised export — at 16 million tonnes.

Yet, by what could be considered the industry's official estimates, production in the current year is expected to be only 14.30 million tonnes (capacity

16.30 million tonnes) with no shortages emerging, nevertheless, till the third or fourth year of the Fourth Plan — *i e*, not till 1972-73 — by which time the Rs 200-crore housing programme and the resumed developmental expenditure of the Plan will begin to have its impact on demand for cement.

The three years of relatively easy availability, thus anticipated, match almost exactly the newspaper report's point that at least three years of control are necessary. If, indeed, the prolongation of controls is managed for three years, the real shortages that will appear thereafter should make further control inevitable. Cement control, clearly, has uses for the producer as much as for the consumer.

Through control has benefited the producers by pegging prices to costs and indirectly encouraging producers to operate as a cartel, there is one longer-term blessing that the operation of control seems to have bestowed on the consumer. While the publicity accompanying the inauguration of laboratory construction for the new Cement Research Institute may not have underscored the fact, the funds contributed by the industry to the setting up of the Cement Research Institute at Faridabad are those compulsorily required to be accumulated by it, under cement control, from the price rise allowed it in 1961. Research in problems connected with cement manufacture and cement composition has already begun. The foundation at Faridabad hopes, with Government financial participation, to carry this research much further. There are many operational and technological problems that confront cement manufacture. And co-operative research is well-equipped to take them on where individual producers can only experiment on the shop-floor for their solutions. There are important raw material problems too. Limestone is a major input. Its deposits are scattered in quantities over the country but many of these are sub-standard. Discovering ways of tackling impurities would open a wide range of raw material sources which are today written off because of technological difficulties in using them. Further, the better quality of limestone which may be indispensable for certain chemical manufactures — such as the soda ash range — may then be set free for the alternative uses. Similarly possibilities of slag cement would open new vistas of tying cement production to steel complexes.

BUSINESS

Dog Bites Dog

THE battle for National Rayon has reached a stage when shareholders — of course, under suitable inspiration — have entered the fray. Much dirty linen is being washed in the public as a result. This is a rich source of merriment to those who take interest in such things; but it also provides certain insights into stock market manoeuvring in this country which matches, in skill though not in scale, the gyrations of conglomerates in the US and Europe.

A group of National Rayon shareholders have, in a memorandum addressed to the Company Law Board, sought to expose the *modus operandi* of the Kapadias who have been trying to get control over National Rayon management. The instruments used by Kapadias for their operations are a "manufacturing" company and a sterling company. The mechanisms sought to be manoeuvred are the system of margins on stock exchange operations and the financing system which enables transactions to be financed and carried forward on the exchanges. Also, Kapadias have successfully used unintelligent bureaucrats in the Income-tax Department and LIC to further their aims.

Kapadias have a family company, Maganlal Chhaganlal Private Limited, which owns a drum manufacturing unit. This company's main activity in recent years has been dealing in shares. The value of shares held by it increased from Rs 1.55 crores as at March 31, 1966 to Rs 3.48 crores as at March 31, 1967; correspondingly, loans and advances taken by the company increased from Rs 1.01 crores to Rs 2.20 crores between the two dates.

Various aspects of this activity deserve notice. Ostensibly all this finance is obtained from non-bank sources, indicating either that there is a lot of loose money floating about on the stock exchanges or — and this is more likely — that this is bank money which has been borrowed by individuals and firms for lending on the stock exchanges. Secondly, it is not only to ministers that the Income-tax Department is kind; it took pity also on Maganlal Chhaganlal and fixed instalments of Rs 50,000 per month for payment of income-tax, thus enabling the company to use the funds for further operations on stock exchanges. But, so as not to be dependent on the obliging Income-tax Department, the company duly showed losses on "ready dealings in shares" in 1967-68, thus obviating the need to at all provide for taxation.

The second instrument used by Kapadias was British Burmah Petroleum, a sterling company and, therefore, not subject to Indian law (the sections relevant for Kapadias are those relating to limits on inter-corporate investment), though all its assets (mostly in the form of cash laid out as deposits with companies — what more could any speculator ask for!) were in India. Having acquired control of British Burmah, Kapadias began to use its liquid resources for share speculation and company acquisition. Not being subject to regulations limiting inter-corporate investments, British Burmah funds were used to acquire control of Killick Industries, which automatically gave Kapadias control of Killicks' associate companies (some of them in the public utility field). Who knows — following the example of another stock exchange operator — the Kapadias might even manoeuvre "nationalisation" of these public utilities to lay their hands on more funds for stock exchange operations! British Burmah funds also came in handy in the fight for control of National Rayon. Readers of this journal are aware of how LIC, wittingly or unwittingly, became an ally of Kapadias ("LIC as Santa Claus", December 20, 1969, p 1935).

Given liquid resources, it was easy for Kapadias to multiply their control of resources and use them for stock exchange operations. Given a 15 per cent margin, every rupee has a 6⅔ times potency in buying shares, the remaining 5⅔ rupees being found from funds seeking to finance *badli* transactions on the stock exchanges. But, as the National Rayon shareholders' memorandum, referred to above, suggests, these funds could mostly be ultimately traced to banks — now nationalised.

One need not agree with the encomiums showered on Chinais by the authors of the memorandum or share their concern over the outcome of the struggle for control of National Rayon; yet the struggle has wider implications for management of the economy. It is obvious that bank funds are used for speculative (in the harmful sense of the word) purposes; what are the banks doing to check such misuse? Secondly, it is clear that the *benami* system lends itself to such share transactions; should this not be banned? Thirdly, the shell of a manufacturing company is used for stock exchange manoeuvres: should not the Companies Act be used to prevent this? Fourthly, this is not the only example where the status of a sterling company has been used to get round the provisions of the Companies Act. Is the Company Law Department too helpless to control such operations? Finally, one would like to know the basis on which it is possible to obtain the facility of paying tax in instalments from Income-tax Department. Is this knowhow saleable?

Evading the Price-Mechanism

IT was naive to expect that the budget proposals for 1970-71 would have no impact on the price situation. Yet it would be unimaginative to respond to price increases straightaway with reimposition of control. However, now that prices of many goods are in fact rising, many of them in excess of the excise duty increases, this precisely is the official response to the situation. Moves are afoot to re-impose price control on paper, aluminium, and whatever else might show overmuch buoyancy. Aluminium is used mainly in electric cables, but also in many other ways like domestic utensils. In many industries like paper (as even a look at public sector NEPA's finances show), what is being attempted is merely to make good the price deficiency brought about by eight years of price control. Without price control, the process of price adjustment might have made possible, over the years, expansion of paper capacity.

Such a hurried imposition of controls implies that prices will not be allowed to rise in response to the supply-demand situation. Yet, unless such a price response to the supply-demand situation is granted, the entire logic of allowing the price mechanism to indicate and accommodate investment needs stands denied. The Raj Committee had, in fact, recommended price decontrol for steel in 1963. And this was also the rationale of the recent series of decontrol measures. Besides, price controls prevent gradual adjustment in prices and in capacity expansion. Moreover, they lead to under-the-table deals and to loss of public revenue. At the same time the pressure of money does not fail to erupt in other areas and so price control breeds on itself. This has been witnessed over the 30 years of price controls.

The situation needs more sophisticated treatment. It has to be recognised that, over the past five years, the economy has been gradually sliding, out of a buyers' and into a sellers' market. This has been mainly due, not to a rise in demand above the 1965-66 level, but to a failure of supplies to rise to the trend-line of growth of demand — a consequence of Morarji Desai's faith in letting the economy recover on its own steam. Moreover, official disclaimers notwithstanding, deficit financing of the past three years is having its own inexorable consequences. Thus, in the last one year, the price level has been firming up — and so also costs. Yet corporate performance, though good, has not been sparkling. In the circumstances, a step-up in public investment, while simultaneously allowing the corporate sector to work out its price and investment decisions in conditions of tight credit, may be the best hope for getting back on the growth curve — provided the economy is carefully managed by way of agricultural buffer-stock operations and import controls and import timings to keep the general price-line in check.

Self-Reliance Still a Far Cry

IN his address to the Indian Engineering Association, A K Basak, Chairman of the Association, deals with a wide range of subjects — licensing, place of small industry and public sector, suboptimum size of units, research and industry, foreign collaboration, technical consultancy, raw material supply, import substitution and labour problems. Unfortunately, in trying to be all things to all men, a number of contradictions creep in. Thus, small-scale industry must be encouraged, but not through licensing, and only optimum units should be set up. Similarly, while we must develop self-reliance, import of foreign knowhow must also continue. The most glaring contradiction is that between the advocacy of local research and development and of local technical consultancy and the plea for foreign collaboration.

Most industrialists look upon foreign collaboration as an easy way out of technical problems. This attitude is typical not only of small and medium industrialists, but also of large industrial houses which could be expected to develop more self-reliance. Given this attitude, it is easier not to undertake local research or to resort to local consultancy, since these, besides being time- and money-consuming, do not yield immediate returns on investment. The less the local research, the easier it is to resort to foreign collaboration. If it is to effectively support local research and consultancy, Government needs to take a more consistent and discriminating position on foreign collaboration. But, after the sell-out on Bokaro, will any position that Government takes in support of Indian technology be at all credible?

Basak fails to deal with these problems of the engineering industry. None of the issues is examined in detail; and the export angle (the Association does valuable work in exports) gets submerged in the many routine issues which are sought to be covered in the statement.

CAPITAL VIEW

After the Rajya Sabha Elections

Romesh Thapar

THE elections to the Rajya Sabha have startled the ruling Congress Party. A much better showing was expected. And, what's more, key men like C Subramaniam, have fallen by the wayside. At the moment we are being deluged with stories about the strange and contrary antics of the top leadership in selecting candidates. This phase is bound to end in revelations about the amount of black money used to puncture the loyalties of legislators, and how in certain crucial contests even money was a massive failure.

Indira Gandhi must be worried. The political operation is again becoming difficult. She is finding it impossible to resolve the tensions between too many sharply-defined interests. Her own agents are also making simple gambits complicated. The old magic is not working. While a host of politicians would explain such ups and downs in

astrological terms, the fact remains that the ruling Congress Party is at last beginning to feel the consequences of attempting to use power without an organisation at the base.

Of course, speculation in Delhi has moved to the possible repercussions which the Rajya Sabha elections will have on the Cabinet reshuffle. Clearly, it would be a political crime to continue with the kind of ramshackle government which is now trying to function. If the economic ministries are tying themselves into knots, the crucial Ministry for External Affairs is apparently not being taken seriously any more by the diplomatic corps. Ambassadors are reluctant to exchange confidences, for fear that what they say will be "leaked" to the Press! Ministers like Gulzarilal ("The Incognito") Nanda in Railways have become the butt of ridicule with their stupid attempts to find "unique" remedies. Others are just watching and waiting on developments.

A most unhealthy state of affairs. The bureaucracy naturally finds itself carrying the government even though it is profoundly demoralised. While the political leadership talks of the need to commit and involve public servants in national tasks, I feel that by and large there is a detached, cynical attitude to the goings-on. Until the present leadership learns to take unpopular steps, there will be no respect for it. This truth is clear and it is surprising that more stress is not laid on it.

Parliament, voting-wise, is also calculated to demoralise. A minority in both Houses, the ruling Congress Party can no longer brush aside the idea of coalescing with like-minded parties, particularly the PSP and sections of the SSP. This development, it appears, has not been broken by the Rajya Sabha election following a last-minute settlement with the Maharashtra Congress. Will Indira Gandhi be compelled to take this step in the course of her reshuffle?

One at a Time?

I may as well also record the thesis which argues that Indira Gandhi has set in motion a series of new alignments which will result in the destruction of most State Governments and the introduction of President's rule over large areas of the country. The thesis claims that staggered polls will be held in one State after another, permitting the ruling Congress Party to concentrate its limited organisation in carefully spaced-out, individual State elections. It is expected that this activity will yield a country-wide base for the ruling party by the time the parliamentary elections are held early in 1972.

In other words, we are becoming both imaginative and creative in our analysis of Indian political developments. This is what the events of the last few months have done. If more of this medicine is on the way ... well!...

March 30

THE FOURTH ESTATE

The Name of the Game

Nireekshak

NO one may say the Indian Press is not free — if the criterion of freedom is the free expression of editorial views. Almost every shade of opinion, from the prim to the bizarre, finds its way in print and although this may not always result in the emergence of a national consensus on public issues there is no gainsaying the interest that a free-for-all generates. The Ministerial crisis in West Bengal leading to the imposition of President's rule, for the second time in two years, provides an excellent example of the variety in editorial comment.

Distance, they say, lends charm to the view, it may also give the observer a sense of perspective that may be lacking in another who is closer to the scene. From the point of view of perspective, though most certainly not of charm, *Tribune* may have scored over most of its contemporaries. Its evaluation of the Bengal crisis is certainly the most searching that this reviewer has come across. Not everyone may agree with its thesis that the fall of the Ajoy Mukherjee Government is only yet another pass in the 'toppling' game that is thought to be currently in political vogue all over the country. But let *Tribune* speak for itself.

"Though all the regulation steps of the constitutional drill were scrupulously gone through before imposing President's rule in West Bengal", it wrote on March 21, "the name of the game there also is toppling. And the villain of the piece is neither the much maligned Jyoti Basu nor the long-suffering Ajoy Mukherji but the Congress." Sidhartha Shankar Ray may be surprised at this comment, not to say anything about Atulya Ghosh, but the *Tribune* writer has his reasons. "When B N Chakravarty recommended President's rule in Haryana in November 1967", he explained, "he went to the root of the matter that the Congress could never reconcile itself to its position as a responsible opposition, that it never gave a chance to the Government to settle down to constructive work and that it must, therefore, bear some responsibility for the resulting situation."

Allies in Chandigarh

The paper went on to argue that the UF Government came to power in 1967 because Congress had refused to go into coalition with PSP, Lok Sewak Sangh and Gorkha League, all of whom had expressed "their readiness to keep the communists out of office". *Tribune's* antipathy to communists of all kinds is well known. However this has not prevented the paper from commending Jyoti Basu's suggestion for fresh elections within six months as being "more civilised than bringing in President's rule without at the same time dissolving the Assembly". For, "the votes will show whether the people or the constituent parties are so disillusioned as they profess to be with what they call the CPM tactic of taking the hands of its allies only as a preliminary to taking them by the throats." Well, well, who would have thought that Basu had such staunch allies in Chandigarh! The sting of the *Tribune* editorial is in its tail. "If, on the other hand, the CPM is regarded as nothing short of a national disaster, the Government of India must ban it. That would be not only logical but also lunatic."

Hindu's theme was just the opposite. "So deep and widespread is the damage done under UF rule to orderly life in the State," it wrote on March 21, "it may take long to repair it to any extent and restore normal life... The people will expect that the spell of President's Rule this time will not be all too brief but that it will be kept in force long enough to recreate peaceful and orderly conditions." Fair enough comment. However this staid old Madras daily slipped when it said: "To the benighted people subjected to a prolonged nightmare of unbridled lawlessness and violence, President's Rule will bring some hope of a minimum security of person and property." Imagine anyone calling the people of Bengal 'benighted'! And grammar has always been a very strong point with *Hindu*!

President's rule was welcomed by *Hitavada* also as a "respite for Bengal (March 21). However, it gave a somewhat strange reason for welcoming it. "This arrangement," it said, "would give a brief holiday to political activity in the State [some hope, that!] and thus help people to attend to their work without distraction." Not uncharacteristically, it was *Searchlight* which prescribed a 'way out' solution to the Bengal crisis. This Patna daily said on the 22nd that the root cause of trouble was, what it called, "impatient extremism". It went on to suggest the appointment of a "broad-based national commission consisting of economists, political scientists, sociologists, administrators and public men" to examine and analyse the growth of this extremism. And why? "At this time what is needed is cool thinking rather than passionate outbursts". Readers will no doubt decide for themselves in which category the *Searchlight* editorial itself falls.

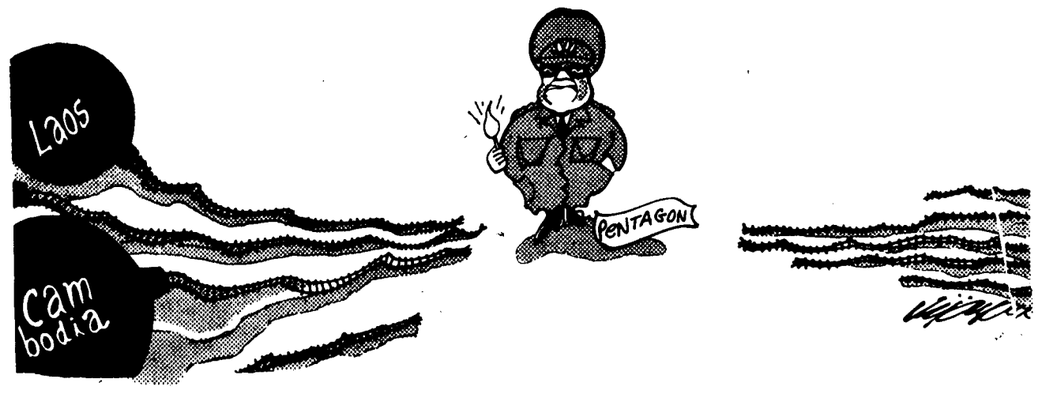
King's Displeasure

Searchlight, incidentally, is one of the two Indian newspapers (the other is *Blitz*) that has been banned in Nepal. Despite Patna's relative proximity to the Nepalese border, one would not have thought that this paper had much general circulation in Nepal. In all probability — and I am open to correction here — its circulation is confined to regular subscribers. Yet the Nepalese Government has thought fit to ban its entry in Nepal. Since no reason has been assigned to the ban, as a *Searchlight* editorial pointed out on March 19, it is difficult to see what is precisely *Searchlight's* offence. By no stretch of imagination can the paper be regarded as extremist, nor is there any evidence of it being patently unfriendly to the Nepalese Government. The Government must feel pretty insecure if it seeks to keep any criticism at all of its activities out of reach of the Nepalese people. It is a moot point if the Nepalese authorities have not unwittingly conferred a compliment on *Searchlight* by banning its entry into the kingdom!

The case of *Blitz* stands on a somewhat different footing. It had suggested in a recent front page report that the expenditure on the Crown Prince's wedding was wasteful and unconscionably high, and that Nepal had 'insulted India'. All of which is legitimate criticism by Indian standards of Press freedom, though it may not be by Nepal's. At least in the case of *Blitz*, the Nepalese authorities did specify a reason for the ban; the reason given was that the paper did not have a correspondent in Kathmandu and that the reports of the wedding published by it were therefore inspired by *mala fide* intentions.

One need not underwrite everything that *Blitz* has written about the Crown Prince's wedding to say that the presence of an accredited correspondent at Kathmandu, though certainly desirable, is not invariably necessary or absolutely essential for a newspaper to obtain information; it may have less formally acknowledged sources of news. Facts reported can be allowed to stand or fall by themselves. And if facts of the wedding reported by Indian newspapers were found inaccurate or incomplete, nothing prevented the Nepalese authorities from supplying the accurate information to the newspapers concerned and requesting them to publish it. Nepal chose otherwise.

Anyhow, in the context of the suggestion made repeatedly in this column that the Indian Press ought to pay greater attention to reporting Nepal, the ban comes as a discouraging response. Not that the Indian Press has exhausted all its resources or that the ban on the two newspapers mentioned should distract it from its professional and public responsibilities. But there are obviously hazards to the free flow of information even between two such close neighbours as Nepal and India. This should be a matter of concern not only for the Indian Press and enlightened Nepalese opinion, but for all Government and professional agencies interested in facilitating and maintaining a free flow of information throughout the world.



"Where else but in a free society do we have this free choice?"

FROM OUR CORRESPONDENTS

BANGALORE

Playing It Cool

BETTER late than never. The Centre is making belated attempts to retrieve the damage done to its happy relations with Mysore by the enthusiasts of the Prime Minister's camp. Those who tried to look more loyal than the king are being shown their place. The situation which certainly had taken a turn for the worse, now appears to have stabilised, in a fashion. Since Mysore has not struck any rigid attitudes, on either the border issue or the Cauvery dispute, one can be reasonably sanguine that these questions will be settled amicably without anybody losing face.

Tactless Move

It all started with the tactless move of the Centre to broach the subject of Mysore-Maharashtra border dispute through two officials who orally conveyed the Prime Minister's tentative proposals to the Chief Minister some time in February. As one not used to this "oral" diplomacy, the Chief Minister administered a rebuff to them by insisting on a written note from New Delhi. In the meantime, the beans were spilled. The State Assembly was briefed on what was at stake, and quite naturally, the public reacted adversely to the reported proposal to divide Belgaum city and to give away to Maharashtra a larger number of villages than had been suggested by the Mahajan report.

Sensing that these tactics are hardly likely to yield political dividends, New Delhi is now playing it cool. Talking to the Press at the Bangalore airport, Indira Gandhi — she was on her way back from Cochin — asserted that there was no attempt to foist a solution on Mysore. She assured Mysore that any decision that was taken would be in the best interests of both parties. At the same time, the Prime Minister did not commit herself fully to the Mahajan award.

The Centre was being equally tactless in handling the Cauvery issue. The Union Minister, K L Rao, was certainly being a bit hasty (to put it mildly) in asking Mysore to stop work on the projects on hand, namely those on Hemavathy, Harangi and Kabini — all tributaries of Cauvery. Rao did not stop at that. He went a step further and held out the threat that if Mysore did not obey, the Centre's assistance to the State would be stopped. This was brinkmanship at its worst.

Differences there were over the interpretation of the 1924 agreement between Mysore and the erstwhile Madras state, which had yet 4 years to run its full course. Since then a lot of water had flowed down the Cauvery, with both Madras and Mysore doing many things which were not in fact put down, in black and white, in the Agreement. Both sides agree that the agreement was based on inadequate data on the quantum of flow. And Mysore has another valid point in that the State accounts for as much as 75 per cent of the Cauvery flow while the water used for irrigation does not even add up to 5 per cent. That cannot be held against Tamil Nadu since a lower riparian state is always at an advantage in making better use of the river waters.

If Mysore was greatly annoyed over Rao's "ultimatum", it was because, even under the imperfect Agreement, it was entitled to a further use of 45 TMC feet of water and, second, the Centre's clearance for these projects had not been forthcoming for a long time. The delay, in one case, was as long as 10 years. There was also a third reason for the State's annoyance. The State had not secured any Central assistance for these Cauvery projects. That being so, it is pointed out, Rao had no justification to assert that assistance (which was never given) would be stopped!

The Government of Mysore seems to be sure of its ground. Were it not so, the Chief Minister would not have declared in the Legislative Assembly that Mysore would go ahead with these projects in the face of threats from New Delhi. Mysore knows that even if the dispute is referred to arbitration by a Tribunal, any award that would emerge after a factual study of the issue would not go against Mysore. But on the border issue Mysore has reason to be wary. Even here, Mysore leaders know that a unilateral decision is hardly likely to be imposed on Mysore. This is the impression that the Chief Minister, who visited New Delhi a few days ago, gained from his talks with the Prime Minister. Frankly, no one is interested in the border dispute. It is a monster created by politicians. Little do the politicians realise that, one day, it will devour its own masters.

BIHAR

To Be Back Is Enough

WHEN Daroga Rai expanded his ministry from three to 23, the team had such heavy shades of Sardar Harihar Singh's ministry that a prominent legislator of the new Congress described it as a "Syndicate ministry formed by the Indicate". Nearly all those who had become ministers in the Sardar's cabinet and were still known to have strong affiliations with the old Congress bosses had been inducted once again while several members who had played key roles in the formation of the new party had been left out. Suspicions about the ministry arose immediately.

Barbed protests came thick and fast from CPI, one of the parties in the ruling alliance. In a sharply-worded statement, the party disowned any responsibility for the selection of ministers and warned the Chief Minister that if he wanted to retain the support of CPI he must display "greater loyalty" to the 35-point common minimum programme.

The suspicions were further aggravated by a couple of revelations. At a meeting of the new Congress, one party executive accused Lahtan Choudhary, Minister for River Valley Projects, of having given a lift in a Government plane to two former ministers of the old Congress. Although this was defended by the Chief Minister as a "personal gesture", feelings ran high among legislators who were not willing to tolerate any truck with the old Congress bosses.

CPI Offended

The second revelation involved an action by Chief Minister Daroga Rai himself. Within a week of coming into power, he withdrew the orders of suspension against two engineers of the State Electricity Department and reinstated them in their posts. The engineers had been suspended by a CPI minister in the first United Front ministry about two years ago under serious charges of corruption. An inquiry by the Central Bureau of Investigations was still proceeding against them. No sooner was Daroga Rai's decision known than a furious protest came from CPI and some members of the new Congress. CPI even threatened to withdraw support to the ministry if the Chief Minister did not withdraw his order. Rai, according to some members, had acted clearly at the behest of some of the old Congress leaders with whom the two engineers had close links.

Promise Not Kept

Visibly shaken by the strong protests, the Chief Minister called a press conference to clarify his own position. In taking the decision, he said, he had only gone by the recommendations of his three predecessors. He could not explain why the recommendations of three former Chief Ministers had not been carried out so far but he went on to make the confession that "I did not examine the files carefully and it might be that I have committed an error of judgment". He promised to review the whole case without delay. That he still hasn't done so is a point which has considerably hardened the attitude of CPI towards the ministry.

The 25-member CPI, whose support is vital for the ministry, has also accused the Chief Minister time and again of "softness" towards former ministers and officials indicted by the Aiyar and Mudholkar commissions of inquiry. "The Rai Ministry is more interested in propitiating the guilty men of the Syndicate and their proteges than in implementing the common minimum programme", says the latest statement issued by the State Council of CPI.

Similar allegations have been made by leaders of other parties too. Harinath Mishra, leader of the Loktantric Congress Dal, a party which had promised "responsive support" to the ministry, told newsmen that the Chief Minister had only adopted "delaying tactics" in referring the findings of the two commissions to the Attorney General for opinion. Daroga Rai, he said, was "incapable of taking follow-up action because many of his colleagues are in league with such officers and ex-ministers who have been indicted by the two commissions". From the very start the ministry had created a murky impression.

Even so, it had a fairly smooth start in the Assembly. The House emerged from its state of suspended animation on March 16 in a listless mood. Everything about it looked inchoate and perfunctory. The Governor's Address, the Budget, the debate and the Government's reply — all these appeared incomplete and sketchy. Although the ministry seemed in a comfortable majority — at least for the time being — the line between the treasury and the opposition benches was hazy.

The Governor's speech was perhaps the shortest and scrappiest ever. "Too full of sententious platitudes", remarked one member. All the six or seven minutes that it took the Governor to run through his address, the opposition benches shouted and jeered at him for having "installed a minority government". Clearly the opposition had no better idea of what its role was going to be. In fact there seemed to be no opposition, only opposition parties. Lacking in direction or vigour, they were in no shape to make any concerted onslaught. This was the ministry's biggest strength.

A day before the Assembly opened, the legislature party of the old Congress met at the residence of K B Sahay and decided that the party would not support any no-confidence motion against the ministry yet. The leader of the opposition, Ramanand Tewari, was far from sure about his position in his own party. The Jan Sangh could not do any harm on its own; all that it could do was to stage a walk-out.

When the Appropriation Bill was put to vote, several members of the opposition were seen strolling outside the House. The Bill was passed by voice vote. This seemed to have set the pace for the short session which is scheduled to end on April 6. Nobody was in doubt that the ministry would live through it. Not even the staunchest opponents of the ministry were in any mood to wreck it, if for no better reason than that no alternative was in sight. "Any ministry is better than President's rule", said some. To be back in the House seemed good enough for the present.

HONG KONG

Never the Same Again

T J S George

SIHANOUK has fallen, but the betting is heavy that Sihanouk will rise again. But Cambodia may not be the same again. In the short run, it runs the risk of getting embroiled in the Indo-China war which Prince Sihanouk's adroit, if eccentric, neutrality had skilfully avoided. In the long run, it could become redder than the West had thought possible in the past.

The scenario of the coup that deposed Norodom Sihanouk has been somewhat weird. He left for an extended stay in the south of France immediately after his acting Prime Minister had altered state policy and defied the Head of State. In Paris he spoke of the dangers of a right-wing coup. After the coup had actually taken place, he was in no hurry to return home. All this prompted the belief that perhaps the unpredictable Sihanouk himself was master-minding the drama.

Power Behind Coup

There is no doubt, however, that the men who have deposed the Prince had begun defying him much earlier. Prime Minister General Lon Nol is known to have been a close confidante of Sihanouk, but he is also invariably described as a leader with intimate contacts with Americans. Foreign Minister Prince Sisowath Sirik Matak has always been a rival to his cousin Prince Sihanouk and had managed to have his way in matters of policy. He is believed to be the real power behind the present Government.

Economic problems had forced Prince Sihanouk to announce a change of government in 1969. Besides a budget deficit of $ 20 million, the state was incurring a revenue loss of $ 330,000 every month. In a bid to dramatise his corrective measures, Sihanouk asked the then Prime Minister Samdech Penn Nouth (who is now in Peking acting as Sihanouk's private advisor) to go into retirement. In August Parliament unanimously voted the Lon Nol government into power — and the new Prime Minister's first policy pronouncement was that there would be no more nationalisation. A new chapter was beginning for Cambodia.

For much of the time since August Gen Lon Nol has been ill and confined to bed. Sirik Matak would then run the Government as acting Prime Minister. And he was never lacking in guts. On one occasion he sent a cir-

cular to all Cambodian missions abroad saying that they should send their reports in future to the foreign ministry and not to Prince Sihanouk as in the past. Stung to the quick, Sihanouk publicly declared that he would retain responsibility for foreign affairs.

Sirik Matak's spirit of aggressive independence, however, found ample expression on the economic front. An open advocate of free enterprise and collaboration with foreign investors, he took advantage of the Head of State's instructions that Government set the economy right and announced far-reaching policy changes. The first move was to devalue the Cambodian *riel* by almost 50 per cent. Then Cambodia was put back in the mainstream of international finance: its membership of the Asian Development Bank was reactivated and it joined the International Monetary Fund. These steps helped strengthen the *riel* to some extent.

'American-Oriented' Policies

Early this year Sirik Matak's new economic policy was presented to Parliament. This sought to return to private enterprise all exports except of the major crops which too would be handed over at a later date. It also called for liberalisation of banking; a development bank and a farmers' bank were established. It said Government would re-examine its involvement in industry and certainly get out of unprofitable ventures in breweries and chemicals. It offered facilities to foreign investors.

Essentially the new economic policy is a pragmatic one and very much in line with what other developing countries in the region are doing. But some of the measures appeared "American-oriented" in the light of Prince Sihanouk's strident neutrality and the policy of Khmer socialism. Though Parliament approved of the Sirik Matak policy, several cabinet members protested that its implementation would take Cambodia away from what Prince Sihanouk had been trying to create. Four of them, all close associates of Sihanouk, resigned.

It was immediately after this episode that Prince Sihanouk went abroad. At the time he was the unchallenged leader of all Cambodia and he could easily ask for Sirik Matak's resignation. It is a compliment to Sihanouk's liberalism that he gave Sirik Matak a long rope in the first place and then allowed his acting Prime Minister to go ahead with the policy changes. Now Sihanouk says it was a case of unpardonable naivete.

Various explanations have been given as to why Sihanouk went away to France when he could clearly see symptoms of a revolt. One is that he wanted to leave Sirik Matak to stew in his own juice. Another is that by being absent for a fairly long period, he could again demonstrate his indispensability to Cambodia. A third is that he was plain frustrated.

The fact remains, however, that the new government represents a small elite which Sihanouk's liberalism had left unmolested over the years. Sihanouk was preoccupied with foreign policy and the task of revolutionising rural Cambodia. He left the Khmer elite free to nurse its own frustrations and resentments, but cemented his hold on the peasants and the workers. His hold on the countryside is still supreme and this is what makes the new Government's chances of consolidation difficult.

Besides, there is the military situation. The Cambodian army is only 35,000 strong. As against this some 40,000 North Vietnamese and Vietcong troops who are believed to be in Cambodia besides the 50,000 in Laos. The Khmer Rouge and Khmer Locu number about 5,000. Hitherto Cambodia's communist neighbours had to deny the presence of any of their troops on Cambodian soil. Now Prince Sihanouk has formed a government in exile and set up a People's Liberation Army; the communist troops can give teeth to Sihanouk's liberation movement. They are already marching to Phnom Penh according to official reports.

At best this is a situation that amounts to civil war. At worst, it could be another piece of international action involving North Vietnam and its allies on the one hand and US and its allies on the other. The question is whether US would be willing to get involved in Cambodia after having been twice burned in Vietnam and Laos. If it does not, the Phnom Penh coup could even turn out to be counter-productive in that it will have taken Cambodia and Prince Sihanouk into the communist camp as a natural consequence of the gathering "liberation" struggle.

Shianouk's Plans

Sihanouk is making his future plans very clear from Peking. In one statement he reiterated that he had no intention of resuming powers as head of state; he says that after his return he would resign without delay and hand over all powers to a people's government. Which could mean that, in any event, Sihanouk's Cambodia is a thing of the past. Considering that he had succeeded in keeping Cambodia peaceful when war was raging all around it, many would regret Sihanouk's departure from the helm.

LONDON

Election '70?

HAROLD Wilson will have to call a General Election before May 1971. Three dates present themselves as possible on current indications. The first is June of this year. Wilson can argue that his economic miracle has come true. Britain, £ 800 million overdrawn on its balance of payments in 1964 when Labour took office from Conservatives, is now £ 500 mn in the black, and considerable repayments have been made to the International Monetary Fund against the short-term loans Wilson's administration took at the height of the economic chaos in the late '60s. The pound at present is at its highest since 1964, and Government has just cut bank rate by ½ per cent to bring it into line with the rates of other European nations; it is now 7 per cent.

Two by-elections have just taken place, showing a Conservative swing of 8.9 and 2.9 per cent, respectively. This, against an "opinion poll" lead by Conservatives of about 20 per cent last year, is astounding progress, and though the Tories still seem to have the upper hand, Wilson must be reasonably optimistic about his prospects.

On April 9, the Greater London Council holds its elections. This is the largest "local authority" in the world, and in 1967 it swung strongly to Conservatives who now control the GLC decisively. But here again in recent small borough elections in the GLC area, there were encouraging signs for Wilson, with a 10 per cent swing to him against the 1967 figures. It is highly likely that Wilson will decide the election date on the outcome of these GLC elections. Should he secure a large enough swing, he will seriously consider holding the election in June, after the expected mildly reflationary budget.

After a Sunny Summer

If the indications are that the country is not swinging towards Labour fast enough to make a June election safe, Wilson will plump almost certainly for an October election. Many people argue that the trends which are now causing the electorate to renew its confidence in a Labour administration will continue to hold good throughout the summer, and increase the gains that Labour can make from the Tories. Another reason for choosing an October election is the higher summer employment rates. At present unemployment is at a record level, and a reduction in these figures would certainly look good in the Labour Party's record sheet.

There are, however, two factors which must make Wilson a little apprehensive of waiting until October though. The first is the current deluge of wage claims which have flooded the Department of Employment and Productivity since the wage freeze ended. These will certainly affect prices before long, and Wilson must try to slip in the election between the increased wages grants and the time when these begin to affect prices seriously. Another reason for apprehension about waiting too long is the current American recession, which will affect England sooner or later. The saw that 'when America catches cold England shivers' still holds good.

On the other hand, after a sunny summer, Wilson can face a contented electorate which has forgotten the 'cold' of the past six years. And in early October, Labour Party holds its yearly national conference and it is well known that Wilson favours such a morale-boosting conference to use as a springboard for an election campaign. The months between June and October are rarely considered for elections since Britons are on holiday during this time and are in no mood to go out and vote for anyone.

The last date is in April 1971. But this can only be a last ditch consideration, for all the trends will have changed by then, and "hanging on" till the end of an administration's term has never been a vote winning strategy.

In the next General Election, 3,000,000 18-21 year olds will vote for the first time. (The reduced voting age came into effect early this year.) Both Parties have been claiming that the other side will mainly benefit from these new voters — the Tories because they would like to suggest that the lowered voting age was a bit of nest-feathering by Labour; and Labour because they want to suggest that they 'care about the young' and introduced this legislation in spite of losing out on voting strength. But indications from recent elections show that the new voters have not voted in significantly different ways from the older electors.

There is a noticeable change in current public thinking by traditional Labour voters. They have been staying at home in the Council elections and in by-elections in the last few years, or even voting Tory. But it seems that now, when they look at Tories' proposed policies — clamping down on Unions, increasing defence spending and generally undoing the things that Labour has been busy introducing — they realise that though the Labour Government has many flaws they would suffer far more at the hands of Heath's men. So they are going out to vote again — not for the plus points of Labour but to keep the Tories out.

Most Critical Issue

Perhaps the most critical issue in the air is the Common Market. Both parties are squabbling among themselves over the pros and cons of entry. The anti-marketeers argue that prices will rise and the public will suffer. Pro-marketeers argue that the only long-term stability for Britain lies in Europe; that without this larger market for British industries to sell in Britain will reach the stage where it just cannot keep up a satisfactory rate of expansion. Sadly, this second more sound view is not nearly so eye-catching to a pocket-conscious electorate.

But, with Wilson at last balancing his sums, and getting dividends for the nation, it is now, unlike last year, no longer a one-sided battle for popularity, and it could well be that Wilson will be returned in an election this year to carry on for 5 more years. He himself rates his chances pretty high.

KATHMANDU

Divided Democrats

WHAT was the purpose of the extraordinary demonstration of pomp and power at the wedding of the Nepalese Crown Prince? The Rs nine crores spent on the wedding and the nine days of feudal wedding ceremonies, with the international Press for witness, were a diplomatic manoeuvre to get significant foreign dignitaries to assemble in Nepal. But the other purpose seems to have been to try, through this exhibition of royal lavishness, to bring the Crown Prince into the fold of the royalty. For, it is well known that the democratic movement in Nepal has the sympathies of the Crown Prince.

Yet, soon after the wedding was over, a high-ranking Nepalese official whispered to this correspondent that not even a dog could be happy about all this pomp in the midst of the ill-clad and starving Nepalese. The official went on to add that he did not mean that the common Nepalese were not happy about the marriage of the Crown Prince — after all, the Crown Prince is taken to be a democrat at a time when other democratic forces have almost disappeared from the scene. But the Nepalese are aware that through his marriage he is being utilised against his will to strengthen the crumbling structure of Nepal's mediaeval feudalism. The official's was not a lone whisper; it reflected the undercurrent of feeling in Nepal.

But all this still does not warrant the conclusion that there is direct confrontation in Nepal between the monarchy and the people. The tragedy may be that if there is a fight it will be between the democrats and the communists. Neither the democrats nor the communists are considering a confrontation with the monarchy. The monarchy is well established behind the mask of 'panchayati raj'. And it is not above planning to pitch the communists against the democrats in the hope of their mutual annihilation.

While the communists and the democrats are the rival contenders for popular support, effective power rests with the royalty. There is a difference, however, between the situation of the communists and that of the democrats that militates against the latter. While the communists get active guidance and aid from the north, the democrats are isolated. They have been routed once

before and they are still busy sorting out things among themselves.

Though the Nepalese Prime Minister, Kirtinidhi Bista, recently denied in his talks with an emissary of Bisheshwar Prashad Koirala that his Government was working hand in glove with communists to keep democratic forces at bay, there is no denying that the Singha Darbar is already infested with channels of Chinese influence. This is not to imply that Nepal would opt for Chinese communism or that Singha Darbar and Kathmandu reflect the preferences of the rest of the country outside Kathmandu Valley — Biegunj, Biratnagar, Nepalgunj, Elam, Bhadrapur, etc. Popular Nepalese sympathies are with the democrats, despite their poorer organisation. This was proved in the crushing defeat of the Nepalese Red Guards at the hands of the 'democratic' students in last year's elections to the Tribhuvan University Students' Union. These victorious students, indeed, are regarded today as the young unarmed apostles of democracy. It is they who are trying to organise the countryside. In the absence of local leadership, they draw inspiration from B P Koirala, Prime Minister of the first-ever elected government. Koirala declared recently from Banaras: "Nepal is ruled in the fashion of a modern dictatorship by a despotic King, who has devised a political system euphemistically styled as Panchayat Democracy. The real source of his authority is the army. The political facade of Panchayat Democracy is very thoughtfully devised to suit the authoritarian rule of the King which is neither a panchayat as it is commonly understood in India, nor a real democracy whose vital pillars are civil freedom, *viz*, freedom of expression, of organisation, and the rule of law. No political party is permitted to function there. The Press is not free; the newspapers, periodicals, pamphlets and other publications are all, without exception, subject to Press censorship. No public meeting can be held without governmental inspiration and no one can speak individually or collectively a word of criticism of the King and his system. I cannot hold a meeting there because it is a treasonable act and in case I succeed in holding one, that will be perhaps the first and last meeting of my life in Nepal." According to B P Koirala only armed revolution would bring salvation to the Nepalese people.

But there is another dimension to the democratic movement. The real danger to the democrats is not from the communists (who are, of course, better disciplined and better organised) but from the democratic world itself — on two counts. First, foreign powers like India and US, in their attempt to 'save' Nepal for democracy against Chinese influence, have, through their consistent support of the royalty, undermined the indigenous democratic movement. Second, the Nepali democrats themselves seem sharply divided on strategy. Nepali Congress President, General Subarna Shumser, had said in 1968 that Nepali Congress members would work under the leadership of the King. At the base of this strategy seems to be his belief that, given the power of the monarchy, and the threat from the communists, this is no time for democratic militancy. The struggle for democracy will have to be carried on from within. Yet American enthusiasm and the impatience of some of the Nepali democrats have created a wide gulf between the royalty and the Nepali Congress. As a result, while the King has become suspicious of Nepali Congress, frustrated Nepali Congress leaders have once again become suspicious of the King's intentions.

Nevertheless, there may yet be political hope for the Congress. The King has of late publicly said that the people at the helm of affairs today do more talking than any real panchayat work. Among those who have gathered round the throne the King's remarks have caused a flutter. It is with a view to taking advantage of the situation that Nepali Congress President, General Subarna Shumser, recently declared: "the present atmosphere of mistrust and suspicion must be done away with and every one must be allowed to take part without any discrimination in the economic, social and political development of Nepal under the supreme leadership of the King".

The official Nepali Congress thinking under Shumser is that Nepal can prosper only under monarchy which, however, should not be autocratic but has to be constitutional and should work side by side with democracy. Since the interests of the royalists and the commoners are not identical, the monarchy must be convinced of the need to reconcile and compromise. According to Koirala, however, compromise can be between equals only, and the people are far from being equal to the powerful monarchy. The monarch may, therefore, have to be forced to accept compromise, and this may mean armed struggle.

If a rapprochement is reached between the King and Nepali Congress, it may be a significant gain for the democratic forces in Nepal — if, that is, Congress under Subarna Shumser can keep control over its own direction. But can the democratic and responsive character of the party stay intact, in positions of power, under an inherently feudal and conservative system? Or is the more militant stance of B P Koirala the more correct strategy?

TECHNICAL CONSULTANCY

Diversion or Creation of Trade?

D C Kale

WHILE the Barve Committee examined consultancy services which were available in the various technologies and pointed out areas which appear to be relatively ill-developed, in practice, the interdependence of technologies makes it somewhat difficult to rigidly demarcate the various services. Discussions at the Delhi seminar, organised by the Federation of Indian Exporting Organisations, on steps necessary to provide technical consultancy to complex projects were, therefore, very relevant.

In India, as abroad, 'total consultancy' for complex projects can rarely be provided by a single firm. There are three ways to overcoming this limitation. One is to engage a foreign firm as collaborator for some or all of the design work; the second is to get maximum help and advice from selected manufacturers who take on much of the load; and the third is to form consortia of firms providing knowhow in allied subjects. If a consultant were to firmly specify his field of specialisation, accepting assignments only in that field, it would be easier for clients to choose the appropriate consultant, and morally easier for the consultant too who could engage fellow-consultants for specific tasks. The seminar felt that consultants should also be allowed to spend reasonable amounts in promoting themselves.

Apparently consultants are keen to seek markets for their services abroad. Here the two hindrances are : competition there and lack of data regarding demand for consultancy. Unless considerable data are pooled together, individual firms cannot spot opportunities in far-flung areas. The agency for collecting and distributing such data has to be carefully selected to serve three purposes :

(i) to ensure impartiality,
(ii) to ensure quicker distribution of the information to the right parties, and
(iii) to give accessibility both to the suppliers and users of such data.

The seminar considered the alternatives of: a small office at one or two places — in the Middle East and South East Asia; the Ministry of Foreign Trade or the DGTD; and the proposed All India Institute of Technical Consultants. The second alternative found little favour. It was, therefore, decided to use the FIEO itself as a clearing house pending the formation of the Institute.

The seminar, of course, agreed that fiscal assistance and measures are as necessary in the export of consultancy services as in the export of other goods. Among the measures considered necessary or desirable are, rebate on promotional expenses, foreign exchange releases for agents abroad, etc. The latter bristles with problems of its own. An offer to export knowhow for a very large plant naturally costs more than an offer to export a single plant or process. However, it can be argued that, preliminary or inspection visits would always be made by men of similar calibre in either case and that sanctions may therefore have to be comparable in both cases.

Banks and other financing agencies too can help Indian consultancy. They can do this in various ways. They could insist that, when their foreign branches finance a project abroad, the feasibility study should be undertaken by Indian consultants. They could make available to the central body of consultants, advance information on suitable prospects, on large projects under consideration in countries where they have branches, and on applications for loans, etc. It would also be worthwhile to have access to the information collected by the World Bank, the Asian Development Bank, and other such agencies. For, though by the time a loan is sanctioned by the World Bank, much of the earlier work may already be done, with many of the suppliers for equipment being already selected, there would still be scope for consultants to associate themselves with parts of the subsequent design work or with the construction of the project. Nor are Indian embassies abroad doing nearly as much as they could to help export of Indian goods and services. They could be much more alive to the possibilities for Indian services, and could do a lot more to advertise Indian consultants. One good means of doing this is to get Indian technicians to write articles — at different technical levels — for publication in international journals. It is common practice to mention the prime contractor, the major suppliers of equipment, and the consultants connected with a project in such articles. Wherever there is Indian technical association, trade or technical journals could, inform about the fact and about the nature of participation. Many projects in India are themselves worth writing up, but are not in fact written up. While such articles may not act as direct advertisements, they would yet create a consciousness among international readers of the Indian ability to plan, supervise, and construct projects in several technologies.

In all this promotional work, the distinction between public and private sector consultancy is irrelevant. There are so few firms engaged in any given technology that to ignore one or the other sector would be to risk second class service. The position of foreign consulting firms is more complicated. If they export their services under the name of their foreign collaborator, Indian consultancy as such is not likely to get the credit for them. On the other hand, an assignment which may be impossible to secure by an unknown Indian firm on its own, may be secured under the foreign firms banner. And, it is to be hoped that if this team is competent, Indian consultancy will get a boost regardless of the banner, and it might ultimately result in assignments coming directly to India.

While a good deal of attention was absorbed by the export of expertise, it may be worth stressing that Indian technical consultancy's future can be assured only if its services are adequately utilised in India. Unless Indian firms and governments utilise the expertise available here, it would not be easy to convince foreign clients that our consultants are good enough. The profession too has much to do to organise itself, to set up standards of performance and competence, and of professional ethics.

REVIEWS

Data-Mixed Commentary

Management White-Collar Relations by S D Punekar and Manorama G Savur; published by Popular Prakashan for Gujarat Research Society, 1969; pp 263; Rs 25.

SHOULD data gathered in the course of a research study be mixed up in presentation, with the views, opinions, running comments and asides of those who conduct the study? That is the question this book provokes in the mind of the reader almost continually. This admixture of data and commentary — strongly opinionated commentary at that — needlessly increases the bulk of the book, makes the data itself less easy to comprehend and is, at least to some readers, distinctly irritating.

This book is the report of a study sponsored by the Research Programmes Committee of the Planning Commission and carried out by Manorama Savur under the direction of S D Punekar. Its theme, labour-management relations in the white-collar sector, is interesting. For, unlike their counterparts in many other more developed countries, white-collar workers in our country took to trade unionism earlier and in a bigger way in many important sectors of our economy. Some of these unions have shown considerable militancy and the employer-employee relations in this sector have been, on the whole, far from happy. The effort to probe into these relations in depth is, therefore, valuable for the insights it could yield into the aspirations and attitudes of employees, into management policies, into managements' and employees' perception of one another and into the general mechanics of the regulation of mutual relations.

Savur has selected for her study eleven large organisations from the public and private sectors carrying on

1969, another record year for Bata-India



Exports exceed Rs 46 million an increase of Rs 6 million over 1968

FIGURES AT A GLANCE

EXPORT EARNINGS IN 1969

U.S.A. Rs 16,406,000
U.K. and Europe Rs 14,206.000
Canada Rs 5,560,000
Australia, New Zealand and Far East Rs 3,532,000
Africa Rs 3,499,000
West Indies Rs 1,834,000
Middle East Rs 1,328,000
Total: Rs 46,365,000

Bata

Bata-India shoemakers to the world

diverse types of work but which employ white-collar workers in large numbers. Four organisations out of the sample originally selected, including three in the public sector, refused to co-operate in the study, thus suggesting that a bias may have crept into the sample actually studied — a fact which Savur is not unaware of (p 3). The principal means of collecting data appears to have been the separate questionnaires issued to employees, their unions and senior managers and executives, supplemented by personal interviews. The specific areas investigated are the economic and social background of individuals, their attitudes to one another and to their work, their view of the unions, of their own pay and other conditions of service as also of the organisations themselves as employers, particularly their personnel policies.

Considering the volume and diversity of information that must have been sought from the large numbers of persons, the response to the questionnaires must be deemed to have been unusually good. And all this information is suitably classified and tabulated in numerous impressive charts at appropriate points in the book.

Savur has a very definite frame of reference for assessing the total situation in the field she sets out to study. This is clearly stated quite early in the work: "... they (i e, the white-collar workers) are not sheep blindly following their leaders but have an ability to dream, if not to act, giving the impression of a soulful cow which excites one's pity. They have now degenerated to accept the role of beasts of burden, asking for nothing more than a kindly master and at the most plenty to eat". The executive, in this frame of reference, "is pictured as a fox or a hedgehog", and the author "naturally wonders about the possibility of effective co-operation between cows, hedgehogs and foxes. The cows do not trust the foxes and are afraid to get close to the prickly hedgehogs" (p 63). This metaphor runs through the whole work like a keynote.

This frame of reference so dominates the author that she cannot resist the temptation to give her own comment as soon as any fact or figure discovered in her study is stated. Indeed, this running commentary accounts for a sizeable part of the volume, but only a few instances must suffice here: "Banks today seem to be passing through a stage of perpetual crisis. This is largely because they have been guilty of even denying them [white-collar workers] psychological equality" (p 109). "If these answers are any indication of the mental qualities of these executives, they would have been broadly rated as paranoid by the concept-happy psychiatrists..." (p 110). "One cannot help remembering the analogy of the spider in the nursery rhymes which invited the fly to walk into her deceptively lovely parlour" (p 186). "In such a situation we can be neither surprised at 58 per cent who, if given a chance, would rejoin the organisation and the 42 per cent who would not" (p 190). "If they cannot be true even to themselves, how can one expect it (*sic*) to extend to others?" (p 212).

One cannot, of course, deny to the author her own views or the freedom to express them. Nor can one question the propriety of the author presenting her own interpretation of the facts that her study throws up. Indeed, the author has done this well enough at both the beginning and end of each chapter, giving the background and summary respectively of the aspect of the subject presented in the particular chapter. But the reader of a research study report is interested as much, it not more, in the facts revealed in the study as in the author's interpretation of them. As such, a clear, concise and objective presentation of the data themselves, separately from the author's views, is essential in a research report.

The carelessly written text is another factor in the book which jars. Sloppily constructed sentences and simple bad grammar abound, aggravated by typographical mistakes. Here again, only a few instances must suffice: "It is time enough that the state realised its moral responsibilities and makes adequate amends..." (p 220). "The pay scales for the teachers are poor, the personnel policy hardly worth mentioning again and do not even have any fringe benefits to relieve them" (p 214). "It is, however, not clear the method in which the representatives are selected" (p 253). "It is surprising why they are afraid to submit themselves for appraisal" (p 199).

The picture of employer-employee relations that emerges from Savur's study is a dismal one and confirms the view that is widely held. The study yields highly interesting information of the attitudes of the two sides which, of course, are primarily responsible for the relations that prevail. It is, however, to be remembered that right attitudes alone do not ensure sound industrial relations; the mechanics of problem processing are also important. This operational aspect of industrial relations, unfortunately, does not get sufficient attention in the present study. There is, indeed, a chapter about Union-Management Relations; but even here, it is mainly the attitudes: those of employees to the unions, or of the executives to unions and so on, that are probed rather than the specific nature of the problems that arise between the two sides, the manner in which they are sought to be resolved, or the results obtained.

The object of this study, according to the author, "is to locate the problems of management-white-collar relations and to suggest methods which would contribute to planned development". At the end of the study, her conclusion sounds simplistic, almost naive: "Much of the malaise seen in the public sector is due to conflict between the 'socialist' system and the 'capitalist' relations which continue to persist. When the system changes, the pattern of relationship too should change and it is here that vital importance should be given. The type of relationship that ought to develop in the public sector is democratic socialism in every sense of the term" (p 351). Without contradicting the truth of this statement to the extent that it holds, and also without denying the author's assertion that "industrial relations have to be traced to the social structure itself", one may legitimately point out that in any kind of structure, even under democratic socialism, problems between employers and employees will arise in both the white- and the blue-collar sectors. For, the roles of different groups within an organisation will continue to be different, will sometimes come into conflict with one another and such conflict will have to be resolved in an orderly manner. To dismiss the operational aspect of industrial relations as "ephemeral and even superficial" is to throw out the baby with the bath-water, and what we are left with by way of remedies to the present admittedly 'unhappy' situation are pious and vague exhortations which are operationally meaningless — for example, "the first step in planned development is to humanise the dehumanised groups" or "another important step in planned development is, therefore, to clarify the end and means and to carry out the policy consistently" (p 352).

More about Morley

John Morley at the India Office, 1905-1910 by Stephen E Koss; Yale University Press, 1969; pp 212; $8.50.

TO students of British India, the first decade of this century, with its dramatic developments in reform and repression, has always been of special interest. Access, since 1959, to the voluminous collection of Morley papers has further enriched the research potential of the period. Koss is the second American author to write a book on John Morley's Indian career in less than 3 years — which brings to mind the statement of Holden Furber, himself an American and an authority on India under the East India Company, that the "ideal historian" of modern India should be neither a European nor an Asiatic.

Stanley Wolpert's "Morley and India" (1967) was a by-product of his study of Tilak and Gokhale. The book under review is a doctoral dissertation presented to the Columbia University. Apparently there is room for yet more work in the field; as Koss puts it, "the sources are too rich, the personalities too fascinating and the issues too complex for any single account to exhaust them".

Whether exhaustive or not, as is inevitable in a new interpretation of any eminent personality, this book sets out on the premise that the treatment so far accorded to John Morley's work as Secretary of State for India has not brought out the full or true picture. Koss discounts the view that Morley was an architect of parliamentary democracy in India (Wolpert's thesis), but his efforts are not directed towards "debunking" of the classical, Lytton Strachey genre. He does not contend that Morley was either insincere or inept; nor does he share the theory that he was a hapless tool in the hands of a rigid, uncompromising Government of India, represented by the Viceroy, Minto. The attempt here is to view Morley and his work in terms of his ideological heritage as "the reverent student of Burke, the disciple of Mill, the friend and biographer of Gladstone" (Gokhale's words, not Koss's). As such, the author makes it clear at the outset that the book is "not in a strict sense a work in Indian history", India being "little more than a backdrop against which emotional and intellectual issues are projected".

This permits an unorthodox method of approach, not strictly chronological but thematic. Morley's emergence as a politician is taken up first and then the various problems of his India Office career, with the Morley-Minto reforms relegated to the final chapter. The advantage of perspective is also used since, understandably, not all the issues can be given equal importance in treatment. Thus, the communal question, with all its "divide and rule" implications is given the shortest chapter of all because the author feels that "a disproportionate amount of scholarship has already been lavished upon this controversy".

Since a book such as this is addressed to a limited reading public, it cannot be expected to be "self-contained". But the presentation tends to get befuddled with the scant attention paid to the "backdrop". To take but one example: the author discusses, at some length, the motives behind Morley's "grudging" assent to legislation affecting the Indian Press, without bothering to say anything about the scope or nature of the legislation. It would have certainly added to the cohesion and readability of his arguments if Koss had bothered slightly less with the enormously rich and quotable material at his command and slightly more with providing the essential clues to his reasoning. After all, as Morley himself is said to have realised, "there are more than one set of conclusions to be inferred from the writings of any individual". The point is that the conclusion should be clearly presented and convincingly substantiated. Koss takes up a number of themes, sometimes simultaneously, but does not always follow them through. His principal conclusion is that Morley knew that his "Gladstonian Liberalism" was unsuited to the Indian climate, that "the underpinnings of Indian society . . . could not support the burdens of democratic institutions". "The mass hysteria of 1947" Koss further adds, ". . . was in fact, the unwelcome confirmation of his given prediction". One must admire Koss's restraint in choosing, for his illustration, no more recent event.

The fact that Morley worked under various pressures of which his ideological predilections was only one is recognised by Koss, but not fully examined. Speaking of Morley's final move in constitutional reforms, Koss says it was "like the ideals behind it, the product of the instincts and prejudices that he had accumulated over the decades" — which sound only human. But in all his repeated references to the liberal heritage of Morley, the author fails to note the implications of the changes in the liberal ideology itself over the decades. The substance of Gladstonian liberalism is no doubt contained in the "spirit of Midlothian", as expressed in Gladstone's election campaign in the constituency of Midlothian. But that campaign was conducted in 1879-80. In the full quarter century that was to elapse before Morley entered the India Office, Gladstonian liberalism in practice, with Gladstone as Prime Minister, had to accept several compromises, at home and abroad. It is hard to believe that Morley was so unmoved by these as to suffer from what Koss calls "Gladstonian myopia" (p 210).

Nonetheless, the "angle" chosen by the author does provide some useful sidelights. His interpretation of Indian policy with reference to Morley's Irish experience is particularly interesting. So is his discussion of Morley's views of the racial problem in its international content and the revelation of some little known facts about Morley's interest in the American Negro question. Another surprising fact cited is that Morley, though an open, uncompromising agnostic, used Christianity as his "cultural yardstick", believing that "progress was bound up with Christianity" (p 135-136). However, the source of these statements is not Morley's own copious writings and speeches, but the diary of his secretary.

Morley's contact with individual Indians was naturally limited but, says Koss, he did not share the high opinion that "educated Indians" had of themselves. As an example, he cited Morley's disdain of the Aga Khan as against his preference for "the unassuming Gokhale", following which Koss comes up with this: "Nothing could have been more painful to members of India's educated elite than the failure of British Liberals to return their respect and loyalty. Gandhi, a young barrister travelling in South Africa, believed that his 'faultless English dress' would insure him a first class railway accommodation, but in such eyes as those of Winston Churchill he would always remain a 'half-naked fakir'." The sentences quoted are of no great significance to the book's principal theme but they serve to illustrate how a slap-dash 'journalistic' style can mar a work of scholarship.

Price Level Changes

Effect on Investment Decisions

N L Hingorani

The problem of price level changes and replacement costs has, according to the following analysis of a sample of firms, been exaggerated. It is technology and scarcity, not price level changes and replacement costs, that have a real bearing on the cost of new assets.

This is because a business, as a continuous operating entity, makes decisions looking to the future. Accounting itself cannot influence cash flows, and, to conserve sufficient cash, it is preferable to make additional provisions to prevent cash from being indiscriminately distributed among stockholders.

SINCE World War II an active debate has been going on as to the usefulness of accounting for price level changes. The problem has been tackled from the point of view of external as well as internal reporting. Opinion among the accounting profession, teachers and researchers has vascillated from time to time, but in recent years it has been moving towards discharging of historical costs and towards making a provision for supplementary information on more current costs. This has special relevance to external reporting. The present paper makes an attempt to clear certain misconceptions in the analysis of the problem. It is based on investigation into depreciation policy and investment decision. Four companies, having annual sales ranging from $16 million to $ one billion, were studied. Their profitability was varied, and their ages ranged from 50 to 100 years. The top financial man in the company was interviewed and the financial procedures followed by the company were scrutinised.

I

(1) *Investment Policy*: Company A — The investment policy of the company is guided by its Vice-President Finance, who looks after all other financial arrangement. Investment decisions are arrived at informally and more or less intuitively. However, a 10 per cent return on investment after tax and after depreciation is considered the minimum over the short run. A higher return is expected over the longer run. For new investment in equipment used for production of high fashion goods, a three-year payback is considered normal. Styles are expected to change every year and a complete change occurs about every five years. The product becomes obsolete and the plant used in manufacture of that product has to be discarded. Equipment that would become technologically obsolete in five years requires planning over the short run. This policy of a three-year payback period and a 10 per cent return is considered reasonable as it has provided sufficient cash to operate as well as to expand. Depreciation accumulation and improvement in profits on use of new machinery generate sufficient cash flows to provide for replacement of equipment, a fair return on capital, and an additional margin for reinvestment. There is a considerable proportion of basic equipment in use that is not affected by fashions. For a long period now no important investment decision has been made as to replacement of this equipment as it is working well and there has been no basic technological advance in the process of manufacture.

Company B — Decisions on investment in plant and machinery are made by the top management. Decisions are usually made on the basis of need for expansion, cost reduction, quality control, and improvement and replacement. Future cash flows are discounted for the purpose, and projects are accepted at different cut-off rates depending on their risk, uncertainty, competitive needs, and all other foreseeable economic and non-economic factors. Ten years is considered as the calculable planning horizon or the maximum life of the project. Projects yielding below 10 per cent after tax are accepted only under pressure of non-economic factors as 'suspects'. Calculations of the internal rate of return are not minimal and usually include a cushion for unforeseen circumstances. More thought is given to future plans than to past performance. Appraisal is made only in relation to anticipated cash flows (budgeted). So long as the actuals exceed or nearly equal the anticipated, which is usually what happens, it is a matter of satisfaction. Changes in inflows after a period of 10 years become insignificant when discounted at a reasonable rate of return and are, therefore, ignored. If the danger of inflation is high (as in Latin America) the projects are accepted only on a short payback period.

Company C — After six years of continuing losses (1958-63) that company turned the corner in 1964. It has remained essentially in a liquid situation because of the very low reinvestment in fixed assets. The company is in the first year of a five-year phased programme of buying new equipment to replace the existing machinery. The present investment decisions are based on undiscounted cash flows. Payback period is a major consideration. Cash is available as and when needed, and there is no constraint on investment in equipment which has become necessary for survival. In the cash flow forecast for five years, the inflation factor in costs is built-in when estimating the payback period. The surplus beyond the payback period is supposed to take care of everything else.

Company D — Investments made for introducing new products are based on estimates of the new product's profit and loss account for the first five years. The net cash inflow (profit plus depreciation) is considered for the first two and a half to three years of the new product. This must cover at least the new investment in equipment, in order that the proposal be accepted. Other investment in fixed and working capital on account of the new product is not considered very relevant in the decision-making. For 'cost reduction' projects, the payback period is extended to four years. The cost of equipment written-off on replacement is

Tourism is everybody's business

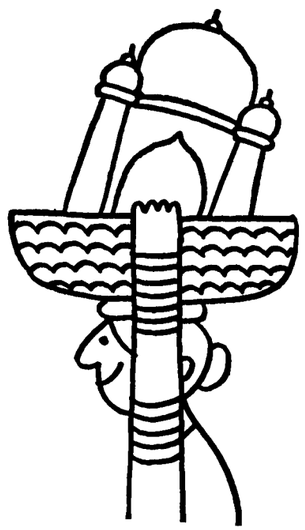
Tourism is the biggest business in the world today - and the fastest growing. It's already twice the size of the oil industry.

It is a business from which everyone benefits. From the airline companies and travel agents to the craftsmen in villages scattered all over India. From big hoteliers and shopkeepers to the small traders, taxi drivers, waiters, and so many hundreds more.

Italy alone earned Rs 1000 crores in foreign exchange from tourism last year. And Spain could build two steel plants like Bhilai from her tourism earnings each year !

What about India ?

It is true that the number of tourists visiting India has greatly increased. From 1,50,000 in 1964 to almost 2,45,000 in 1969. And our earnings from tourism have gone up to Rs. 33 crores in foreign exchange. But in terms of world tourism, only one out of every thousand world travellers visited India last year. Yet we have just about everything in this country to make it the world's most attractive tourist destination. We are privileged we have India.



ASP/TC/TM/A

What's missing here ?

We lack nothing but broad-based public participation and enough of what is known as the 'infrastructure': hotel accommodation, transport facilities and tourist amenities. For instance, the city of Bangkok alone has more hotel beds suitable for tourists than we have in India.

And when the Jumbos come...

Jumbo Jets will soon bring past India many thousand more people than have ever come this way.

They will need clean, comfortable accommodation; at least 23,000 more hotel beds are required by 1974. Wholesome, hygienically prepared food, more shops, restaurants, recreation facilities...all these are necessary now. Above all, a smiling, friendly welcome must await our visitors to make their visit a happy one.

What are we doing about it ?

The Government is taking an increasingly active part to help build more hotels, improve air and transport services, provide new and better tourist facilities.

But Government effort alone is not enough. Tourism is everybody's business. Because people benefit wherever the tourist travels. Wealth flows from affluent countries to the less affluent, and within the country from the developed areas to the less developed and from the richer strata of society to the less rich. Everyone benefits from tourism.

So, join us in our efforts. Let us give the tourist the amenities he needs and see that he goes home happy. Each happy tourist means so many more will come next year. Shouldn't be too difficult for us. Isn't ours one of the world's oldest traditions in hospitality ?

Welcome a visitor
send back a friend

Department of Tourism
Government of India

added to the new investment and is considered for the purpose of getting a return on investment. Replacement, if not very significant, is just carried out.

Much thought is also given to factors such as market and competitive necessity, product leadership, etc. No consideration is given to past investment performance. Any failure is considered as that of an individual estimator. With a short payback period the policy of considering only future potential is considered consistent. Despite the short payback period the profit and loss estimates take into account any anticipated changes in current costs due to inflation. On the other hand, increases in price realisations are seldom considered.

(2) *Depreciation*: Depreciation as allowed by tax authorities need not be charged as such in the books of account. The two methods commonly used to equate book depreciation and tax depreciation are:

(a) charging the amount as allowed by tax authorities against the cost of assets; and

(b) charging only the amount considered reasonable by the management against the cost of assets and charging any excess over that allowed by tax authorities to 'Provision for Deferred Taxes'.

Company A — Handling of depreciation is done in accordance with the Internal Revenue Laws (Tax laws) and the fastest method of write-off is taken advantage of. The main consideration is the advantage in cash flow due to tax benefits. A separate set of books (plant ledger) is maintained for private internal use only, giving account of each piece of equipment year by year. Tax authorities allow depreciation on 'block' basis by the type of industry. The plant ledger is always reconciled with the block account and depreciation as per tax accounts is equalised. The company keeps on adding assets faster than it retires them and hence the life of the block has never been lengthened nor depreciation rate lowered by Internal Revenue authorities. The life of assets was reduced once and the rate of depreciation thus accelerated.

The total cost of machinery as per the books was $ 652,000 (net); and reserve for depreciation amounted to $ 535,000 of which $ 150,000 represented assets fully written-off but still in use. The machinery could be divided broadly into two classes: (i) basic equipment which had not been affected by changes in technology and had been in use for a very long period; and (ii) style equipment which changed rapidly and had to be replaced over periods as short as five years, in order to remain competitive. To gain a competitive advantage by being first in the line, the company has been paying a higher price for improved technology. The competitors who lag behind pay a lower price for the same equipment. Besides having an improved product, the costs are reduced or stabilised and a better volume is achieved. The net gain increment compensates for higher investment on account of improved technology. Essentially, it is the volume and market share advantages that compensate for higher cost of depreciation due to higher investment.

Company B — The company derives most of its profits from marketing activity rather than from manufacturing, in that, the value added by manufacture is significantly lower than the input as well as marketing costs. Depreciation amounts to $ 10 million annually, as against a net profit of $ 100 million after taxes. The depreciation amounts *per se* do not therefore have much significance. In the eyes of the manufacturing departments this cost is not very significant as compared to the direct packaging costs and material purchases. The method of depreciation followed in the books and the amount charged are the same as allowed by Internal Revenue Service, taking maximum advantage of the tax laws.

The equipment is not frequently replaced. So long as it maintains its productive efficiency and quality control standards, it is kept in use. This requires good maintenance. Thus, long after the book value becomes zero, the asset is as good as ever. Technological obsolescence and its replacement are accounted for differently. The loss on the write-off of equipment which is being replaced is considered a project cost. This amount, in addition to the new investment, is required to earn an internal rate of return. In the books, however, no entry is made to enhance the cost of new investment and the whole amount is written-off in the year of discard.

Company C — Many of the machines have been in use for over 30 years and one has been working for 60 years or so. Particular attention is given to maintenance. So long as a reasonable quality of the product could be maintained and wastage as per cent of production was within acceptable norms of the industry in the past, the machine continued to be in use. In spite of very low depreciation charge ($ 450,000 as against sales exceeding $ 50 million), losses were incurred due to rising costs of labour and materials which could not be passed on to consumers due to severe competition and the nature of the market. The depreciation was charged in the books at the rates permitted by the Internal Revenue Service. It was believed that though the depreciation on newly acquired equipment would increase, the advantage gained from use of new equipment would definitely reduce the total cost.

Company D — The income tax regulations are followed for internal as well as external reporting. However, before the double declining method came into vogue, the company followed the declining balance method. The life of equipment was periodically re-estimated (about once in five years) for its fitness for future use, and the balance of cost not written-off was spread over that period. This could go either way. The overall position was considered advantageous for the company as the bulk of the depreciation on equipment was written-off faster than usual. A large part of the equipment, especially the heavier one (considered basic) was fully written-off and still in use. Equipment 40 years old was not uncommon. Much of the equipment so written-off was in essence as efficient as any other; for, its vital working parts were replaced regularly and charged to maintenance. The maintenance department was a service centre and cost was charged to divisions but not to specific items of equipment. A big job was treated as special and charged to the particular equipment. This capitalised amount was subjected to regular depreciation.

The depreciation charged in estimating the cost of goods was the book depreciation, which was higher when the plant was new but much lower thereafter. This did not affect the cash inflow. Pricing decisions were more market-oriented than cost-oriented.

(3) Planning and Price Level Changes:

Company A — The planning horizon extends to around 10 years. The investment is planned according to dollars available from cash flows. The individual equipment-buying decisions are made by searching for equipment annually. For being first in the line, the company is willing to pay a higher price for improved technology leading to improved product, reduced costs, better price or better volume. For

maintenance of asset value prime importance is given to earning power and improved profits. As long as the company had sufficient products to fill its line at the desired profit margin there was no problem. During periods of inflation such opportunities were not lacking. The change in income more than compensated for price-level changes.

Company B — Inflation is one of the risks covered in business. During this period costs always move up and prices too move up to a lesser extent. However, profits become higher mainly due to the opportunities presented by increased spending power. The inflationary factor does not seriously affect, or even affect at all, the capital equipment plans of the company. The existing equipment is used till it can maintain its productive efficiency. So long as replacement takes place over short periods (say five years) inflation is not significant and the cause of replacement is technological. However, if it takes place after its useful book life (around 10 years), it more than compensates for inflationary pressures. Cash flow is the most important factor determining successful operations.

Company C — Inflation has affected costs without allowing higher prices. Costs of new equipment are much higher but cannot be compared with those of the old ones due to distinct operating cost differences. The old equipment has paid more than its own cost and keep. If depreciation values only are considered, they might be low. But this has nothing to do with investment decisions. As to planning, the company does not have many alternatives. It has to have new machinery, and the company goes in for the best available equipment that would utilise minimum of labour and would produce goods of homogeneous quality with minimum wastage and maximum speed. It is not considered useful to look at the price trends of the past in this matter. The only way to reach the best results is to go in for the best possible machinery. It pays for itself if market conditions are not adverse for the product.

Company D — Between the end of World War II and till some time in the late 'fifties a fund for anticipated higher replacement costs was built up. It was expected that the cost of equipment would rise very rapidly because of its scarcity throughout the world. All manufacturers needed equipment and the supply lines themselves had to be rehabilitated. The fund reached a figure of $ 33 million when it was stopped. It was never utilised and was finally removed from the books in 1964 by crediting stockholders' surplus. It was felt unnecessary to maintain such a fund in periods of continuing inflation, as there was no possibility of its utilisation following the continued improvement in profits and availability of easy funds.

II

Two major areas of change in historical costs that have been explored by various reports are (a) price level changes, and (b) changes in the current cost of asset influenced by factors other than price level, presumably, technology, size, competition, etc; generally termed as replacement costs or values.

The terms 'cost' and 'value' have been used indiscriminately. It is proposed to define these words for the purpose of this paper.

(1) *Cost*: It is the consideration paid for an asset for its present physical condition as any other buyer would, without making any distinction as to its end use or source of supply. Thus it is an exchange of considerations without any other criteria. Consequently, the amount received on sale of the asset would be a 'realised cost'.

(2) *Value*: It is a figure arrived at, taking into consideration the utility of the asset to the business as a source of income in the future. It is the internal benefit that the business would derive from an asset by putting it into use in conjunction with other assets of the firm. One method of arriving at such a value is discounting the expected cash flow from the asset over the expected life of the asset. This is a subjective value to a certain extent for it involves three estimates: (i) the expected cash flow; (ii) the expected life; and (iii) the rate of discount over that period. However, all the refinements taking place in the field of finance and management accounting lead to these criteria being judged better.

The relationship between cost and value in a firm is interesting. In a successful business, cost is lower than value. This is precisely the reason for holding the assets. Value in its turn is lower than the acquisition price for the business, indicating the premium that a firm commands in the market. The difference between value and acquisition price is mainly owing to reasons external to the firm. Sometimes termed as goodwill, it is the price for the organisational aspects of the firm, or for how the firm is accepted by others.

The concept of cost is used for purposes of accounting information, whereas the concept of value is used for planning (including long-term budgeting) and acquisitions (including mergers). For the performance of the accounting function, cost is universally accepted as an appropriate concept for external as well as internal purposes. The amount is pretty well defined at the time a cost is actually 'incurred' or 'realised'. However, on the expiry of specified periods (the accounting period), the total cost does not expire and needs to be carried forward. Thus a twofold problem arises: (1) How much of the cost has expired; and (2) how much is unexpired and thus needs to be carried forward. The actual cost (historical cost) should equal the two in order to balance the books.

In fact the introduction of the time factor creates certain changes which may or may not be significant, for a variety of reasons and happenings over time. The amounts, as shown in books, are not deemed to be correct in the sense that, if the assets were acquired or sold on the day of making up the accounts, the figures could be different. Hence, it is argued that their cost should be adjusted in order to show a true picture. These changed costs do not affect *per se* the value of the business. Moreover, as carried forward assets, their value ought to be different from their cost and price payable on acquisition by others. Thus much of the confusion arises due to failure to distinguish between cost, value and price. The accounting function primarily recognises changes in costs as distinguished from value and price. The accounting adjustment is primarily needed for cost in order to show the end result, *viz*, the net inflow of cash. So long as this inflow remains unchanged adjustments in costs would be mere appropriations without any change in value. It is not necessary to impute costs whenever the market costs (current cost) change after the investment decision has been implemented. Possibly the net cash inflow may change due to change in current costs. It could be suggested that cash inflows should change if current costs have changed. So long as this happens profits are going to be higher, value would rise, and it would become necessary to reappropriate profits to account for current as well as future changes in costs. The change in inflows does not usually materialise because of increased outflow which is supposed to be higher because of the competitive nature of the market. Older equipment has the advantage of low fixed charge, whereas new equipment has the advantage of low operating costs. Not because it is new, but because it is technologically superior, more automated, has higher speed, low wastage, etc. Thus changes in cost of the asset usually compensate for changes in operating cost as well as value.

The acquisition price for a business which is a going concern can in no case be considered as an amount to be recorded in the books of account. The external information is conveyed by the stock market through stock prices. There are fluctuations and a high degree of subjectivity and it would be unfair for external and internal users to record an acquisition (or liquidation) price.

It is argued further that, when the costs do expire, then the amount needed for maintaining future cash flows beyond that date would be different from the amount of expired costs. Accepting that this could be a significant factor, it should be made a part of the investment decision. Also, if necessary, past investment decisions should be adjusted to the changing circumstances as far as possible. This proposition basically lays down: (i) that all investment decisions should take account of cost changes over the planning horizon; and (ii) that all income arising in the current period should be adjusted for proper cost changes in respect of unexpired costs as well as currently expired costs.

(1) The way budgeting takes place in a larger number of companies, cash flows are estimated in some form or the other. Where the discounted cash flow is used, estimates beyond 10 years are not considered significant because of the low discount factor of such future inflows; on the other hand for the payback period a five-year term is considered too long. Payback period assumes costs to be steady over the next three years, their usual payback horizon. In case discounted cash flows are used changes in cost due to price level changes, specifically under conditions of inflation, are built into the outflow estimates. No specific measure is made of price level changes *vis-a-vis* inflation, but it is believed that there is plenty of built-in cushion for this because of (a) not taking into account expected changes in future revenues even when increased costs are taken care of; (b) benefit of capital invested beyond the 10-year period; and (c) usual safety margin of errors and estimates. All these estimates, combined together, take care of the needed funds on the expiry of investment over a long period. However, if the project is a short-term one, the price level changes are of no great significance. Under conditions of sporadic change, the asset is financed from market borrowings which act as a hedge against loss in the replacement cost realisation.

(2) The argument about change in current incomes for past investments through charge of correct current expenditure is forceful. It proposes to prevent dissipation of capital on distribution in excess of actual profit. The danger is real in cases where no sound or 'conservative' financial policy is followed and where all profits are distributed by way of dividends. Thus only such companies as do not hold profit surpluses have to worry about such a problem specifically. Attention is thus diverted from re-appraisal of costs to retention of adequate profits to preserve the capital fund contributed by equity holders.

A few further comments are relevant: Valuation of equipment at any point of time is possible. The value placed by an insurer could be considered a fair value. Though this is subjective and could differ from insurer to insurer, it is fair. However, this value does not consider future benefits arising from that asset "as representing future economic benefits".

Changes in replacement costs arise from technological changes, if the dollar value is a constant. A scale of 'technological susceptibility to obsolescence' could be constructed by considering the ratio of zero book value assets to total assets in that class, as per books. Zero here includes nominal value placed on assets. Technological susceptibilities would be an inverse function of this ratio. Inflationary pressures on replacement costs would be more meaningful under low technological susceptibility and high fixed equipment cost operations (public utilities). A high fixed cost operation when the depreciation amounts are nearly equal or exceed the pre-tax operating income.

Another cause of high investment costs is attributed to abnormal scarcity conditions generally or to specific assets. The post-World War II period was one of general scarcity of equipment. In such circumstances, the cash flows during the preceding period have been very high and appropriations for high replacement costs have been deemed desirable only for providing sufficient cash. In effect this has restricted distribution of cash. Under conditions of specific scarcity, *viz*, stoppage of imports, need for equipment that is out of production or is in insufficient production, etc, replacement costs become extra high. But these costs should be treated more as a charge on the future than as an appropriation against past cash flows.

III

All investments are made with a view to earning profits by maintaining a net cash inflow in the coming years. This cash flow is expected to meet the 'cost of capital' and also to maintain the investment intact as at the end of the period.

The 'cost of capital' is committed to, at the time the investment is made, either by way of a fixed interest amount on debt capital or as an expected return on equity covering interest, risk, growth and expected future changes in the rate of return. The cost of capital is, in a way, a legal-cum-moral commitment to pay an expected rate of return by way of yield in future years, irrespective of any changes of opportunity in the business situation. Interest on debt is always a fixed amount. Return on equity is paid partly in cash (dividend) and is partly retained to provide for risks, growth, etc. Thus it could be said that, the expected yield on an investment is linked with expected cash flows in a relatively fixed manner at an anticipated rate of growth, steadiness and risks.

The other part of the cash flow, i e, maintaining investment intact, should allow for fixed amounts equivalent to the dollar base utilised during the period. Thus any changes in the value of the dollar need to be accounted for. The pressure on value comes mainly from economic and technological factors. On the one hand, improved or more sophisticated technology tends to enhance the value of the dollar available for investment, and on the other, an inflationary economic situation lowers the value of dollar. This situation has more or less held in the recent past and it is expected to continue in the future. However, the changes have not been equal and economic pressures have usually out-stripped technological improvements. Thus, to keep the balance, there is need for proper adjustments in accounting.

An accounting system is independent of the cash flows involved insofar as it

is a system of recording transactions. The system does not provide for a change in the pace of cash flows. It has followed a static pattern and has not provided for changes in the pace of flows beyond the tax requirements. The measurement of the expected flows depends on the system. When subjective values are introduced in the system measurement becomes a matter of debate. Depreciation is one such aspect. The introduction of this account affects the cash flows indirectly as a result of taxation. In other words, an accounting system is more suited to the needs of taxation than to the needs of the dynamics of cash flows. A majority of the complaints against the system are in the context of the fairness or otherwise of the taxation system. The system thus needs to be made subservient and to be tailored to the needs of this dynamic requirement.

The following approaches to the problem of measurement in respect of depreciation and price level changes would be more rational and helpful for the purposes of accounting measurement:

(1) The earnings of a business (E) are subject to taxation at rate (t). (E) is arrived at after payment of interest on debt capital and a deduction (D) on account of Depreciation. The total cash available (C) for meeting the 'cost of capital' would be:

$$C=(E—tE) +D$$

This cash is required, first, to meet the total cost of equity investment (A) at rate (k) to compensate for the rate of return, leaving a balance of (C—kA). This balance is then available for meeting the cost of keeping the total investment in depreciable assets (X) intact at the average rate of depreciation (d) according to the historical cost and life of the assets; and for providing for the rate of inflationary economic change (r) over the previous period and for providing for the rate of improvement in technological change (g) over the previous period. Thus a business would be meeting its obligations if:

$$(C—kA) = (\overline{dX} + rX + gX)$$

$\overline{d}$, r and g could be different for each accounting period. $(\overline{d})$ would depend on the life of the depreciable assets and would keep on increasing only when new assets are acquired or old assets retired under inflationary conditions. The factor $(\overline{d})$ has not to be equal to the rate at which depreciation is allowed for tax purposes. It has to be more realistic and related to the useful life of the assets. This means that there are neither 'zero value' assets in use nor is there any obsolescence not accounted for in the value of the factor $(\overline{d})$ in the past. However, any error in one period can be corrected in the subsequent period if the life of assets is reviewed from time to time and the review is unbiased. The total error under this arrangement would not be significant. (r) and (g) would also increase under inflationary conditions.

If (C—kA) is greater than $(\overline{dX} + rX + gX)$ there is a real surplus. In the opposite case there is a real deficit. It may be observed here that this proposition does not take into account the reinvestment of funds released on account of capital consumption, or the cumulative effect of economic as well as technological factors because the various factors can be assigned different values in each period.

This identity in effect provides that, besides making provision for historical cost (dx), each year a further provision based on economic and technological changes needs to be made. This provision (r—g)X may be positive or negative. And so long as (r—g) is positive the provision would keep on cumulating. It would be utilised when (r—g) becomes negative. The utility of the fund created during inflationary periods would arise only during deflationary periods when such surpluses could be invested even against the threat of losses and the total economy would remain better sustained.

(2) It is possible to restrict further the application of the first proposition to net assets only, when the sole purpose is to provide for price level changes. Net assets are represented by owners' equity and retained surpluses. The modified form would be:

$$(C—kA)=dA+rA$$

This suggests that the original investment of the shareholders is safeguarded against price level (economic change over the previous period) irrespective of the changes in the value of the assets and the chance dissipation of capital through payment of dividends is eliminated. This becomes something similar to the 'dividend equalisaton fund' and may be termed as 'share contribution value equalisation fund'. The fund would be utilised under deflationary conditions to bring the sagging share value to a position of equilibrium.

(3) A third possible approach, which does not appear to be strictly logical at first sight, can serve as a hedge against inflationary pressure in respect of depreciable assets, as follows:

A certain proportion of assets on the books is shown at zero or near zero and still remains in use (z). This proportion can be arrived at by considering the historical cost of the zero value assets still in use and cost of all depreciable assets still on the books. The higher this factor (z) is, the greater is the urgency to replace such assets. To increase the retained cash amounts, a further provision beyond depreciation on historical costs is required. This depreciation should thus be increased by the (z) factor, or the amount $(z.\overline{dX})$ should be further provided. This amount would automatically represent the average rate of all historical costs incurred in the past. In case the (z) factor is small, there is less need for replacement as the equipment in use should be relatively new. This method appears independent of any specific economic and technological changes. A further look, however, shows that the new investment in fixed assets is governed by economic and technological changes. Industries that have responded to these changes quickly would not need a provision to face the change. Others that have not been able to change quickly enough would need such a provision. The quantum would be a partial function of 'technological susceptibility to obsolescence'. There is a whole continuum of response which is represented by the (z) factor. In accounting terms, (z) is based on the fact that there should be a charge for the use of all assets in use against the profits of the current period.

Despite all assertions of various research reports, the problem of price level changes and replacement costs has been exaggerated in economic terms. The factors that have a real bearing on the cost of new assets are technology and scarcity. A business, being a continuous operating entity, usually makes its decisions looking to the future. However, as against the theoretical possibility of running into 'real' deficits, the proper course is to evaluate the overall influence of all the major relevant factors. The solution should not centre around extremely 'conservative' provisions and revaluations. It should be rather centred around the fact that accounting itself cannot influence cash flows and that in order to conserve sufficient cash it is prudent to make suitable and adequate additional provisions if needed, in order to prevent the cash from being indiscriminately distributed among the stockholders.

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Small Farmers and HYV Programme

Gyaneshwar Ojha

The introduction of the High-Yielding Varieties Programme has opened a horizon in agricultural production. However, it is apprehended that, because of the uneven distribution of land and resources, the programme will create greater social and economic disparity among the agricultural community.

The purpose of the present paper is to examine the economic implications of the HYV programme specially in respect of subsistence crops grown by small farms.

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THE present study is based on field data collected by the Agro-Economic Research Centre, Visva-Bharati, with respect to 60 participant and 40 non-participant farms from four villages in two blocks in the district of Saran, Bihar. The study covers hybrid maize for the kharif season, 1968-69.

The level of participation and the composition of farms in the district is shown in Table 1. The percentage distribution of total farms shows a 76 per cent concentration in the holding-group 'up to 5 acres'. Another 17.73 per cent of farms were in the size-group 'up to 10 acres'. As to the concentration of land, nearly 94 per cent of the farms in the two lower groups possessed 65 per cent of total cultivable area, leaving 35 per cent of cultivable area in the hands of 6 per cent of the farms in the size-group 'over 10 acres'. In terms of average size of holding in the different size-groups of farms, the lowest size-group represented 2.19 acres and the highest size-group 28.44 acres.

The extent of participation varied as between the different size-groups. Participation in the programme was 26 per cent among the lowest size-group (up to 5 acres), as compared to 60 per cent in the highest size-group. Yet, with the preponderance of small holdings, nearly 58 per cent of the 123 participating farmers came from the lowest size-group.

The distribution of 60 selected participant farms by size-group, as presented in Table 2, reveals the same pattern as observed earlier. However, there is a higher concentration of maize area among the lowest size-group of farms. Maize area formed 59 per cent of total cropped area in the lowest size-group, against 31 per cent in the highest size-group. The area under maize shows a clear tendency to decline with increase in the size of farms — which only underlines the subsistence nature of the crop. At the same time, more than 73 per cent of the total hybrid area is concentrated in the two lowest size-groups of farms (0.01-5.00 acres and 5.01-10.00 acres).

In the context of the above findings we now turn to examine the level of adoption of the new technology by the different size-groups of farms and the results obtained thereof. Price of seed and seed rate being fixed for hybrid maize, the difference actually exists in terms of fertiliser application. Table 3 shows the level of application of various fertiliser nutrients by size-group of farms. The average level of applications of all the fertiliser nutrients shows a tendency to increase with in-

TABLE 1: LEVEL OF PARTICIPATION AND COMPOSITION OF FARMS IN THE DISTRICT, ON BASIS OF SAMPLED VILLAGES

Operational Size-Group	Total Number of Farms	Percentage Distribution of Farms	Participant Farms		Total Cultivated Area	Percentage Distribution of Cultivated Area	Average Size of Holding Per Farm
			Number	Per Cent of Total Farms			
0.01-5.00	275	76.18	72 (58.54)	26.18	601.49	42.04	2.19
5.01-10.00	64	17.73	39 (31.71)	60.94	476.58	33.31	7.45
10.01-15.00	17	4.71	9 (7.32)	52.94	210.55	14.71	12.39
15.01 and above	5	1.38	3 (2.44)	60.00	142.20	9.94	28.44
All groups	361	100.00	123	34.07	1430.82	100.00	3.96

Note: Figures in brackets are percentage distribution of participant farms.

TABLE 2: LEVEL OF PARTICIPATION AMONG PARTICIPATING FARMS

(Area in acres)

Size-Groups of Farms	Distribution of Selected Farms		Total Cropped Area	Total Cultivated Area under Maize	Average Area under Maize Per Farmer	Percentage of Maize Area to Total Cropped Area	Area under Hybrid Maize	Average Area under Hybrid Maize Per Farmer	Intensity of Adoption of Hybrid Maize Column 9/6 x 100
	Number	Per Cent							
1	2	3	4	5	6	7	8	9	10
0.01-5.00	31	51.67	94.22	55.42	1.78	58.82	25.28 (37.30)	0.82	46.06
5.01-10.00	21	35.00	136.35	64.08	3.05	47.00	24.45 (36.07)	1.16	38.03
10.01-15.00	5	8.33	61.41	23.44	4.68	38.17	10.05 (14.83)	2.01	42.94
15.01 and above	3	5.00	97.20	30.00	10.00	30.86	8.00 (11.80)	2.67	26.70
All groups	60	100.00	389.18	172.94	2.88	44.43	67.78	1.13	39.24

Note: Figures in brackets are percentages.

TABLE 3: PER ACRE APPLICATION OF VARIOUS FERTILISER NUTRIENTS BY SIZE-GROUP OF PARTICIPANT FARMS

(in kg)

Size-Groups of Farms	Average Level of N Nutrients	Percentage of Farmers Using the Recommended Dose of 38 kg N and Above	Average Level of P_2O_5 Nutrients	Percentage of Farmers Using the Recommended Dose of 29 kg of P_2O_5 and Above	Average Level of K_2O	Percentage of Farmers Using the Recommended Dose of 18 kg of K_2O and Above	Farmers Using the Recommended Combination of the Three Fertiliser Nutrients	
							Number	Per Cent
0.01-5.00	30.69	32.26	18.56	29.03	8.05	22.58	16	51.61 (45.72)
5.01-10.00	40.27	52.38	24.57	38.10	13.66	42.86	13	61.90 (37.14)
10.01-15.00	35.15	60.00	19.32	20.00	12.33	60.00	3	60.00 (8.57)
15.01 and above	41.23	100.00	26.25	33.33	18.80	100.00	3	100.00 (8.57)
All groups	36.41	45.00	21.75	28.34	12.50	36.67	35	58.34 (100.00)

TABLE 4: LEVEL OF EXPENDITURE ON FERTILISERS AND THE YIELD RATE

(Expenditure in Rupees; yield in maunds)

Size-Groups of Farms	Average Expenditure Per Acre on Chemical Fertilisers			Average Yield Per Acre		
	Participant Farms		Non-Participant Farms	Participant Farms	Non-Participant Farms	
	Hybrid Variety	Local Variety	Local Variety	Hybrid Variety	Local Variety	Local Variety
0.01-5.00	109.73	49.07	47.01	24.52	13.52	13.31
5.01-10.00	122.13	43.25	50.61	29.26	13.12	13.72
10.01-15.00	123.66	68.11	—	30.95	15.46	—
15.01 and above	133.91	30.54	43.01	37.29	13.41	12.77
All groups	118.24	45.43	47.19	28.69	13.68	13.33

crease in the size of holding. The percentage of farms using the recommended combination also shows a similar trend. It is thus clear that, though the farms in the lower group show a very high intensity of adoption (Table 2) of hybrid maize, the adoption of the recommended level of technology is nevertheless the lowest among them. It is worth pointing out that, in respect of smaller farmers adopting the HYV crop, fertilisers account for the major out-of-pocket expenditure as compared with the ordinary variety. Co-operatives provided only 45 per cent of the total credit requirements at the existing level of technology.* This left the farmers with no choice but to adopt a lower level of technology than recommended for HYV — which affected the return on farms adversely.

Per acre expenditure on fertilisers and average yield on participant and non-participant farms, as presented in Table 4, reveals some further interesting features. While per acre expenditure on fertiliser by participant farms in respect of hybrid maize tends to increase with increase in the size of farms, this is not the case in respect of the local variety of maize. Actually, expenditure on fertilisers, on the local variety of maize, decreases with increase in the size of farms — except in the holding-group '10.01-15.00 acres' where it was found to be relatively high. Expenditure by non-participating farms on local variety of maize was slightly on the higher side — except in the case of lower size-group where it was slightly below that of participant farms. However, the variation in expenditure on the local variety found among non-participant farms over the various size-groups was only marginal.

While average production per acre shows wide variation in respect of hybrid maize as between the lower and the higher size-groups of farms, the variation in average productivity of the local variety was insignificant both for participant and non-participant farms in the various size-groups. The difference in average productivity, in respect of hybrid maize, between the lowest and highest size-groups of farms is of the order of 12.73 maunds per acre, as against only 0.54 maunds in respect of the local variety. It is apparent, therefore, that in terms of return per acre, the disparity in the level of income has further increased. Maize has become essentially a commercial crop for the upper size-group of farms.

The study inevitably leads to the conclusion that, in the race for technological improvement, the substantial farmers are making better gains and that the gap between the big and the small is widening. This is the dark shadow of the Green Revolution.

While, prior to the introduction of the new technology the disparity between lower and higher size-groups of farms was more pronounced only in terms of resources while per acre income did not very much, after the introduction of the new technology disparity is reflected not only in terms of resources and their use but also in terms of net return. The immediate need is to fill the gap of per acre return as between the small and the big sized farms in respect of hybrid crop. This can be done by concentrating attention on providing assistance to the smaller farms. Unless a sufficient surplus is created on such participating farms, they are very likely to return to the old level of technology when the recurring assistance of Government is withdrawn.

* "A Study of HYV Programme in the District of Saran, Bihar, with reference to Hybrid Maize (Kharif) 1968-69", B K Chowdhury and G Ojha (mimeographed), Agro-Economic Research Centre, Visva-Bharati, p 24.

Private and Social Returns to Higher Education

A Case Study of Delhi Graduates

D P Chaudhri
Potluri Rao

An attempt is made in this paper to measure the private and social rates of return on investment in the various degrees offered at the Delhi University.

In spite of the heavy per-student cost, both private and social returns are surprisingly high. Private returns are even higher than in most Indian industries.

[*The authors are grateful to T W Schultz and Arnold C Harberger.*]

THE Delhi University has expanded nearly eight-fold in terms of enrolment during the last 15 years, and still the demand for enrolment is much larger than the enrolment capacity of the university.[1] The potential excess demand is bound to cause social unrest and even political pressures endangering the peaceful academic climate.

With the growing awareness, changing social values, and economic prosperity there is increasing desire for education, but at the university level the demand for education is not necessarily for social reasons. At this level, the economic benefits of education are direct and foreseeable. Hence a student, or his parent, considers higher education as an investment. Investment decisions depend on expected returns and the cost of higher education. Given the cost of education in universities, a typical student would choose to go to a university, and a field of specialisation, that would provide him maximum return on his education. When returns on higher education are lower than the alternatives available to him, a student would find it economically advantageous not to spend his money on higher education.

In a university a student bears only a small part of the total cost of his education. Even though the social returns, the returns on the total cost of his education, may be low, the private returns, the returns on the resources a student actually commits, may be substantial to make his investment in higher education profitable.

The number of seats is, however, limited by the availability of public resources. When a major portion of these resources is coming from public funds, higher education is one of the many claimants to the tax payer's money. When there are public projects with higher rates of return than higher education, then from society's point of view rational allocation of public resources demands that investment in higher education be restricted.

The objective of this study is to measure the private and social rates of return to investment in various degrees offered at the Delhi University. This study corresponds to the graduates of 1954 ("Employment Survey of the Alumni of Delhi University", Ministry of Labour and Employment, 1962). Of course, the situation has changed since then, but the prospects of employment of Delhi graduates have not changed enough to affect our conclusions.[2]

Before proceeding to the methodology and calculations, we digress to explain the concept of internal rate of return.[3] Let us consider a hypothetical project that costs 100 paise. Once you purchase it, it starts giving an income of, say, x paise per year, every year thereafter, forever. The number x is called the internal rate of return on that project, to be read as, "the internal rate of return on the project is x per cent". To give an example, consider a project that costs Rs 200, and gives a steady stream of Rs 30 every year. The project is paying 15 paise per rupee, or the internal rate of return is 15 per cent. When two projects are on sale, one with a higher internal rate of return than the other, then naturally one wants to buy the project with the higher internal rate of return. Actually, when the internal rate of return is higher than 3 per cent, the returns beyond 40 years are inconsequential. In a real world, projects do not give a steady stream of income. Even though a project does not give a steady stream of income, by computing its internal rate of return,

ve can visualise it as a project with steady income stream. This makes it easier to compare two projects that would be difficult to compare otherwise.

In this study we computed internal ates of return to the following Degrees offered by the Delhi University:

I B A Pass
II B Sc Pass
III B Com
IV B A Hons
V B Sc Hons
VI M A Lang
VII M A Hist, Pol Sc, Phil
VIII M A Econ, Com, Math
IX M Sc
X Lib Sc
XI Law

The incomes of graduates would, of course, depend on the type of employment they get. The type of job may depend on a number of factors such as marks scored, family contacts, etc. Unlike technicians, Delhi students are not trained for a specific job or a scale of pay. The average income for each educational category is computed on the basis of earnings distribution of 1954 graduates given in Table 1.[4]

All the students from Delhi University do not succeed in getting employment immediately after graduation. Only 60 per cent of the 1954 graduates were employed within six months after graduation, and the rest were absorbed gradually. Degree-wise details of incidence of unemployment is given in Table 2.

In computing returns to higher education, we assumed that the graduates were employed at midpoint of each column of Table 2 and started earning an increment of 3 per cent of starting income thereafter.[5] Each person was assumed to remain employed for a period of 40 years. Since all the salaries are paid monthly, and increments are given only yearly, adjustments were made accordingly.

Students enter the university after completing higher secondary. If they did not go to the university and got a job they would be earning, say, Rs 150 on the basis of their higher secondary education.[6] So the higher education should be viewed only as a source of income additional to what they would be getting otherwise. To take an example, suppose by going to the university and spending Rs 3000 for a degree, one can increase his salary by, say, Rs 50 a month (or Rs 600 a year) his private rate of return on higher education is 20 per cent. The increase in earnings as a result of the Bachelor's degree would be increase in the income on what one would be getting with his higher secondary (Rs 150). Similarly increase in income due to a Master's degree would be increase in income on what one would be getting with a Bachelor's degree (Rs 220).

TABLE 1: EARNINGS DISTRIBUTION OF 1954 GRADUATES AT THE TIME OF THE SURVEY
(1958)

Degree	Monthly Earnings (in Rupees)				Income Mean (Rs)
	Below 200	200-300	300-500	500 and over	
Mean income in the cell	Rs 150	Rs 250	Rs 400	Rs 600	
B A Pass	0.611	0.203	0.102	0.084	233.60
B Sc Pass	0.553	0.277	0.170	0.0	220.20
B Com	0.603	0.277	0.096	0.024	212.50
B A Hons	0.408	0.367	0.122	0.103	263.55
B Sc Hons	0.417	0.541	0.042	0.0	214.60
M A Lang	0.313	0.332	0.292	0.063	284.55
M A Hist	0.354	0.375	0.208	0.063	267.85
M A Econ	0.227	0.383	0.336	0.054	296.60
M Sc	0.081	0.662	0.243	0.014	283.25
Lib Sc	0.0	0.727	0.273	0.0	290.95
Law	0.273	0.350	0.264	0.113	301.85

Source: Computed from "The Employment Survey of the Alumni", *op cit.*

TABLE 2: INCIDENCE OF UNEMPLOYMENT AMONG 1954 GRADUATES

Degree	Employed at			Unemployed	Total
	Less than 1 Year	1-2 Years	2-3 Years		
B A Pass	154	37	16	14	221
B Sc Pass	47	29	12	9	97
B Com	98	27	3	4	132
B A Hons	109	34	9	10	162
B Sc Hons	68	6	6	3	83
M A Lang	21	2	0	8	31
M A Hist	10	2	2	5	19
M A Econ	33	6	1	5	45
M Sc	27	2	1	1	31
Lib Sc	8	1	0	0	9
Law	116	12	15	16	159

Notes: (1) All the unemployed graduates were assumed to have obtained employment at the end of 4 years.
(2) The graduates reported to be "not seeking employment" are not included in this Table.
Source: Computed from "The Employment Survey of the Alumni", *op cit.*

TABLE 3: PRIVATE AND UNIVERSITY COSTS PER STUDENT PER YEAR
(in Rupees)

Degree	Assumption I	Assumption II		
	Actual Private Cost	Ed Exp	Foregone Incomes	Univ Costs
B A	1000	450	1800	800
B Sc Pass	1000	450	1800	1600
B Com	1000	450	1800	800
B A Hons	1000	450	1800	800
B Sc Hons	1000	450	1800	2000
M A Lang	1320	500	2640	1000
M A Hist	1320	500	2640	1000
M A Econ	1320	500	2640	1250
M Sc	1320	500	2640	2500
Lib Sc	1750	460	2640	2000
Law	1800	500	2640	1200

Note: In computing Foregone Incomes, we did not allow for unequal employment opportunities in various courses.
Source: Cols 1 and 2, Khusro's study, *op cit.*

The cost of higher education consists of two components:

(1) the cost directly borne by a student (private cost); and

(2) the cost borne by the university,

net of tuition fees. Our calculations of private costs are based on two alternative assumptions:

Assumption I: The actual average expenditure of the Delhi University student on food, clothing, education, etc, as reported in A M Khusro's study[7] for the 1958-59 students of the Delhi University.

Assumption II: The actual educational expenses and transportation costs as reported in A M Khusro's study plus the "earnings foregone" by a student because of going to school instead of taking a job.[8] In computing foregone earnings we assumed that the salaries that they would have been paid had they taken up a job were Rs 150 and Rs 220 per month respectively for higher secondary and Bachelor's degree.

The cost borne by the Delhi University for the 1954 graduates was taken on rough calculations made by the authors, allowing for generous margin on the upperside. The costs per student per year for 1954 graduates are given in Table 3, together with private costs. We realise that the incomes and costs of 1969 graduates, for various degrees, are different from the figures given in this paper. A reader with actual figures relating to the present conditions may revise the internal rates of return by consulting Table 5 (which can be easily interpolated by "free hand smooth drawing").

The internal rates of return on all the degrees for the 1954 graduates are given in Table 4.

The private rates of return, on all the degrees, are, as expected, considerably higher than the all-India average (8.1 per cent) for Bachelor's and Master's degrees as reported by Nalla Gounden.[9] What comes as a surprise to us is that these private internal rates of return are even higher than what could be obtained from investment in the industrial sector of the Indian economy (16-20 per cent).[10] Higher and ever increasing pressures on the Delhi University for admissions are in complete conformity with private economic rationality.

The social rates of return on Delhi University education both for undergraduate and post-graduate degrees are considerably higher than the all-India average (7 per cent) for the corresponding degrees.[11]

A comparison of private rates of return on various degrees belies a few popularly held beliefs in preference of fields of specialisation[12] and raises a few questions for the educational administrators regarding admission policies into various courses.

Interestingly enough, the internal rates of return, both private and social, on all the degrees (except history) are consistently higher than those from engineering degrees (social rate 9.8 per cent and private 13.5 per cent).[13]

The high rates of return, private and social, could be due to various factors. Isolation of these factors calls for further empirical research. The difference between private and social rates of return reflects the "subsidy" a student earns in addition to earnings on education. The "subsidy" on Delhi University education is higher than some place else.[14] The high "subsidy" is not just because of high unit costs; when the social internal rates of return are very low, for the same per unit costs, the "subsidy" would be much smaller.

Given the labour market structure, and the academic training of the graduates, the pressures on Delhi University for expansion reflect

(1) pressures for higher education of similar type, and

(2) pressures for a slice in the high "subsidy".

TABLE 4: MARGINAL PRIVATE AND SOCIAL INTERNAL RATES OF RETURN ON VARIOUS DEGREES

Degree	Assumption I		Assumption II	
	Private	Social	Private	Social
B A Pass	29	18	20	14
B Sc Pass	24	11	16	10
B Com	23	14	16	11
B A Hons	36	22	24	18
B Sc Hons	24	10	16	8
M A Lang	25	16	15	12
M A Hist	19	12	12	9
M A Econ	30	18	18	13
M Sc	27	12	16	9
Lib Sc	41	22	26	18
Law	24	16	19	14

This exercise points out that higher education can be a paying investment even in a less-developed country like India. Why is it that only Delhi University is a paying investment; and not other universities? There are a wide variety of speculations as to the reasons, but none of these have any valid empirical foundation. Isolation of these factors and establishing their relative weights on an empirical basis must precede policy recommendation.

NOTES

1 Enrolment in Delhi University has increased from 10,000 in 1953 to 80,000 in 1969.

2 There is evidence that educated unemployment in the country as a whole has remained more or less a constant proportion of the rapidly growing stock of educated labour. See M Blaug, *et al*, "Educated Unemployment in India", London School of Economics (forthcoming).

TABLE 5: PRESENT DISCOUNT VALUE OF RUPEE PERMANENT MONTHLY INCOME STREAM, ADJUSTED FOR UNEMPLOYMENT AND 3 PER CENT YEARLY INCREMENTS

Course Number	Internal Rates of Return											
	6 p c	8 p c	10 p c	12 p c	14 p c	16 p c	18 p c	20 p c	22 p c	24 p c	26 p c	28 p c	30 p c
I, IV, VIII, XI	232	174	135	109	90	76	66	57	51	45	41	37	34
II, VI	227	169	130	105	86	72	62	54	47	42	38	34	31
III, V	235	176	138	111	92	78	67	59	52	47	42	39	35
VII	222	164	127	101	83	69	59	51	45	40	36	32	29
IX	237	178	139	112	94	79	69	60	54	48	44	40	36
X	239	180	141	114	95	81	70	61	55	49	45	41	37

Note: To find out the internal rate of return on a given course, compute (total cost for the course/increase in [illegible] and look in the row for appropriate course number.

3 For details on this concept, see John A King, "Economic Development Projects and Their Appraisal", John Hopkins Press, 1967.

4 The money incomes of these graduates need not reflect their marginal productivity to the society. Of these graduates, 65 per cent were employed by government agencies and 10 per cent by universities. Since we do not have information on the "co-efficient of inefficiency" we assume that they are worth the wage they are getting from the society. In our calculations, non-pecuniary returns are not taken into account.

5 An annual increment of 3 per cent is a conservative estimate. The actual increment may be even higher. A rate higher than 3 per cent would, costs remaining the same, give an even higher rate of return.

6 In 1960, a matriculate of 1954 was reported to be earning Rs 187 per month in Bombay and Rs 133 in Ludhiana. See "Employment of Matriculates: A Case Study", Ministry of Labour and Employment, New Delhi, 1964.

On an all-India basis a matriculate in the relevant age group earns Rs 120 per month, see: A M Nalla Gounden, "Education and Economic Development", (Unpublished Ph D thesis, Kurukshetra University, 1965). We expect that for a Delhi higher secondary an estimate of Rs 150 per month is closer to the reality.

7 A M Khusro, "Living and Working Conditions of Students of the Delhi University", Asia Publishing House, Bombay, 1967.

8 On the basis of estimates of unemployment available, both for matriculates and graduates, we have assumed that a higher secondary on the average remains unemployed for 12 months and a Bachelor's degree holder for 6 months, for purposes of estimating earnings foregone.

9 Nalla Gounden, *op cit*, p 98.

10 Arnold C Harberger, "Investment in Men versus Investment in Machines: The Case of India", in C A Anderson and M J Bowman, "Education and Economic Development", Aldine, 1965.

11 Nalla Gounden, *op cit*, p 97.

12 It is popular that B Sc (hons) is better paying than B Sc (pass), and B Com is better paying then B A Pass.

13 The rate of return on engineering degrees (B E) are based on 1960-61 data and do not reflect the post recession or overproduction conditions of 1966 onwards, see Nalla Gounden, *op cit*, p 98.

14 The "subsidy" on engineering education is 3.7 per cent and all-India higher education is 1.1 per cent.

MARKETS

Good Reason for Confidence

Nishtar

STOCK markets have made no significant advance over their previous week's highs. It is good that they should have preferred to go slow. For, the recent upswing had indeed been very sharp; gains needed to be consolidated. Technical considerations apart, growing stringency in the money market which carried the call rate to a historic high of 9¾ per cent and rumours about tighter control over bonus issues have had a restraining influence on the general trading sentiment. Stock markets' anxiety about New Delhi's reported move to fix new norms for bonus issues is understandable. Bonus issues have been a major factor behind the upward trend in equity prices over the past year or so.

Though markets did beat a modest retreat at times, corrective profit-taking was well absorbed. Quite possibly, markets might have behaved differently if the week's corporate news had not been excellent and plentiful. The announcement of new Central loans did not evoke any serious comment on the stock exchange. This is mainly because funds seeking investment in loans are different from those moving into the equity market.

The stock market is well satisfied with the import policy for 1970-71 which has been given a distinct growth orientation with the liberalisation of procedures for exporters, provision of buffer-stock of imported industrial raw materials and favoured treatment to the small-scale sector. Neither industrial production nor exports will be allowed to suffer for want of imported inputs. This is about the best that one could expect from any import policy. Industries engaged in manufacturing for export will be the major beneficiaries. This is as it should be, especially when the foreign aid outlook is not very promising.

The stock market has good reason to look to the future with confidence. Acute shortage of good scrips alone can sustain a boom in equities. The corporate sector is doing well and it is expected to do still better because of the step-up in developmental outlay. The political weather, of course, continues to be quite chilly, but the stock market seems to be fully acclimatised to it by now. All eyes are now on the Anjaria Committee's report on resumption of forward trading. The report is due to be submitted shortly. But what really matters is Government's decision on it.

Many Imponderables

ONLY linseed displayed any real weakness last week; prices elsewhere seemed to ease mainly in sympathy. Linseed futures which had moved down by about Rs 5 a quintal from their highest level in the preceding week itself lost another Rs 10 last week — the sharpest decline for any single week since long. The fall in the spot material was even steeper, with its premium on the maturing April contract declining to around Rs 5 a quintal. Linseed oil ready was marked down from Rs 4,075 to Rs 3,750 a tonne. Castor futures eased by about only Rs 2 a quintal while spot castor and castor oil held remarkably steady on sustained local demand and export buying. Groundnut oil eased from Rs 5,000 to Rs 4,800 — only to rally quickly to Rs 4,950.

Arrivals of linseed and other rabi crops are expected to remain on the increase for some time and current prices too are on the very high side. The bumper summer groundnut crop will also be moving into the market shortly. Whether the pressure of arrivals will bring about a marked change in market psychology and provide some relief to the poor consumer, it is difficult to say. For, there are many imponderables to reckon with in taking a view of the market. Some of the important factors include Government's policy in regard to vanaspati prices, speculative activities of leading vanaspati manufacturers and the quantum and timing of imports of edible oils and mutton tallow. Government's intentions about massive imports will remain suspect unless the State Trading Corporation is urged to implement the programme expeditiously.

One only hopes that the prices of an essential commodity like edible oils will not be allowed to move up to levels well beyond the reach of the common man. From Ahmedabad come reports that the Gujarat unit of the Praja Socialist Party is launching a State-wide agitation to protest against the price rise and the total failure of the State Government to provide edible oil at reasonable prices. The Party is reported to have held out the threat of breaking open oil godowns. Knowledgeable sources have often been heard talking about large-scale smuggling of groundnut oil from Gujarat to the Middle East.

Fairly good export business has been reported recently in groundnut extractions and linseed extractions. East European countries and Japan have been mentioned as the main buyers. Business with UK has been virtually at a standstill. Reports from Tokyo suggest that Japan is likely to emerge as a major buyer of Indian groundnut extractions. The Groundnut Extractions Export Development Association is said to have arrived at an arrangement with Japan's Animal Food Manufacturers' Association under which about 1.25 lakh tonnes of groundnut extractions will be imported by Japan from India this year and about 2 lakh to 2.5 lakh tonnes next year. Comment on this deal will have to reserved until full details become available. Apart from the promised cash assistance by the Indian Government, a good deal will also depend on the fibre content in the cake stipulated by the Japanese buyers.

Around the Highest

COTTON prices continue to rule remarkably firm around their all-time high levels. Business, however, has shrunk very considerably. This is only to be expected. For, only the needy mills figure as buyers. The affluent and the reasonably well-to-do mills are well-covered. Many of them are said to be holding stocks far in excess of their prescribed limits. They are the least bothered by the Textile Commissioner's directives. Nor are they concerned about high prices because there is a ready market for whatever they produce.

According to market reports which lack official confirmation, the Textile Commissioner is toying with the idea of a phased compulsory closure of mills for about a fortnight in order to reduce the pressure on cotton and bring down prices. But where is the difficulty in restricting mill consumption, should that be deemed necessary? Closure of mills should be only the last resort.

High cotton prices are a matter of serious concern. It is not because cloth becomes costlier and export assistance has to be stepped up in order to offset the disability arising from higher costs, but because there are far too many mills which are operating on the marginal line. It is difficult for them to recover their high costs from better market realisation for their product.

If the Textile Commissioner strictly enforces the stock limits, severely punishes mills found guilty of carrying stocks in excess of the prescribed limits and promptly introduces a permit system for movement of cotton from the place of origin to mills' premises, cotton prices can be expected to develop an easier tendency. But will the Textile Commissioner act?

Export sales in Bengal Deshi registered this season upto March 28 total 1.81 lakh bales against the corresponding figure of 1.33 lakh bales last season. Total exports during 1968-69 were 1.65 lakh bales. Arrivals of foreign cotton upto March 14 total 3.42 lakh bales against 1.39 lakh bales; of this, US cotton accounts for 1.73 lakh bales against 39,152 bales.

In view of the thoroughly unsatisfactory system of crop reporting in the country, it is pleasing to learn that a scheme for a pilot study on pre-harvest forecasting of cotton output has been launched in the cotton producing areas in Maharashtra as a part of the State's Fourth Plan. The project will be financed by the Institute of Agricultural Research Statistics. It is proposed to record periodically biometrical observations on cotton such as plant density, spread, number of bolls, etc, from the selected plants and from fields selected at random. The field-work will be entrusted to the field staff of the cotton development scheme. The information thus collected will provide a basis for assessing the output of cotton at the district and State levels.

COMPANIES

Helpless but Hopeful

Hansavivek

EID-PARRY has had a "very disappointing" year to September 1969, with its pre-tax profit dropping from Rs 3.88 crores to Rs 2.14 crores, due to a combination of some adverse factors. This was despite the fact that total turnover increased from Rs 67.11 crores to Rs 82.23 crores. The increase was particularly noticeable in sales on consignment account, while sales of products manufactured by the group (excluding as usual those manufactured by managed companies) comprised only 30 per cent of the total sales, against 35 per cent in the previous year. The chief adverse factor was the poor monsoon and the severe drought conditions, which affected the principal area of fertiliser marketing. There was consequent piling up of stocks and a sharp increase in incidence of interest charges. Secondly, a precipitous decline in the free-market price of sugar, from Rs 2,900 to Rs 1,500 per tonne (exclusive of excise duty), over the year coupled with an increase in costs undermined margins — although the sugar factory maintained production at almost the same level. The Ennore factory's production was larger than in the previous year, but it had to contend with a number of problems and could not reach the optimum production level. In the second year of its operation, ammonium sulphate production increased from 33 per cent of capacity to 47 per cent, but ammonium phosphate/complex production decreased from 77 per cent to 70 per cent. In the event, equity distribution was cut by four points to six per cent and even this too was not possible without a withdrawal from the reserves.

Taking an overall view, H V R Iengar, chairman, considers the current year's prospects "marginally better". He is fairly confident about the long-term outlook, and feels that the company is likely to pull out and "restart on a higher plateau from 1970-71 onwards". Commenting on the principal group operations, Iengar says that fertiliser sales in 1968-69 showed a rise of 30 per cent because of increase in geographical coverage and intensification of sales effort in areas where conditions were favourable. The company hopes to maintain steady increase in volume of sales year after year. The inability of the Ennore factory to achieve production at the full rated capacity is a national problem since, says the chairman, this has been the

experience of most factories producing complex fertiliser. A high-level technical team has been set up by Government to examine the reasons for this. Meanwhile, steps have been taken by the management to improve production. Moreover, Iengar points out that, as a result of the depreciation provided, the first stage of Emmore on which about Rs five crores had been spent will have been virtually written off by the end of 1971-72 and that, thereafter, depreciation on this part of the plant should be "nominal".

In sugar, the chairman foresees "worse" market conditions in the current year for, according to him, depressed prices seem likely to rule for the whole of 1970 whereas higher prices ruled for at least part of the past year. Obviously disappointed at the violent fluctuations in profit levels in the sugar industry from year to year "entirely as a result of Government policy", Iengar complains that they have made it difficult, if not impossible, to undertake any long-term schemes of rehabilitation and expansion for achieving efficiency and reducing costs. He points out that in the last two years the company spent Rs 80 lakhs on modernisation of the Nellikuppam sugar factory, one of the largest single sugar units in the country.

Referring to the company's development programme, the chairman has disclosed that a company for the manufacture of electronic connectors, in collaboration with Amphenol Corporation of the US (which has since merged with Bunker-Ramo Corporation also of the US), has been registered under the name "Amphetronix" EID-Parry will have a substantial equity investment in this new venture and will be appointed its sole selling agent for the whole of India. Other schemes in pursuance of the policy of diversification are also being "actively" considered. A decision in regard to the question of raising of further capital will be made in the "near future".

KOHINOOR MILLS of Bombay proposes to acquire controlling interest in the Kalol-based Navjivan Mills with a view to eventually making it a wholly-owned subsidiary. Equipped with 27,800 spindles, 577 looms (of which 90 are automatic) and processing plant with dyeing, finishing, printing and mercerising facilities, Navjivan has surplus land outside its compound, estimated to be worth Rs 12-14 lakhs. It is claimed that, if run on proper lines, the mill has a potential for earning a profit of Rs 15-20 lakhs a year. According to a scheme of compromise, or arrangement, already approved by members and creditors of Navjivan and submitted to the Gujarat High Court, Kohinoor will issue its equity shares to the equity and preference shareholders of Navjivan in the ratio of one equity share for every 26 equity shares and one equity share for every 10 preference shares in Navjivan. The unsecured creditors will be paid 31 per cent of their dues by issuing them equity shares in Kohinoor at a premium of Rs 160, that is, at the rate of Rs 260 per share. Kohinoor will thus issue in all 8,990 equity shares of Rs 100 each — 1,730 shares to equity shareholders, 700 shares to preference shareholders, and 6,560 shares to depositors and sundry creditors. In commending the proposal to shareholders, Kohinoor's board says that the mill machinery has been inspected by the company's technicians and has been found to be in good condition. An agreement has been arrived at with the labour union regarding the employees' dues and restarting of the mills. The scheme is said to be "most advantageous" to Kohinoor, first, because no cash payment would be involved and, secondly, because a fully composite mill of similar capacity and production as the one contemplated under the scheme would cost much more than the acquiring of this mill by the issue of shares of the nominal value of Rs 8,99,000. The proposal will be considered by shareholders at an extraordinary general meeting. The meeting will also consider another resolution regarding appointment of N C Kapadia as managing director for five years from May next.

STANDARD MILLS achieved much better results during the year ended December 1969, as both the textiles and the chemicals divisions fared well. With emergence of a buyers' market, the mills' production pattern was changed and an increasing percentage of man-made fibre fabrics were produced to meet the growing demand. Despite all-round rise in costs, a definite upswing was registered in production, sales and profitability. Production in the chemicals division was hampered in the earlier part of the year due to a power-cut but, with the removal of power curbs and better utilisation of chlorine, output was stepped up more or less to reach the rated capacity. Turnover expanded from Rs 20.48 crores to Rs 24.81 crores and, with margins widened, gross profit jumped from Rs 1.70 crores to Rs 3.28 crores. Net profit was Rs 187 lakhs (Rs 44 lakhs) to cover equity distribution of 25 per cent (including five per cent by way of a platinum jubilee bonus) over 4.2 times. Return on total funds employed worked out at 10 per cent. With the commissioning of the ethyl chloride plant, all the plants of the chemicals division are now working satisfactorily and the products have been well received in the market. During the year, the company delivered 9,043 tonnes of hydrochloric acid for export and for the first time caustic soda and caustic potash were exported. A permanent export market for these products is expected to be established over a period of time. In commemoration of the completion of 75th year of its existence, Standard is building a 'welfare centre' at a centrally located place in Bombay to cater to the educational, aesthetic and recreational needs of the company's employees.

NOCIL is constructing a jetty near village Divala, 10 miles from the plant, at a cost of Rs 30 lakhs for bulk export of chemicals. The jetty is expected to be commissioned shortly, and the company hopes to undertake bulk exports of chemicals worth Rs 70 lakhs this year, in addition to packed export of PVC resins to repay product loan obligations. During 1969, NOCIL's exports were Rs 16 lakhs apart from PVC resins worth Rs 15 lakhs sent to Europe in part repayment of the product loan. Moreover, the company facilitated export promotion — by supplying PVC resins worth Rs 5 lakhs at international price to manufacturers in India — mainly in the cable industry, who exported finished PVC goods. With the commissioning of the alcohols plant and the PVC compounding unit in the latter part of the year, all plants in the complex came into commercial production. Total sales increased from Rs 6.84 crores to Rs 15.95 crores, and the outcome was a trading surplus of Rs 1.97 crores, against a deficit of Rs 75 lakhs in the previous year. After depreciation, there was a net deficit of Rs 1.33 crores (Rs 3.09 crores) which raised the accumulated debit balance to Rs 4.73 crores.

FIT TIGHT NUTS AND BOLTS has been refused permission for issue of bonus shares. The management had proposed issue of bonus shares on a one-for-three basis in lieu of dividend

to conserve cash resources. The shareholders had gladly approved the proposal at their annual meeting last February, because the offer of a free scrip was more attractive than a dividend (17 per cent in the previous year) since the company's share enjoyed a substantial premium in the market. On rejection of the company's proposal, the Board declared payment of interim dividend of seven per cent to partly compensate shareholders and also held out a promise that the matter of issue of bonus shares will be reconsidered after payment of the final dividend for the year ending next September.

SHIVRAJPUR SYNDICATE is setting up a factory for the manufacture of granulated fertiliser mixtures which is expected to go into production by about mid-1971. To provide funds for the project, the Board has decided to raise Rs 21 lakhs by the issue of 9.5 per cent preference shares of Rs 10 each, which will be offered to equity shareholders at par on a one-for-one basis. Production of manganese ore remained suspended during the whole year ended November 1969 and the accounts showed a bigger trading deficit of Rs 15 lakhs against Rs eight lakhs in the previous year. After depreciation, debit balance rose to Rs 16 lakhs (Rs 10 lakhs).

ASSOCIATED BEARING experienced more favourable trading conditions in its ninth year ended December 1969, and worked three shifts for the greater part of the period instead of two as in the previous year. Turnover of bearings expanded by as much as 55 per cent, while in aggregate this was 40 per cent better at Rs 5.05 crores. Gross profit leapt from Rs 69 lakhs to Rs 167 lakhs and, with no tax liability, net profit jumped from Rs 39 lakhs to Rs 109 lakhs. The recommended 10 per cent maiden equity distribution was covered 2.7 times and return on total funds employed worked out at 12.7 per cent. During the year, 17 new basic types of bearings were introduced, bringing the total to 63 types. All items of imported plant and machinery to implement extension of the bearing-manufacturing capacity, from 2.4 to 6 million units per annum, have been ordered. The new licensed capacity is expected to be fully attained during 1973. Meanwhile, an application has been submitted to seek further expansion of capacity for manufacture of textile machinery components. Chairman, A Hydari, expects "another year of progress" for ABC as demand for the products is encouraging and increased output has been planned. A three-year agreement has been concluded with workers to ensure happy industrial relations and uninterrupted production.

DUNLOP INDIA has introduced some new products for transport, industry, and defence, and also for export. Among them is a grooved rubber pad, exclusively for the Indian Railways. Used with a new design of concrete sleeper, the pad acts as an insulation and vibrant damper between rail and concrete sleeper to facilitate faster running of trains. The Metalastik rubber metals bonded components to meet requirements of defence and certain specialised industries. The new plus bar truck tyre considerably helps road transport industry. Having pioneered the manufacture of aviation tyres in India, the company has added to its range a tyre for Boeing 707. Dunlop aero tyres are also being exported to Europe. A slik cycle tyre has also been developed exclusively for the export market, particularly the US. During 1969, the company incurred capital expenditure of Rs 2.44 crores (Rs 2.05 crores) which was mainly towards implementing an industrial licence to increase the automotive tyre capacity by 1,35,600 tyres and 1,24,800 tubes. A letter of intent for an additional 2.5 lakh tyres and tubes per annum was converted into an industrial licence towards the year-end, and this is being implemented "as quickly as possible". To finance the foreign exchange requirements for expansion over the next few years, a sterling loan of upto £ two million was negotiated with Dunlop of the UK, but this loan will be utilised to a limited extent only, since Government is now providing necessary foreign exchange out of credits and loans obtained from the UK, West Germany and France. For 1969, Dunlop India produced good results. Its total income expanded from Rs 71 crores to Rs 81.74 crores and gross profit from Rs 7.02 crores to Rs 8.10 crores. With a saving in taxation, because of substantial increase in capital allowances resulting from higher capital expenditure and a revision in rules relating to calculation of capital allowances under the Income-Tax Act 1961, net profit was Rs 4.15 crores (Rs 2.73 crores). Equity dividend of 20 per cent, with a final of 12.5 per cent, thus found a cover of 2.05 times. Return on total funds employed worked out at 13.9 per cent. Looking back, one finds that the 44-year-old company has maintained steady growth over the period. In 1960, its income was Rs 30.52 crores, net profit Rs 1.25 crores, and total distribution less than Rs 69 lakhs. Over the past 10 years, share capital was increased by Rs seven crores to Rs 10.70 crores, and reserves from Rs 6.09 crores to Rs 9.42 crores. Free scrip issues were made in 1961 on a one-for-two basis, in 1965 on a one-for-three basis, and in 1966 on a one-for-four basis. In 1964, the company had issued 15 lakhs equity shares of Rs 10 each at a premium of Rs 10 each and in 1967 Rs 2.5-crore debenture stock at par.

MADURA MILLS stepped up exports of yarn and fabrics in 1969 to a new peak of Rs 7.62 crores, which comprised 28 per cent of its total sales. But it now apprehends threat to further expansion, and even to retention of this "hard won" business, from this season's abnormal increase in cotton costs. The programme for rehabilitating the winding and doubling installations has been speeded up, and the new bleaching, dyeing and finishing unit became operational from last August. To improve and co-ordinate the research and development facilities, an experimental mill unit has been established at Madurai. Schemes for increasing productivity in various departments are making good progress, as an increasing number of employees are recognising in them an opportunity for improving their remuneration. A three-year settlement was also concluded with the labour union for payment of bonus for the period ending December 1970. Sales totalled Rs 28 crores, compared with Rs 26.15 crores in the previous year. But with excise duty claiming Rs 2.04 crores against Rs 1.25 crores, gross profit slipped from Rs 1.88 crores to Rs 1.84 crores. Net profit was Rs 66 lakhs (Rs 74 lakhs) to cover equity dividend of six per cent (a major part of which is expected to be exempt from tax) payable on capital doubled by a free-scrip issue 1.6 times. Return on total funds employed worked out at 4.5 per cent. Over the past 10 years, Madura expanded its gross block from Rs 6.87 crores to Rs 17.63 crores, share capital from Rs 1.75 crores to Rs 7 crores, and total revenue from Rs 15.71 crores to Rs 30 crores.

Notable Progress in Meeting Objectives

Accent on Assistance to Small Man

Speaking at the 15th Annual General Meeting of the Shareholders in Ahmedabad on March 26, 1970, Shri R K Talwar, Chairman, State Bank of India, reviewed the operations of the Bank and its Subsidiaries during 1969, against the perspective of the economic situation in the country.

Shri Talwar emphasised that the credit policy of the State Bank was deliberately designed to provide maximum assistance to the small man in business, industry and agriculture.

He explained that the test of viability was an important factor in loaning operations so as to ensure that the growth in credit does not give rise to inflationary pressures in the economy.

SHRI TALWAR said: "The year 1969 witnessed a general improvement in the Indian economy. The process of revival which commenced in 1968 has continued and the economy is now poised for further progress. There have been significant increases in agricultural and industrial production and the trends in the country's balance of trade are encouraging. The Budget for 1970-71 presented to Parliament by the Prime Minister has created a better climate for the growth of savings and investment and is expected to give a further boost to the Indian economy.

"Despite an increase in real output, the price level has moved up by seven per cent during the past twelve months, and has been causing considerable concern. The Fourth Five-Year Plan has been formulated essentially on the premise of price stability and it is unfortunate that inflationary trends should have appeared in the economy even during the first year of the Plan. It is gratifying that the Reserve Bank of India has lost no time in dealing with the problem and set in train several measures to restrain undue credit expansion during the current busy season. Inflation, however, cannot be controlled by a mere restraint on credit supply! The growth in output will have to be maintained and improved upon and a quantitative approach to inflation might result in the denial of credit to the productive sectors and thereby hamper growth. I am glad that the Reserve Bank's policy is flexible in this regard and takes care to ensure that productive operations are not impeded for want of credit.

Nationalisation of Major Banks

"The year 1969 was marked by an event of far-reaching significance namely the nationalisation of the fourteen major Indian banks. No step of the Government in the recent past has created such an enthusiasm amongst the people as this one, and the nation's expectations from the banking system are naturally running high. It will be the duty of all those connected with the banking industry to live up to these expectations and fulfil national aspirations. Nationalisation should enable the banks to organise a much wider effort for mobilisation of deposits — this should indeed be the primary objective of the banks and accorded the highest priority. It would also be necessary for banks to conduct the loaning operations in such a manner as not to undermine the confidence of the depositors and thereby retard the growth of deposits. The operations of the banks should continue to be on sound and healthy principles. Loans should be based on the viability or the potential viability of the business, however petty it may be.

"The decision of the Government not to merge the nationalised banks into a monolithic unit will ensure maintenance of the spirit of competition. It is, nevertheless, necessary that competition develops on healthy lines and the scarce resources at the disposal of the banking system are so utilised as to yield the maximum possible advantage to the community. For this purpose, among others, a co-ordination committee of public sector banks has been formed under the auspices of the Reserve Bank of India; this body would also explore the areas in which there could be useful and effective co-ordination among the public sector banks.

"In discussing the salient features of the working of the Bank, I deem it appropriate to refer to a significant development in the credit business of the Bank. When I addressed you last time, I shared with you some thoughts on the necessity of orienting our credit policy for meeting the financial requirements of the 'small man'; these ideas have now become part of national policy. During the last year, the increase in our direct advances to the small man — in business, industry and agriculture — amounted to as much as Rs 63 crores forming over 46 per cent of the net increase in our non-food procurement advances. The proportion of these advances to total advances which was 9.3 per cent in 1968 rose sharply to 16.5 per cent during 1969 signifying the emerging pattern of the credit portfolio of the Bank."

Turning to the question of the termination of the Managing Agency system, Shri Talwar explained that in the past banks had insisted, for a variety of reasons, on guarantees furnished by the Managing Agents against advances granted to the managed companies. Dealing with the question of such guarantees after the abolition of the Managing Agency system, Shri Talwar said: "Insofar as we are concerned, I would like to mention that the State Bank values independent management and financial strength of a company far more than personal guarantees. The question whether we would deal with any company without personal guarantees, therefore, depends on firstly, whether the company is truly independent, management decisions being taken by its own executives with reference to the company's interests; secondly, whether the company's operations are viable and its financial pattern satisfactory; and, thridly, whether the company would abide by any reasonable stipulations made by the Bank on the basis of detailed credit analysis. Provided these conditions are fulfilled, we would have no hesitation to review the loan arrangements of any company and discuss mutually acceptable terms on which guarantees could be dispensed with.

"While on the subject, I would like to stress the need for our customers to furnish us with detailed and up to date information on their operations which, in turn, would enable us to cater to their requirements more expeditiously and serve them better. In this context, I have great pleasure in referring to the State Trading Corporation of India's recently innovated practice of preparing detailed quarterly accounts not only for internal reporting but also for the use of their bankers and others concerned. I would like to commend this very desirable practice for emulation by our clientele in industry and trade, whether in the public or private sector."

Referring to deposits, Shri Talwar said: "The average aggregate deposits of the Bank in India recorded a satisfactory increase of 14.3 per cent during 1969. The demand on bank resources from various sectors has increased considerably and, therefore, banks will have to step up the growth rate of deposits well beyond the present level of about 15 per cent, if they are to effectively fulfil the role expected of them. This would call for sustained and well directed efforts to attract the savings resulting from growing rural prosperity. To cater to the requirements of the new class of depositors in rural areas, to most of whom banking had hitherto remained an unknown concept, the banks would require to modify their marketing and selling techniques. Changes in the existing deposit schemes would also require to be made to suit the special needs of the depositors in these areas. Opening of a large number of offices would, no doubt, assist substantially in deposit mobilisation, but this will also have to be backed up by suitable changes in procedures and improvement in service. In this context the inclusion in the Budget proposals for 1970-71 of interest on bank deposits in the category of incomes eligible for tax exemption upto Rs 3,000 is indeed a welcome measure and should contribute to the growth of deposits.

Operating Results

"The growth in the Bank's business during the year was reflected in its earnings. Details of the earnings and expenses of the Bank are given in the Annual Report and I do not propose to dilate on them. However, I take this opportunity to review the trends in the Bank's earnings and expenses over a longer period of six years to give a better perspective to the problem of declining profitability. In a study completed recently, it has been observed that between 1964 and 1969, while the Bank's operating earnings rose two and a half times, operating expenses trebled and as a result the profit margin was more than halved. Reflecting these trends, while the cost per employee increased by 60 per cent, profit per employee decreased by 32 per cent. This declining trend in profitability which I presume is noticeable in the entire industry, should be viewed with concern. A strong and efficiently operated banking system is a *sine qua non* of economic growth and steps to reverse this trend are called for. There is need for much greater efficiency of operations and a substantial increase in the productivity of employees. This is a matter to which both workers and managements of banks in India will have to give serious and urgent consideration.

"You will recall that my predecessor, the late Shri V T Dehejia, had made a mention at the 13th Annual General Meeting of the Shareholders held on the 18th March 1968 that banks in India should start making full disclosure of their reserves and profits. Since then, although no formal amendment to the current legislation in this regard has been effected, major banks in the UK have taken a decision and have, in fact, published for the first time in the third week of February 1970, full details of their reserves and profits.

"I had earlier referred to the need to maintain the spirit of competition amongst the leading banks notwithstanding the fact that they all function in the public sector. The disclosure of true profits would provide a convenient yardstick to measure the comparative efficiency of each bank and thus help maintain the spirit of competition. Further, in the light of the declining profitability trends, the disclosure of true profits would result in greater awareness of the problem among the employees and enable them to have a more direct stake in the institution. I hope that the nationalisation of the major banks in the country would pave the way for this very desirable reform in the banking industry.

Helping Small-Scale Industry

"The role of the State Bank Group as the pioneers and pace setters in the field of financing small-scale industries was further amplified during 1969 as will be evident from the relevant details furnished in the Annual Report. The increase of Rs 53 crores in lendings to this sector during 1969 as compared to Rs 19 crores during the previous year bears ample testimony, it one is needed, to the progress made by the State Bank Group in this field of business. During the year, the small units on the books of the Bank and its Subsidiaries produced goods worth approximately Rs 700 crores and gave employment to as many as half a million persons. A significant fact about our finance to small-scale industries is that about 85 per cent of the total number of units assisted by the State Bank Group have capital investment of less than Rs 1 lakh each — a clear indication that the clientele we serve represents the "smaller" among the small-scale units. In the light of the past experience, the Bank has simplified considerably the procedures relating to working capital advances to small industries enjoying limits not exceeding Rs 50,000 per unit. Further, in order to take care of the unforeseen and emergent financial needs of small-scale units, a facility has been introduced whereby even these requirements would now be met by the Bank. During 1969 a new scheme was introduced for providing financial assistance up to Rs 5,000 to artisans/craftsmen/small units located in rural areas with the objective of further accelerating the industrialisation of rural areas". Enumerating steps taken to attract qualified entrepreneurs in larger numbers to take advantage of the schemes specifically set up for the purpose, Shri Talwar stated that the ceiling for advances under the scheme was raised in 1969 from Rs 1 lakh to Rs 2 lakhs, while locational restrictions were relaxed. He hoped that experienced engineers working in large industries or public sector undertakings would take advantage of the scheme to set up their own small-scale units and in the process create openings for young inexperienced engineers who were facing difficulty in securing employment.

On the question of advances to small business, Shri Talwar had this to say: "Under the various schemes initiated by the Bank during the latter part of 1969, advances to small business amounted to over Rs 11 crores for the State Bank Group. Considering the short time available for our offices to build up this new line of business, I trust you will agree with me that the achievement during the year is satisfactory. Our advances to small business are guided by the same considerations which govern industrial or farm lendings. Financing is limited to viable or potentially viable units with anticipated repaying capacity. We have two-fold objectives in financing small business; one is to spread entrepreneurship among the financially weaker sections of the society, and the other is to re-

place non-institutional sources of credit to this sector to the extent possible.

Growth in Farm Financing

"Impressive increases were recorded in agricultural financing during the year 1969. The total advances of the State Bank Group to this sector rose by Rs 84 crores to over Rs 116 crores. Direct advances to agriculturists alone increased during the year by nearly Rs 30 crores and, at the end of the year, these advances aggregated Rs 33 crores spread over nearly 1,20,000 accounts. Most of the farmers assisted by the Group are small — 72 per cent of them had average outstandings of Rs 1,029 only. Over 75 per cent of the farmers assisted had holdings of 10 acres and less, and 41 per cent had holdings of 5 acres and less.

"In the Annual Report a reference has been made to the 'Village Adoption Approach'. This is essentially an extension of the idea of 'Area Approach' and has been found on experience to be the most useful strategy in the financing of agriculture, more particularly for the benefit of small farmers. The villages selected are ordinarily those in which the co-operative credit institutions have not made much headway. In the villages adopted, efforts are made to assist all viable or potentially viable farmers irrespective of their land-holdings for all their requirements for agricultural development. The greatest advantage of the Village Adoption Approach lies in engaging our limited manpower resources for achieving the maximum possible results while keeping the administrative expenses involved in follow-up and supervision at the lowest level. Concentrated efforts in small areas would also, through demonstration effect, help generate enthusiasm amongst small farmers for adoption of modern techniques of agricultural production.

"A major portion of our cultivable land is in dry areas. As much as 42 per cent of the country's food output comes from these areas. A few experiments conducted by the Bank in financing schemes of agricultural production in dry areas have been encouraging. To boost agricultural production in such areas, we now propose to expand the scope of the experiment by undertaking to finance, in different States and in collaboration with the State development wings, integrated schemes of dry farming, involving the application of modern technology adaptable to local conditions.

"In the context of the preponderance of small farmers, appropriate schemes have to be launched for those who have small operational holdings. If encouraged to adopt improved techniques and provided with necessary supplies of agricultural inputs including credit, many of these small farmers can be rendered viable. An attempt in this regard is the setting up of the Small Farmers Development agency, as recommended by the All India Rural Credit Review Committee, in selected areas of the country. The State Bank Group has already decided to support the programme in all the areas where such an Agency has been or will be set up. Besides small farmers, appropriate schemes would also require to be launched for the benefit of landless agricultural labourers who account for about 1/4th of the total rural households in the country. A few schemes, particularly of dairy and poultry farming, are being implemented by us on an experimental basis to supplement the incomes of this class of farmers. Despite the existence of a network of co-operative societies throughout the country, it has not been possible for them to cover all their members, not to speak of all the farmers. Commercial banks have entered the field of agricultural finance mainly to supplement the efforts of the co-operatives and not with a view to competing with them for the available business. A number of steps have been initiated by us to avoid unhealthy competition with the co-operatives. As one of the measures, interest on agricultural advances is charged by our offices generally at half a per cent higher than the rate charged by the co-operatives locally on similar advances. There is also need for greater co-ordination between the commercial banks and the co-operatives in the field of agricultural finance. Commercial banks could make maximum use, wherever possible, of the co-operative network which enjoys certain locational advantages. It is in this light that one has to view the recent experiment initiated by the Reserve Bank of India for the financing by commercial banks of primary agricultural credit societies located in areas (in certain selected States) where the central co-operative banks are organisationally and financially weak. During the ensuing kharif season, the State Bank Group will finance over one lakh farmers through about 1,000 such societies. Apart from filling the credit gaps in agriculture, the experiment is also expected to revitalise the societies taken up by the banks for the purpose of providing assistance.

Viability a Major Factor

"The test of viability is as important in agricultural finance as in other areas of business. The eligibility of the farmers for bank finance and the quantum of loan must necessarily be determined with reference to the production plan and the repaying capacity of the farmers and not merely related to the value of the land or other tangible security which the borrower can offer. This does not, of course, mean that the security aspect should be ignored. Views have been expressed that the practice of some commercial banks of demanding mortgage of land as security for crop finance is unjustifiable. Mortgage of land as cover for bank credit needs to be seen not so much as tangible security in the hands of the bank as perhaps the only effective means of ensuring that the farmer does not raise funds from any other source without the prior knowledge of the bank. Besides crop finance, banks assist the farmers for land improvement, sinking wells, purchase of equipment, etc, and in the context of the banks' intention and ability to meet all the requirements of the farmers, whether they be long-term or short-term, the obtention of land as security should be considered not only reasonable but essential. The mere fact that mortgage of land to commercial banks bristles with cumbersome legal formalities should not be an excuse for not offering land as security. The entire question of simplification of the legal procedures relating to financing of agriculture by commercial banks is being examined by an expert group set up by the Reserve Bank of India and adequate measures are expected to be taken towards this end before long.

"As I mentioned earlier, while security would be essential from the point of view of lending by commercial banks, security alone cannot be the criterion governing the lending operations. In this connection, I would like to mention the widely prevalent practice of granting advances to farmers against gold ornaments. Such advances, unless they are for agricultural purposes, would require to be discouraged, if the farmers are to be dissuaded from holding their assets in the form of gold or gold ornaments. Where such advances are intended for financing agriculture, notwithstanding the security offered, it would be necessary to subject the proposal to the usual test of viability. It will not be out of place here to make a reference to advances to State Electricity Boards for the energisation of wells in the rural areas. In my view, there is no justification in relaxing the usual test of viability even in such cases. With the establishment of the Rural Electrification Corporation, the scope for commercial banks for granting direct finance for rural electrification has narrowed down and it is desirable that assistance is provided by way of investment in the bonds of the Corporation; assistance could, of course, be granted to the Boards by way of short-term loans to meet their interim requirements pending release of loans by the Rural Electrification Corporation.

Concept of Viability

"At the risk of being repetitive, I have stressed, more than once, the need to ensure that the business operations financed by banks are viable, regardless of the value of security offered. Nationalisation of banks has widened the coverage of the banks' lending operations. While this is eminently desirable from the point of view of economic growth, care has to be taken to see that the growth of credit does not give rise to inflationary pressures. For this purpose it is not merely necessary to ensure that bank lendings are restricted to productive sectors, but that the lendings are commensurate with the anticipated output. It is in this context that the appraisal procedures and the viability tests assume specific significance. More availability of security should not deflect the banks from principles of sound lending, not even when the security is in the form of a Government guarantee.

Expansion and Decentralisation

"In accordance with the programme of expansion drawn up by the Reserve Bank of India, the Bank along with the Subsidiaries would be opening 337 offices during 1970. In addition to these centres the Bank also intends opening offices in areas with good business potential. This large scale expansion programme is bound to impose a considerable strain on our personnel and organisational resources which are being geared to meet this challenging situation.

"The existing organisational structure of the Bank has proved inadequate in dealing with the problem of control over a large number of offices situated in remote areas. Despite the various steps taken by the Bank in recent years to delegate more powers to officials at various levels, the need for decentralisation of control and establishment of the control point as near the field level as possible is being increasingly felt. Control to be effective has also to be confined to a manageable number of offices. We propose to take this opportunity to have the entire organisational structure of the Bank studied in depth by a capable team of Management Consultants so that the structure could be redesigned to meet the objectives of the Bank."

E I D-Parry Limited

Statement by the Chairman, Mr H V R Iengar

THE following Statement has been circulated to the Shareholders of E I D-Parry Limited by the Chairman, Mr H V R Iengar. The Seventy-second Annual General Meeting of the Company was held on March 31, 1970:

The year under report has been a very disappointing one in the sense that the Group profit, both before and after taxation, has recorded a steep decline from that achieved last year. I should point out, however, — although this may bring no particular satisfaction to shareholders — that the result was anticipated and shareholders were given due warning from time to time. Thus, in March 1969, in my statement to shareholders, I had said there were indications that during 1968-69, a number of adverse factors might well have the effect of halting the upward trend in profits. More specific indications were given by the Directors in the interim report issued in June 1969 on the basis of the half-yearly accounts. Shareholders were warned that the effect of the adverse factors was even more severe than was anticipated at the time of the Chairman's statement in March. In the event, the Group net profit before tax for the year 1969 after charging depreciation of Rs 126.06 lakhs was Rs 87.44 lakhs as against Rs 269.05 lakhs for 1968 after depreciation of Rs 119.24 lakhs.

Most of the factors responsible for this decline were beyond our control. Firstly, the principal fertiliser marketing areas of the Group consisting mainly of the four southern states were bedevilled last year by severe drought; in particular Andhra Pradesh, the principal area for marketing Gromor, the fertiliser manufactured by Coromandel Fertilisers Limited, was the worst affected as there was a virtually complete failure of the north east monsoon and parts of Tamil Nadu and Mysore were almost equally bad. This naturally severely curtailed consumption of fertiliser. Since the availability of fertilisers, both imported and indigenous, was larger than the restricted demand resulting from poor monsoon, there was an inevitable piling up of stocks. Apart from this, liberal credit had to be extended to our distributors of fertilisers to facilitate sales. The combined effect of these two factors was that our working capital funds increased considerably with a sharp increase in the incidence of interest charges.

More than one high level Government sponsored committee has reported on the need for a substantial increase in the credit facilities available to agriculture. The recommendations of these committees have yet to be implemented, although some of their reports were published three or more years ago. If the massive increase in consumption of agricultural aids, which is essential to the forward march of crop production, is to be achieved, a complete reassessment of the conventional banking approach to agricultural credit will be needed.

There was a precipitous decline in the free market price of sugar during the year. It went down from Rs 2,900 per tonne (excluding duty) in October 1968 to Rs 1,500 per tonne (excluding duty) in September 1969. Moreover, we were initially compelled, under pressure from Government, to pay the cane growers Rs 85 per tonne, a price which turned out to be uneconomic to the factory in the context of the subsequent fall in the free market sugar prices. Indeed the Union Agriculture Minister had gone on repeatedly asking sugar companies to pay as much as Rs 100 per tonne and if this advice had been accepted the industry would have been subjected to exceptionally severe losses. With the fall in free market sugar price, it became clear that even a price of Rs 85 was untenable,

so the factory paid only the statutory minimum price with effect from 17th April 1969. It is a curious state of affairs that, in spite of our maintaining virtually the same level of production and operating with the same degree of efficiency, there should be such violent fluctuations in profit levels from year to year entirely as a result of Government policy; this makes it difficult, if not impossible, to undertake any long-term schemes of rehabilitation and expansion for achieving efficiency and reducing costs. In this context I would like to point out that on the Nellikuppam sugar factory which is one of the largest single sugar units in India, the Company has spent Rs 80 lakhs on modernisation in the last 2 years. This seemed, when the decision was taken, both wise and necessary; it is a matter of disappointment that this step should be so poorly rewarded.

A number of problems adversely affected production at the Ennore factory with the result that the optimum production level could not be reached although the production achieved during the year under report was on the whole larger than in the previous year. The Ammonium Sulphate production increased from 33 per cent of capacity in 1967/68, the first year of operation, to 47 per cent of capacity whilst the Ammonium Phosphate/complex production in fact suffered a drop from 77 per cent capacity to 70 per cent. I should like in this context to point out that this problem, *viz*, our inability to achieve production upto full rated capacity is not a problem peculiar to this Company; it is a national problem since this has been the experience of most factories producing complex fertiliser. A high level technical team has been set up by the Government of India to examine the reasons for this. In the meanwhile, your Directors have taken various measures directed towards improvement of production; it is no satisfaction but merely a melancholy reflection to add that as a result of their efforts Ennore is by no means the worst of the fertiliser factories in India from the point of view of productive efficiency.

Sophisticated chemical plants of the type at Ennore incorporate individual units manufactured in a number of countries; and this applies to similar plants anywhere in the world. Due to the geographical location of India and the national problems of foreign exchange, the question of obtaining specialised advice on individual units and the ready supply of spare parts for them presents special problems. A simplification of the procedure of obtaining spare parts allowing some discretion to the importing manufacturer would assist in improving the situation. Indigenous manufacturers of plant sometimes tend to be over optimistic as to the ability of their products to meet the highly critical standards involved in this type of manufacturing process.

Shareholders would naturally want to know what are the prospects during 1970. The three main factors affecting profitability are (i) sales of fertiliser, (ii) the performance of Ennore and (iii) the price of sugar. Fertiliser sales should show definite improvement. As will be indicated in a subsequent paragraph, in spite of the adverse factors previously referred to, fertiliser sales in 1968-69 showed a rise of 30 per cent; this was partly because of an increase in geographical coverage and partly because of an intensification of sales effort in areas where conditions were favourable. Your Company is pursuing a vigorous policy in both directions and hopes to maintain a steady increase in the volume of sales year after year. In the matter of Ennore, your Directors are reasonably confident that progress will be continued. In this context shareholders may be interested to learn that as a result of the depreciation provided, the first stage of Ennore on which a sum of about Rs 5 crores had been spent will have been virtually written off by the end of 1971-72 and thereafter the depreciation on this part of the Plant should be nominal. In the matter of sugar, the prospects for 1970 seem worse than for 1969 for the reason that in 1970 depressed prices seem likely to rule for the whole year whereas during 1969 higher prices ruled for atleast part of the year.

Taking an overall view the prospects for 1970 are marginally better than for 1969. But the Directors would like to repeat that in their judgment the long-term prospects are good and the Company is likely to pull out and restart on a higher plateau from 1970-71 onwards.

The operations of the company have to be set against the background of the total Indian economy. The picture of the Indian economy showed an overall improvement notwithstanding the unprecedented political turbulence witnessed during the year. The output of foodgrains and commercial crops recorded increases, the former reaching the 100-million tonne mark. Except in certain pockets, of which the main area of the fertiliser operations of the company was one, the country enjoyed a good monsoon for the third successive year and the increasing trend of agricultural production lent buoyancy to the economy as a whole. Industrial production revived and registered an increase over the previous year although the progress halted somewhat during the latter part of the year. Whilst underutilisation of capacity still persisted, the engineering industries seem to have emerged from the worst phase of recession. Helped by lower food imports and import substitution, the foreign trade deficit touched a low level. A measure of price stability was maintained during the year although there have been recent signs of increases in price levels. The share market which started on a cheerful note witnessed a fall in values towards the end of the year, but has since then become more buoyant. On the whole, the Indian economy showed a good deal of improvement during the year.

One of the major landmarks during the year was the nationalisation of the major commercial banks. Other economic measures introduced by the Government include the new licensing policy and the legislation intended to control monopolies and prohibit monopolistic and restrictive trade practices. Whilst I do not wish to go into the details I must voice my concern at the broad tenor of the new licensing policy by which certain industrial houses — particularly the bigger ones and those which are "foreign" although only in a technical sense — are virtually prevented entry into certain lines of production. Even schemes of expansion by larger industrial houses cannot be undertaken unless it is required for developing a minimum economic level of production for greater cost efficiency. No one can raise objection to the need for restricting monopolistic and restrictive trade practices, but the provisions of the Act go much further and are charged with a suspicion of mere size on the unproved ground that size leads to the concentration of economic power. Together with the provisions of the Finance Bill of 1970 providing for extremely steep increases in direct taxation of personal income and a consequent reduction in the volume of savings, I fear that the form and direction of recent legislation and Government statements can only lead to a reduction in industrial growth.

2 Group Results

The Report and Accounts include details of the Group's working results expressed in Rupees and I would particularly invite the attention of Shareholders to these figures, having regard to the fact that the figures appearing in the Profit and Loss Account for 1969 expressed in Sterling, are converted at £1=Rs 18 whereas in the 1968 Accounts, these were converted at two different rates of exchange, thus vitiating a direct comparison of the two sets of Sterling figures.

Total turnover rose to Rs 82.23 crores compared with Rs 67.11 crores in 1968-69; the increase was particularly noticeable in sales effected on consignment account. For reasons already explained, Group profits suffered a decline. Of the total turnover, the sales of products manufactured by the Group (excluding, as usual, those manufactured by Managed Companies) amounted to 30 per cent. The corresponding percentage for the previous year was 35 per cent.

Our working capital requirements increased during the year mainly because of larger funds tied up in fertiliser and sugar stocks and receivables. Our bankers, the State Bank of India were, as in the past, always receptive to our requests and timely in their help. I had mentioned last year that in order to maintain a better balance between owned funds and borrowed funds your Directors were considering proposals to raise further capital. A realistic assessment of our requirements had necessarily to await finalisation of some schemes of expansion and diversification we had in mind. It is hoped that a decision in regard to the question of raising of further capital will be made in the near future.

In view of the poorer results for the year and with no certainty that the current year will record anything more than a marginal improvement, your Directors have decided, with regret, to reduce the total quantum of dividends for the year 1969 on the Ordinary Share Capital. Accordingly, they have recommended a final dividend of 2.75 per cent on the Ordinary Share Capital which together with the interim dividend already paid amounts to 6 per cent in all as against 10 per cent last year. In terms of cash outgo the distribution this year will be Rs 33,91,805 compared with Rs 56,53,008 last year. The total dividend per share is Rs 1.08 as against Rs 1.80 last year. To enable this dividend to be paid, a withdrawal from Reserves has become necessary.

3 Principal Group Operations

(A) ENNORE FACTORY:

The Ennore factory operated at a slightly higher level overall than in the previous year but manufacturing difficulties continued to be encountered particularly with the new Ammonium Sulphate Plant and optimum production could not be reached. As stated earlier, various steps have been taken to ensure that a better return materialises from our investment on this Plant. A complex Fertiliser of grade 14 : 14 : 14 was produced for the first time in India at Ennore during the year and was successfully marketed.

(B) FERTILISERS:

Although climatic conditions were none too favourable and fairly large stocks of imported fertilisers were in the market the total fertiliser sales increased by 30 per cent over the previous year. This happened in spite of the introduction of a 10 per cent excise duty which impeded sales to some extent.

In the course of the last year the scope of marketing operations was considerably expanded so that almost the whole country is now covered by our selling organisation.

Sales of the production of the Coromandel Fertilisers Plant at Visakhapatnam were trebled. To meet the demand for a slightly lower grade of Ammonium Phosphate Coromandel Fertilisers produced Gromor 20 : 20 during the year in addition to Gromor 28 : 28. Liberal credit had to be extended, however, to achieve larger sales.

We are also able to consolidate our market for complex fertilisers of different grades imported under the Seeding Programme for Madras Fertilisers' new factory coming up at Manali. Additional areas in Mysore and Kerala were brought under the Seeding Programme during the year under review.

Sales of chemicals continued to be satisfactory, but availability of Nitric Acid for sale was restricted due to paucity of imported raw materials.

The sales of dust formulations of insecticides and fungicides were restricted due to short supplies of the basic materials but liquid formulations made good progress. A second formulating unit was commissioned in Andhra Pradesh during the year.

The two Seeds Processing Units have been successfully commissioned and the Company has plans to expand production capacity by setting up a third processing unit in Andhra Pradesh.

The Cattle Feed Project is nearing completion.

(C) SUGAR:

Nellikuppam Factory crushed 6,08,861 tonnes cane in 293 days in the financial year and produced 48,056 tonnes sugar with an average recovery of 7.89 per cent. The lower recovery compared with 8.35 per cent last year was due to the drought in 1968. The statutory price of cane was again fixed at Rs 73.70 per tonne but pressure from the growers and Government compelled us to pay, in common with other factories, Rs 85 to start with. When the excise duty was increased from 1st March 1969 and open market sugar prices fell steeply, it became impossible to continue to pay Rs 85. Accordingly we paid only the minimum price from the middle of April. Even so, the average price paid came to Rs 80 per tonne.

The high statutory price fixed for cane led to unauthorised plantings and although the Company was most reluctant to accept such cane, once again the Company was forced to crush it. This necessitated postponement of the start of the 1969-70 season.

The all-India sugar production in 1968-69 was 35.6 lakh tonnes compared with 22.4 lakh tonnes in 1967-68. 70 per cent of the production was taken over by the Government at the levy price and 30 per cent released for free market sale.

Estimates for 1969-70 indicate a production of over 41 lakh tonnes. This, together with a carry-over of over 12 lakh tonnes on 1st October 1969, less domestic consumption and export, would leave at the end of September 1970 some 17 lakh tonnes. Even with higher levy releases this large carry-over would throw an additional burden on the factories in expenses on storing and financing.

On the basis of the revised zonal arrangement recommended by the Tariff Commission and accepted by the Government of India, Tamil Nadu with Pondicherry has become a separate zone. As a consequence Tamil Nadu factories are entitled to a slightly higher levy price but the little advantage this gave has been wiped out by the high rate of excise duty on free market sugar announced in the last Budget.

The erection of the machinery ordered under the expansion programme will be carried out in the off season of 1970. The increased crushing capacity of 2,500/2,600 tonnes is expected to be effective from 1970-71 season.

(D) CERAMICS:

Despite severe competition, the turnover of more than Rs 1.25 crores constituted an all-time record due to the high quality of our product and our aggressive sales efforts. But for the unfortunate stoppage of production due to repairs to the Dressler Tunnel Oven and the difficult labour situation in the earlier part of the year, the turnover would have been still better.

Profits improved consequent upon larger sales and better operational efficiency.

Exports recorded a satisfactory increase, East Africa and Burma showing substantial increases. Arrangements have been taken on hand to appoint agents in and promote exports to Ceylon, Kuwait and Dubai.

(E) TRADING ACTIVITIES:

Turnover of consumer products, both on outright purchase and consignment account, rose further. Profits were more or less maintained notwithstanding higher costs. Our relationship with our Principals has been extremely cordial throughout.

Sales of engineering products were somewhat lower than in the previous year but a sizeable reduction in the capital employed on this sector of our business was achieved.

(F) HERDILLIA CHEMICALS LIMITED:

The Company achieved a turnover of Rs 5.5 crores during the year 1969 and hopes to improve upon this during the current year.

Your Company resigned their office as Managing Agents of Herdillia Chemicals Limited with effect from 1st January 1970.

4 Development Programme

I had stated in my address last year that various projects were actively being considered by your Board. Of these a Company for the manufacture of electronic connectors in collaboration with the Amphenol Corporation of United States (which has since merged with the Bunker-Ramo Corporation of United States) has now been registered under the name Amphetronix Private Limited. Your Company will have a substantial equity investment in Amphetronix Private Limited and will be appointed all-India sole agents for the Company.

Your Directors are also actively considering other schemes in pursuance of their policy of diversification.

5 Labour Relations

The various Unions in the sugar factories in Tamil Nadu organised themselves into a federation demanding immediate revision of wages apart from other demands and started a Statewide agitation. No wage revision was possible as the managements had already granted an interim relief pending the Wage Board's recommendations and the declining prosperity of the sugar industry in 1969.

However, following a strike at Nellikuppam factory from 10th January 1969 to 23rd January 1969, a direct settlement was reached with the Unions and a second interim relief was granted to the workmen subject to certain conditions on the pattern followed by the other sugar factories in Tamil Nadu.

The question of wage revision has come up again recently before the Tamil Nadu State Government.

Meantime, the Second Wage Board for the sugar industry has submitted its report to Government. It is also understood that the Trade Unions have represented to the new Central Labour Minister that the Wage Board's report should be rejected and the sugar industry in the country should be nationalised. At the same time, the threat of a general strike in the industry hangs over the head of the industry.

The Wage Board for Heavy Chemicals & Fertiliser Industry submitted its unanimous recommendations which have been accepted by Government.

Through direct negotiations with the Unions following the Wage Board's recommendations bipartite agreements at the Compound Fertiliser Factory, Ennore, and Ranipet were reached on a long-term basis.

It is a matter of good augury that a satisfactory long-term agreement has been reached with the Ranipet Labour Union on the issue of wages for the Pottery workers as well as revised incentive schemes.

Generally speaking, employer/employee relationship in the EID-Parry units remained cordial during the period under review.

6 Changes in Board

It is with profound sorrow that I have to record the death of Kumararajah M A M Muthiah Chettiar of Chettinad at a very young age. Even during the spell of about three years as a Director of the Company, his knowledge of business affairs had been of inestimable value to the Group.

Mr G E Solomon, who has been the Secretary of the Company from 1962 and, later, Special Director and Secretary from early 1965, joined the Board on 1st April 1969 and was appointed Executive Director of the Company.

Mr K S Vaidyanathan was appointed a Director of the Company as from 1st April 1969.

Note: The above Statement is not a report of the proceedings of the Annual General Meeting, held on 31st March, 1970.

Union Carbide India

UNION Carbide India has turned out very good results for 1969, with a jump in gross profit from Rs 4.34 crores to Rs 7.89 crores, following increase in turnover from Rs 34.40 crores to Rs 44.44 crores. Net profit too was substantially better at Rs 3.15 crores (Rs 1.89 crores), to cover the unchanged dividend of 15 per cent on the enlarged capital nearly 2.6 times. Return on total funds employed worked out at 10.2 per cent. The report is equally encouraging. It says that plastic sales showed substantial recovery from the depressed 1968 level, and that demand for batteries and flashlights remained strong throughout the year. Sales of cinema arc carbons, photo engravers' plates and chemicals also showed increases over the preceding year. Because of development of a wider range of products, Improved distribution, and increasing education on the use of pesticides in rural areas, their offtake showed a marked improvement. While thus helping to grow more foodgrains, UCI also assisted Government in its intensive family planning programme. It continues to be the largest individual distributor for Nirodh contraceptives. Exports rose by over 14 per cent to Rs 1.26 crores, in spite of major strikes in Bombay and Calcutta ports and the imposition of restrictions affecting sales in some overseas areas. With substantial exports of battery products in 1969, the company maintained the priority status for import licensing in 1970. It also won an "Outstanding Performance Award" from the Engineering Export Promotion Council. The new pesticides formulation plant at Bhopal commenced production on schedule during 1969.

FOURTH PLAN STATISTICS

Revised Estimates of Resources

(Rs crores)

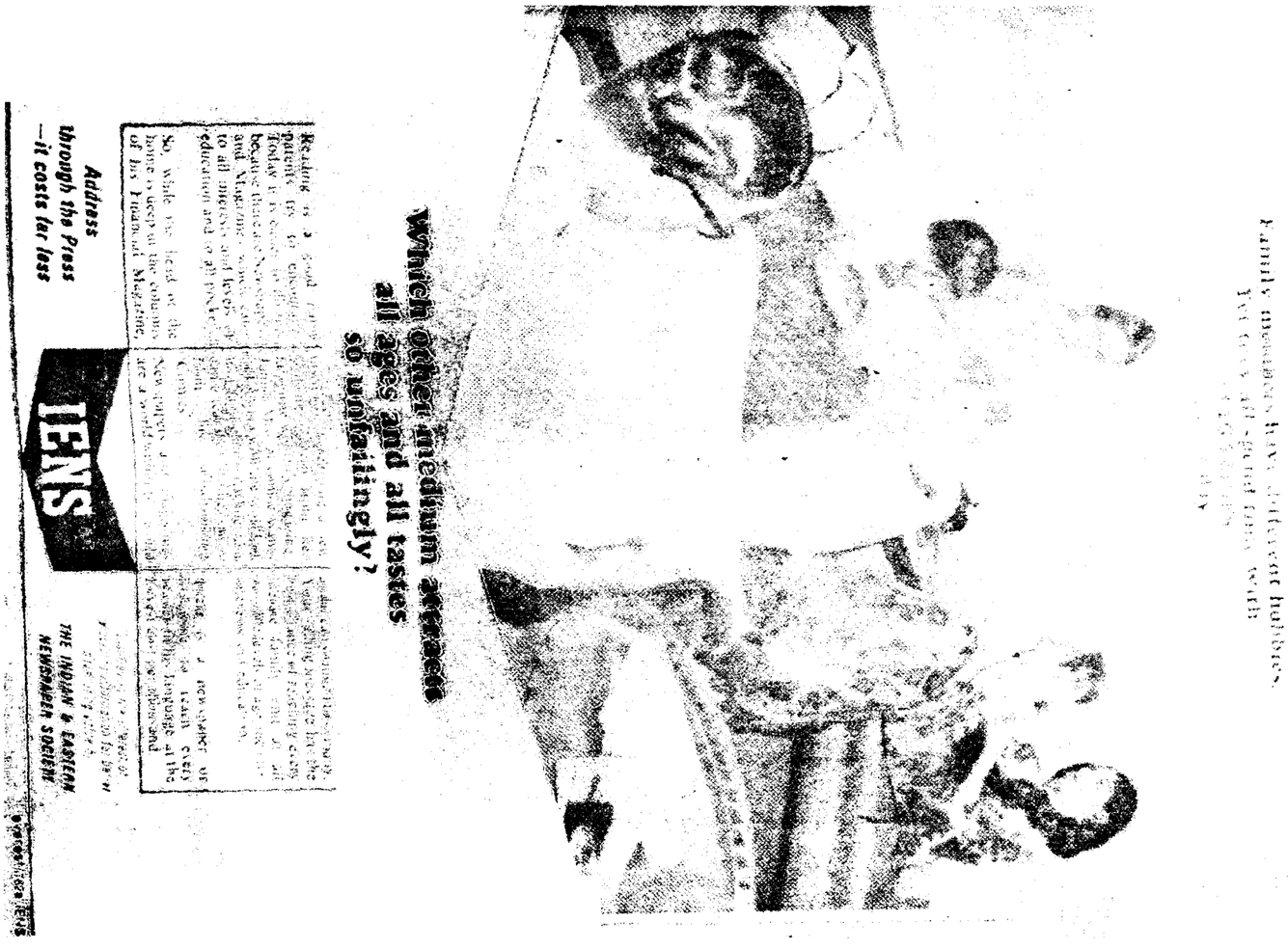
		Draft Fourth Plan Estimates			As Now Estimated			Change in (7) over (4) (Rs crores)
		Centre	States	Total	Centre	States	Total	
	1	2	3	4	5	6	7	8
I	Domestic Budgetary resources other than negotiated loans from LIC and State enterprises, market borrowings							
	(1) Balance from current revenues at 1968-69 rates of taxation	2355	100	2455	1625	48*	1673	—282
	(2) Contribution of public enterprises at 1968-69 fares, freights and tariffs	265	—	265	265	—	265	—
	(a) Railways	225	—	225	225	—	225	—
	(b) Posts and Telegraphs	—	—	—	259	—	259	—
	(c) ARC, IDC, DVC, REC and Central Power Generation	685	555	1240	785	495	1280	+40
	(d) Others	133	32	165	165	37	202	+37
	(3) Retained profits of Reserve Bank	750	416	116	900	515	1415	+249
	(4) Market borrowings of Central and State Governments (Net)							
	(5) Borrowings by financial institutions including FCI	—	—	—	155	—	155	+155
	(a) Food Corporation of India	—	—	—	250	—	250	+250
	(b) Others	274	526	800	274	495	769	—31
	(6) Small Savings							
	(7) Annuity deposits, compulsory deposits, prize bonds and gold bonds.	—104	—	—104	—104	—	—104	—
		343	297	640	343	317	660	+20
	(8) State provident funds	42	—812	1130	2090	—405	1685	+555
	(9) Miscellaneous capital receipts (net)	6868	1114	7982	7232	1502	8734	+752
	Total I							**
II	Additional resource mobilisation							
	(a) by Centre				725	**	725	
	(i) 1969-70 measures	1600	—	1600	1375	—	1375	—225
	(ii) Measures to be undertaken in subsequent years	1600	—	1600	2100	—	2100	+500
	Total (a)							
	(b) by States					414	414	
	(i) 1969-70 measures	—	1109	1109	—	684	684	—425
	(ii) Measures to be undertaken in subsequent years.	—	1109	1109	—	1098	1098	—11
	Total (b)	1600	1109	2709	2100	1098	3198	+489
	Total II							
III	Loans from LIC and State enterprises, market borrowings (gross)							
	(1) LIC loans to State Governments for housing and water supply	—	96	96	—	100	100	+4
		—	116	116	—	261	261	+145
	(2) Market borrowings of State enterprise.	—	131	131	—	145	145	+14
	(3) LIC loans for State enterprises	—	343	343	—	506	506	+163
	Total III	8468	2566	11034	9332	3106	12438	+1404
IV	Total Domestic Budgetary resources							
V	Budgetary receipts corresponding to external assistance (net)	2134	—	2134	2234	—	2234	+100
	(a) Other than PL 480	380	—	380	380	—	380	—
	(b) PL 480 assistance	2514	—	2514	2614	—	2614	+100
	Total V	850	—	850	850	—	850	—
VI	Deficit financing	11832	2566	14398	12796	3106	15902	+1504
VII	Aggregate resources	3500	3500	—	—3500	3500	—	—
VIII	Assistance for State Plans	8332	6066	14398	9296	6606	15902	+1504
IX	Resources for the Plan							

* Inclusive of share in additional resource mobilisation by Centre in 1969-70 (Rs 150 crores).
** Included under item I(1).

States' Resources

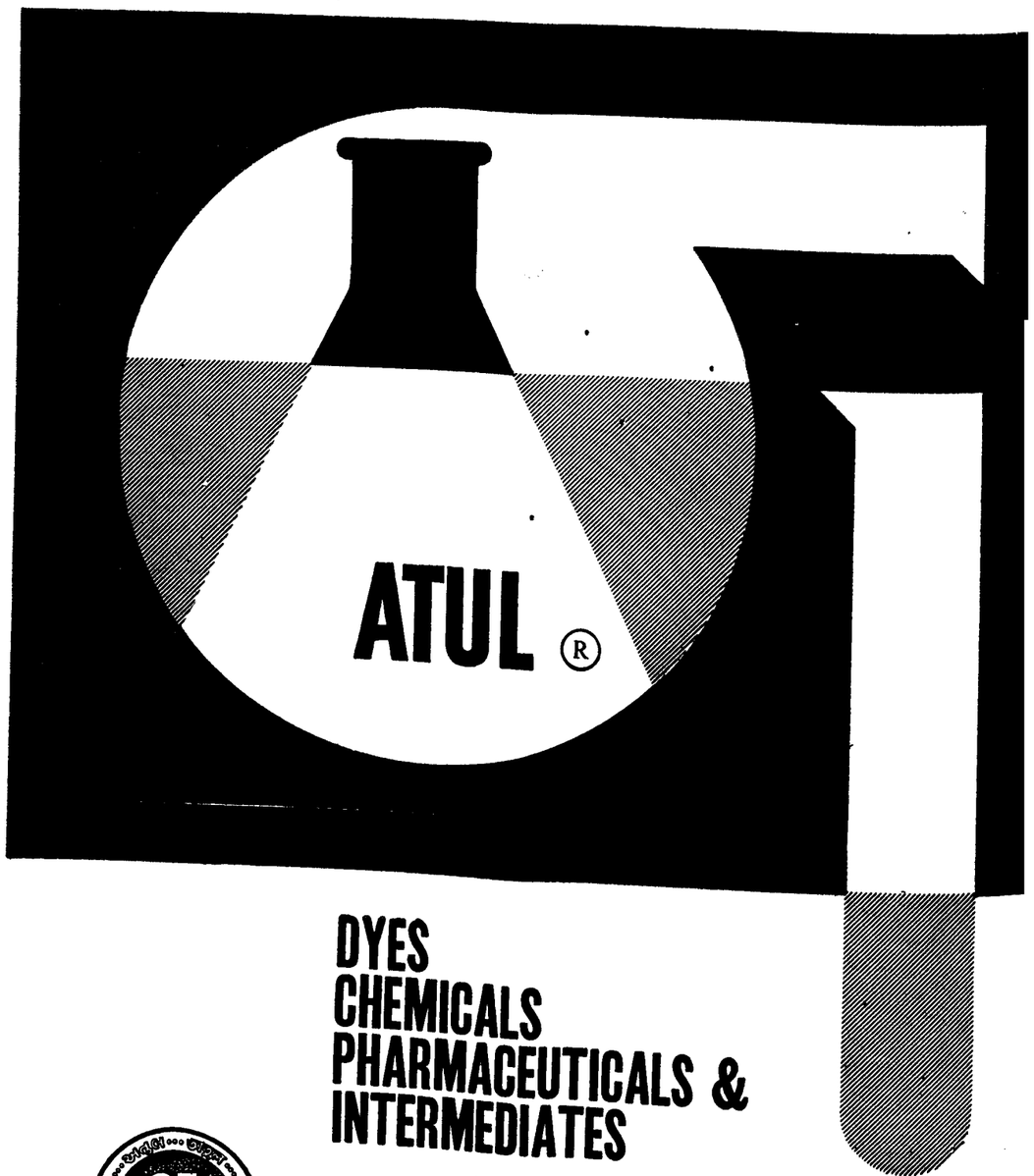
(Rs crores)

States	As Assessed Earlier in November–December, 1968				As Assessed in November–December, 1969				Change in (9) over (5) (Rs crores)
	Resources Excluding Additional Resource Mobilisation	Additional Resource Mobilisation	Central Assistance	Total Plan (2+3+4)	Resources Excluding Additional Resource Mobilisation	Additional Resource Mobilisation	Central Assistance	Total Plan (6+7+8)	
1	2	3	4	5	6	7	8	9	10
Andhra Pradesh	20.50	100.00	240.00	360.50	45.50	135.00	240.00	420.50	+ 60.00
Assam	5.50	—	220.00	225.50	16.75	25.00	220.00	261.75	+ 36.25
Bihar	3.60	100.00	338.00	441.60	93.28	100.00	338.00	531.28	+ 89.68
Gujarat	175.50	116.70	158.00	450.20	254.72	42.28	158.00	455.00	+ 4.80
Haryana	82.00	30.00	78.50	190.50	116.19	30.31	78.50	225.00	+ 34.50
Jammu and Kashmir	—9.00	9.00	145.00	145.00	4.40	9.00	145.00	158.40	+ 13.40
Kerala	23.40	60.00	175.00	258.40	33.35	50.00	175.00	258.35	— .05
Madhya Pradesh	—6.00	100.00	262.00	356.00	38.00	83.00	262.00	383.00	+ 27.00
Maharashtra	516.30	50.00	245.50	811.80	572.62	80.00	245.50	898.12	+ 86.32
Mysore	104.10	50.00	173.00	327.10	104.00	73.00	173.00	350.00	+ 22.90
Nagaland	—	—	35.00	35.00	4.82	0.18	35.00	40.00	+ 22.90
Orissa	14.50	35.00	160.00	180.50	28.00	34.60	160.00	222.60	+ 42.10
Punjab	92.40	78.00	101.00	271.40	136.14	56.42	101.00	293.56	+ 22.16
Rajasthan	—21.00	40.00	220.00	239.00	32.00	50.00	220.00	302.00	+ 63.00
Tamil Nadu	215.00	85.00	202.00	502.00	232.36	85.00	202.00	519.36	+ 17.36
Uttar Pradesh	250.00	175.00	526.00	951.00	264.00	175.00	526.00	965.00	+ 14.00
West Bengal	19.50	80.00	221.00	320.50	31.50	70.00	221.00	322.50	+ 2.00
Total	1457.30	1108.70	3500.00	6066.00	2007.63	1098.79	3500.00	5506.42	+540 42



April 4, 1970

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15 APR 1970

MONOPOLY AND PUBLIC POLICY

STRUCTURE OF INDUSTRIAL FINANCE

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Vol V No 15 April 11, 1970

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Assistant Editor: Rajani X Desai
Business Manager: A Fernandes
Circulation Manager: Shiv Patil
Editorial Staff
Colin de Souza, Haresh M Advani,
Shireen Heerjee, Ashok Rao,
Ranjeet R Chandi

Flexibly Confused

'FLEXIBILITY' is an over-worked word in the Ministry of External Affairs' latest annual report. The Report makes the impressive claim that "when the world has been changing, and India itself has been changing, the foreign policy of India could not stand still and remain rigid and inflexible". Indeed, how could it! For, does not the Report say a few pages earlier that "the merit of India's foreign policy, enunciated by Pandit Jawaharlal Nehru, is its flexibility to meet the changing challenges"? Evidently, flexibility is a merit which can be adduced to cover up, whether in relation to socialism at home or non-alignment abroad, the most blatant absence of coherence.

And it would be difficult to find a better instance of incoherence than our attitude to the proposed summit conference of non-aligned nations. The Ministry's annual report suggests that "in spite of the visible end of the cold war and the general acceptance of co-existence . . . non-alignment continues to remain valid and there is necessity as well as scope for non-aligned nations to continue their activities in the interests of international peace and progress". Yet India's main contribution to the cause of non-alignment in the last two years or so has been to do a great deal to put off, if not scotch altogether, the non-aligned summit. It can be argued, and convincingly, that a summit of this sort will achieve nothing. But if that be India's position then it befits its status as a leader of the non-aligned to come up with some ideas about how else the non-aligned nations may "continue their activities in the interests of international peace and progress". Besides, if the proposed summit is an exercise in futility, why try so hard to keep Pakistan from attending it? At least in this instance the arguments that we have relied on are unlikely to enhance our reputation for flexibility. Pakistan, we have repeated over and over, fails to qualify as a non-aligned country because of its membership of US-sponsored military pacts — as if the far-reaching changes in international politics (to which we are supposed to have responded with such admirable *flexibility*) have left untouched the status of these pacts!

The fact, of course, is that our current attitudes to non-alignment are conditioned as much by our own transition from non-alignment to bi-alignment as by the changes in the fundamental pattern of world politics, though the latter have made the transition smoother and less conspicuous. Not surprisingly, therefore, instead of concerning ourselves with reassessing the role of non-alignment, we have taken refuge in the pretence of concentrating on a more active regional role in Asia. In his reply to the Lok Sabha debate on the Budget estimates of the External Affairs Ministry, Dinesh Singh waxed eloquent about what he called the emerging Asian personality. Asia, he said, was not a vacuum which needed to be filled by the Great Powers. Very brave stuff — or so it seems till it is realised that this new Asian personality is supposed to express itself through the Soviet-sponsored scheme of collective security. Of course, Dinesh Singh did say that the Soviet scheme had been anticipated by proposals made by the Indian Prime Minister two years earlier.

The External Affairs Ministry's Report as well as the Foreign Minister's Lok Sabha speech suggest that India is more concerned with securing international acceptance of Soviet Union as an Asian power than with asserting its own supposed new role *vis-a-vis* Asian countries. Of course, there is no question that Soviet Union's role in Asia changed vastly in the 'sixties. But instead of justifying this change, we should be really concerned with examining its implications for some of our cherished foreign policy assumptions. One of these was that India was a major element in Soviet policies towards this region, China especially. Generous supply of Soviet arms and continued economic assistance and expanding trade seemed for some time to confirm this assumption. In the process it was not realised that with the vast improvement in its military capability and progress towards some sort of a global understanding with United States, Soviet Union's interests had turned out to be far more diversified than we had imagined. It is now clear, for instance, that securing a presence for itself in the Persian Gulf and Indian Ocean areas rates far higher in the Soviet scheme of priorities than building up India as the caretaker of its regional interests. Soviet Union (like United States) still attaches much importance to a continued anti-China posture on India's part. What is not true is that it believes that for this it is necessary to build up India's economic and military strength beyond a point. On the contrary, India must remain anti-China; but it must depend on Soviet Union to sustain that position. Only then can it be ensured that India will not take the initiative in the future, independent of or contrary to Soviet wishes and interests, to bring about a detente with China or, alternatively, become a factor which Soviet Union would have to bother about should it decide to restructure its relations with China.

In keeping things the way it wants, Soviet Union has it seems many unsuspected allies here, as seen from the statement of that venerable conservative MP from Mysore, K Hanumanthaiya, that no self-respecting person could start a dialogue with China so long as China remained in occupation of Indian territory.

Pass Friend, Halt Bottle

THE passing of the managing agency system represents an instalment of that reform process which began with the abolition of zamindari and which might wind up shortly with the withdrawal of privy purses. This series of reforms has been concerned with the removal of the feudal crust in the social super-structure of the economic system. It is as easy to glorify this reform into a radical operation as to belittle it into a non-event. Managing agents had begun to attract criticism in the 1890s and had received adverse notice from the Industrial Commission of 1916; but the moment never seemed propitious for their departure till — leave aside some noises from sharebrokers and academics — G B Birla with customary vision called for the penultimate rites a few years back.

Statutory death does not part a managing agent from his managed company, for the link survives through controlling investments — except in a few prominent cases where the thread is slender. Cracks within and between the controlling families have already become visible though great care and influence have been expended to paper them over with legal tender. As these cracks widen into fissures, LIC and Unit Trust permitting, it should be possible for active executives — whether tied by blood or performance — to assert themselves in the places vacated by hereditary farmers of managerial revenue.

As is inherent in any 'smooth' change, the new managing directors appear no different from the old managing agents or their representatives. This is inevitable because the controlling investments have not been disturbed and, protestations notwithstanding, group management remains intact though in a different, diluted form. The point at issue is not the immediate result of the change but what is made of the opportunities held out now for modernisation of corporate management. The department of company affairs which should have been ready to have these opportunities seized has, instead, been steadily declining into sloth and oblivion over the last four years. It also requires new management, preferably from outside the Secretariat.

Still Looking for a Role

BY the usual quantitative criteria, Asian Development Bank's operations showed a remarkable improvement in 1969. Loans more than doubled, from $ 42 million in 1968 to $ 98 million in 1969; in addition, outright grants of $ 2.23 million were made against $ 1.14 million in 1968. Against only 7 loans in 1968 ADB made 20 loans to 10 countries in 1969. Six of the loans were on concessional terms, the interest rate ranging from 1.5 to 3 per cent (against the normal rate of 6.7/8 per cent). Some of the projects financed in 1969 were the result of the Bank's technical assistance activities in earlier years.

ADB has begun to raise resources on the market to finance its growing operations. It raised DM 60 million on the West German market and has just made an issue of AS 130 million on the Austrian market. Besides setting aside $ 14.6 million from its ordinary capital for special assistance, the Bank has obtained further resources of $ 24.3 million from member countries for the Special Fund.

Two aspects of the Bank's operations call for scrutiny, however. While aggregate approvals now total $ 140 million, disbursements have not picked up, and the Bank held investments of $ 226 million representing resources "not currently required for operations". Second, against a gross income of $ 13 million, gross expenditure was $ 7.4 million. Considering that ADB is still using its capital and is not paying much interest on its borrowings (the DM borrowing is recent), the expenditure is excessive even taking into account the fact that ADB is in the early stages of its operations.

ADB's operations increasingly resemble those of the World Bank. There is the same emphasis on basic infrastructure projects and the same pattern of soft terms. The difference lies mostly in ADB's emphasis on technical assistance and pre-investment surveys — a lacuna in World Bank operations which it is beginning to fill only now.

ADB's operations are hampered by two basic limitations. First, it has so far failed to shake off the hegemony of Japan and the advanced countries. In its original financial structure, in contrast to that of African Development Bank, a predominant part was given to Japan, USA and West Europe. Japan particularly has sought to use ADB in its pursuit of political and economic influence commensurate with its growing economic strength.

Second, projects financed by ADB have been essentially national in character. Though it has initiated some inter-regional project surveys (particularly a transport survey), these are still in their preliminary stages. ADB has hardly looked for projects which might have a regional impact. Use of the timber resources of the region for paper manufacture or development of electric power potential, to take two examples of projects which would serve more than one country, have been left unexplored. Since many countries in the region aspire to some kind of economic planning, ADB could encourage some co-ordination of national plans. On the whole, ADB has failed to encourage the idea of the 'region' in developmental efforts. Admittedly, because of divergences among national economies and lack of mutual contact and, even more important, because of the strong external political interests which have been seeking to build up influence in Asian countries, it is difficult to gain acceptance for a regional approach. But a regional conception of its role is essential for ADB's efficient working and even survival.

Not Enough Power, Not Much Planning

THE Prime Minister's 'assurance' to Rajya Sabha that, in view of the power shortage in parts of the country, no power project included in the Fourth Plan would be slashed, creates the misleading impression that Government is fully exercised to meet the growing demand for power. In fact, however, the programme for power in the Fourth Plan has been pruned to fit 'available resources' as the Planning Commission sees them. The Fourth Plan Working Group on power had estimated a peak load incidence of 18.5 million kW by 1973-74. Accordingly it recommended an installed capacity of 26 million kW with an outlay of Rs 3,462 crores — Rs 1,480 crores on generation, Rs 800 crores on transmission and distribution, Rs 632 crores on rural electrification, and Rs 500 crores for 'advance action' on Fifth Plan schemes. The actual outlay, by contrast, is only Rs 2,085 crores — Rs 1,061 crores on generation, Rs 645 crores on transmission and distribution and Rs 363 crores on rural electrification, with no provision for any advance action. The installed capacity of 22 million kW that will thus result would leave a shortfall of 3 million kW by 1973-74.

Despite the Fourth Plan's ambition to work towards an all-India power grid and the many steps towards this objective listed in the Irrigation and Power Ministry's Annual Report, nationally integrated power planning remains a far cry. While each State is keen to catch up on power generation, in the absence of any national co-ordination between demand and supply, inter-State exchange of power takes place today in an *ad hoc* manner. The Ministry's Annual Report makes no mention of this problem, nor indicate how, with power continuing as a State subject, progression from interregional connections to a national grid is to be achieved.

Thermal power is by far the major source of electricity today, accounting for 9.01 million kW against 6.25 million kW of hydro power and 0.4 million kW of atomic power. Investment on power at the end of 1969-70 stood at Rs 3,970 crores — making electricity supply one of the foremost public utility undertakings from the point of view of investment. One would expect that, considering the crucial role of power in economic development and the magnitude of investment in it, there would be explicit criteria for choosing from among the three sources of power. Yet consultants have acutely felt the lack of all-India data on available resources for the alternative types of power. And, despite the unsatisfactory experience with the execution and working of atomic power, Government has failed to formulate criteria for choosing atomic power in preference to coal- or hydro-based power.

On irrigation, too, the Ministry's Report fails to give any inkling of awareness of the changed nature of irrigation required today. Where many of the projects under the earlier Plans were oriented to being extensive in coverage and preventive of damage from drought, the new agricultural strategy requires irrigation to be thought of in terms of water management for the particular needs of a crop. Water feedings have to be accurately timed all year round and have thus to be intensive rather than extensive in coverage. But apart from generalities on future programmes for 'integrated development of surface and ground-water resources for maximising agricultural production' the Report shows no awareness of this shift or of what adjustments existing irrigation arrangements might need to undergo.

Chinks in Export Boom

THE annual report of the Ministry of Foreign Trade for 1969-70 reveals trends which should cause concern. Exports increased by about 3.9 per cent only in 1969, from Rs 1321 crores to Rs 1373 crores. Nor are there any redeeming features in the country and commodity patterns to compensate for relative overall stagnation.

Area-wise, the most significant increase has been in exports to rupee payment countries — from Rs 255 crores to Rs 294 crores, i e, by about 15 per cent. Free foreign exchange earnings remained more or less constant — Rs Rs 1079 crores against Rs 1065 crores in 1968. Since our requirements — particularly for capital goods and raw material imports for the now more sophisticated industries and for servicing foreign borrowings — are of free foreign exchange, the stagnation in free foreign exchange earnings is a matter for concern. Further, so long as we exported products such as shoes and bananas to rupee payment countries (mainly USSR and Eastern Europe), the increase in exports to these countries was a net gain from our point of view. More recent trends are, however, disturbing. Besides traditional exports — like jute goods and tea — which are so amenable to diversion, thereby undermining our exports of these goods to convertible currency countries, trade with Eastern Europe has increasingly comprised products which are internationally in short supply — like steel, copper, rubber. This kind of trade creation may not be in our interest.

The export picture is no better commodity-wise. Exports of most traditional goods were lower: jute goods Rs 216 crores (Rs 290 crores on a comparable basis in 1965), tea Rs 121 crores (Rs 167 crores in 1968 and Rs 208 crores in 1963), mill-made cotton piece-goods Rs 62 crores (Rs 66 crores in 1968), and oilcakes Rs 42 crores (Rs 51 crores in 1968). Even the improvement in non-traditional exports is marginal in most instances: exports of iron and steel increased marginally to Rs 68 crores, due mainly to the poor production performance of HSL and the emerging shortages at home. In fact it is only by bartering away a major raw material, iron ore, that we are able to show some kind of an overall export performance.

Imports present an equally gloomy picture (statistics for imports are available only for the 11 months to November 1969). At Rs 1477 crores imports were lower than in 1968 by Rs 311 crores. Of this, the reduction on account of foodgrains is only Rs 121 crores. The remaining Rs 190 crores was accounted for by fertilisers and machinery and transport equipment. The improvement in external balance has thus been brought about largely at the expense of full utilisation of industrial capacity and the tempo of industrial growth.

To sum up, then: exports are moving in directions which do not help to meet the country's developmental needs; export ability is being jeopardised by low production and rising demand; and imports are being reduced mainly by lowering the rate of growth. It seems inescapable, therefore, that as the Fourth Plan gathers momentum external support to the balance of payments will be as unavoidable as at any time in the past.

Management by Subsidy

RESPONDING to criticism of the Railway Budget in Parliament, the Railway Board — unable this time to shift responsibility to the newly-appointed Railway Minister — is making desultory attempts to show its mettle. The attempts are pathetic for their lack of any understanding of what is making railways the inefficient, non-commercial organisation that they are.

The remedies suggested by the Railway Board run on bureaucratic and administrative rails and betray a non-management view of this major public undertaking. The main suggestion is that Railways should be subsidised for a variety of things — for so-called 'uneconomic' lines, for providing facilities (particularly hospital facilities) to subordinate railway servants and for providing amenities to railway passengers (particularly third class passengers). There is no attempt to accept responsibility for improving railway operations and for running railways as a business obligation. For instance, if new lines do not earn their keep initially, should not railways offer promotional fares and freight rates in an effort to attract traffic to them? And since in any case additions to railway lines are few and are made at snail's pace, should not this large public enterprise be able to carry them within its overall operations? The Railway Board quite clearly wants to keep the profits of good operations and to pass on the losses, caused mostly by inefficient working and lack of business initiative, to General Revenue.

One would also expect railways, as one of the largest employers, to show a sense of responsibility towards their staff, particularly lower staff remunerated on low Government scales. Railways are exempt from the Employees' State Insurance Scheme on the ground that they provide comparable amenities. But why should General Revenue accept responsibility for a productive enterprise's labour obligations? Besides, while seeking to shirk its normal obligations towards the lower staff, Railway

Board has always been excessively solicitous of amenities for higher officers, including their post-retirement privileges.

As for their customers, railways, like the monopoly organisation that they are, have little sense of any obligation. It is in keeping with this attitude that the Railway Board has now demanded that railways should not be asked to pay for amenities to passengers (which are few and only the bare essential ones like provision of water on platforms).

It is not as if railways are not subsidised today. With more than Rs 3,000 crores of capital-at-charge, they do not contribute any taxes to the exchequer. Moreover, they obtain their capital at rates varying between 4.5 and 5.5 per cent. Allowing for normal corporate tax contribution and the prevailing rates of interest, the amount forgone by Central Government from railways is perhaps as much as Rs 350 to Rs 400 crores a year. This is a measure of the subsidy that railways derive today.

The Railway Board's remedies are index of the Board's standard reflexes to criticism as well as of what one may expect of the Board by way of performance. There is no mention of the need to improve earnings by a business drive, no effort to raise productivity through better management of men, machines and money and no consciousness of the importance of providing satisfactory service to those who use the railways.

BUSINESS

Looking Bonus Shares in the Mouth

RECENT attempts of companies to expand on their own steam rather than by raising share capital appear to have raised some piquant issues. To build up finances for expansion companies have sought to conserve resources, mainly by pruning dividends. However, company managements, conscious of the need to retain shareholders' goodwill, have sought to compensate them by making bonus issues. The Capital Issues Control authorities have frowned upon this practice and in the recent case of Fit-Tight Nuts and Bolts they actually turned down the company's request for permission to issue bonus shares in the ratio of 1 for every 9 shares held. The authorities are, it is also reported, planning to tighten internal guidelines for approval of application for issue of bonus shares. They propose, according to these reports, to insist on a minimum interval of 18 months between two consecutive issues (against 12 months at present) and on a cover of 8 per cent on the increased capital by 30 per cent of net earnings.

Issue of bonus shares should really have little economic significance. All that happens is that a certain amount is transferred, through capitalisation, reserves to share capital, without the total capital (and owned funds) employed in business being affected in any way. Bonus shares enable the share capital to reflect more truly the capital employed and shareholders' equity in the enterprise. In this sense, since the market values shares *inter alia* on owners' equity, share prices must go down in the same proportion as share capital is increased by the issue of bonus shares.

However, bonus shares have always aroused strong feelings both among its protagonists and opponents. TTK was allergic to them and imposed a tax on bonus issues. As a result bonus issues more or less died out — to be revived by the removal of the tax in 1966, together with treatment of bonus shares as notional capital gain at the time of the issue. There was a spurt in bonus issues — Rs 65.4 crores by 197 companies in 1966 and Rs 54 crores by 128 companies in 1967.

What is the attraction of bonus issues to company management and shareholders? Here perhaps psychology rather than economic logic plays the larger part. Shareholders who get two pieces of paper and see the number of shares held by them increase, think that bonus shares are a bounty even though the total valuation of their shares does not go up. Managements which seek to please shareholders without cost to the company also like to issue bonus shares.

Issue of bonus shares need not necessarily lead to increased distribution of dividends. In fact, Tata Iron and Gwalior Rayon, which issued bonus shares, reduced the dividend rate correspondingly and Indian Iron for various reasons found it necessary to actually reduce the overall distribution. Nevertheless, issues of bonus shares are generally interpreted as a precursor to increased dividend distribution and are, therefore, treated as a bullish point on the market.

However, in recent years a new breed of bonus issues has emerged. In these cases the amount of bonus issue is generall small (one share for every 9, 10 or 11 shares held) and is accompanied by skipping of dividend. Here the amount of bonus issue is small, being almost equivalent to dividend distribution at 9 to 11 per cent. Fit-Tight is the most conspicuous example, but other cases are Gwalior Rayon, Century Rayon, Kamani Engineering and Indian Dyestuff. Managements prefer to make bonus issues in lieu of dividend because it enables them to conserve the company's resources, keep low their own personal tax liability (or transform income into capital gain), reduce the need to subscribe to additional shares and cash in on the brief spell of speculation that follows announcement of a bonus issue however nominal.

It is this breed of bonus issues which has become suspect. First, the bonus issue is made as a substitute for dividend which in any case is low. The issue is thus an IOU of the company promising higher dividend distribution in future, which the company would not be able to honour. Second, it reflects pressure on the liquidity of the company, which the company seeks to meet by skipping dividend. This is hardly the accepted concept of bonus issues.

This distrust has been strengthened by other factors. While the argument about widows and orphans depending on dividend income is bandied about, in fact the most eminent widow is LIC which refuses to take a long view and does not like to see its annual income diminished even when resources are conserved to finance expansion.

Bonus issues might be in fact desirable as they increase the trading stock of market securities. The recent trends in bonus issues, however, clearly go against the logic of bonus shares and to that extent there is a case for Government intervention.

But the remedies proposed by the authorities (a mandatory interval of 18 months, requirement of a minimum cover) hardly meet the situation. There are two directions in which Government policy should move. First, it should seek to check small issues of bonus shares (which are merely a stratagem to justify skipping of dividend). It can be laid down, for example, that a minimum bonus distribution should be in the ratio of one bonus share for every three held. Moreover, it can be provided that when a bonus issue is made, maximum capitalisation, as laid down by rules, will be ensured to prevent frequent bonus issues even under the new rule. Second, it is necessary to evolve clear rules against inside

trading in shares. At present, bonus issues are heralded often by informed trading in shares and so provide an incentive for speculation. Even otherwise, to protect outside shareholders, it is necessary that trading by insiders is curbed. It is to these apects that the authorities need to devote some attention instead of wasting their time thinking up superficial remedies.

Not Too Fast a Pace

IN his annual statement to shareholders, R K Talwar, Chairman of State Bank, deals with three main topics: help to the small man, requirement of guarantee, and disclosure of profits. Talwar claims legitimate credit for State Bank's pioneering efforts in helping the small man (defined to include not only the small industrialist, but also the agriculturist and businessman). State Bank advances to small industry increased by Rs 53 crores; its advances to small businessmen increased from Rs 1 crore to Rs 11 crores and to small agriculturists from Rs 3 crores to Rs 33 crores. Moreover, State Bank is taking new initiatives to help the small man (through its technician-entrepreneur scheme, village adoption approach and loans in dry-farming areas).

Given LIC's institutional opposition to guarantee commission, Talwar tries to make out a case to justify State Bank's practice of requiring personal guarantees for loans. He explains that the so-called professional management is often only a front. He then enunciates the policy that where a company is genuinely managed by professionals and accepts covenants imposed by the bank and where a project is viable, State Bank would be willing to forgo personal guarantees. Talwar's strictures on companies not willing to give data and to accept financial discipline (and encomiums for STC for presenting forecast of operations) are justified. But, particularly since he has digs (at other banks?) for lending to farmers either on security of gold ornaments or through loans to State Electricity Boards rather than on viability criteria, one would have thought viability was expected for all State Bank financing, and was not waived merely because a guarantee was provided. In any case Talwar does not meet the LIC case that often personal guarantees have no real value and are only used to siphon off some commission from managed (or associate) companies.

So also, while one accepts Talwar's advocacy of full disclosure of bank profits (this year all UK banks have done this), one fails to understand what prevents State Bank from unilaterally taking the initiative, particularly since, in view of its ownership, such disclosure is not likely to influence its share values (for the small amount still held by the public). There are other indications too (the village adoption approach, emphasis on regulated competition) that Talwar would not like to be too much out-of-pace in relation to his fellow-bankers.

At a time when most managements (particularly of Government enterprises) are anxious to avoid outside scrutiny of their organisation structures and the adequacy of these structures for future operations, it is interesting to see that Talwar is giving thought to this long-term problem and bringing in consultants to do the job. This confidence needs to be emulated more widely, not only by banks but by other Government and private sector enterprises.

Consistent Sweetness

SUGAR production in the current season is expected to touch an all-time high of 42 lakh tonnes. The crushing season is in full swing and the recovery rate is over 11 per cent. The second crop forecast places area under sugarcane at 2.5 million hectares, which is 11.5 per cent more than in the previous season. Production is expected to be still higher, thanks to excellent weather conditions. Supply of cane to factories is thus plentiful and for once growers are glad to receive the minimum price of Rs 7.37 per quintal since gur and khandsari makers are paying only about Rs 4.50 per quintal.

Neither Government nor industry, however, cares to keep the public properly informed. Production and stocks figures are available only upto January. Government should see that these statistics are issued promptly — say, within a fortnight — so that a proper assessment of the situation can be made. Production in January was 7.26 lakh tonnes and is likely to be slightly higher for February and March.

Sugar production in the first quarter of the current season was about 10 lakh tonnes and in the second quarter it is bound to exceed 22 lakh tonnes. Government released 8 lakh tonnes for distribution in the first quarter — 5 lakh tonnes were for controlled distribution and 3 lakh tonnes for the free market. As a result price declined from Rs 228 per bag to a low of Rs 182 and finished the quarter at Rs 190.

During the second quarter Government again released 10 lakh tonnes for distribution. The quota for controlled distribution was raised to 7 lakh tonnes but that for the free market retained at 3 lakh tonnes. The larger availability under controlled distribution resulted in contraction of demand in the free market and prices declined from Rs 199 to Rs 179.

The Budget proposals sought to cash in on this trend. Prices had firmed up in several up-country markets on the eve of the Budget. In the Budget the 23 per cent *ad valorem* excise duty was bifurcated: the rate on levy sugar was raised nominally to 25 per cent but that on free market sugar was stepped up sharply to 37½ per cent. The stiff increase in duty should have been expected to raise free market prices by at least Rs 20 per bag, but because of large volume of controlled distribution, prices in fact fell by Rs 20 per bag.

The tariff value was fixed at Rs 140 in December but was raised to Rs 145 in January and Rs 150 in February — presumably in view of the impending Budget proposals. To mollify the market tariff value was lowered to Rs 140 on March 29, reducing the burden of excise duty from Rs 56.25 to Rs 52.50 per bag. At the current ex-mill rate of Rs 171 per bag for D-30, mills in Maharashtra are getting Rs 118.50 per bag against the levy price of Rs 110.88. In Tamil Nadu mills actually receive a lower price in the free market. So Government is being pressed to take over unsold free market quotas at levy rates.

Mills on Dole

GOVERNMENT'S remedy for 'sick' textile mills has been to take them over and run them, as a kind of relief operation, through authorised controllers. This has often involved raiding provident funds and reducing wages or, alternatively, leaning on State Governments for finance. This arrangement has since been institutionalised by placing these mills under the overall control of the National Textile Corporation which now runs 23 'sick' mills. S R Vasavada, Chairman of the Corporation, has now suggested that 12 of these 23 mills be bought by it through acquisition of a majority of the shareholding in them under the Cotton Textile Companies (Liquidation and Reconstruction) Management Act. While Vasavada's desire to give permanence to his empire is understandable, his Corporation's ability to carry out the reconstruction

and reorganisation necessary to put these mills back on their feet is clearly suspect.

Day-to-day running of mills on a 'relief operation' footing cannot be a long-term solution to their problems. These have arisen mainly because profits were squandered away by the erstwhile private managements and the mills were not modernised when the going was good. Cotton textiles remains the country's largest industry and largest provider of organised employment. Any long-term programme for the industry has to face the fact that on economic grounds there is no escape from reducing the number of units from over 500 to less than 100. One way of achieving this might be to encourage takeovers by the more efficient units, though this may not be feasible in the current political climate.

overall profitability as in the United Kingdom.

Such overall control alone can correct some friends who are guided by the concept of 'what one can get away with' and help survival of small units like ours, who can be and are leaders, not in volume but in holding the price-line and who ensure reasonable prices for the consumers in a complex industry like pharmaceuticals.

A V MODY

Managing Director
Unichem Laboratories
Bombay
March 31

LETTERS TO EDITOR

In Unenviable Company

I THANK you for the note you have taken (March 21, p 509) of certain remarks from my annual statement to shareholders. You have reminded me that a small manufacturer like Unichem cannot lead others and be a market leader in company of 'international giants'.

It is not correct to presume that the size of the firm in terms of sales volume alone decides the repercussions of its actions on its fellow manufacturers. Often the very existence of a number of small units who have earned the confidence of the medical profession for the quality of the product they market and the competition they offer to the giants keeps or lowers the price line. I submitted Unichem's name only by way of example. The price reduction brought about in the market at Unichem's initiative in respect of insulin, steroids and chloramphenicol products in the 'fifties and 'sixties is too well known to require repetition.

I was concerned about 'systematic efforts' to create the impression in the public mind about 'high prices' mainly due to the fact that Governmental actions like the 'price-list control' since 1963 and the piecemeal inquiry by Tariff Commission often result in weakening the competitive capacity of a unit like ours. Any talk about prices without consideration of the relevant costs in a competitive market is meaningless.

You have quoted with approval in the same issue of your journal K A Hamied's statement about the price differences in landed cost (imports) and prices charged by Indian units (private and public sector) for basic chemicals ('Facts about Drug Prices', p 507). Your method of comparing raw material costs and selling price is quite attractive but often misleading. You have also interestingly omitted to observe my remarks about public sector units like IDPL which I quote, "even public sector enterprises are negligent about this segment (i e, consumers) of society. They are often treading on the trodden path, enjoying monopoly status and charging more than competitive prices". These public sector giants have not so far helped in bringing down the prices of basic materials.

You appear to be aware of cost elements other than raw materials in the final retail selling price. I had suggested at a recent drug conference called by AIMO on March 7, that an impartial inquiry be held into the cost structure of pharmaceutical industry both in public and private sectors and you have rightly suggested a similar expert inquiry (p 508). The retail selling price for drugs includes besides raw materials and processing costs, costs for packing materials like bottles, vials, stoppers, cartons (with substantial wastages in these ancillary materials), costs of strict packing disclosure requirements of the Drugs Act, quahty control costs, costs on account of storage conditions obtaining in all corners of a country with a tropical climate, ever-increasing costs in terms of duties, excise, etc, directly or indirectly, and wholesalers' and retailers' costs. In this there are many costs which are peculiar to drug industry — and hence this elaboration.

The main burden of my statement was that Government should not hasten to solve this complex problem by slogans, short-cuts or piecemeal inquiries such as that of the Tariff Commission, but should do so by systematic empirical study of cost structure obtaining in the industry as a whole. A stray comparison of prices of one product or two is often misleading, if not mischievous. The product-mix and pricing should be left to individual firms (see 'High on Drugs', February 28, p 395, last para) and Government should concern itself with

Fedayeen Score in Lebanon

HAROLD Lubell's criticism (January 3, p 6) of my article 'Fedayeen Score in Lebanon" (November 29, p 1840) totters on the fallacy of the 'delicate balance theory'.

The puppet governments of the two deliberately created buffer 'states' (Lebanon and Jordan) are there to serve the intended purpose of dividing the Arab people in their just struggle against feudalism, imperialism and Israel. Lebanon and its imperialist allies rely on a religious schism; the Arab liberation organisations' campaign in Lebanon was largely successful because of the massive support of both Christian Arabs and Muslim Arabs. There goes Lubell's delicate balance ! I should remind Lubell that the Christians are Arabs first.

Next, the casualty figures cited by me were for Tripoli alone. Helou and Boustany couldn't very well indulge in slaughter with both Christian Arabs and Muslim Arabs taking possession of government buildings in Tripoli. Or does Lubell imagine that Muslim Arabs alone were responsible for the occupation whilst Christian Arabs locked themselves at home ?

Finally, the 'rational outsider' would have read that 'my advice' to Lebanon was not to follow Hussein's and Nasser's temporary alliance and their magnificent bungle — that was inevitable — but to follow their commitment to the concept of a Peoples' War.

If Hussein alters his political stance from day to day, the Fedayeen are in a position to reset it. Better still, the Helou-Boustany-Hussein clique should be ousted.

LAWRENCE J SAKARAI

Bombay
March 13

Muslims Next?

YOUR Maharashtra Correspondent ('Muslims Next?', March 7, p 442) errs when he states that "one could not but be struck by the total success of the Bombay Bundh organised by the Shiv Sena". Few observers will be surprised by the success of the Bundh, if it is considered in the context of the three days of shame that Bombay city went through last year, when ruffians ruled the roads and law and order took a holiday. The success of the Bundh can hardly be considered as a criterion for judging the "strength of feeling in the State regarding the Mysore-Maharashtra boundary dispute" because the people stayed in their homes, not due to any particular sympathy for Shiv Sena, but due to fear that the authorities were either unwilling or unable to defend the lives and property of the citizens. The success of the Bundh was a mark of absence of faith among common people in the authorities' ability to enforce law and order.

Your correspondent has done well to point out that Shiv Sena is gradually directing its campaign of hate against Muslims in the State. This trend will dig the grave of democracy in our country. Most of the Senas mushrooming in the country have economic objectives. These objectives are justified and they merit consideration. But it cannot be ignored that economic conditions cannot be improved through a movement based on hate and rancour directed at a particular community or caste. Such hate is bound to lead to violence and vandalism, as was proved amply by the riots last year which cost Bombay city Rs 20 crores. Violence does not solve problems; it only creates new ones. We cannot progress economically if our meagre economic resources are constantly utilised to repair and rebuild what is destroyed by the fury of unruly mobs.

It is high time leaders of the various Senas in the country buried the linguistic hatchet and picked up the economic shovel for constructive work.

RAJENDRA K ANEJA

Bombay
March 15

Public vs Private Transport

WITH reference to your note "Silent on Policies" (February 7, 1970, p 282), I support your recommendation to Government to de-emphasise production of cars, and boost public passenger transportation. Yes, expansion of private transport would mean considerable investment in road-building. In addition, such investments imply that we would have to give up land which could be used for farming, forestry or home construction. The cost is definitely greater than the benefit as we increase the number of private cars which in turn increase air pollution. The emphasis should be on fast rail and bus services using electricity for fuel.

FRANCIS H FERNANDEZ

Chicago,
USA
February 27

CAPITAL VIEW

No Can Do...

Romesh Thapar

OVER the past few days, various correspondents, who have not yet lost the zest to probe superficial 'facts', have been trying to get the truth on our apparent reluctance to host a major non-aligned conference sometime in August/September this year. The reluctance has been expressed at the level of the Prime Minister and has caused a great deal of astonishment in diplomatic circles.

Whichever way you look at it, the desire of the non-aligned nations to meet in New Delhi, or the fact that these nations see New Delhi as the obvious choice, is not something to be embarrassed about. Indeed, the opportunity should be seized to assist the non-aligned at this moment of confusion and despair in the world. However, no such encouragement has been given. Vague responses have made the confusion more confounded.

For some time now, India's response has been sought to the idea that New Delhi be the venue. Earlier 'coldness' or, as some say, 'aloofness', was sought to be dissolved by a series of messages from President Tito. Admittedly, there have been differences about those who are on the periphery of non-alignment and want admission to the conference, and the scope of the conference itself, but there was no issue which could have been construed to restrain a warm and enthusiastic response to the selection of New Delhi as the venue.

The Indian reaction has, of course, encouraged the search for alternative locations. One of these was Addis Ababa, the capital of Ethiopia. Arab opposition could not be countered. And, despite the fact that Indian officials were tight-lipped, a renewed attempt has been made to persuade India to host the conference. The Foreign Minister of Yugoslavia was entrusted with this task. He has now returned, equally unsuccessful.

Speculation is intense about the reasons which have prompted India to take a rather detached attitude to the business of organising the conference. At first, it was believed that the Ministry of External Affairs was in no fit condition to host and, probably, lead such a conference. Later, this impression was dispelled. The Prime Minister's protestations about the difficulties of organising such a conference at this particular moment in India's political life have also not been taken seriously.

Naturally, in the absence of any sound reason for the present valueness, the impression is now gaining ground that India's attitude is conditioned by the opposition expressed by both Soviet Union and USA to such meetings, particularly Soviet Union which fears the impact of such a conference in Africa, Arabia, and Asia, believing that Peking will exploit the conference in its ideological offensives. This impression is strengthened by reports that Moscow is most critical of Belgrade's active sponsorship of the conference.

If Indira Gandhi says, "No can do ...", there is every likelihood that several prominent non-aligned nations will publicly appeal to Government of India to reconsider its attitude and host the conference. This development is likely to take place at the preparatory meeting to be held in Dar-es-Salaam shortly. May be, this is also exactly what Indira Gandhi wants!

Those who believe that India needs to activate its pontificating role in foreign affairs — an activation which does not necessarily mean pontificating on every issue under the sun — will naturally hope that, whatever the current inhibitions, steps will be taken to host the conference of the non-aligned. In the unhealthy international situation which

prevails today, it would be most unfortunate if the conference was located in areas where parochial issues would be emphasised. The fixing of the New Delhi venue would surmount this obvious hazard. It is incredible that our foreign policy planners have not seen this as a major threat to the revival of the *elan* of the non-aligned.

April 6

THE FOURTH ESTATE

The World View

Nireekshak

HOW far the average newspaper reader is interested in international affairs, particularly events and developments which are remote and have no apparent relation to the affairs of his own country, is a matter of speculation. An earthquake in Turkey certainly stirs his imagination, not because it has occurred in Turkey but because the occurrence itself touches the emotions deeply. Banner headlines and extensive reports are natural in the circumstances, for it is safe to assume that the reports will be eagerly read by readers. Similarly any other natural calamity, particularly if accompanied by human tragedy, like a flood in Chile or a cyclone in Florida or a volcanic eruption in Bali, invites the reader's immediate attention and interest. Even a coup in Cambodia may rouse his curiosity, if only because Cambodia is almost next-door to India.

Yet how many readers care to delve deep into the mysteries of Ministry-making in Italy or to assess the implications of the frequent kidnappings of foreign diplomats in South America? How many of them would find it worth their while to read editorials on these subjects, if written? Probably not many, perhaps some; at any rate not an easy question to answer accurately. However, irrespective of what percentage of readers may find a discussion of foreign affairs interesting, there is no mistaking the interest that newspapermen themselves evince in goings-on the world over.

Healthy Trend

This is altogether a healthy trend, in my view, as I have had occasion to remark before, for the function of the Press is not merely to provide readers what they want but also to provide them, occasionally at least, with what they should have. Anyhow, it is a measure of the newspaperman's own keen interest in foreign affairs, if not also of readers', that the recent meeting between Willy Brandt and Willi Stoph, at Erfurt in East Germany, has been extensively commented upon in the Press. There was nothing spectacular or earth-shaking about this meeting, from the point of view of hard news, but its significance could not escape the student of foreign affairs;and it is as a student of foreign affairs that the Press seems to have emerged in this particular instance.

In the opinion of *Mail*, "the Erfurt meeting is part of a much wider dialogue between East and West, and the future relations of the two parts of Germany will be governed by the outcome of that dialogue" (March 20). Though "nothing came of the first meeting", it went on to say, it is gratifying that "the political heads of the two parts of a cruelly divided country have met for the first time since partition 25 years ago". There was, of course, no 'partition' 25 years ago, but *Mail* expressed a widely held sentiment when it concluded its editorial by saying that "the most industrious and resourceful nation in Europe ought not to dissipate its wonderful gifts by permanent division and dependence on others".

Not Unschooled

National Herald affected a reminiscent mood in its comment (March 21). "Erfurt, the town of flowers with its fine Romanesque and Gothic churches where Martin Luther lived as a friar and where Social Democrats had their stronghold has been the meeting place of the West German Chancellor and the East German Prime Minister and may have contributed to German history." The writer apparently couldn't resist the temptation to record his knowledge of German geography as well as history. "Not far from Erfurt", he said, "is Weimar, home of Goethe and Schiller, dear to all Germans [and a lot of others, he might have added] and Buchenwald, where Mr Brandt paid his respects of Communist and Social Democrat martyrs who resisted the Nazis, the most notable of whom were Ernst Thaelmann, the Communist leader, and Rudolf Breitschied, the Social Democrat." Quite a good diversion from Erfurt, this! However, *Herald* did not forget to point out that the "important thing about the Erfurt talks are that further talks will be held in Kassel". What was needed to ease the present situation, the paper said, was to establish equal relations between the two states". Finally, "the two German states have a great responsibility to see that no war is unleashed again from German soil".

According to *Tribune*, improbable things happen sometimes; "and one such thing was the meeting between Mr Willy Brandt, West German Chancellor, and Mr Willi Stoph, Prime Minister of East Germany". It was not right to expect any 'spectacular results' from such a meeting, but the paper conceded that "the Erfurt talk was a significant event". The editorial went on to trace the difficulties in the way of a settlement, finally to conclude that "the existence of vested interests is the real impediment in the way of better relations between the Germanys".

Also Ran

Lest anyone should imagine that there had been an overemphasis on German affairs in editorial comments, let me hasten to say that the Fourth Plan too had been a focus of interest recently. Perhaps the Plan should have received far greater attention than it seems to have received in the daily Press. Of course, dailies like *Economic Times* and *Financial Express* are naturally expected to pay detailed attention to the Plan and, relatively speaking, they have. Others have attempted no more than a cursory examination of the issues.

Deccan Chronicle thought that the "revised Fourth Plan of Rs 24,882 crores can be expected to ensure a fair deal for all" (March 25). It singled out two features of the Plan for special comment. "One interesting aspect of the Plan is the financial assistance to the tune of Rs 3,500 crores to the States to be given not as 'grants' but as 'loans' spreading over longer periods. Another novel feature of the Plan is the provision for special accommodation to the States facing chronic non-plan deficits." However, it also uttered a note of warning that "unless sufficient care is taken to evolve a rational distribution excluding arbitrariness or factors tending to make the whole process of determination capricious, the provision of 'special accommodation' would create inter-State frictions and irreconcilable disputes".

Free Press Journal, too, believed that "rumblings over some of the aspects of the revised Plan do not augur well". After examining the trend of discussion at the National Development Council the paper argued that "the first need is to see that the revised Plan goes full steam ahead. To put impediments in its implementation at this stage is both ill-advised and imprudent".

Weighty Proposition

It is fortunate, perhaps, that besides five-year plans and European history the Indian Press has an occasional eye on the frivolous. What could be more diverting, for example, on a Sunday morning than to dissect the proposition whether a miss should see her own kiss? *Searchlight* had a near-two-column editorial on this weighty subject on March 15. The dissertation was based on the reported ban that censors had imposed on a teen-aged Bombay film star against seeing her own film, in which she had enacted a kissing scene. "Obviously the Bombay maiden does not know the rules of kissing", *Searchlight* said. "Because misses are not expected to tell of their kisses." Shakespeare and Swift, Holmes and *Punch* magazine were all enlisted to make the central point of the editorial, which was: "Why, pray, should she be denied to see her own creation?" Well, why should she, specially as she has seen it several times already in the 'rushes'!

FROM OUR CORRESPONDENTS

WEST BENGAL

A Helpful Bullet

WHOEVER made the unsuccessful attempt on Jyoti Basu's life at Patna rendered a great service to CPI(M) in West Bengal. The dastardly attack not only galvanised the extremely large mass base of the party into immediate militant actions — spontaneous strikes, large demonstrations, huge meetings, etc — but also enabled the party to steal much of the limelight from the laboriously organised Congress campaign over the Burdwan atrocities. Even earlier, propaganda against CPI(M) had suffered a severe setback when the heart-rendering story of a teenage girl having been rendered an orphan and homeless as a result of the Burdwan incident, splashed on the front page of two local dailies with a photograph of the tearful girl, proved to be a complete hoax. CPI(M) has now passed on to a fullscale offensive with the well-oiled party machine daily turning out impressive meetings and processions on the demand of an early poll.

Cracks in Mini-Front

Apart from the surge of indignation over the attempt on the life of such a popular leader as Jyoti Basu, CPI(M) has been helped by some fortuitous developments. First, cracks have appeared in the anti-CPI(M) camp in the United Front. The defeat of the Forward Bloc candidate in the Rajya Sabha election has created some bitterness between that party and its two closest allies, Bangla Congress and CPI. In violation of the electoral pact among these three parties, three Bangla Congress MLAs are suspected by Forward Bloc to have cast their votes in favour of the Congress (R) candidate. The party also resents the fact that seven of the 50 voters for the CPI candidate, Bhupesh Gupta, did not cast their second preference votes. The Forward Bloc leadership, understandably angered by all this, has opened a tentative dialogue with Jyoti Basu.

Secondly, Governor Dhavan's debut as ruler of the State has so far failed to make a favourable impression. Dhavan has, in contrast to his predecessor in this high office, won the respect and affection of the Bengali middle class for his scholarly disposition, human qualities and an apparent sympathy for the people. But Dharam Vira's reputation as an able administrator, stories about the stern treatment he had meted out to profiteers and hoarders in Punjab and a measure of efficiency he imparted to the top echelons of the State administration in the first few days of President's rule had evoked admiration and raised hopes among some sections of public opinion. Dhavan not only lacks the advantage of a reputation as an administrator, but has also made a poor start. The first fortnight after the proclamation of President's rule witnessed a total paralysis of the State secretariat. Though five advisers to the Governor have been named, only two have joined, one of them being the existing Chief Secretary to the Government. Even these two have not started functioning. Files are not moving, decisions are being postponed and action put off. The Governor, who had announced his intention to work from Writer's Building, has not yet been able to visit the place even once in these two weeks. Even the incidence of ordinary crime — murders, robberies and snatching —, which had markedly fallen in the first few days of President's rule, has been on the rise again.

This negative development, i e, absence of enthusiasm for President's rule among the politically articulate but non-partisan sections of the urban middle class, coupled with growing restiveness within the rural base of the Left parties as a result of stepped up police activities leading to indiscriminate arrests of militant political workers and cadres at some places provide a favourable climate for CPI(M)'s mounting campaign for restoration of elected government.

CPI Divided

In the face of the vigorous challenge from CPI(M), parties opposed to it in the defunct United Front are in a fix. They realise that a posture of passive acquiescence in President's rule will harm their Left image. Possible options open to them are: (i) working for revival of the old 14-party coalition; (ii) formation of a socalled mini-front government without CPI(M); and, (iii) falling in line with CPI(M) in demanding an early election. The first option is blocked by CPI(M) and Bangla Congress; to take the second course will be to embark on a perilous course. The third is not an independent choice at all, but a compound of the first two options, as it involves the question of electoral alliances in term of the first two alternatives. Intermittent parleys within the anti-CPI(M) camp have not yet led to any crystallisation of positions. SUC has firmly opposed the mini-front idea; Forward Bloc is vacillating.

The prospects of a mini-front depend largely on the stand that CPI adopts. The party is still undecided. Though a part of the senior leadership of the party seems inclined to plump for it as the only course left to it for survival, others are strongly opposed to it. They argue that the formation of a mini-front will involve complete dependence on

Congress votes and triumph of the Right-wing in Bangla Congress, developments which will be extremely harmful for the party and the popular cause. CPI ranks are also divided on similar lines. The State party has convened a meeting of its top policy-making body for a preliminary debate on the question. Much will depend on the outcome of this meeting.

LUCKNOW

To Make a Good Teacher

EVER since 1950 teachers of the two residential universities in the State, Allahabad and Lucknow, have organised their joint conventions. Deliberations at these Conventions have led to changes in University Acts, Statutes, and Ordinances, and to improvements in teaching and research. The latest convention was inaugurated on March 8 by D S Kothari. It also had Gorakhpur University as the third participant and observers were present from the University Teachers' Associations of Banaras and Saugar. Corresponding associations of Delhi, Chandigarh, Jaipur and Patna expressed their sense of solidarity and fraternity. Two academicians, one each from America and USSR, greeted the Convention on behalf of their own university teachers' associations.

The Convention expressed the view that planning had raised the question of implementation of educational reforms on the national level. While the University Grants Commission might be functioning as the statutory national body to co-ordinate and determine standards, education was a State subject and the implementation of national policies in the field of higher education had led to uneven development. Almost every university in the country has a Teachers' Association, however, and it may be in the larger national and academic interests and in the interests of implementation of the resolutions passed by this Convention that a National University Teachers' Association be formed. The Convention, therefore, appointed an organising Committee.

Unsuccessful Attempt

Resolutions of the Convention were on the usual four themes. The importance of teaching and research was emphasised. An unsuccessful attempt was made in the process to make the teachers conscious of the fact that the *primum differentium* of university education is research and that, without it, a university is a glorified school.

The next item discussed by the Convention was the role of students' participation in co- and extra-curricular activities. An attempt was made to identify the areas for student participation in university management. The Convention could, however, agree only to student participation in seminars, study circles, and co-curricular activities! The need was recognised for establishing better rapport between students and teachers in respect of (i) university halls; (ii) athletic associations; (iii) proctorial boards; (iv) delegations; (v) maintenance and improvement of university buildings and gardens and keeping the campus clean and attractive; (vi) assisting the Dean in organising welfare programmes for students; and (vii) Freeship Committees. In an attempt that seemed to verge on the liberal, a number of amenities were suggested with a view to encouraging better and more fruitful creative student life.

Democratic Environment Necessary

In the third part of the discussions — which seemed almost divorced from the second — it was emphasised that for discharging functions aimed at constructing a democratic and egalitarian society, a democratic environment was a necessary condition. Living in an undemocratic set-up an average teacher cannot carry the conviction that democracy is not a device but a way of life. The Convention underscored that university autonomy is a form of decentralisation which has enemies within and without, that it can be protected by ensuring the largest participation of teachers on one level of work or the other. This view was also emphasised by D S Kothari, who maintained that an average teacher could be offered an opportunity to take decisions through *ad hoc* and Standing Committees of the Faculty and the Academic Council, and that in the meetings of Departments all teachers, researchers, and even some senior students, should be associated. The Convention, however, stopped with the recommendation that posts of heads of departments should be held by rotation.

The teachers' viewpoint was restricted to their own horizons. The Preamble to Section IV of the resolutions stated that, a conducive democratic atmosphere for work and study is a necessary but not sufficient condition for intellectual development. The salary structure, opportunities for promotion, and security of service, are necessary to make such development feasible and to attract talented young men to university service. Though the existing salary structure is an improvement over earlier ones, it is far from satisfactory, compared with those in the administrative, defence, commercial and industrial sectors of the economy. Mere creation of higher posts does not solve the problem, as for each such post there may be five competent aspirants and those not selected become victims of frustration which thus retards creative work.

In recommending the adoption of a running scale of pay as in the CSIR or CHS the Convention took the view that strictest standards be maintained in recruiting a university teacher, but that once appointed, periodic evaluation of his work and achievements by objective criteria by a Committee of experts should enable him to reach the highest running of the professional ladder. After good work promotion should not depend either on the creation of a new post or the retirement of the senior teacher.

Complex Task

The underlying idea behind the Draft Resolutions of the Convention was thus to evolve a system of in-built work and in-built promotion. To balance these two requirements in the larger social interest, as distinct from sectional interests, is a complex task. While the Convention has categorically recommended a running scale of pay it should have also found time to adopt the draft resolution relating to the functions of a department. Therein it was merely stated that the department shall frame an annual plan of its academic activities, with research as the core.

A non-novel identification of the areas of students participation; broad-based functioning of University bodies; stoppage of undue interference by Government; introduction of a running scale of pay and the necessity of forming an All-India University Teachers' Association; emphasis on higher education being made a Union subject; and, pending this, a more effective role for the University Grants Commission are the conclusions that emerged from the Convention.

ASSAM

Underground in Quandary

THE Naga underground are in a quandary. Phizo, who was for long their mentor, is too far away and too tenuously in contact with them to be an effective leader any longer. The Church — the other mainstay of the movement in the past — has been critical of the collusion between the underground and the Maoists. Moreover, Governor B K Nehru has been advocating a hard line in peace negotiations, his preconditions being that the underground should (1) give up their claim to sovereignty and (2) cease contesting the legality of the 'elected' Sema regime. The Chinese, too, for their part are putting pressure on the underground. According to Mowu Angami, they want the Nagas to commit themselves to being their allies and to work under their political surveillance. Indeed, according to the Union Home Minister, the underground are already acting as intermediaries for the Chinese, passing on arms received from them to the Naxalites.

The tragedy of the underground today is that though they want an honourable peace, preferably with Phizo's approval, such peace seems well out of reach. For, in addition to their other dilemmas the underground are ridden by internal factional quarrels on the bases of tribes and clans. They are already divided into two camps. The camp in favour of play-safe is veering round to supporting the Sema regime, while the other more militant group continues on the militant Phizo path. Yet in Phizo's absence it cannot formulate its demands and has no clear idea of how to set about getting them fulfilled. Its occasional reversion to romantic violence has not improved its image either.

All this has begun to tell on the support for the underground among the young. The young in Nagaland are now critical both of the administration's immorality and of the underground's utopia. Shaken by official corruption, uneconomic spending, collapse of the *jhum* economy, and confusion of moral ideas the younger generation is questioning the elders' wisdom and the area's much advertised march to progress. At the same time, the divisiveness and indecisiveness of the underground is losing them the sympathy of the young. While the underground see in these young men their future recruits and a fresh source for levies, they have failed to reckon with the fact that, as these younger people are fast becoming de-tribalised and more responsive to liberal ideas and institutions, the nature and basis of the underground's own appeal to them would have to be different. The younger generation is unlikely to oblige their adventurist leaders by agreeing to become their followers.

This multiple strain is reflected in the morale of the underground. Some 200 of the underground rebels surrendered last week to the security forces in Manipur. The trend is significant, though not decisive. How long can the underground survive under pulls from different directions? Will they choose ultimately to go communist? These are questions currently being debated among the underground factions.

This is the sixth year of official peace in Nagaland. But the constitutional government has yet to endear itself to the population. Ministers are corrupt and expensive to maintain. Businessmen are making easy money. And the administration is less responsive to developmental work than even the army. Heavy subsidy for Nagaland has encouraged spending without any corresponding desire to generate local resources. Sources of taxation are few. There are no plans to reconstruct the *jhum* economy. In the circumstances, State autonomy is inevitably being eroded.

Nevertheless, the Assembly is busy with other debates. The demand for immediate transfer of law and order to the State Government is being raised in the Assembly both by the Opposition and the Treasury Benches. Complaints against military excesses are being revived and the Governor has agreed to look into specific cases of grievance. The boundary between Assam and Nagaland has also figured prominently in Assembly debates. While the Assembly thus goes through the motions of governance, Hokishe Sema's peace offer to the underground, though accompanied by a promise of rehabilitation, has failed to elicit any response from the underground who consider themselves an independent regime, entitled to talk directly to the Central Government.

ANDHRA

Ministers in the Dock

MINISTERIAL conduct and integrity have been the subject of heated debates in the Andhra Pradesh Legislative Assembly and Council on more than one occasion in the last two weeks. The State High Court's strictures gave grist to the debates in two instances. In one of these, a State Minister was brought to task for his method of disposing of a forest contract. In another, a State Minister, who had been Member of the State Housing Board before he became Minister, was criticised for the way he had allocated accommodation. In the third instance, it was the conduct of the present Revenue Minister, with respect to fertiliser distribution, when he was Minister for Agriculture, that was under fire — the malpractices having been spotlighted in the Public Accounts Committee's report.

The sudden crop of indictments of Ministers within a single fortnight was beyond the coping powers and aplomb of even the Chief Minister. The debates were acrimonious. The details of the accusations could not be explained away.

In the first case, the present Minister for Municipal Administration had been indicted by the Court for passing an order, when he was Minister for Forests, assigning the contract for forest produce to a particular person, which according to the Court indicated undue favouritism to the contractor and inadequate or perfunctory attention to the various issues involved in the contract. It was stated that Government may well have sustained a loss of about Rs seven lakhs as a result of this. It was only the intervention of the Chief Minister, rescinding the order at the last moment when it was brought up before the Cabinet, that had saved the loss. The Minister's explanations, that the file was forwarded to the Finance and Law Ministers who concurred in his decision, and that it was later when the file was put up before the Cabinet the financial implications of the transaction were found to be much more serious than initially envisaged, were, no doubt, aimed at minimising his own responsibility for the order by underscoring that the decision was not unilateral and was *bona fide*.

In the second case, the High Court passed severe strictures on the conduct of four non-official members of the Andhra Pradesh Housing Board in the allotment of houses constructed by it. One of these members is at present Minister for Electricity. The members were indicted for being instrumental in getting a resolution passed by virtue of their majority at the board meeting, allotting houses "ignoring the public duty cast on a statutory board". The court, disposing of the writ petitions filed by some applicants and invalidating the allotments made, considered that "it was regrettable that non-official members wanted to have discretionary quota for each one of them, when they found that their candidates were not getting allotments on the basis of the marking system.... The illegal and improper conduct resulted in serious loss to the Housing Board and to the applicants who should have had the allotments long ago". The Court said that the chairman of the Board (who did not attend the meeting), as well as the State Government, were equally to blame. Subsequently the Court refused to modify its remarks against the chairman, who, it was claimed, was on leave on the dates when the allotments were made and, therefore, could not be held responsible for the decisions. Discussion on the judgment was put off until a certified copy of it could be procured. Though the Minister involved did not choose to make any explanatory statement, a sequel to the judgment was the resignation of the three other non-official members of the Board. In a statement, they said that "we tried to the best of our ability, our conscience, and by collective approach to allot houses to a great majority of persons who are not in a position to construct their own". The judgment, however, acquired particular significance by the candid observations it made against "Government's policy" of choosing only politicians as members of statutory boards, ignoring men of character and ability from other walks of life. The branding of politicians as a tribe led to a section of the legislators preferring a privilege motion against the judge. Inherent in the situation are thus seeds of a confrontation between the High Court and the Legislature.

In the third case, the charges made in the Public Accounts Committee's report against the State's Revenue Minister related to his alleged personal interest, as the then Minister for Agriculture, in the distribution of fertiliser allotted to the State around 1968. The Committee, which unearthed this 'deal' expressed 'surprise' at the way in which, in a number of cases, the Minister made allotment of fertilisers to manure-mixing firms directly without even verifying the genuineness of the firms. The Committee opined that "when fertilisers worth crores of rupees were being purchased all these years, failure of the policies, which was mainly on account of faulty system of distribution, resulted in the fertiliser not reaching the desired destination". In two specific cases, the Committee said, "the firms successfully cheated the State Government and the Union Government and the agriculturists as well". Further, it said that, subsequent changes in the distribution procedure, entrusting distribution to the Director of Agriculture, were necessitated by the large accumulation of fertiliser stock worth Rs 10 crores by August 1969. These observations in the Public Accounts Committee's report were supplemented by a long memorandum on the subject to the Assembly Speaker by a member of the Swatantra Party in the Assembly.

What followed all this was a spate of demands for the resignation of two of the Ministers, and demands for appointment of an inquiry committee of legislators or for investigation by the CBI to go into the allegations about the present Revenue Minister's role in fertiliser distribution. Are the watchdogs of public interest at last taking their business seriously?

REVIEW

Structure of Industrial Finance

Bhabatosh Datta

The Changing Structure of Industrial Finance in India: The Impact of Institutional Finance by L C Gupta; Clarendon Press, Oxford, 1969; pp 182; Rs 38.50.

ONE may not agree wholly with L C Gupta's prefatory statement that "the face of industrial financing organisation in India has changed beyond recognition over the years since Independence", but no one will deny the need for a comprehensive study of the new structure which has become an important supplement to the financing system developed under the British methods of banking and capital issues. The last 20 years have seen many changes, all leading to a widening of the basis of industrial financing. Term lending by commercial banks has come in as an important departure from the old practice and official backing through refinance is an entirely new development. New specialised institutions have been started for providing long-term finance directly to industry and bodies like the Life Insurance Corporation and the Unit Trust of India have become effective intermediaries between the private savers and industrial organisers. The direct finance provided by the managing agents out of their own resources or the indirect finance arranged by them on the strength of their credit are no longer there, but industries have started accepting deposits from the public directly in the same manner in which the old managing agents, particularly in cotton textiles, accepted deposits from friends and relatives in the nineteen twenties.

No Definite Conclusion

The experience in regard to two of the major components of the new structure — the Industrial Development Bank of India and the Unit Trust of India — is, however, too short to make any meaningful evaluation possible. The Industrial Finance Corporation is the oldest among the new institutions and, for several years, this body and the State Financial Corporations were the only source of and backing for official financing of the long-term needs of industry. The Industrial Credit and Investment Corporation of India was established in 1955 and it provided facilities — particularly in regard to foreign exchange resources — which were not otherwise available; but even in the case of this institution, the available records are inadequate for a thorough evaluation. The Refinance Corporation for Industry, started in 1958, has now merged with the IDBI, which has also taken over the IFC as its subsidiary. The National Industrial Development Corporation is no longer a financing body and the institutional structure at present consists mainly of the IDBI and the ICICI for providing direct finance and the LIC and the UTI for providing a bridge between private saving and organised investment. Besides, as has already been noted, there has been a welcome, though inadequate, change in the approach of commercial banks to the problem of industrial finance.

Within the limitations of the available data, and particularly of the short experience, Gupta has done a valuable piece of work. He has concerned himself mainly with the structure of the system and not with the manner in which the individual components have been functioning. In the case of each of the components, the progress of operation has of course been studied and there are also illuminating exercises in the patterns of assistance rendered. Starting with commercial banks, Gupta shows that bank credit financed 20 per cent of the gross investment of the private (non-financial) corporate sector during the Second Plan period and that the percentage increased to 22 in the following five-year period. One, however, notes that inventories accounted for around 30 per cent of the gross investment in the relevant sector during these periods and that fixed investments were mainly financed by the internal savings of the firms, security issues and mortgage playing relatively minor parts. It is difficult to infer from the data given whether bank credit was overutilised or underutilised during the period, *vis-a-vis* the requirements of working capital. There are indications, as has recently been argued, of industry borrowing from banks in excess of their requirements, but the data collected by Gupta do not lead to any definite conclusion.

End Use of Loans

The fact often is that the aggregates do not indicate what is actually happening. Table III.5 in Gupta's book, for example, shows substantial industry-wise disparity between inventory as a percentage of total assets and bank loans as a percentage of the same total in a selected year (1960). There was the construction industry in which inventories constituted as much as 63.2 per cent and bank loans only 1.5 per cent of the total assets, while there was also the sugar industry in which the percentages were 52.7 and 29.9 respectively. The Table also shows that these percentages increased at disparate rates between 1956 and 1960: in the case of common textiles and a number of other industries, the increase in bank loans as a percentage of total assets was appreciably above the increase in the share of inventories in the total. Gupta draws attention to the relevant point that in many cases bank loans granted ostensibly for financing inventory may have been used for other purposes. He could have also pointed out that the opposite was also possible and more generally that the classification system used in the statistics of bank advances often conceals the end use of the loans.

There is also the question of the relation between bank advances and the size of the debtor firms. The different sets of data brought together are not clearly conclusive, but it is indicated that while bank credit is more important than new security issues in the cumulative totals, the *rate of growth* of physical assets has depended more on new issues than on bank credit. In regard to the specific problem of the commercial banks' entry into the field of term loans, Gupta's study is limited by the fact that his data do not come beyond 1965 or 1965-66. The refinancing scheme operated by the RCI from 1958 was taken over by the IDBI in 1964 and naturally Gupta's factual data reveal only a small impact. There are, however, certain suggestive points made by him even on the basis of his limited data. The ceiling prescribed by the IDBI for refinancing of industrial term loans made by individual banks on the basis of their capital and reserves, is low, particularly when one considers the low capital base of the commercial banks. If Gupta had written after nationalisation of the commercial banks, he would have been on a stronger ground in arguing for de-linking the ceiling from the capital base. He could also have mentioned the changing deposit pattern of our commercial banks, with the percentage share of time deposits rising. It would have been interesting to read Gupta's views on the approach of the commercial banks to the question of security and on that of the Reserve Bank to liquidity.

In the remaining chapters, Gupta describes in detail the structure and operation of the new institutions. He begins with the LIC and brings together interesting data regarding the net annual purchases of corporate securities by that body, the annual growth of the life funds (which can be equated with the annual saving through life insurance), the proportion of shares and debentures of Indian companies in the total assets of the Corporation, the number of companies (distributed according to size-classes) in which the LIC held shares, the percentage of total share capital of these companies held by the LIC, and also the extent of LIC investment in the shares of new companies. Unfortunately, the data assembled here do not come beyond 1963. It appears that in that year, the LIC held shares in 63 per cent of the non-financial companies listed on the Bombay Stock Exchange and that these shares constituted 8.1 per cent of the total subscribed capital of the companies concerned. It is also pointed out that the influence of the LIC on the industrial securities market was only thinly spread outside the range of large and well-established companies. The stabilising influence of the LIC on the securities market and its contribution to the strengthening of the underwriting arrangements are duly emphasised. It is stated that "the presence of such a large institutional shareholder as the LIC is bound to have the effect of promoting greater discipline among corporate managements", but there is no indication as to how and how far this power has actually been exercised.

Investment Trusts

Gupta goes next to the role of investment trusts in general, distinguishing the investment trusts proper (with a high degree of diversification of holdings) from the holding companies and finance companies. The number of private investment trusts in India has always been small and they have generally been associated with particular industrial groups. The field is now dominated by the UTI, which satisfies the qualifications of an open-end investment company, offering continuous sale and purchase of units at announced prices. As the UTI came into existence only in 1964, Gupta has not been able to give any significant statistical material, but he rightly points out that investment trusts carry the evolution of corporate industry a logical step further. The main social advantage of the joint stock company is that investments which are fixed from the standpoint of the community are rendered liquid for the individual savers; the investment trust carries this advantage a step further in providing fractional ownership and liquidity to the individual saver over a wide range of assets.

Gupta's suggestion about increasing the number of officially sponsored investment trusts is worth very careful consideration.

The two chapters that follow are devoted to the new long-term financing institutions, starting from the IFC and coming up to the IDBI. The structural details are clear and accurate and the Tables bring together a mass of well-organised information regarding the amounts of loans sanctioned by these bodies during 1948-65, the amounts actually disbursed, the form in which assistance was rendered and the share of such assistance in the gross fixed investment in private industry (the share rose from 4.1 per cent during the First Plan period to 18.1 per cent during the Third Plan).

In analysing the factors behind the rising demand for medium-term and short-term loans from these institutions, Gupta mentions the fact that the growth of the industrial securities market has been slow relatively to the growth of private industry, which has been helped by factors like import restriction, Government policy regarding licensing, foreign collaboration and the emergence of new entrepreneur classes. The fact that the equity-debt ratio is rather low in the case of a large number of enterprises is noted, but it is also pointed out that the danger of a high debt position is less when the lender is a discriminating public institution than when it is a private financing body.

Mainly for Large Projects

An interesting point made by Gupta is that it should be possible for the specialised institutions to try intermediate or mixed forms of term lending — like, loans containing an agreement for full or partial conversion into equity capital, loans with a right to participate in profits or with a claim to 'rights shares' in the case of new issues and loans at rates of interest graduated according to the proportion of such loans to the owned capital of the borrowing firms. Some of these experiments have already been tried by the International Finance Corporation and there is no reason why the national institutions should not examine these lines of action.

There is also an interesting discussion on the financial assistance provided by the special institutions to new enterprises, to small companies, and to 'lame-dog concerns, that is, concerns whose past profit records are chequered'. The majority of the new large companies floated recently have borrowed from these institutions, attracted no doubt by the facilities offered by them and also by the fact that the whole of the loan is available at the prime rate of interest. In the case of small companies, however, it is only the State Finance Corporations which have come forward on an appreciable scale. The IFC, the ICICI and the IDBI have all been concentrating on large-sized projects. The data for the IFC show further that in the main the loans were granted to companies with good dividend records, i e, companies which, even in the absence of assistance from the specialised institutions, should have been able to raise capital through new issues. There were presumably special circumstances in each case, but there is a strong point in the argument that these institutions should come to the help of the firms which face temporary difficulties in maintaining the past rates of profit.

The book concludes with two more valuable chapters, the first of which is on the growth of underwriting of new issues and the relative roles in this field of the different specialised institutions, investment companies, banks, stockbrokers and others. In 1965, the latest year for which data are given, banks and stockbrokers were the most important operators in the field, the role of the banks being particularly large in the case of preference issues. The LIC has been coming up as an important underwriter, showing a preference for preference issue and a greater preference for debentures. The final chapter of the book goes into the question of the ownership of industrial securities. Naturally, this contains less dependable material than the other chapters. Three studies are referred to — one undertaken by Gupta himself in 1957, one by R K Hazari in 1960 and the third by the Reserve Bank in 1962. The coverage and objective were different in the three different studies, but what clearly stands out is that the omnibus category 'individuals' holds, according to all the computations, half or more of the total share capital of the companies covered and also that one does not know what is the distribution of holdings within this category. Apart from the fact that there are different income-classes among 'individuals', one has also to remember that non-corporate firms, especially family firms and partnerships, are included in this residual category. One also notes that next to 'individuals', the largest share-holdings are inter-corporate.

All this Gupta has presented very lucidly and also with a commendable economy of words. He has not gone into the operational details of the new institutions or into the process of decision-making in these bodies. One has, however, to remember that our public institutions have not generally been open-hearted in laying before the research worker the actual process of internal operation and that, because of a variety of reasons, the published reports sometimes use aggregates or sub-aggregates from which the variables important for analysis cannot always be isolated. One hopes that future research workers will be able to study in depth the issues that have been raised in Gupta's book and will also be able to bring the story up-to-date. The reader of Gupta's book proceeds with unflagging interest through every chapter until he comes suddenly across the fact that the statistical material ends with 1963 in many cases and rarely comes beyond 1965. Will it be too much to hope that a new edition of this useful book will soon become necessary and that the author himself will give the readers his analysis of the latest developments — and that the time-lag between the last year studied and the publication of the book will be less than five years?

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Farm Production Function Studies

Treatment of Weather and Selection of Functional Form

V M Rao

Farm production function is a useful device to comprehend the diagnostic and policy implications of the current use of inputs on farms. Increasing availability of farm management type of data in India has encouraged the use of farm production function as a tool in empirical analysis.

Results obtained in these studies are not, however, very reliable, judged by criteria of goodness-of-fit and stability of estimated co-efficients from sample in the same region.

There is need, therefore, to examine the methodological basis of these estimates. While a set of methodological assumptions are necessary in any empirical research, it may be that too rigid an adherence to those assumptions in farm production function studies has led to a neglect of potentially useful prior information in specifying the model.

This paper describes two approaches to make such assumptions less restrictive and to assimilate better in these studies information that is usually available.

I

Introduction

FARM production function is a useful summary device for bringing out the diagnostic and policy implications of the prevailing use of inputs on farms. The growing availability of farm management type of data in India, in recent years, has encouraged extensive use of farm production function as a tool in empirical analysis. However, judged by the criteria of goodness-of-fit and stability of estimated co-efficients from sample to sample in the same region, the reliability of results obtained in these studies would not appear to be very satisfactory. Heady and Dillon's survey of farm production function studies indicates that the adjusted R^2 is relatively low for studies in India (around 0.7) as compared to studies in other countries [7].[1] Even more disconcerting is the instability of the co-efficients from sample to sample. For example, it can be seen from Raj Krishna's study for Punjab that the estimated elasticity co-efficient of land changed from 0.50 in one year to 0.27 in the next, and that for irrigation expenditure changed from 0.17 to 0.04 [16]. This is by no means an isolated instance. Commenting on inter-sample differences in the estimated marginal value product of inputs, Schultz voices serious doubts about the plausibility of "the extraordinary inefficiencies in factor allocations indicated by them". [19].[2] It would, thus, appear worthwhile to invest some research time and effort to investigate the reasons for these features of current farm production function estimates and the procedures to remove them; improvement in the efficiency of this tool should be a gain to researchers in the analysis and intelligent interpretation of the mass of farm level data which is already quite large.

Increased reliability of results in estimational studies can come from a number of sources (a) More extensive and reliable data, (b) More effective use of researcher's prior information in specifying the model, and (c) better procedure of estimation. Regarding the quality of farm data, the cost-accounting method, which is now being used by many institutional researchers in India, is probably the farthest that one can go to ensure precision of data; further improvement in this direction may have to wait until keeping of farm records and accounts by farmers becomes more widely prevalent than it is today.[3] Regarding better statistical procedures for estimation, the procedure now in vogue — single-equation least-squares — is optimal for the conventional specification of the model for estimation of the farm production function; other statistical procedures can enter the scene only after change in the specification of the model. Thus, in the search for more reliable farm production function estimates, there would appear to be a presumption in favour of giving precedence to examination of the conventional specification of the model.

The main features of the conventional specification of the model are (a) assumption of the Cobb-Douglas form for the production function with the *measured inputs* as arguments, (b) inclusion of the effect on output of all the non-measurable and uncontrolled inputs (collectively referred to in this paper as "weather") in the disturbance term, and (c) assumption of stochastic properties for the disturbance term consistent with unbiasedness and efficiency of the least-squares estimator.[4] The restrictive nature of this specification needs to be noted. Quite apart from the obvious restriction on the form of the function, the specification to be valid needs lack of correlation, over the sample, between measured inputs and weather inputs. The important point is that, these restrictive assumptions are adopted as a matter of *convention* and not necessarily to the ground of their consistency with the background information of researchers.[5] As a general case, it seems doubtful whether the information with researchers in farm production function studies is sufficiently precise to suggest these assumptions as more plausible and realistic than others. On the other hand, habitual acceptance of these assumptions may have led to neglect on the part of researchers of making fuller use in specification of the model of many items of information. It is, therefore, our feeling that it might be a more rewarding strategy, in farm production function research, to work with less restrictive models and to discover, through better assimilation of prior information, more adequate specifications.

The purpose of this paper is to put forth and illustrate two approaches in this direction. While these are not fully-tested, ready-for-use procedures, they

may have some suggestive value to researchers in the field of farm production function. Their objectives are: (i) to point out the scope in farm production function research for more effective use of information on weather, and (ii) to outline a framework for trying out alternative forms for farm production function. It is shown in Section II, with an illustration, how certain items of information usually available to researchers in farm production function studies can be used, by constructing appropriate proxy-variables, to test (rather than assume) lack of correlation between the measured inputs on the one hand and the effect on output of weather (referred to in this paper as "weather-effects") on the other. With the help of the Theil-Griliches framework for analysis of specification bias in regression models [3, 24], it is shown that the conventional specification of stochastic properties for the disturbance term in farm production studies may introduce bias in the estimated co-efficients and lead to instability in them from sample to sample. The illustration should be of some assistance to researchers in using their background information to detect such possibilities in relation to the samples being studied by them. It is argued in Section III that some amount of experimentation in selecting the functional form is feasible in farm production function research without too drastic a loss of computational advantages characterising the Cobb-Douglas form. A family of plausible forms is indicated for this purpose and a process of construction is outlined to obtain the representative forms in the family.

II

Use of Prior Information on Weather-Effects — An Illustration

The viewpoint adopted in this section is that, while weather-inputs in general are non-quantifiable, the common situation in farm production function research is not of complete ignorance about weather and weather-effects. A researcher may often be in a position to describe and roughly classify the characteristic states of weather occurring from year to year in the region of his study and, also, he will usually have some idea about the state of weather affecting the farms in his sample.[6] Secondly, some indications or hunches may be available to him regarding the types of land and crops in the region relatively more vulnerable to damage or more likely to benefit from weather conditions in particular states of weather. Thirdly, farmers are known to adjust their use of certain inputs according to weather conditions and it should be possible for a researcher to obtain information on the customary practices in this respect. This is by no means an exhaustive list, but it is indicative of the kinds of information on weather and related matters usually available in farm production function research. Since information on these items can be obtained from knowledgeable persons in the region (not necessarily in the sample), we refer to such information, following the usage, as prior information to distinguish it from sample information obtained from the respondents. The purpose of this section is to illustrate the uses of such information in farm production function studies.

The data used in the illustration were collected from the farms in two selected villages in the South Kanara district of Mysore State.[7] The district lies along the west coast and has cultivation largely of rice monoculture type with three crops of rice being taken in a year. More than 90 per cent of total rainfall in a year is received in the south-west monsoon period (June to September) with heavy precipitation in the months of June and July. For the purpose of this illustration, a simple two-state classification of weather is adopted on the basis of distribution of rainfall within the south-west monsoon period. The state is defined as "bad weather" when this distribution is so untimely and uneven as to adversely affect the first rice crop on the entirely rain-fed rice lands. It was learnt during the field investigation that, such a state occurs in the region once in about three or four years. The state is defined as "good weather" when this distribution is timely and even from the point of view of the first rice crop. Admittedly, a competent agronomist or an experienced farmer in the region will be in a position to provide a more elaborate and exhaustive classification of states of weather and, in realistic farm production function studies, the investigator may prefer to use such a classification rather than the one adopted here. However, for the purpose of this illustration, the simple classification is felt to be adequate.

The rice lands in the region are of three broad types with differences in relation to fertility and security of water supply. Since the impact of weather differs from type to type, it is relevant to note here the distinctive characteristics of the three types of rice lands. The short account given below has been obtained from Shetty's unpublished study [21].

> "The three main types of rice lands in the region are Bailu (rich low-lying lands, Majal (middling land) and Bettu (rainfed uplands). The rice lands are classified more with regard to the security of water supply than the nature of the soil; but, as water brings silt with it, the lands with the best water supply have also better soil than other lands. The Bailu lands comprise the low-lying fields which are abundantly supplied with water brought by channels from rivers and streams or raised from rivers by bailing. Three crops of rice are usually taken on these lands in a year. The Majal lands consist of those fields on the higher parts of the valleys which, though not entirely dependent on the rainfall, have a less assured supply of water than those situated lower down. On these fields two crops of rice are raised every year. The Bettu lands comprise those fields which are entirely dependent on the rainfall and which have supply of water sufficient only to last during a short break in the monsoon. If the rainfall is evenly distributed, one good crop of rice can be obtained on these lands."

As regards the cultivation practices on the farms, it is necessary to take note of differences among the three types of rice lands with regard to intensity of input use in different crops of rice and states-of-weather. We have confined attention in this illustration to two inputs, human labour and fertiliser (in addition to land). The customary per acre use of these inputs, as ascertained by Shetty from the local farmers, is shown in Table 1.

A brief indication of the reasons for differences in input use among the types of rice lands is given below. Type A lands are not irrigated, while Types B and C are irrigated outside the monsoon season and also during the season in the event of a prolonged break in the rains. Type B lands receive irrigation water lifted from wells, while type C lands receive flow irrigation for the first and second crops and well-irrigation for the third crop. Use of fertiliser on Type A lands is moderate as compared to that on Type B and C lands with no use in "bad weather". The use on B and C lands varies over the three crops. Differences among the types of lands in relation to extent and mode of irrigation and fertiliser-use imply differences in relation to intensity of labour use on the three types of lands.

The question that is now posed is: how can a researcher, planning a farm production function study in the region of illustration, make use of the above elements of prior information? The steps through which this may be done are indicated below.

TABLE 1: PRIOR INFORMATION ABOUT THE CUSTOMARY PER ACRE INPUT USE ON THE THREE TYPES OF RICE LANDS

Input	Operation	Type A=Bettu (First Crop)		Type B=Majal			Type C=Bailu	
		"Good" weather	"Bad" weather	First Crop	Second Crop	First Crop	Second Crop	Third Crop
Labour (in man days)	Preparatory and Ploughing	6	4	6	9	4	6	6
	Transplantation	15	15	15	15	18	20	20
	Weeding	5	—	5	3	9	6	4
	Harvesting	15	11	15	15	20	20	20
	Application of fertilisers and manures	4	2	8	5	4	8	10
	Irrigation	—	—	—	30	—	15	45
Chemical fertiliser (pounds of nitrogen)	—	30	—	50	35	20	40	30

(i) It is first necessary to define two measurable characteristics of the farms, each appropriate for a particular state of weather, with which the weather-effects may plausibly be expected to be correlated. We define them under the assumption that, in "bad weather", the loss in output due to weather factors is proportional to the extent of dependence of a farm on Type A rice lands and that in "good weather" the gain in output due to weather factors is proportional to an index of quality of soils in a farm. This assumption suggests the characteristics as defined below. The characteristic appropriate for "bad weather" is called here "Vulnerability Index" and the characteristic appropriate for "good weather" as "Response Index".

$$\text{Valuability Index} = \frac{\text{Cropped Area}^8 \text{ of Type A lands in a Farm}}{\text{Total Cropped Area in the Farm}}$$

$$\text{Response Index} = \frac{A+2B+3C}{A+B+C}$$

Where A, B and C are, respectively, areas of Type A, B and C rice lands in a farm. It should be noted that these two indices would vary from farm to farm along with the varying composition of area in farms in terms of the three types of rice lands. Whether these indices vary in a certain systematic manner over the farms would depend on the manner in which the composition of area varies over the farms, *i e*, it depends on an ascertainable feature of the structure of farms in the region of illustration.

(ii) If the investigator asks himself the question posed above after he has collected data from a sample of farms, he has merely to include the appropriate index as one of the inputs when estimating the production function. It is, however, more instructive to assume that he is asking this question before collecting sample data. In such a situation the procedure adopted in this illustration is more relevant. Since Shetty did not collect full farm production data for the farm in his sample, we borrowed from him for the purpose of this illustration data on area and its composition for a randomly selected sub-sample of fifty farms. (Since these data can be collected from the land records for the village, it is not necessary to contact the sample farms to obtain them). For each farm in the sub-sample, the two indices as also the annual labour and fertiliser use in the two states of weather were computed. The latter computations were based on the information about the customary use of inputs on the three types of rice lands as given in Table 1. These computations have the effect of constructing two sets of artificial sample data. They are in the nature of implications, derived purely from prior information, about the configuration of indices and inputs in cross-section samples of farms selected from the region of illustration.

(iii) Finally, for each set of data, regression of the index on the calculated inputs was computed after converting the variables into logarithms. These are in the nature of "auxiliary regression" as defined by Griliches [3]. They help us in specifying the biases in the estimated elasticity co-efficients of inputs when the weather-effects are wrongly assumed to be randomly distributed over the farms in the sample. The results of these computations are discussed below.

In all, four "auxiliary regressions" were computed. For each of the two states of weather, two regressions were computed, once with the land input measured in terms of physical area of the farm and, alternatively, measured in terms of cropped area. This was done to find out whether the biases are sensitive to alternative measures of land input. Table 2 indicates the direction of bias in the estimated co-efficients of inputs as shown by the four "auxiliary regression" equations. The numerical results of these computations are given in the appendix at the end of this section.

An interesting implication of Table 2 is the possibility of persisting biases in the estimated co-efficients. Thus, the co-efficient of land is underestimated in both the states of weather while that of labour is consistently overestimated. Fertiliser, on the other hand, shows the possibility of shifting biases in the estimated co-efficients though the bias is not statistically significant in "bad weather". While these results are specific to the region of illustration, it is easy to see that the possibility of such biases may seriously impair the diagnostic usefulness of farm production function estimates, *e g*, in

TABLE 2: BIAS IN THE ESTIMATED CO-EFFICIENTS OF INPUTS AS SHOWN BY THE "AUXILIARY REGRESSION" [9]

State of Weather	Land Measured in	Inputs		
		Land	Labour	Fertiliser
Good	Physical Area	—	+	+
Good	Cropped Area	—	+	+
Bad	Physical Area	—	+	—(?)
Bad	Cropped Area	—	+	—(?)

Note: [9] — indicates underestimation and + indicates overestimation.
(?) indicates that the bias is not statistically significant.

Appendix to Section II

CO-EFFICIENTS IN THE "AUXILIARY REGRESSION EQUATIONS"

State of Weather	Land Measured in	Equation Inputs: Land	Labour	Fertiliser	Value of R^2
Good	Physical Area	—0.71	+0.55	+0.16	0.996
Good	Cropped Area	—2.26	+1.81	+0.42	0.953
Bad	Physical Area	+2.15	—1.92	+0.09(?)	0.572
Bad	Cropped Area	+3.35	—3.23	+0.10(?)	0.465

(1) The direction of bias, as shown in Table 2, is indicated by the sign of the product of co-efficients in the above Table with the co-efficient of the appropriate index in the production function. It follows from the definition of indices that the index has a positive co-efficient in "good weather" and a negative co-efficient in "bad weather".

(2) Excepting the co-efficient of fertiliser in both the equations for "bad weather", all the co-efficients and values of R^2 were found to be significant at 5 per cent level of significance. The co-efficients of fertiliser in "bad weather" appear with a question mark in the above Table indicating their lack of significance.

suggesting optimum combination of resources on farms or optimum intensity for certain specific inputs such as fertiliser. We cannot bring into the picture the numerical magnitudes of these biases. One needs to know the co-efficient of the measurable characteristic in the production function (in addition to co-efficients in the "auxiliary regression") to specify these magnitudes. Since this co-efficient is unknown, computation of these magnitudes is not possible. However, within each auxiliary equation, ranking of inputs according to magnitude of bias is possible to obtain since this ranking coincides with the ranking according to the magnitudes of the co-efficients of inputs in that equation.[9] In all the four equations, the magnitude of bias was found to be relatively large for land, less for labour, and the least for fertiliser. The fact that biases may unequally affect the estimated co-efficients of different inputs would only further reinforce what was said above about their implications for the diagnostic usefulness of farm production function estimates.

III

A Framework for Constructing Alternative Forms for Farm Production Function

A number of ideas have motivated the approach suggested in this section. First, it is assumed that meagre direct technical information will usually be available in farm production function studies for *a priori* specification of the form of the function; this is a plausible assumption since the data used in these studies are often aggregated over a number of crop-enterprises and seasons in a year and the input-variables are defined broadly to keep their number small. Hence, the need for trying out alternative forms for farm production function seems obvious. Second, the forms to be tried out should arise from a conception of alternative possibilities which is appealing to the researcher in terms of its simplicity and meaningfulness; without such a conception, the process of obtaining the forms would remain unguided by the researcher's needs. Third, in the interest of feasibility in practice, the alternative forms should be small in number and amenable of estimation through linear regression procedures. Lastly, it is assumed that in farm production function studies, the researcher will often have strong hunches about, say, relative productivity of certain inputs on different sub-groups of farms in his sample. While these hunches may be of little assistance in unique *a priori* specification of the form of the function, they may prove helpful while selecting, in the light of the researcher's data, a particular form as more plausible from among the alternative forms tried out. Hence, it may be a good idea, in farm production function research, to supplement the standard statistical criteria for selection of forms with a requirement that the implications of the selected form be consistent with any hunches that the researcher may have. This will provide a role for prior information in the search for suitable form for farm production function.

Let us now consider the conception of alternative possibilities underlying our approach. It is based on the principle of diminishing returns which states that, beyond a point, the marginal product of an input diminishes as more of that input is used keeping other inputs fixed at certain levels. The Cobb-Douglas form makes, by implication, a specific assumption about the way this decrease occurs, *viz*,

(i) marginal product of an input decreases monotonically at a numerically decreasing rate, and

(ii) It tends to the value zero.

It is obvious that, as the general case, such specific assumptions are made in farm production function research as a matter of convenience rather than on the ground of their convincing plausibility. It follows, therefore, that one of the ways in which the researcher may conceive the alternatives in relation to farm production function is by considering, within certain broad restrictions imposed in the interest of feasibility, the alternative profiles of decrease in the marginal product of inputs. This conception of alternative possibilities is adopted here. The restriction on the profile imposed here is that marginal product decreases monotonically at a monotonically changing rate. With this restriction, the alternatives to be considered are the following.

Case A: marginal product decreases at a numerically decreasing rate with a finite lower bound — the Cobb-Douglas form falls under this case,

Case B: marginal product decreases at a numerically decreasing rate without a finite lower bound,

Case C: marginal product decreases at a constant rate,

Case D: marginal product decreases at a numerically increasing rate.

With the conception of alternative possibilities adopted by us, the four cases noted above provide a basis for trying out alternative forms.

The second element in the framework is the process for constructing suitable forms for experimentation. Cases A, through D, provide only a characterisation of the production function in terms of the properties of its first and second partial derivatives. To proceed further, one needs a systematic process to construct forms having the designated properties. Here, again, restrictions become necessary — now on the score of convenience in estimation. We confine our attention to forms in which output in capable of being expressed as a linear function of transformed inputs. Such forms share two of the desirable properties of the Cobb-Douglas form so long as we consider estimation of the parameters in the linear function, *viz*, (i) economy in the number of parameters to be estimated since it would not be larger than the number of independent variables, and (ii) their amenability of estimation through linear regression procedures when, as in the case of the Cobb-Douglas form, the error term with certain assumed properties is introduced additively after the transformation of the variables.

We now indicate a process of construction of alternative forms within the restriction mentioned above. Let O stand for output and x_i .. (i=1, . . .m) for inputs. Consider the following transformation of inputs,

$$x_i^* = \left(\sum_{\substack{j=1 \\ j \neq i}}^{m} g(x_j) \cdot h(x_i) \right) x_i \ldots (i=1, \ldots m)$$

where g(x) and h(x) are assumed to be functions fully specified with respect to form as well as value of parameters. In the second step, O as a linear function of x_i^{*}s is defined as the production function. It can be shown that the properties of the marginal product of an input considered as a function of that input depend on g(x) and h(x) and alternative hypotheses about these properties can be built into the production function by manipulating suitably on the two functions, g(x) and h(x).[10] By way purely of illustration, we indicate below a few alternative specifications for g(x) and h(x), one each for the the four cases A through D spelt out above. It can be verified that the functions based on the transformations given by the indicated specifications for g(x) and h(x) have in each case the marginal product properties corresponding to that case.[11]

Case A: $g(x)=x$; $h(x)=\frac{AR^x}{x}$

A and R are pre-specified parameters with A positive and R between 0 and 1.

Case B: $g(x)=x$; $h(x)=A \log x$
A, restricted to positive values, is a pre-specified parameter.

Case C: $g(x)=x$; $h(x)=Ax$.
A, restricted to positive values, is a pre-specified parameter.

Case D: $g(x)=x$; $h(x)=\frac{A^x}{x}$

A, restricted to values greater than 1, is a pre-specified parameter.[12]

It should be obvious that the process outlined above is in too preliminary a stage to be of immediate routine use in the construction of alternative forms. It is put forth here only in the hope that the ideas contained therein might be of assistance to researchers in developing better and more adequate processes.

A brief reference is in order here to the results of an exercise done by us to compare the Cobb-Douglas form with an alternative form by fitting both the forms to output and input data pertaining to a sample of farms. Sources of these data, the logic underlying the alternative form and the detailed numerical results of the exercise are contained in the study referred to at the end [17]. The alternative form was constructed by using the process outlined above and was based on transformations given by the following choices of g(x) and h(x):

$$g(x)=\frac{1+\log x'}{m} \text{ and } h(x)=\frac{\log x' - 1}{m}$$

where m stands for the number of inputs and $x'=\frac{x}{\text{Minimum Value of } x \text{ in the sample.}}$

(The logarithms were taken with respect to base e).

After fitting the two forms to sample data, they were compared in terms of:

(a) Value of R^2

(b) a non-parametric run test (see "Introduction to Mathematical Statistics", P G Hoel, Second Edition, page 298) to test the hypothesis of randomness in the sign-pattern of regression-residuals (actual output minus estimated output) arranged in order of actual output.

(c) implications of the two forms regarding the marginal productivity of major inputs — land, human and bullock labour, implements and seed and manures — on three sub-groups of sample farms — small, medium and large.

It will be noticed that (a) and (b) are purely statistical criteria to judge the suitability of a form while (c) is in the nature of a criterion which would, ordinarily, permit a researcher to check the implications of the forms being tried out against the hunches that he might have regarding the productivity features of the farms in his sample. Interestingly enough, the exercise revealed that the alternative form fitted the data better than the Cobb-Douglas form (in terms of R^2 value) while the latter form came closer to non-rejection of the hypothesis of randomness of regression-residuals; as regards (c), the implications on the whole were somewhat more plausible in the case of the alternative form though each of the two forms had some implications of doubtful plausibility. We believe that we have said enough to suggest that the process outlined above may have fruitful possibilities in relation to trying out alternative forms for farm production function.

We conclude with a few comments on the purpose and significance of the points made in this section. At first sight, the activity of trying out alternative forms for farm production function may appear incapable of being systematised and, hence, difficult to implement in practice. It is probably this impression which explains the very infrequent experimentation with alternative forms in the literature on farm production function. Our limited purpose here has been to suggest that this impression may not be correct and that some amount of experimentation with alternative forms may be quite practicable without getting involved in intractable difficulties. The framework presented in this section is to be viewed not as a ready-for-use apparatus but as a preliminary prototype which precedes it by several steps and whose main utility lies in perceiving clearly the components needed to construct the apparatus. The need for the apparatus itself, in our view, is self-evident.

Summary and Conclusions

Certain weaknesses apparent in farm production function estimates obtained in India suggest a need for an examination of the methodological basis of these estimates. While a set of conventional methodological assumptions embodying the present state of knowledge is necessary in any field of empirical research, too rigid and unvarying adherence to it in farm production function studies may have led to a neglect in them of potentially useful prior information in specifying the model. Two approaches are described in this paper to make the assumptions less restrictive and to assimilate better prior information usually available in these studies. First, it is suggested with an illustration that it may often be possible in these studies to define plausible proxy-variable for weather-effects and the usefulness of such a variable in improving the results and their interpretation is indicated in some detail. Secondly, a framework is presented for trying out alternative forms for farm production function; need for this seems obvious in view of the slender informational basis usually available in farm production function research for *a priori* specification of form. It is hoped that the family of alternative forms indicated for this purpose will be of help

in developing a systematic and feasible procedure for selection of form in farm production function studies.

Notes

1 Numbers in parentheses are references to the literature listed at the end.

2 The problem of instability in the estimated co-efficients of farm production functions is not peculiar to studies in India. Hildebrand's investigation based on farm samples from Kansas, United States, revealed fluctuations which are reported as "alarming" [8]. He concludes: "An important finding of this research is the wide variability of results from year to year and from model to model. The unsatisfactory nature of results is clear". However, little is offered in the study by way of ideas to overcome the problem of instability. This problem probably remains unnoticed by farm production function researchers in general owing to the single-sample feature of their studies.

3 Since the studies for Punjab and Kansas quoted above are, presumably, based on fairly precise data, it is necessary to be cautious in tracing the present problems in farm production function research chiefly to defective data.

4 It is also customary in farm production function research to work with single-equation model. The scope for and advantages of simultaneous-equations-approach, which may be important, are not examined in this paper.

5 The detailed study underlying this paper (17) contains a survey of the studies recognising the deficiencies in the conventional specification some of which have also tried out modified specifications. The literature cited at the end provides a number of instructive examples of such studies. Examples of studies arguing for or trying out explicit inclusion of weather in the analysis are: Numbers 5, 9, 11, 12, 13, 14, 15, 20, 23 and 26. Examples of studies bringing out the deficiencies of the Cobb-Douglas form are: Numbers 1, 4, 7, 8, 22, 24 and 25. We did not encounter in the literature surveyed any instance of studies based on single cross-section samples (*i e*, not involving cross-section observations over time) attempting explicit analysis of weather-effects. The purpose of Section II of this paper is to show the possibility and utility of such analysis.

6 The concept of states of weather may prove very useful in studying the interaction between measured inputs and weather; if the parameters in the production function are treated as state-specific, the variability in their estimates from sample to sample over the years may fall in a pattern indicating systematic shift of production function from one state of weather to another. Consider, for example, the input-elasticities, shown in the Chart below, obtained in a study for Punjab [16].

A pattern seems evident in the change in the estimated elasticities if the figures in the last column are taken as indicative of state of weather.

7 My thanks are due to N S Shetty of the Department of Economics, University of Bombay, for the data used in the illustration and for many helpful comments concerning them and to A K Deshpande of the same Department for statistical assistance.

8 Cropped area in the farm was obtained by multiplying the physical area by the number of crops of rice customarily raised in a year on that area.

9 This is true when only one variable is excluded which is the case above.

10 To define realistic production functions, it is necessary to take also into account the properties of marginal product of an input considered as a function of other inputs. It can be shown that these properties depend on g(x) alone.

11 It is not suggested that the resulting forms, by themselves, are adequate as specifications for production function.

12 'Pre-specified parameter' means one whose value is treated as known. If these are also proposed to be estimated from data (along with the parameters in the linear function), the forms based on the transformations suggested above become non-linear in parameters and would need more complex procedures of estimation.

Chart

Year	Elasticity of Land	Labour	Irrigation Expenditure	Value of Output per Farm in the Sample
1955-56	0.50	0.57	0.17	Rs 1827
1956-57	0.27	0.30	0.04	Rs 2620

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Trade between Developed and Developing Countries

Mangat Ram

While the need for rapid expansion of the export earnings of developing countries has been recognised for accelerating their rate of economic development, the most decisive efforts made by these countries to boost their export trade meet with hardly any success.

Though advanced countries over the past decade have reduced quantitative import restrictions, most West European countries have yet maintained a certain hard core of restrictions. In fact some of the highest rates in the tariff schedule of advanced countries apply to light manufactures such as woven fabrics, jute footwear, textiles, etc, which are of particular importance to developing countries.

General tariff reductions are not of much use to developing countries whose position in international trade is clearly weak and who are more often interested in particular items. It would be more useful if advanced countries were to give preferential treatment to imports of certain manufactures from developing countries.

Several different preferential arrangements are possible, ranging from a one-way free trade for all manufactures exported by developing countries to a system giving special consideration to items of vital importance to the trade and growth of developing countries.

THE need for rapid expansion in the export earnings of developing countries to accelerate their rate of economic development to a satisfactory level has been increasingly and universally recognised. While external loans and grants may be indispensable for financing growing developmental requirements, external economic aid and grants cannot constitute a permanent basis for economic development and self-sustained growth. Insofar as foreign loans entail interest and repayment in the future, the degree to which foreign aid can be effectively used depends finally on the aid-receiving country's export earning prospect. "A country that tries to promote growth while ignoring its export performance, may succeed in the short run, especially, if it can count on an inflow of capital or drawing down reserves, but it will be hard-pressed to sustain growth over a longer period of time."[1]

But even the most vigorous and decisive efforts made by the developing countries to boost their export trade meet with hardly any success since the sale of manufactures and semi-manufactured goods produced by them meet with a number of obstacles consisting of both tariff and non-tariff barriers in the markets of advanced countries. The most objectionable of such barriers are the high tariff rates on items processed from primary products. In almost every group of commodities, the tariff rates increase with the degree of processing, so that finished products have to bear very high duties as is clear from the Table below.[2] Thus "In 1963, imports of iron ore from developing countries into the selected developed countries were worth $ 402.5 million, but imports of iron and steel manufactures were worth only $ 19.3 million. While tariff rates are zero on iron ore imports, the effective tariffs on ingots and other primary forms of iron and steel manufactures are as high as 100 per cent in the United States and the United Kingdom, and are nearly 30 per cent in the EEC countries."[3] Similarly with cotton manufactures. Further, important traditional exports from developing countries — such as coffee, tea, cocoa and tobacco — have to face high revenue duties and fiscal

Table

	USA	EEC	UK	Austria	Denmark	Norway	Sweden	Canada
Crude material	2	0	4	2	0	0	0	0
Intermediate products	16	11	13	11	4	8	5	12
Final products	21	17	21	21	8	13	9	17

charges. These heavy duties reduce export opportunities for developing countries, by raising prices to the consumer and thereby restricting demand. "In the case of tea, for instance, both France and the Federal Republic of Germany in 1958, obtained almost twice as much revenue from turnover taxes and other fiscal charges as from the import duty. The combined level of duty and taxes, moreover, is so high that it exceeded the import price in West Germany; and was between 50 and 60 per cent of the import price in Italy and France."[4]

Though the general trend in commercial policies of advanced countries over the last decade has been towards a reduction of quantitative import restrictions, most West European countries have yet maintained certain 'hard core' restrictions. In fact, some of the highest rates in the tariff schedule of advanced countries apply to light manufactures such as woven fabrics, jute footwear, textiles etc, which are of particular importance to developing countries.

The main reason generally advanced by the advanced countries for imposition of such restrictions is that the developing countries, by virtue of their low level of wages, enjoy a comparative advantage in world markets for their manufactures. This view has considerably influenced the attitude of a number of advanced countries in favour of more and more restrictions on the exportable products of the developing countries. For example when Japan acceded to the General Agreement on Tariff and Trade, a number of other contracting parties, mostly countries of the West invoked Article XXXV of the Agreement to withhold their consent to apply the Agreement to their trade relations with Japan, and they thereby retained their freedom to restrict or regulate Japanese imports.

But the 'low wage' argument is totally misleading because "wages are only one element in costs and the competitive advantage of different industries depends as much on such other determinants of costs as the state of their technological advance, their capital stock, the benefits which they derive from economies of scale and external economies and the cheapness of their raw materials. It is only a statement of the most obvious fact that developing countries generally suffer from a serious competitive disadvantage in most branches of industry".[5] Furthermore, advantages over the developed countries, resulting from the low wages paid, may be much more than offset by the low productivity of labour in the developing countries, so that labour cost per unit of output may in fact be higher than in the developed countries.

Different measures for the reformulation of commercial policies of the advanced countries have, of course, been under serious discussion in international bodies such as GATT. GATT, keenly aware of the need for the expansion of trade of developing countries as a means of raising their economic development, adopted in May 1963 a Programme of Action which, *inter alia*, stated that "Industrialised countries should prepare urgently a schedule for the reduction and elimination of tariff barriers to exports of semi-processed and processed products from less developed countries, providing for a reduction of at least 50 per cent of the present duties over the next three years".[6] As a result, a series of tariff reductions have been negotiated under GATT and tariff levels have been appreciably lowered. But the tariff reductions have tended to be concentrated on products which are traded among the developed countries themselves. In the item-by-item negotiations conducted under the General Agreement, the products on which tariff reductions have been under negotiation are selected on the initiative of the principal suppliers; and the principal suppliers have generally been developed countries. Moreover, the bargaining position of the developing countries has been weakened in such negotiations by the fact that they are unable to offer reciprocal concessions. Yet there is a good reason why reciprocity in tariff negotiations should not apply to negotiations with the developing world. Tariffs are needed in the developing countries both as a source of revenue and as a means of encouraging industrial growth.

While reductions in general tariffs would be valuable, serious doubts have been raised as to whether these would be appropriate for encouraging the expansion of exports from developing countries. The competitive position of the developing countries in international trade is clearly weak and general tariff reductions would not be sufficient to strengthen their position on particular products *vis-a-vis* exporters in the advanced countries. It would be more beneficial, if the advanced countries were to accord preferential treatment to the imports of manufactures from the developing countries. Several different preferential arrangements are possible, ranging from a one-way free trade system for all manufactures exported by the developing countries to an arrangement providing preferential treatment to specific products. One way free trade would imply that all imports from the developing countries would have unlimited free access to markets in advanced countries and that all exportable commodities would be included in the scheme. It may be recalled that the question of tariff preferences was brought to the fore at the Ministerial Conference of the GATT in May 1963. Since then GATT has been constantly trying to work out the details through its various agencies. At the First Session of the UN Conference on Trade and Development, the general principle was broadly accepted. But some of the developed countries, including the USA, gave strong opposition. At the last Ministerial Council meeting of the OECD which concluded on December 1, 1967 in Paris, an accord has, however, been reached by the major industrial countries to cut their tariffs for at least 10 years on manufactures and semi-manufactured goods from developing countries. These preferences would be generally extended by all the advanced countries without expectations of reciprocity. Significantly, again, the right of industrialised countries to reduce imports if they seem to endanger domestic production has been maintained.

The advanced countries are afraid that a generalised system of tariff preferences might dislocate and disrupt certain of their industries such as cotton textiles and clothing, processed food stuffs. It is this that is standing in the way of the adoption of more liberal policies. But the fears about market disruption are highly exaggerated. In the first place, the United Nations estimated in 1960 that imports of manufactured goods from the developing countries accounted for less than one per cent of the gross national product of the industrialised countries.[7] So, even if their value were multiplied several times over, these imports would likely absorb only a very small share of the additional demand for manufactured goods. Secondly, the volume of manufactures (excluding base metals) imported by the developed countries from the developing countries in 1961 were worth about $ 1.4 billion. By comparison, the developed countries in the same year imported manufactures from each other worth $ 33.8 billion.[8] Thus, even if imports from the developing countries were to be doubled, they would still be an insignificant proportion of current trade in manufactures among the developed countries. Thirdly the difficulties experienced by a domestic industry as a result of effective competition from imports of the developing countries are often negligible in comparison with the more fundamental difficulties that come in the wake of technological progress and changing consumer tastes. "Technological progress, changes in tastes, the development of new products and shifts in the trading patterns of the advanced countries, (i e, through the establishment of regional trading blocs such as the EEC) are all important causes of structural change than is the impact of foreign competition from the developing countries."[9] Lastly, as is pointed out by the UN Secretariat, the rate of increase in productivity engendered by technical progress in the developed private-enterprise economies, about three per cent per annum, necessitates far greater domestic adjustments than any conceivable increases in imports of manufactures from developing countries. A three per cent annual increase in productivity means that three per cent of the labour force will be annually displaced, if the volume of output stays constant at the same time.[10]

Rational Allocation

Finally, the preferences accorded to the products of the developing countries would be beneficial to advanced countries also, because, by allowing free access to the developing countries, a more rational allocation of existing resources would be made possible in the advanced countries. This would be so, first, because the principal manufacturing industries in which the developing countries currently enjoy competitive advantage, notably the textile industries, are generally among the low growth or stagnant industries in the advanced countries. For example "Between 1950-62, output of the textile industry in the countries of EFTA declined at an annual rate of 0.5 per cent mainly because of the continued contraction of the industry in the UK. In the USA, the annual rate of increase in output was about 1.5 per cent and in the EEC countries about three per cent."[11] Secondly, the redistribution of the labour force, which would be induced by free imports from low wage countries, is likely to increase the average productivity of labour and the level of real wage in the developed countries.

Therefore, governments of advanced countries should not therefore hesitate to abolish the numerous artificial barriers put into force by them on the exports of developing countries, as soon as possible.

Further it is futile for developed countries to insist upon reciprocity of concessions by developing countries. Preferences need to be granted by the present day advanced countries to all the developing countries. Steps might also be taken by the advanced countries, not to increase production of simple manufactured products which are of particular interest to the developing countries beyond certain pre-determined levels and to abolish subsidies on such production, as these products might in fact be more economically produced by the developing countries.

Marketing of Exports

Last but not least, measures might be taken to facilitate the marketing of manufactured exports from the developing countries. This can be done, first, by establishing an international trade and information centre as well as focal or contact points within the appropriate government agencies in the developed countries, and secondly, by adequately providing financial and technical assistance to export organisations of the developing countries themselves.

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Second World Food Congress

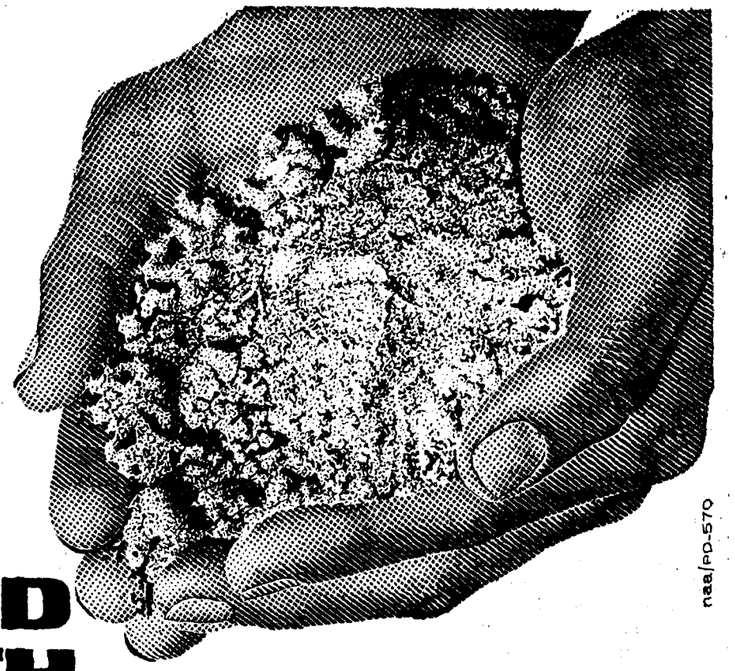
ACTION to free mankind from famine and malnutrition and to display to the world the new opportunities available to speed up social and economic progress, particularly in the field of agriculture, will be the theme of the Second World Food Congress at the Hague in June. This was agreed by the 18 members of the Steering Committee of the Congress who have concluded a two-day meeting at Rome, the headquarters of the Food and Agriculture Organisation. The Committee emphasised that more people, and especially young people, must participate in the development process.

They also agreed that it would be the participants' task at the Congress to lay down urgent priorities, methods' and lines of concentrated action to increase agricultural production to cope with the needs of the world's growing population. One purpose of the Congress would be to mobilise people, resources and public opinion to organise and implement action priorities and to enlist co-operation of the countries of the world to provide more balanced development.

The Director General of FAO and chairman of the Steering Committee, said he would outline this need for action in his keynote address to the Congress. About 1,000 participants are expected to attend the Congress which will be held at the Netherlands Congress Centre from June 16-30. It will bring together men and women of many nations, from widely differing backgrounds and with many different types of experience and skills. About a quarter of the participants will be young people.

The Congress will be non-governmental. All the participants are invited in their personal capacity by FAO's Director General and will speak in their own name and not as representatives of governments or of international or national organisations.

The Congress will work in two stages. In the first stage, four commissions will assess world needs and priorities for action. In the second stage four other commissions will consider how the necessary resources can be mobilised for action.



naa/PD-570

THE GOOD EARTH

One of the major problems of the country is self sufficiency in food. The yield of foodgrain in India is hardly 10 quintals/hectare as against 37 quintals/hectare in some of the most advanced countries of the world.

Efficient foodgrain output depends on good seed, irrigation, adoption of improved cultural practices including proper and timely application of fertilizers and pesticides. The Planning and Development Division of FCI has made a significant contribution in helping the farmer to obtain a better yield from his land.

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Monopoly and Public Policy

A N Oza

LAST month some thirty to forty economists met in Bombay to discuss *Monopoly and Public Policy* at a three-day all-India seminar organised by the Centre for Advanced Studies in Economics of Bombay University. The seminar was held at least two years too late. The Monopolies and Restrictive Trade Practices Act had already been passed a month earlier. And, considering the fact that there was a lapse of about three years between the introduction of the Bill in Parliament and its enactment, the academicians have woken up too late for their criticisms and suggestions to influence the anti-monopoly legislation. This once again confirms that our academicians prefer *ex-post* to *ex-ante* analysis of Government policies. No wonder then that, despite all their expertise, academic economists have failed to have much influence on economic policy or legislation. Having said that it must be added that it is nevertheless creditable that at least one university thought it fit to discuss problems of anti-monopoly legislation before the new Act is actually implemented.

Too Many Papers

Apart from academic economists, a few business economists were represented at and actively contributed to the seminar. However, the discussion would have benefited immensely had a couple of lawyers been present to throw light on the legal implications and complications of the Act. Also, the very large number of papers (about 30) — many of them dealing with the same monopoly-concentration problem — inhibited detailed discussion of the major issues involved.

As empirical studies of structure and behaviour of specific markets have not so far received the attention of Indian economists, it was to be expected that discussion of problems of legal control of monopolies and anti-competitive behaviour in the form of restrictive trade agreements would take second place in the seminar discussion. Also, as the wider question of concentration of economic power has been the subject of considerable public debate in Parliament and outside, a good deal of the discussion related to this issue. And thanks to the considerable amount of quantitative, though not qualitative, information collected and disseminated by the studies of R K Hazari, the *Monopolies Inquiry Committee* and the *Industrial Licensing* (Dutt) Committee, the discussants did have the facts before them.

Discussion on concentration of economic power was stimulating. Instead of getting bogged down in assessing the validity of existing data, participants showed keenness to discuss the qualitative implications of the growth and operations of big business groups in the context of the nation's present and future economic circumstances. A brave attempt was made even to clarify, if not specify, the concept of concentration of economic power. Of course, ownership and control of business become a source of power only if they are concentrated in the hands of a few large groups. But does such power consist of power over allocation and use of means of production or over the public as consumers and/or competing businessmen or does it consist of power to influence decision-making processes in Government?

All these three facets of economic power go hand in hand, but there was a general feeling among the participants that in the context of democratic planning it was the last facet which was most significant; for, it is power to influence governmental decision-making which is vital in an economy where investment, allocation of scarce resources of production, and distribution of scarce commodities are subject to governmental regulation. And it is by using their economic power to influence the exercise of such regulation that the big have become bigger. Once economic power was used to successfully influence Government decisions, its use over the public, as consumers and competing businessmen, follows. However, given the facts of and choices implied in a scarcity-ridden economy, governmental regulation of investment and allocation of scarce resources cannot be abandoned; at the same time considerations of efficient use of scarce resources also tend to favour big and established business groups. The policy issue in relation to concentration of economic power, therefore, is how to insulate Government decision-making from the influence of big business houses.

Can this be achieved through the anti-concentration provisions of the Monopoly and Restrictive Trade Practices Act (Ch III)? Industrial licensing, it is now conceded on all hands, not only failed to bring about diffusion of economic power but actually helped growth of concentration. In the light of this experience with licensing, quite a few participants were doubtful that anti-concentration legislation would achieve its objective. For one thing, the controls envisaged in Chapter III of the Act are only nominally different from those included in the recently-announced revised licensing policy. Further, the anti-concentration controls are permissive and not prohibitive (with respect to growth of big business groups), and investigating authority for this purpose is vested entirely in Government administration and not in an independent, semi-judicial body like the Monopolies Commission. How is it to be ensured that exercise of Government's powers under these provisions will also not be influenced by the big business groups?

Concentration of Economic Power

Only two of the papers presented dealt specifically with the problem of concentration of economic power. Of these, one dealt with measurement of concentration of capital in the economy as a whole — i e, concentration of economic power. The paper also compared the findings of Hazari and the Dutt Committee. Whereas Hazari's study referred to the period 1951-58, the Dutt Committee's period of reference was 1958-66. Whereas Hazari's study showed a clear increase in the concentration ratio (in terms of both paid-up capital and assets) of the 20 groups covered, the Dutt Committee's findings indicate a marginal decline in concentration ratio for the 20 larger houses. (It needs to be noted, though, that the composition of the 20 houses is not the same in the two studies). The paper also pointed out conceptual and statistical difficulties in deriving 'group-wise' (or country-wise) concentration ratios. The concentration ratio in terms of paid-up capital was not an adequate indicator of a particular group's (or of some of the largest groups') economic strength because of liberal use of loan capital for creation of corporate assets. The concentration ratio measured in terms of assets was a better indicator, but here the difficulty was that the figure of the total of corporate assets with which the assets of a group or of some of

the larger groups would be compared was not easily available. Hazari derived the figure by boosting the data in the Reserve Bank studies of company finances by applying the ratio of paid-up capital to assets for the RBI samples to entire private corporate sector. The Dutt Committee faced the same methodological problem. It was also pointed out that the economic power of a group was not directly or proportionately related to the proportion of total corporate assets it controlled. The extent of economic power depended, apart from the proportion of assets controlled, also on (i) the nature of industries in which the companies of the group were engaged; (ii) the locational spread of its units; and (iii) the group's links with political and public institutions.

De Facto Joint Sector

The other paper on concentration of economic power dealt mainly with the role of public and semi-public financial institutions as a major source of loan and share capital for large-scale industrial projects and their impact on growth of concentration of economic power in the hands of a few large business houses. The paper showed that about one-fourth of financial assistance provided by these institutions had gone to companies controlled by the 20 larger business groups. In addition, a major proportion (about one-half) of the investments of institutions like LIC was in companies controlled by these houses. This pattern of flow of institutional industrial finance had considerably helped the rapid growth of groups which were already big. Moreover, nearly one-half of the cost of large industrial projects in the private sector was financed by public financial institutions. Many of the private sector projects were, as a result, not private enterprises in the strict sense of the term; they were semi-public or 'joint' sector projects. The paper argued that the financial institutions should, therefore, play a more active role in the running of these enterprises by making effective use of their important position as major suppliers of finance to them. Given the compulsions of rapid growth, through exploitation of economies of scale, large-scale industrial units had to be set up. Because of the size of market for their products these units often found themselves in monopolistic or oligopolistic positions. The answer to the concentration problem thus was to be found not in attempting restoration of atomistic competition, but in either reserving big industrial projects for the public sector or creating a joint sector. The latter proposal implied conversion of loans given by financial institutions to private sector projects into equity with a view to acquiring a share in management and profit.

Both these proposals are incorporated in the recommendations of the Dutt Committee. The idea of a 'joint' sector as well as that of converting loans given by public (or semi-public) financial institutions to projects of the large industrial houses into equity at the former's option sparked off a lively discussion. It was argued that in practical terms what the proposals for a joint sector and conversion of loans into equity amounted to was that representatives of Government or the financial institutions would be appointed to boards of large industrial units. Further, these institutions, and through them Government, would get a share in these units' large profits — arising from their monopoly position and from overall economic growth. Since these units could come into existence only through finance and other scarce resources made available by Government or public institutions, it was only fair that the latter should have a share in their profits and management. This could be a way of instituting social control on the economic power of large business houses which had become large mainly by promoting big industrial concerns which they controlled even though their own investment was only a fraction of the capital of these concerns.

Blessings of Government

Quite a few participants were, however, pessimistic about the joint sector. They would prefer reservation of large projects for public sector or even takeover of existing large industrial projects. It was argued that effective control over the operations of big units could not be exercised by just placing a couple of bureaucrats as directors who might from time to time fly out from Delhi to attend board meetings. First-hand, complete information about the operations of an industrial concern would be had only if the Government directors devoted full-time attention to these concerns. Unless this was done, directors representing Government or public financial institutions would be easily persuaded to acquiesce in the viewpoint of the private sector directors. It was in fact likely that the private sector directors would use Government directors to smoothen their path in dealings with Government. In other words, the joint sector would actually increase the economic power of the large business groups by making it possible for them to wield greater influence on decision-making processes of Government. Government directors in joint-sector units would face a conflict of loyalties, particularly when some aspects of the units' operations came within the purview of Government controls, such as on investment and allocation of foreign exchange and other scarce inputs or on distribution and prices of products. Having a stake in the working and profitability of the concern Government directors would have to look after the narrow interests of the undertakings. At the same time, being Government representatives, they would feel responsible for ensuring that Government controls are enforced impartially and in the wider public interest. Further, if the operations and policies of joint sector units turn out sometimes to be detrimental to public interests or the interests of consumers or competitors, it would not be possible to pass on the blame to the private entrepreneurs, and Government, by virtue of having one or more representatives on the boards of directors, would have to share in it. Given these dilemmas that Government will face in the running of joint sector units and the opportunity it will provide to the private entrepreneur to get the blessings of Government for his doings without losing any part of his effective control over the enterprise, private sector would welcome joint sector units.

As for giving financial institutions the right to convert loans into equity at their option, some participants argued that it would not be fair for the institutions to ask for such conversion at any random point of time, particularly when the borrowing unit had not been warned in advance that the right to such conversion was a condition of the loan. Such conversion would, by significantly altering the debt-equity ratio, distort the capital structure of existing concerns at any random point of time. Hence the proposal for conversion of loan into equity, if implemented at all, should be made applicable only to future borrowers and only after making it a condition of loan agreements. Besides, it was argued, giving financial institutions the right to convert their loans into equity amounts to giving them the choice of keeping their investments in the form of loans in the initial stage of a project so that they earn an assured

interest income without bearing any of the risk when the undertaking is not making profits and, as soon as its profits grow, of converting the loan into equity so that they may get a share of profit. As one of the participants cynically remarked, perhaps, in times like the 1966-68 recession, when equity investment became risky and non-yielding, Government might ask for the right to reconvert equity into loan. Finally, would not conversion of loans into equity entail locking up of financial institutions' loanable funds in risk capital for long periods with the result that the resources will cease to rotate?

Measuring Monopoly

There were a number of papers on the extent of monopoly in Indian industry. The main argument of most of these papers was that considering the economies of scale and optimum size of plants in many manufacturing industries, the high product concentration ratios were inevitable. In industries where the ratio was not high, the number of units was in excess of what could be economically justified. It needs to be said here that quite a few of the papers which attempted to investigate the degree of monopoly or competition in industries lacked the analytical rigour expected of academic economists.

There were two papers dealing with the relationship between the degree of monopoly in industry and, respectively, tariff protection and, foreign collaboration. Of these, the paper correlating foreign collaboration with the degree of monopoly came to the conclusion that high product concentration ratios prevail in industries with foreign collaboration arrangements, the implication being that foreign collaborations had aided the growth of monopolies. However, the paper did not consider the point that high product concentrations was to an extent inevitable in industries with foreign collaboration because these industries were generally new industries (which could not have been promoted without foreign collaboration) involving modern technology and pronounced economies of scale and for which domestic markets were not yet large enough to justify the presence of a large number of competing units. Also, it was possible that the possibility of foreign collaboration had lowered barriers to new entry in products which could not be produced without foreign knowhow and investment. In such industries one might expect foreign collaboration to have actually reduced the product concentration ratio and increased the degree of competition (for instance, refrigerators, transistor radios, etc).

Major Lacuna

An important lacuna in the seminar was that only one of the papers attempted a critical evaluation of the provisions of the MRTP Act. Similarly, there was one paper dealing with anti-monopoly laws in Japan and UK, but it dealt only with very broad aspects of the anti-trust laws in the two countries and so did not provoke any discussion. The paper dealing with the Indian anti-trust Act had a limited scope; it dealt with definitions of monopoly (dominant and monopolistic undertakings) and inter-connected undertakings, the latter being necessary for defining a business group for the purpose of applying the anti-concentration controls envisaged in the Act. The provisions of the Act relating to control of restrictive trade practices, though not covered in any of the papers, was taken up for a brief discussion. It was argued by a couple of participants that in the light of UK's experience, *per se* prohibition of restrictive trade practices (with a narrowly defined proviso for exemptions) would have been preferable to the case-by-case approach which is envisaged in the Act. Many participants felt that public sector commercial undertakings should not have been exempted from the provisions of the Act relating to monopolistic and restrictive trade practices.

It was also pointed out by a participant that unless the Monopolies Commission was given mandatory powers to initiate investigation and enforce remedies in dealing with dominant enterprises, the Commission would fail to make any impact on the structure and behaviour of monopolistic markets. Going a step further, it was also suggested that even in respect of anti-concentration controls, a reference to and investigation by the Commission should be made obligatory and not optional. Only then would the public have confidence that Government was administering the controls objectively and impartially.

MARKETS

Set for New Peaks

Nishtar

STOCK markets had quite an exciting time last week. After a very brief pause they took another big step forward which carried them fairly close to their last year's top. There was a virtual scramble for the hot favourites and even the not-so-popular and hitherto neglected scrips evoked good inquiry. Many shares scored spectacular gains and quite a few of them struck altogether new highs for the year. Bullish fervour ran high and turnover was restricted only to the volume of offerings.

In its bullish mood, the stock market took no serious notice of the State Bank's decision to raise the prime lending rate from 7 to 7.5 per cent in respect of two categories of favoured clients and of the Reserve Bank's directive asking banks to charge a commitment fee of one per cent on the unutilised portion of credit limits in respect of advances of Rs 10 lakhs and above — new pointers towards dearer money. Nor did the market pay any heed to disturbing political developments. If the stock market barometer has almost ceased to register changes in the political weather, which has been getting increasingly rough, it is mainly because the market has learnt to live with tensions and it is unwilling to allow itself to be unduly perturbed by political events unless the law and order situation starts telling on industrial production.

While the uptrend in equity prices has undoubtedly been greatly accelerated by the acute shortage of floating stocks, the major factor behind the developing boom — many shares have risen by 20 to 30 per cent in a matter of few weeks — is the sustained flow of encouraging corporate news. According to an *Economic Times* study, annual reports of 460 companies received during the 8-month period ending with March 1970 showed an increase of 14.3 per cent in sales and 40.1 per cent in net profits over the previous year's performance. With economic recovery gathering pace, the corporate sector is expected to do still better this year. Improved supply of imported components under the new import policy will

help boost production and exports. Industrial licensing policy framework is likely to be modified shortly to provide for added encouragement to export-oriented industries.

The stock market is in good form. One big leap and it will be perched at its 1969 peak. And that is not going to be the end of its journey: it has set its sights much higher. The stock exchange community is counting the days for the early resumption of forward trading which has remained banned since June 28. Few observers have any doubt that the Anjaria Committee report due to be submitted by about the middle of this month will recommend forward trading with restrictions designed to contain speculative activity within healthy limits. That the stock market should be back again close to its last year's peak despite the ban on forward trading shows that the outlook for equities is quite unrelated to forward trading. Perhaps the only convincing argument in favour of lifting the ban is that resumption of forward trading alone can restore seductive charms to the stock market.

Sharp Rebound

THE oilseeds market presented a very different picture last week. Not only did the reactionary trend come to a halt but prices staged a sharp rebound. Castor futures which provided the lead made a new high for the season and linseed futures recovered nearly two-thirds of the ground lost in the preceding decline. With the April contracts in castor and linseed entering the maturity period and the spot material still commanding a moderate premium, bears found themselves in an awkward position. Bulls were not slow to exploit the situation; they were on the offensive again. The April contract in castor was marked up from Rs 130.50 to Rs 136 (per quintal) and the June contract from Rs 126 to Rs 134.50. Linseed April recovered from Rs 163.25 to Rs 170.50 and July from Rs 156.50 to Rs 164.25. Groundnut oil held firm with the spot quotation moving in a narrow range — between Rs 4,900 and Rs 4,975 (per tonne).

Support for castor futures was induced mainly by the steady export business with Russia. The relative cheapness of castor oil compared to other vegetable oils and increased domestic consumption have proved an added attraction for speculators. The increased flow of summer crop arrivals in the south has not had any noticeable effect on groundnut oil prices. This is mainly because of the persistent support from vanaspati manufacturers. Strange as it might appear, vanaspati industry has acquired a vested interest in maintaining groundnut oil prices on the high side. And thereby hangs a tale.

Apart from expectations of a further increase in vanaspati prices to compensate for the further rise in groundnut oil prices since the last price revision, trading sentiment was influenced by reports that the US Department of Agriculture had turned down India's request for additional 10,000 to 15,000 tonnes of soyabean oil under PL 480 for delivery before June. Besides, the State Trading Corporation also has been rather slow in arranging the imports of soyabean oil and mutton tallow. Bullish sentiment has also been aided by reports of satisfactory export business in groundnut and linseed extractions.

The Praja-Socialist Party's agitation in Gujarat demanding supply of edible oil at reasonable price has not been in vain. The State Government has decided to subsidise the sale of groundnut oil through fair price shops. Families in low income groups will get 400 grams of groundnut oil per head every month at Rs 3.75 a kilogram. Government has 21,000 tonnes of groundnut oil in stock which would be sufficient for four rounds of distribution. In addition to groundnut oil, sunflower oil and soyabean oil would also be distributed in two rounds in six cities at Rs 4.40 a kg and the monthly quantum per head would be 500 grams. About 15 million people are expected to benefit from cheap supply of edible oils and the subsidy will cost the State exchequer about Rs 20 million. According to press reports, the State Government has requested traders not to sell their stocks outside Gujarat and try to procure the maximum possible quantity of groundnut oil from other States. That the major groundnut producing State should have to resort to such tactics is surprising. Perhaps the situation would not have come to such a pass if the State authorities had exercised sufficient vigilance to check smuggling of groundnut oil which has developed into a flourishing trade.

New Highs

COTTON prices have hardened further on marked revival of mill buying in nearly all the important upcountry centres. Popular varieties have been avidly sought by the well-to-do mills without any consideration for the price. And why do they have to bother about the price when there is a ready market for their products. Market sentiment last week seems to have been aided by New Delhi reports hinting at the possibility of an increase in the prices of controlled varieties of cloth. There is no knowing how far cotton prices might rise; they are already quoted around their all-time best. Industry is not willing to observe self-discipline and the authorities lack the will and ability to enforce it. Threats and warnings are no substitute for firm action.

Bombay Dyeing Chairman Neville Wadia has expressed the view that the 1969-70 cotton crop will not exceed 56 lakh bales. In view of the thoroughly unsatisfactory system of crop reporting, one cannot be too sure about the crop even up to the end of the season. But few informed observers are inclined to share Wadia's pessimism. Since the acreage under cotton is generally believed to be somewhat larger this season and the monsoon had been on the whole satisfactory, there is no good reason to think that the crop will be less than the 1968-69 harvest. Pessimistic forecasts should be avoided since they only help to boost bullish psychology.

The cotton trade is in for a difficult time. From the next season, imports are to be canalised through a State-owned corporation. Government's intentions are good and it is to be hoped that it will make full use of the experience and expertise available with the trade in order to handle imports efficiently and economically. Maharashtra Government is considering the question of bringing cotton crop under the purview of State monopoly purchase scheme. There seems little hope of hedge trading being permitted in cotton in the near-distant future.

Import canalisation and monopoly buying can at best achieve only a very limited objective. What is needed is a well thought-out programme of action for stepping up cotton production through increased yield per acre. That yield can be raised very substantially through proper and timely inputs has been amply demonstrated by package schemes and various development projects. Plant protection measures alone are known to have yielded remarkable results. What is needed is the proper organisational effort at various levels so that the necessary inputs are made available to farmers at the right time. The country is paying very dearly for neglecting cotton.

By Diversification and Control

Hansavivek

MAHINDRA AND MAHINDRA, which has many strings to its bow, is adding yet another — manufacture of professional grade electronic components. A 'letter of intent' in respect of one of these has been received, and steps are being taken to implement the project under the instrumentation and electronics division which already has in hand the manufacture of miniature pneumatic transmitters. Its rotameter and potentiometer have been well received. With the economic recovery, the division's order intake stood at Rs 97 lakhs though production fell short of the target due mainly to labour uncertainty caused by inter-union rivalry. The newly-formed agro-aviation division has started aerial spraying of crops with a small fleet of aircraft. The machine tool division has emerged as a distributor of well known indigenous machine tools almost eliminating dependence on imports. The steel division ranked as the fourth largest steel exporter, next only to the three main steel producers in the country, and exported 41,436 tonnes of steel valued at Rs 3.08 crores. Besides, 32,015 tonnes, worth Rs 2.48 crores, were shipped against orders placed directly on the mills through the company.

The automotive division, however, is still the king pin of M and M's business. During the year to October 1969, it produced 9,205 Jeep vehicles, against 8,234 in the previous year, and sold 9,303 units against 8,214. The broadening range of models resulted in greater offtake by civilian users. Two contracts for export of 1,200 vehicles with a corresponding supply of spare parts were concluded with Yugoslavia, of which 300 vehicles and spares were shipped.

Almost all the associate and subsidiary companies fared well during the year. *Mahindra Ugine Steel* benefited not only from the economic recovery but also from import restrictions imposed on such categories and types of alloy and special steel as produced by it. *International Tractor's* production during its fourth year of operations that ended March 31, 1970, exceeded 4,300 tractors against 4,001 produced in the previous year. The Rs 4.10-crore project for a new unit to expand total annual capacity to 7,000 units is being "actively" implemented. *Turner, Hoare* has received a 'letter of intent' for undertaking manufacture of 'vibro-screen' and 'super-D-canter'. It has also started manufacturing thermal power station equipment, so far imported. A technical collaboration agreement has been finalised with Kuljian Corporation (India). *Dr Beck* is expecting a licence for expansion of capacity to 4,500 tonnes of wire enamels and impregnating varnishes. *Otis Elevator* had to contend with not only "severe" competition and lack of revival in building activity but also a 4-week strike. Construction work on the expansion programme at Kandivli has been completed, and the entire operations will now be consolidated at the new plant during the current year. *Vickers Sperry* operated its plant at full capacity and is expanding the covered factory area. With demand growing fast, the company is also seeking permission to raise licensed capacity. *Roplas'* prospects for the current year are rated as "considerably better" due to the new vehicle bodies and engine bonnets that have been developed. The Iran-based *Engineering and Metal Works*, whose technical management is in M and M's hands, commenced regular production.

Among the subsidiaries, *Mahindra Owen* achieved record turnover of Rs 170 lakhs (Rs 86 lakhs). *Mahindra Sintered Products* has commissioned the furnace and other equipment for the manufacture of metallic filters. It has received licence for import of capital equipment for increasing production of bushes and parts. *Indian National Diesel Engine* suffered a drop in sales of aircooled engines in certain areas which brought a trading loss. A new water-cooled engine is to be marketed this year. *Mahindra Van Wijk and Visser* met with good demand for its new items, M-seal epoxy compounds, M-seal cable joints and Dobesive.

M and M's accounts show a notable recovery after the preceding year's sharp setback. While total income rose 20 per cent, from Rs 24.54 crores to Rs 29.46 crores, margins widened and gross profit expanded 52 per cent, from Rs 71 lakhs to Rs 108 lakhs. Net profit was Rs 41 lakhs (Rs 26 lakhs) which, however, was only a little in excess of the requirement of equity distribution raised by a point to 11 per cent. Return on total capital employed worked out at 2.4 per cent. Offtake of Jeep vehicles in the first four months of the current year has been running about 12 per cent better than in the same period last year. Looking to the "substantial" orders on hand, the directors expect this progress to be maintained in the coming months too. The acute shortage of steel however tends to cloud the prospect.

What is interesting is that this improvement in M and M's performance has been brought about without any noticeable increase in capital employed. There was a marginal increase in fixed assets (including capital-work-in-progress), and investments and current assets were almost constant. Correspondingly, the distribution betwen owned and borrowed funds was also stable. Despite financial problems of late payments (to which the Directors refer in their report), the company evidently maintained tight financial discipline to raise turnover by one-sixth without needing additional finances.

Some details of the operations, however, need explanation: While stock in trade (Rs 5.40 crores) and bank borrowings (Rs 8.37 crores) were more or less constant, Mahindra and Mahindra's own loan and advances (particularly to Mahindra Owen, International Tractor and 'advances recoverable in cash') show a substantial rise (counterbalanced only by lower advance payment of tax). Secondly, 'other expenses' (particularly commission on sales and miscellaneous expenses) show a sharp rise. Thirdly, while the company has an investment of Rs 2.27 crores (mostly in subsidiaries and associated companies), its dividend income from subsidiaries (investment Rs 61.45 lakhs) was Rs 1.24 lakhs and from other investments Rs 5.52 lakhs, and its interest income was Rs 1.98 lakhs. This is a poor return, unless one takes other income (commission, income from the managing function, income from services and miscellaneous income) into account.

Mahindra and Mahindra is essentially a professionally managed company. Given its dependence on Government for the jeep market and the fact of the sudden recession, the management has shown its mettle in bringing the company out of the difficulties it was suddenly faced with two years ago. It has done this by diversifying its product range and through tight financial control. The fruits of these efforts will show more fully in future operations.

Distribution of Public Sector Outlay: Centre, Centrally-Sponsored, States and Union Territories

(Rs crores)

Head of Development	Centre			Centrally-Sponsored			States			Union Territories			Total		
	Draft	Final	Change (per cent)	Draft	Final	Change (per cent)	Draft	Final[1]	Change (per cent)	Draft	Final	Change (per cent)	Draft	Final	Change (per cent)
Agriculture and Allied Sectors	694.3	1104.3	59	100.0	126.8	27	1353.4	1418.2	5	69.8	70.3	0.7	2217.5	2719.6	23
Irrigation and Flood Control	23.5	23.5	—	—	—	—	928.5	1061.1	13	11.8	12.5	6	963.8	1097.1	14
Power	252.0	425.0	69	14.0	22.0	57	1744.3	1927.4	11	74.2	81.5	10	2084.5	2455.8	18
Village and Small Industries	145.0	148.7	3	5.1	5.1	—	134.4	134.3	—0.01	10.2	10.4	—2	294.7	298.4	1
Industry and Minerals	2910.0	3150.9	8	—	—	—	176.4	184.2	4	3.5	3.4	3	3089.9	3338.5	8
Transport and Communications	2610.0	2622.0	0.5	40.0	42.0	5	437.4	489.3	12	85.7	91.9	7	3173.1	3245.2	3
Education	231.0	241.0	0.4	28.0	30.0	7	492.3	504.6	3	50.3	53.2	6	801.6	828.8	3
Scientific Research	134.0	140.3	0.5	—	—	—	—	—	—	—	—	—	134.0	140.3	4
Health	53.5	53.5	—	176.5	176.5	—	187.2	187.2	—0.5	19.3	19.3	—	437.5	436.5	—0.2
Family Planning	—	—	—	300.0	315.0	5	—	—	—	—	—	—	300.0	315.0	5
Water Supply and Sanitation	0.3	3.8	1165	2.0	2.0	—	303.3	343.0	13	33.3	43.2	30	338.9	392.0	15
Housing and Urban and Regional Development	34.0	48.6	43	—	—	—	116.1	149.9	29	20.6	20.5	—	170.7	218.6	28
Welfare of Backward Classes	0.5	0.5	—	59.5	59.5	—	70.1	77.4	10	4.2	5.0	19	134.3	142.4	6
Social Welfare	23.3	27.4	2	2.0	2.0	—	10.1	10.6	5	1.8	1.4	—22	37.2	41.4	11
Labour Welfare and Cra'tsmen	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Training	9.2	10.0	9	—	—	—	25.1	27.2	8	2.8	2.8	—	37.1	40.0	8
Other Programmes	86.0	90.7	5	—	—	—	86.4	92.3	7	10.4	9.6	—8	182.8	192.6	5
Total	7206.6	8990.0	24	727.1	780.0	7	6066.0	6606.4	9	397.9	425.0	7	14397.6	15902.3	10

Explanation of Variations in Central Sector Outlays

I Schemes and outlays which were left out in the Draft Plan and are now included

(Rs crores)

		Outlay required in the Fourth Plan
1	Tenughat dam	8.50
2	Research and Development Organisation for electrical industries	1.62
3	Central agency for inspection of boilers	0.24
4	Feasibility studies/DPR Hindustan Zinc Ltd	0.30
5	Hindustan Antibiotics, Pimpri — Vit C Plant	1.18
6	Hindustan Antibiotics, Pimpri — Neomycin Sulphate Plant	0.20
7	Central Institute of Plastic Engineering and Tools, Guindy	0.95
8	All India Institute of Weights and Measures, Patna	0.10
Total		13.09

II Increases on account of (a) Larger spillover of expenditure on continuing schemes, and (b) escalation of costs

(Rs crores)

	1	Draft Plan Outlay 2	Revised Outlay 3	Additional Outlay 4
A	Power			
	1 Badarpur Thermal Power Station	40.00	49.25	9.25
B	Industry and Minerals			
	Ministry of Steel and Heavy Engg			
	1 Bokaro Steel Plant	500.00	558.00	58.00
	2 Hindustan Steel Ltd	20.22	51.00	30.78
	3 Mysore Iron and Steel Works Ltd	5.00	5.90	0.90
	Department of Mines and Metals			
	4 NCDC	29.00	37.97	8.97
	5 Neyveli Lignite Corporation	2.45	4.50	2.05
	6 Coal Board — Third Plan Ropeway Scheme	2.78	3.14	0.36
	7 Khetri Copper Project	58.00	71.28	13.28
	8 NCDC Coking Coal Mines Monidih	15.00	19.42	4.42
	9 GSI, IBM, Airborne Mineral Survey and Exploration	35.00	40.00	5.00
	10 Korba and Koyna Aluminium projects	100.00	125.00	25.00
	Department of Chemicals			
	11 FACT — IV Stage Expansion	1.11	2.67	1.56
	12 Madras Fertilisers	27.29	40.09	12.80
	13 Durgapur Fertilisers	22.32	24.18	1.86
	14 Namrup Fertiliser Expansion	26.46	37.97	11.51
	15 Gorakhpur Fertilisers	—	2.73	2.73
	16 Barauni Fertilisers	33.98	38.70	4.72
	17 Namrup Fertilisers	—	0.16	0.16
	18 Hindustan Organic Chemicals, Panvel	8.96	9.16	0.20
	19 Gujarat Aromatics Projects	16.32	18.00	1.68
	Department of Petroleum			
	20 Lubrizol	0.10	0.40	0.30
	Department of Industrial Development			
	21 Hindustan Photo Films	4.97	5.35	0.38
	22 Paper Projects	50.00	60.00	10.00
	23 BHEL	28.35	32.26	3.91
	24 Machine Tools Corporation	5.96	6.21	0.25
	25 National Instruments Ltd	1.00	2.02	1.02
	26 Expansion of NEPA Mills	4.65	6.66	2.01
	Ministry of Finance			
	27 Printing press for bank note paper	4.50	8.50	4.00
	Department of Atomic Energy			
	28 Heavy Water Plant II and III	14.65	17.00	2.35
	Total (B)	**1018.07**	**1228.27**	**210.20**
	Total (A + B)	**1058.07**	**1277.52**	**219.45**

III Inclusion of fresh schemes and expansion of continuing schemes

A	*Agriculture and Allied Sectors*			
	1 Development of small farmers and agricultural labour	30.00	115.00	85.00
	2 Pilot projects for development of dry land farming	—	20.00	20.00
	3 Plant protection in endemic areas	—	4.30	4.30
	4 Area development in selected irrigation command areas	7.50	15.00	7.50
	5 Provision of margin money to co-operatives for fertiliser distribution	12.50	15.00	2.50
	6 Assistance to National Co-operative Development Corporation for financing of co-operative processing units	7.50	9.00	1.50
	7 Fertiliser Credit Guarantee Corporation	—	1.00	1.00
	8 Storage programme of Food Corporation of India	43.00	73.00	30.00
	9 Project for milk marketing and dairy development	—	95.00	95.00
	10 Agricultural Refinance Corporation	140.00	200.00	60.00
	11 Buffer stocks of foodgrains (Food Corporation of India)	125.00	255.00	130.00
	Total	365.50	802.30	436.80
B	*Power*			
	1 Small schemes relating to Regional Electricity Board and Training Units at Neyveli	—	0.70	0.70
	2 Preliminary work at new atomic power stations	120.00	135.00	15.00
	3 Additional Inter-State lines	14.00	22.00	8.00
	4 Rural Electrification Corporation	45.00	150.00	105.00
	5 DVC (Central Sector)	6.00	49.00	43.00
	Total	185.00	356.70	171.70
C	*Village and Small Industries*			
	1 Support for hire purchase schemes for entrepreneurs	—	1.00	1.00
	2 Credit guarantee to banks for loans to engineer entrepreneurs	—	2.00	2.00
	3 Training of engineer entrepreneurs	—	1.00	1.00
	Total	—	4.00	4.00

D	*Industry and Minerals*			
1	Advance action for additional steel capacity in the Fifth Plan	20.00	110.00	90.00
2	New projects such as cold rolled grain-oriented sheets, refractory plant, expansion of alloy and steel plant	—	20.00	20.00
3	Mysore Iron and Steel works (new scheme)	—	3.00	3.00
4	Heavy Engineering Corporation, CC Plant	—	2.00	2.00
5	Heavy engineering units	—	2.00	2.00
6	Coking and non-coking coal mines and advance action for Fifth Plan	—	35.00	35.00
7	Hindustan Copper (development of Sukinda Nickel)	—	5.00	5.00
8	NMDC — Kudremukh	—	15.00	15.00
9	IDPL — Diversification	1.88	2.88	1.00
10	Tundoo Smelter — modernisation	—	0.75	0.75
11	Assam Petrochemical Complex	—	10.00	10.00
12	Scooter Project	—	6.00	6.00
13	Second Cable Factory	—	5.50	5.50
14	Cement project at Mandhar (based on Bhilai slag)	20.00	23.00	3.00
15	Subsidy for development of backward areas	—	5.00	5.00
16	Loans to State authorities for water supply/electricity	—	1.00	1.00
	Total	41.88	246.13	204.25
E	*Transport and Communications*			
1	Subsidy to Shipping Development Fund	—	10.00	10.00
2	Inland water transport, development of Rajbangaon docks, Assam docks, etc	5.00	9.00	4.00
	Total	5.00	19.00	14.00
F	*Education*			
1	Pilot projects for non-student youth	—	5.00	5.00
2	Additional allotment for technical education	60.10	67.10	7.00
	Total	60.10	72.10	12.00
G	*Scientific Research*			
1	Satellite TV experiment	—	2.90	2.90
2	Space research augmentation	10.12	12.12	2.00
3	Trombay hospital	—	0.40	0.40
4	Housing for scientific personnel of DAE	5.85	6.85	1.00
	Total	15.97	22.27	6.30
H	*Family Planning*			
1	Augmentation of programmes	300.00	315.00	15.00
	Total	300.00	315.00	15.00
I	*Water Supply and Sanitation*			
1	Participation in UNICEF scheme of power drilling for drinking water and sanitation	—	3.50	3.50
	Total	—	3.50	3.50
J	*Housing and Urban Development*			
1	Central Assistance for Cellular Concrete Factory in Tamil Nadu	—	2.60	2.60
2	Share capital for Central Housing Finance Corporation	—	10.00	10.00
3	Plantation Labour Housing programme	—	2.00	2.00
	Total	—	14.60	14.60
K	*Social Welfare*			
1	Augmentation of family and child welfare projects	6.00	7.00	1.00
2	Welfare of destitute children	—	2.00	2.00
3	Welfare of destitute women	—	1.00	1.00
4	Welfare of physically handicapped	2.32	2.50	0.18
	Total	8.32	12.50	4.18
L	*Labour Welfare and Craftsmen Training*			
1	Pilot Rural Training Institutes and National Labour Research Institutes	—	0.80	0.80
	Total	—	0.80	0.80
M	*Other Programmes*			
1	Improvement of crop statistics	—	1.20	1.20
2	Sample Registration of Vital Statistics (Registrar General, India)	1.55	2.80	1.25
3	Improvement of statistics (DGS & D)	—	0.16	0.16
4	Department of Statistics — Purchase of Computer	—	1.00	1.00
5	Miscellaneous	0.07	1.17	1.10
	Total	1.62	6.33	4.71
	Total (A to M)	**983.39**	**1875.23**	**891.84**
	IV Reduction in outlay due to exclusion of non-Plan expenditure Industry and Minerals ONGC			
	Total	**341.60**	**181.00**	**—160.60**
	V Projects where reduction in outlay is envisaged			
1	Trombay Fertiliser Expansion	59.41	38.64	—20.77
2	Hindustan Insecticides Ltd, Delhi and Alwaye	0.75	0.23	—0.52
3	Hindustan Insecticides Ltd, new scheme	3.97	2.42	—1.55
4	Plantations (tea)	20.50	17.25	—3.25
5	Collection of statistics — Village and Small Industries	0.60	0.25	—0.35
	Total	**85.23**	**58.79**	**—26.44**

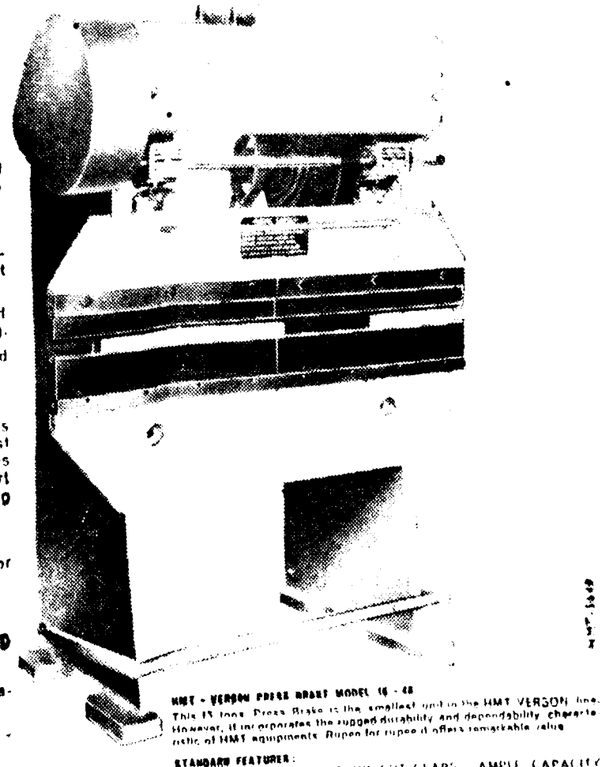
Abstract of Table

(Rs crores)

		Draft Plan Outlay	Revised Outlay	Change
1	Outlay not indicated in the Draft Plan (approved schemes)	—	13.09	+13.09
2	Increases on account of spillover and escalation of costs	1058.07	1277.52	+219.45
3	Fresh schemes and expansion of continuing schemes	983.39	1875.23	+891.84
4	Reduction in outlay due to exclusion of non-Plan expenditure	341.60	181.00	—160.60
5	Reduction in outlay	85.23	58.79	—26.44
Total		**2468.29**	**3405.63**	**+937.34**

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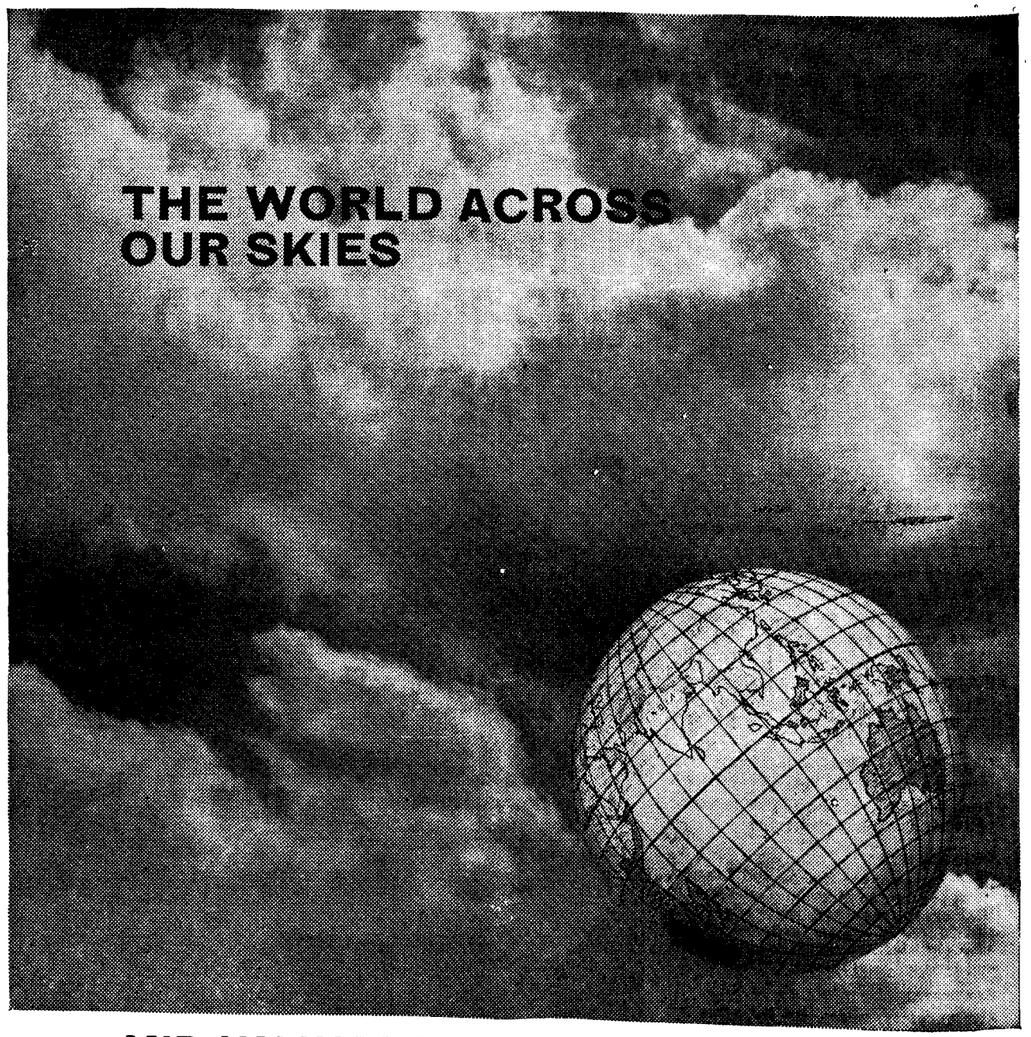
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April 11, 1970

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ECONOMIC AND POLITICAL WEEKLY

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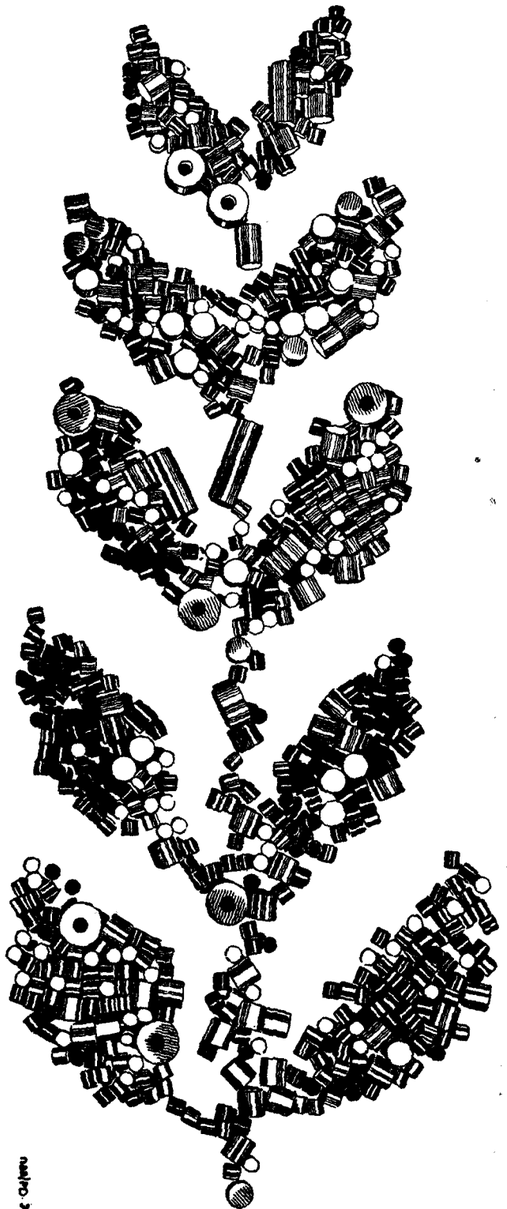
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FERTILIZER CORPORATION OF INDIA LIMITED

ECONOMIC AND POLITICAL WEEKLY

Founder-Editor : Sachin Chaudhuri

Vol V No 16 April 18, 1970

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Assistant Editor: Rajani X Desai
Business Manager: A Fernandes
Circulation Manager : Shiv Patil
Editorial Staff
Colin de Souza, Haresh M Advani,
Shireen Heerjee, Ashok Rao,

Undecided on Japan

IT is difficult to say whether the postponement of President Podgorny's visit to Tokyo has anything to do with the uncertainties that the Soviet Union must be facing in evolving a long-term attitude to Japan. Even Russian leaders do fall sick (there have been many cases of flu in Moscow in recent weeks) and the Soviet President may have been delayed just for that reason. It is also possible that there is more to the rumours that have been circulating for some time of an impending change in the Soviet Union than official denials from Moscow would indicate. The point, however, is that while the attention of the world is focused on South-East Asia, there are big things happening in North-East Asia — developments which will ultimately be of very great importance in shaping the future of Asia than the death of a southern sparrow. And policy-makers in Moscow are facing an acute dilemma in making the moves that appeared quite logical and inevitable only a few months back. If there are still some Russians who would like to go ahead with their policy of befriending Japan, Chou En-lai's successful visit to Pyongyang would have unnerved them.

The main facts which policy-makers in Moscow have to take into account are quite simple. Japan has registered fantastic economic progress, extended its economic influence over almost the whole of South-East Asia, begun rethinking about its low posture, made some noises about the need to protect its sea routes, entered into a new arrangement with the United States and adopted a far more anti-Chinese posture than what was considered likely by Japan experts. China has reacted very sharply to recent changes in Japanese policy; so has North Korea. In fact, all over South-East Asia today there is an uneasy feeling about Japan, though few countries are ready to openly voice their misgivings in view of their obvious need to attract Japanese investments. The Asian communist countries, however, are directly affected by what is happening; as Chou En-lai said in Pyongyang, China sees in the policies of the Sato Government the revival of militarism and the idea of a Greater Asia Co-Prosperity Sphere in a new garb. There is little doubt that this interpretation would be most easily accepted in North Korea — a country which shares with South Korea the greatest amount of hatred and distrust of the Japanese.

The Soviet dilemma would be obvious from the contradictory nature of the pulls exerted by these developments on Soviet policy. Japan is a strong and stable country which cannot be easily antagonised by the Soviet Union without pushing it further into the American camp; again, if the containment of China is an important goal of Soviet policy, a degree of reliance on Japan for this purpose may appear as natural to Moscow as it does to Washington. There are further considerations for the Soviet Union: Japan is still keeping its lines with China open and if the Soviets do not live up to Japanese expectations, Tokyo may well choose to play the role of the high priest in bringing about a Sino-American rapprochement — an eventuality that Moscow would rightly regard as the greatest disaster for its foreign policy. Apparently, the Japanese are well aware of the fact that their bargaining position with Moscow is very strong at the moment; they had only to lodge a strong protest against the proposed Soviet plan to make some bombing tests in the seas around Japan to make Moscow announce that the plan had been scrapped. Apart from China, Japan of all Asian countries has the longest tradition of hard diplomatic bargaining with fellow Great Powers and Tokyo cannot be expected to react to Soviet moves on any basis except that of its calculation of its immediate interests. Again, the entire business about Japanese investments in Siberia is still shrouded in mystery: nobody knows who is being clever with whom and whether Japan needs Siberian raw materials more than Siberia needs Japanese capital. What is clear, however, is that there is an economic dimension of Soviet-Japanese relations which also cannot be ignored by Moscow.

As against these considerations, which have already resulted in a degree of softness towards Japan and some very loud moves to gain its favour, are those relating to Soviet relations with other Asian countries, particularly the communist countries of Asia. The Soviet Union may have given up all hope of an early stabilisation of Sino-Soviet relations on a new basis of friendly co-existence, but it cannot make any move that would not lead to this result in the long run. The great argument for a deal with Tokyo from Moscow's viewpoint is that it would further underline to Peking the difficulties in which its present foreign policies might land it. But whatever the arguments regarding China, the Soviet Union has by no means opted out of its competition with China for the allegiance of North Korea and North Vietnam. The

problems for the Russians are that Chou En-lai may still pull a fast one on them in North Korea on the issue of Japan, that China may depict this to the Vietnamese as another example of the way the Russians are colluding with America (this is exactly what Chou said in Pyongyang: social imperialism was colluding with Japan and America to wipe out the flame of the liberation struggle of the people of Vietnam), and that by being over-friendly with Japan it might lose the appeal it may have as a possible counterweight to a menacing advance of US-Japanese economic and trade collaboration in the minds of many non-communist governments of Asia. Which way Soviet policies will evolve is still unclear. What is clear is that there are many more ifs and buts in Moscow's approach to Japan than there are in Washington's, which, seems to have made the simple decision that it is in its best interests to encourage Japanese ambitions in the region.

The Mythical Deficit

HAS the Central deficit of Rs 290 crores for 1969-70 estimated in February turned out to be a myth? According to the banking returns for April 3 by which date year-end adjustments would have been completed (except for inter-government settlements), borrowings by Government, i e, Centre and States together, from the Reserve Bank over the year *declined* by Rs 5 crores. Taking into account larger holdings by banks of government securities (Rs 129 crores), total increase in bank credit to Government during the year amounted to Rs 124 crores. The latter corresponds to the Reserve Bank's definition of deficit financing but it is the former which roughly indicates the deficit for budgetary purposes. It is, of course, possible that the Central deficit would be considerably enlarged after the inter-Government settlements are completed by the end of this month but that would only offset the States' deficit without making for any significant change in the overall deficit.

The general impression since the presentation of the budgets has been that the estimated Central deficit of Rs 290 crores would be in addition to the States' estimated aggregate deficit of about Rs 300 crores for 1969-70. These estimates have proved widely off the mark. Unfortunately, however, the practical absence of a budgetary deficit is a measure not of prudence but of the very slow pace of developmental expenditure. In other words, the deficit has been unintentionally avoided by skipping on growth possibilities. Another indication of this skipping is the increase of Rs 250 crores in the foreign exchange assets of the Reserve Bank, which has come about almost wholly as a result of the steep decline in imports.

Over the year money supply increased by Rs 600 crores, comprised in roughly equal parts of currency and demand deposits. Of this increase, bank credit to Government accounted for Rs 124 crores, to private sector Rs 218 crores while increase in foreign exchange assets amounted to Rs 250 crores. The balance would be on account of miscellaneous adjustments.

Rather than shed copious tears over the myths created by faulty budgetary exercises, it would be more useful to analyse the implications of actual facts.

Slim Hope

A NEW call to arms for yet another battle against Israel, a battle that President Nasser says Israel is "imposing" on Egyptians, would seem to be hardly an encouraging setting for the revival of diplomatic contacts between Cairo and Washington. Yet despite Nasser's grim warning and the savagery of Israeli raids across the cease-fire line — some 30 Egyptian school children were killed in a recent raid — it is not impossible to hope that the feared Armageddon may yet be averted. The hope is admittedly a slim one, and comes *via* a somewhat unlikely source, namely, the US State Department, but not unworthy of entertaining.

Apparently, Joseph Sisco's talks in Cairo have not advanced the prospect of peace by any measurable length, but the very fact that the US Assistant Secretary of State made the trip to Cairo is not insignificant. The visit follows President Nixon's refusal to meet Israel's latest demand for 25 Phantoms and 100 Skyhawks. This itself may not mean much, for Nixon must be deemed to have taken into account Israel's existing air-strike capacity, weighing also the expected French deliveries of aircraft to Libya, before halting any further immediate deliveries to Israel. William Rogers, US Secretary of State, is on record as saying that Israeli air power is "sufficient to meet its needs for the time being".

However, it is a fact that the American refusal has caused near-consternation in Israel. Whether the American caution is directed at Moscow as much as at Tel Aviv, it is difficult to say. But Washington has been concerned with the recent accretion to Egyptian anti-aircraft defence by the supply of Soviet SAM surface-to-air missiles. Though the possibilities of a direct confrontation between the super powers in West Asia must still be rated as low, it is a fair guess that in the event of more Soviet advisers being killed in Israeli raids — it is now acknowledged that some Soviet advisers have died in these raids — the pressure on Moscow for supply of more arms to Egypt might be decisive. Washington, further, has been less than happy at Golda Meir's refusal to fall in line with the American proposals of last December. They have been rejected by the Arabs as well. But they are not incapable of modification, and it would not be surprising if Sisco had brought a set of new proposals to Cairo.

What is mildly encouraging in the situation is Washington's firm adherence to the November 1967 resolution of the Security Council, which Israel has not accepted while the Arabs have. If Washington is in a position to assert sufficient leverage in Tel Aviv, and it must be expected that it is, to obtain an Israeli endorsement of the said resolution, then a new search for a peace settlement based on the American proposals or any other is a distinct probability. There are only two points in the American proposals to which the Arabs are implacably opposed, namely direct negotiations with Israel and the 'internationalised' future of Jerusalem which the proposals envisage. What is of immediate interest now, therefore, is whether Sisco's talks will help all parties concerned to find a way around these two intractable issues.

On the Side of Angels

A Correspondent writes:

THE air of injured innocence assumed by Naval Tata on behalf of employers in his presidential address to the recent annual general meeting of the Employers' Federation will not pass muster. That so knowledgeable a person, who has been in the middle of the industrial relations scene in the country so long, should be content with finding fault with trade unions and Government for the state of these relations today, is a matter for serious concern. That there is much that is not right with trade unions in our country is well known. That political conditions in parts of the country have been favourable to industrial unrest is also true. But one expected from the principal spokesman on behalf of employers some introspection, some effort to assess the employers' own performance, some attempt to put the employers' own house in better order instead of merely harping on the wickedness of the unions and the ineptitude of Government. The trade union movement in the country has certainly shown better awareness of its own shortcomings than have the employers of theirs.

That the year 1969 saw intense industrial conflict need not be disputed. But much of it did not arise out of inter-union rivalries or encouragement from Government, as Tata complains. Much of it arose out of straightforward wage claims by workers. These were in major industries which have somehow got away to this day with paying wages which are among the lowest in the country or which have thwarted the process of wage regulation through Wage Boards: Jute, Plantations, Engineering, to name the important ones. What else but conflict could result from the wage conditions that prevailed in these industries. The Jamshedpur strike no doubt touched a particularly sensitive spot for the Tatas, but to say that it was politically motivated is not even a half-truth. Union Labour Minister Sanjivayya's observation that employees concede nothing unless forced to, is one which employers will find hard to gainsay.

Naval Tata's concern for the sanctity of labour laws would be more convincing if he had said something about wilful violation of laws like the factories act, the minimum wages act, the provident fund act and so on and suppression of trade union freedom that are rampant in a vast part of our industries. As a member of the National Commission on Labour, Tata has ample reason to know that to a large proportion of our employers, neither labour laws nor collective bargaining have any sanctity and unless the employers' organisations show some inclination to discipline such employers, their complaints of illegal actions by unions must sound hollow.

It is, indeed, unfortunate that the tripartite consultative structure has lost prestige. But the causes for this are not the irresponsibility of the unions, but the attitude of Government. Many decisions of the past have remained a dead letter due to the indifference of Government in the matter of implementation. In its dealings with its own employees, Government brazenly disregards the canons evolved by tripartite conferences. This has been the complaint of trade unions and Government has shown no keenness to dispel these misgivings.

Industrial relations today are, as Tata says, "most frustrating". For constructive leadership to come out of this frustration calls for something more than laying the blame on everyone else except oneself. The difficulties of the situation are known and real. Appreciation that it is primarily for employers and trade unions to overcome these difficulties and determination to overcome them: these appear to be sadly lacking in employers' thinking on industrial relations.

Creating an Asian Trade

TRADE among the Asian countries is one of the smallest. It is argued that this is because there is little complementarity among these countries. In fact however, there are degrees of complementarity even among the same group of countries; and Asian countries, though all developing, yet have sufficiently differentiated economies for them to be able to usefully trade with one another. It is significant that the European Common Market, which outwardly has similarly developed member economies, should have some of the fastest growing trade.

Perhaps taking the cue from the European success, a conference of Asian countries in Brussels has proposed a 10-year programme for expansion of trade among these countries. The targets may seem modest — a growth of 10 per cent per year in the first phase and 15 per cent per year in the second phase — but since world trade grows at the rate of 5 to 8 per cent, the Asian trade ambition involves a doubling of the rate for the region.

It would be necessary, however, to map out various directions for action if this target is to be achieved. First, any such expansion, as far as possible, should not be at the cost of other developing countries — i e, it should not result in trade diversion from them. As is well known, India's efforts to reduce imports have been at the cost of other South-East Asian and West Asian countries. Identifying commodities and markets in which mutual trade can be made to expand would be the second task, and in this ECAFE could give a lead in preparing the groundwork. A third task, as a corollary to marking out areas for complementarity, would be to co-ordinate the production programmes of these countries, each country specialising in goods in which it has an advantage and supplying these to the other countries of the region. This is a direction in which ADB can help to move and by which it can mark out at the same time a role for itself. What will be required, above all, is vision of the immense economic opportunities thus opened, readiness to prepare the groundwork, and hard-headed long-term calculations of the gains and losses from any one mode of mutual trade tie-up.

BUSINESS

Loyalty Bonus

SHAREHOLDERS' of National Rayon must have been pleasantly surprised by their Board's decision to issue bonus shares on a one-for-four basis by capitalising Rs 80 lakhs from general reserve while maintaining equity distribution at 28 per cent for 1969. There is nothing spectacular in the company's 1969 profits to justify this sudden generosity. Turnover increased from Rs 20.66 crores in 1968 to Rs 22.34 crores in 1969, and gross profit from Rs 4.92 crores to Rs 5.43 crores (pre-tax profit from Rs 3.64 crores to Rs 3.91 crores). Three years ago the company had made a meagre one-for-ten bonus issue and in fact shareholders had been pressing from time to time for a bonus issue, but the management had brushed aside these demands. At the last annual general meeting in June 1969, the chairman had said categorically that "it would not be advisable or desirable" to issue bonus shares when the company actually needed additional finance for its diversification schemes which he estimated would involve a capital outlay of Rs 15 to 20 crores. But rumours of a possible bonus issue persisted and less than two months after the annual meeting the then managing agents, Chinai and Company, sought to scotch them through the rather unusual procedure of having a letter put on the Bombay stock exchange's notice board declaring that there was no likelihood of a free-scrip issue. The recent somersault on part of the management, therefore, suggests that both its earlier concern for denying bonus issue rumours as well as its present generous offer have been influenced by its fight for retaining control of the company.

The Kapadias, two of whom have already secured seats on NRC's board on

the strength of their large share-holding, had been for long accumulating a big line in NRC shares ("Dog Bites Dog", April 4, p 584). Since they stood to benefit from the likely rise in share prices if a bonus issue had been announced, the Chinais had been using every means to scotch such rumours. The objective obviously was to depress the share price so that ultimately Kapadias would be forced to loosen their grip on NRC. In this the ban of forward trading in shares came as a windfall to the Chinais. In the climate created by the ban and bank nationalisation, NRC shares hurtled from a 'high' of Rs 591 to Rs 398 in the course of a mere month and a half.

But the Kapadias weathered the storm and the struggle for control of the company in fact got intensified. The board of the company had last year proposed the appointment of Jiwanlal Chinai and Rasiklal Chinai, two *ex-officio* directors, as vice-chairman and president, respectively, on termination of the Chinais' managing agency, but sensing stiff opposition from the Kapadias the resolutions were withdrawn at the annual meeting in June 1969. However, in January 1970 the board, on which the Chinais still have a majority, appointed a committee comprising Rasiklal Chinai as president and two company executives, R K Framji and C G Mahant as vice-presidents (after co-opting them as directors) to look after the day-to-day management of the company following the expiry of the managing agency, over the objections of the two Kapadia directors. The Kapadias challenged this decision in the Bombay High Court and obtained an interim injunction. The case is pending.

Now that the next annual meeting is drawing near, both sides are preparing for a battle of proxies. The Chinais have evidently decided against taking the course which Sir Biren Mookerjee took in a similar situation — he put a squeeze on speculators by skipping the dividend and, in addition, harangued Government and speculators about meddling in a priority industry. But National Rayon is not Indian Iron, nor is the Chinais' position comparable to that of Sir Biren. With a small shareholding and a none-too-good record of growth, the Chinais have opted for pleasing their shareholders with bounties. The surprise announcement of the bonus issue is thus a proxy-catching device.

The new moves, however, may well strengthen the Kapadias' hands and increase their speculative capacity. The Kapadias have not started one industry (in fact they have closed the drum manufacturing unit they started with — and might find it profitable even to close National Rayon once they get control of it!); if they have the resources and the managerial ability, why do they not take up an industry — rayon-grade pulp which is in short supply, to mention one possibility? This is what makes the Kapadias' moves so suspect. Yet, thanks to them, NRC is distributing largesse, hoping to maintain shareholder loyalty. In the process, its expansion programme must suffer. One would not be surprised if in an effort to outbid the Chinais, the Kapadias now propose an even more generous bonus issue.

Sloth in Key Areas

THE annual report of the Ministry of Petroleum and Chemicals and Mines and Metals for 1969-70 reflects the lack of urgency in Government about problems of development. The Ministry is concerned with key areas of the economy — oil exploration and refining and fertilisers and pharmaceuticals. Its lackadaisical approach to tackling the problems of these key areas has a direct bearing on the economy as a whole.

Remarkable progress has been achieved in petroleum refining, total refining capacity at the beginning of 1970 being 19.55 mn tonnes. Oil exploration has been, however, painfully slow, despite known availability of reserves. The result is that local crude used by the refineries is only 6.77 mn tonnes the balance is imported, and costs almost Rs 100 crores per year in foreign exchange. Our own adventure in oil exploration in Iran has begun to yield fruits, but more expeditious decisions on local exploration can be an important source of foreign exchange saving.

Fertilisers present a different set of problems. Production capacity at present is 1.34 mn tonnes N (equally divided between public and private sectors). Production in 1969 was, however, only 750,000 tonnes N while consumption was about 1.5 mn tonnes N. Producers have been faced with both production and marketing problems. The rate of growth of fertiliser consumption has slowed down and with continued large imports often cross-hauling of supplies becomes necessary. Additional capacity for 1.21 mn tonnes N is currently being built and another 2.15 mn tonnes capacity has been approved (though, looking at the list of projects it would appear that many of them may not materialise). The Ministry report does not say what it proposes to do to improve utilisation of local capacity and expedite the capacity under implementation and planning.

There is only one silver lining. At last the Ministry has recognised the need to take the initiative in setting up coal-based fertiliser units.

The Ministry is also concerned with petrochemicals and drugs and pharmaceuticals. The petrochemical projects have been delayed, resulting in fancy profits (for CAFI as also the four nylon producers) and foreign exchange cost (on import of caprolactum). Government's own projects in pharmaceuticals are going even slower. Hindustan Organic is still under implementation. Of those completed, Indian Drugs and Pharmaceuticals reflects the sorry state of the Ministry's planning capacity. Thus, it is said in the Ministry's report, in regard to surgical instruments that "in order to improve the utilisation of the plant, a diversification programme is being drawn up to include better saleable instruments in its product-mix"!

On the Wrong Track

SETTING up of development councils for various industries is provided for in the Industries (Development and Regulation) Act, 1951. The councils object is to examine possibilities of achieving economies and reducing costs and similar matters relating to the particular industry. However, given the structure of ownership of industry, the development councils have been packed with 'industrialists' to whom these councils have been yet another instrument of influence-peddling and currying favour with Government.

Ambiguity about the objectives of development councils is shared by Government. This is evident from Triguna Sen's statement while inaugurating the Development Council for Inorganic Chemicals. Beginning by citing the real objectives of a development council ("suggesting norms [to] eliminate waste, obtaining maximum production, improving quality and reducing costs ... fuller utilisation of installed capacity and improving the working of less efficient units"), Sen strayed on to questions of high volume of imports and import substitution and provision of employment opportunities.

On the issue of growth of the inorganic chemical industry, however, Sen had some sensible things to say. The chemical industry is subject to economies of large scale (given process economies and possibilities of utilising by-products). Sen referred to the need to have large-sized units for low costs and export competitiveness. He did not, however, specify how this tied in with Government's present licensing policy.

The inorganic chemical industry has many technical problems to face: for example, the present large waste of chlorine, the failure of fertiliser production to rise above a mere fraction of capacity, and so on. Unfortunately, instead of turning the development council's attention to these problems, Triguna Sen has shunted off the council on a wrong track.

CAPITAL VIEW

Irrelevant Politics

Romesh Thapar

THE more one ponders on what is happening in Parliament and outside, the more one is convinced that we are seized with a passion for irrelevant politics. We have become devotees of peripheral issues, even non-issues, and we employ all the paraphernalia of modern mass communication to titillate the democratic mob with such issues. Perhaps, that is why we have become a patch of paralysis in a vigorous world.

The extraordinary energy being spent on the abolition of the privy purses is matched by the zeal with which some sixty 'successions', which might otherwise have lapsed, have been arranged by GOI for empty *gadis*. The feudals have also counter-attacked at two levels. They have threatened to take the matter to the now dreaded Supreme Court and have also encouraged the assault on "privileged" groups such as the ICS. The attack on the ICS will presumably spark an attack on yet undiscovered 'privileges'.

Meaty Issues

In all this nonsense, what is being forgotten is that the democratic mob which dealt the Rajas, Ranis, Maharanis and Maharajas terrible blows in the forties is now largely behind these 'divine rulers' in their constituencies; that the ICS, privileged or unprivileged, continues solidly entrenched in the administration and is still able to rule the roost over specialists; that key assignments continue to be reserved for the retired men of this service whether they are suited for the job or not; that the IAS continues to receive inferior treatment. Of course, it is easier to sound off on peripheral slogans than on these meaty, meaningful issues.

Everyone believes that the Supreme Court will take a very dim view of these 'goings on'. Nevertheless, the powers that be are prepared to allow peripheralism to dominate instead of focusing on the real maladies. It is at this level that Governors seeking cheap popularity, talk of opening Raj Bhavan swimming pools to the local 'masses' and cups are sought to be presented not to the owners of race horses, but to jockeys and trainers — even to the horses! Not in our wildest moments did we believe that socialist achievement would be reduced to this ludicrous level.

Keeping in step with our cynical elite, I think the time has now arrived to direct all energies against a major privileged section — the Hindu community. The tax laws which permit the so-called Hindu Undivided Family (HUF) a separate identity need to be brought under close scrutiny. The HUF is a major tax dodge and is only enjoyed by the Hindus — at least by those who have managed to produce a son. Who is going to take the initiative? The socialist parties? Not a chance....

All Very Sophisticated

Irrelevant politics are here to stay so long as our political parties live by the opportunist, corrupt and manipulative norms they have given themselves. It is a kind of brotherhood designed to keep itself in business. If an SSP demonstration is belaboured outside Parliament House, there is shock over the breaking of norms. The PM and the Home Minister pledge an inquiry even as they condemn the police. A government at the Centre is in danger of defeat, opposition MPs promptly absent themselves at the time of voting. It's all very sophisticated, but the system is increasingly being brought into contempt.

The summer is on us. The parliamentary session drags on. The minority Government continues to survive with posts to fill. The splits keep widening in all the parties. Money, black money, emerges as the real power — or so the irrelevant imagine. We have to live with this situation until we find the means to transform it.

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FROM OUR CORRESPONDENTS

SOUTH

Brahmananda's Luck

Mohit Sen

THE extent of the cross-voting in the Rajya Sabha election in Andhra was quite considerable, leading to the defeat of the APCC Vice-President and to the humiliation of D Sanjivayya who came in only on the eighth count. Almost immediately afterwards the Brahmananda Reddi Ministry won a thumping vote of confidence in the Assembly and the Chief Minister's stock went up as never before in the recent past.

Indeed, the man seems to be blessed with extraordinary political luck. He owed his elevation to Chief Ministership to his disciple-relationship with Sanjeeva Reddy but won his spurs only when the old master made the grievous tactical error of trying to build an alliance with Sanjivayya's group. The result was a wholesale desertion of his own rank-and-file as well as important cadres to the present Chief Minister.

Ideally Amorphous

Since then Brahmananda Reddi has been able to dominate the politics of Andhra by clever manipulation of the Congress machinery. In this he was greatly assisted by the fact that the main opposition in the State, the communist movement, was badly split and was engaged in decimating rivalry, with CPI(M) hoping to establish itself as the sole representative of the movement in this, its third traditional base. Swatantra party had established certain bridgeheads in the delta districts but it never gained recognition from the landlords as their party. This was because of the way in which Congress was looking after their interests and

also due to the fact that N G Ranga's leading disciples came from certain depressed communities and smaller self-cultivating peasants. This latter fact led to a certain understandable distrust of this party on the part of the largest vested interests in the rural areas.

Congress itself was delightfully free from any issue-oriented conflicts, to use the current jargon. It was an ideally amorphous organisation committed to the dead Centre and unlikely to appreciate any pull too much in either direction. It represented the landlords, especially those who were transforming themselves into employers of labour from mere receivers of rent, but also had a strong base in the real capitalist entrepreneurs in the countryside, the rice peasants who also grew rapidly in this period, both economically as well as in political influence. There was, and there is as yet, no serious conflict of interests between these two types of capitalist development and capitalists in Andhra's countryside. And this gives Congress a considerable measure of stability.

Caste Conflicts

The conversion of rice into one of the more important commercial crops helped the development of capitalism but also softened some of the rigours of its advance as there was almost always enough rice to go around for everybody in the village. The 'green revolution' did have some impact on production techniques but not quite as much on production relations and class balance as some had expected. What it probably did was to prevent that turn to industrial investment which Andhra needs so badly and which demarcates its rural capitalist development from that of Punjab, for example. And it is this failure to turn in the direction of industry which is, at the moment, the most vulnerable point in the Andhra ruling-class complex.

While caste conflicts do affect the political fortunes of different Congressmen, Congress groups, and Congress as a whole, they do not have the all-Andhra connections and character to make them anywhere near as important as they are, e g, in Bihar, UP or Maharashtra. This is an important fact which some commentators, lured by the facile 'Most Dangerous Decades' thesis, should bear in mind.

What was not so clear, but which came glaringly to the fore, was the extent to which regional disparities not only existed but were being accentuated in the course of development. And what an explosive factor this turned out to be in 1969 when the effects of the recession began to beat upon the middle class!

There were two kinds of short-sighted and even opportunist reactions to the separate Telengana movement. One was to side with the ruling Congress and to overlook the genuine grievances, injustices and problems of the people of the region. The other was to yield to this demand using, at times, sophisticated arguments about the federal nature of India's polity necessitating smaller units, etc. Both these attitudes evaded the essential problem of integration of Andhra as well as of India — once the nationality basis is knocked off there is nothing democratic left to stand upon.

Saved By Congress Split

But just when the Telengana storm was at its height and when the Chief Minister seemed about to be overwhelmed by it, he was saved by the national crisis in the shape of the Congress split. Many of those who were for a separate Telengana and many more of those who were against the Chief Minister, found themselves in the same camp as Brahmananda Reddi in the great Congress divide. And even the most vehement supporters of the separate Telengana movement realised that there was no possibility of a "short-and-swift struggle" succeeding. Tired out as they were after nearly eight months of intensive movement and action, the prospect appeared quite bleak. Factional squabbles in the pro-Telengana camp apart, this realistic despondency played a major part in dampening the ardour for the movement and depriving it, in particular, of its previous youthful elan. In any event, Brahmananda Reddi was able to breathe more freely.

In the last year there has been another noticeable development. And this is the revival of the Communist movement in Andhra. Quite understandably, the so-called national press blows up quite out of proportion the activities of not more than a thousand Naxalites. But these activities have little more than nuisance value and have had very little impact on the rural poor as a whole. But the far more solid achievement has been the beginnings of a breakthrough on the agricultural labourers' front, represented by the yet unsurpassed *Kuli Dandu* in April 1968 and the lakh-and-a-half acres seized during the *banjar bhoomi* movement in late 1969 both of which were led by CPI. This was followed up by an unprecedented mass mobilisation for the Guntur AITUC session, which had been matched only by the effort of the united CPI in 1961 at the time of its Vijayawada Congress. CPI(M) has followed all this up with a spectacular march of peasants into the capital in February which was impressive by any standards.

Communist Revival No Threat

It is, of course, a great pity that this revival is proceeding along parallel lines. The charter of demands advanced by the two parties is remarkably similar, even though some commentators would like to bring in differences of class approach. CPI(M) is now using forms of action which bring its positions even closer to that of CPI. There is no reason at all for it to spurn the latter's proposals for joint campaigns and actions. But old prejudices die hard.

What is of special interest, especially from the angle of the Chief Minister's luck, is that as this revival proceeds against the background of the national policies of the two CPs, it represents no immediate threat to him. This was made evident by the pains he took to receive the charter of demands of the CPI(M) demonstration and the readiness with which he agreed to allocate Congress votes for the Independent candidate to the Rajya Sabha, supported by the two CPs.

Finally, the Syndicate and the separatists, who at the moment are his most vociferous opponents, are neither able to unite nor to strike even separately to any significant extent. This is due, as far as the Syndicate is concerned, to the continued amorphous character of the Congress which the Chief Minister commands. There is, at the moment, no reason at all why the vested interests should support the Syndicate as against the ruling Congress. The ruling Congress has done absolutely nothing against them nor changed its policies from what they were prior to the split. The separatists, on the other hand, flounder about as they are not clear at all as to what their next step should be. Chenna Reddy has again called for a satyagraha from April 22 and threatened all sorts of things. His fire is more against the Centre than previously but his acceptance of the possibility of a sub-State (along the lines of Meghalaya, one presumes) shows lack of the old heart. It is unlikely that the Chief Minister will have to spend any sleepless nights on this account. His luck continues.

SIKKIM

In the Doldrums

IN some ways Sikkim is the least interesting of the three Himalayan-belt kingdoms today. While injustice prevails within its boundaries, there is not enough unrest and no real organised attempt to harness the grievances. Similarly, Sikkim's external relations do not reflect any bargaining strength on its part — though the Chogyal, pressed on by his American wife has made vague efforts to establish relative independence of India and to strengthen his bargaining position *vis-a-vis* it. That he has failed in his attempt was apparent recently in the relatively inferior status he was to be offered in the protocol at the wedding of Nepal's crown prince. This was reported to have been at the instance of New Delhi.

Chogyal Chempo was informed that he would be given the status of head of government, and not that of head of state as he had expected. This came as a shock; for, both the Chogyal and his Gyalmo, Hope Cooke, had obviously made regal preparations for the trip. Valuable presents had been bought in Hong Kong and New York under supervision of the Gyalmo. The Chogyal had rushed back to Gangtok from New York, leaving his ailing sister in the Houston Texas hospital, just to be present at the international gathering in Kathmandu. But everything was upset. Finally, four Councillors were sent to represent Sikkim at the wedding. The Chogyal had a meeting with his coterie of supporters — the members of the Sikkim Youth Study Forum. Since no less than a ministership was required for the august gathering at Kathmandu, and since Sikkim does not have ministerial posts, it was decided that, for a couple of days, executive councillors Gelong Netuk and Nahkul Pradhan, Finance Secretary Kunjan Sherab, and Food and Supply Commissioner Madan Mohan Rasaili, should be declared 'ministers'. The formation of the delegation also took into account two other factors. Two were Sikkimese and two — Nahkul Pradhan and Madan Mohan Rasaili — were Nepalese. The Chogyal thus killed two birds with one stone. He maintained a balance between the Sikkimese and Nepalese. At the same time, he pacified political party leaders who had for some time been unhappy about alleged favours shown by the Chogyal to members of Sikkim Youth Study Forum.

It is not clear how much this attempt at pacifying is going to help the Chogyal. The boss of Sikkim's State Congress, Nahkul Pradhan, and of Sikkim National Party, Netuk Lama, are yet trying to win public opinion for the coming elections. Netuk Lama, for instance, has been harping on Sikkimese poverty and has promised to solve the unemployment problem if his party comes to power. Nahkul Pradhan has asked for the preparation of a new electoral roll since under the so-called 'revised' electoral roll today, some 25 per cent of the people have been deprived of voting rights. Yet these are all vote-catching devices. Both leaders are opportunists who are known to have gone out of their way to strengthen the hands of the 'modern' feudal forces in tiny Sikkim and helped to keep the people suppressed. After all, Netuk Lama has more cars than the Chogyal. What he has craved all these years, however, is responsible posts in party and government. Nahkul Pradhan on the other hand has, more than even the Chogyal, helped to keep the Nepalese, the majority population of Sikkim, out of its political life. Under the present system, Nepalese are deprived of their fundamental rights. Nahkul Pradhan, who is himself a Nepalese, had not only tacitly agreed to this formula but had all through his political career aligned himself with the Chogyal and his National Party in exchange for becoming the Executive Councillor in the Sikkim Council. Now, with the elections barely a fortnight away he has raised the point that, while in 1967 the electoral roll had 87,000 people, the new roll has only 50,000 names. It is true, of course, that in an organised way the ruling circle had deprived most of the Nepalese, who are generally considered potential enemies of the present regime and staunch supporters of the opposition Sikkim National Congress, of their voting rights by electoral redefinition. Sikkim was declared a Buddhist state by the Chogyal. Consequently citizenship has been granted to thousands of newly arrived Tibetan refugees while thousands of others who have been living in Sikkim for the past five or six generations have been deprived of citizenship. Nahkul Pradhan, no doubt, sees in the re-inclusion of the Nepalese a chance to reinforce his political position.

To understand what shape emergent political forces may take in Sikkim, it is thus useful to know the make-up of the population there. According to the 1961 census, Sikkim has a population of 162,189, composed of Lepchas, Bhutias and Nepalese. Besides these three communities, there are also the Marwaris and the Bhojpuris.

In Sikkim and its adjoining hill regions, Marwaris are known as Kanyiya. They were brought in by the British. They found Sikkim profitable. The simple ravine folk were no match for them in matters of accounts and calculations. They lent money freely, at exorbitant rates. They even came to control the entire business of the State. A large part of the Sikkimese population has fallen more and more into their clutches.

Besides Marwaris, there are in Sikkim people from the Bhojpuri-speaking area, too, which today forms part of Bihar and Uttar Pradesh. In numbers they are many more than the Marwaris. In Sikkim, the credit for bringing virgin land under cultivation in the deep valleys and forests, and on the rugged mountains by terracing, goes to the hard-working Nepalese. Similarly, trade and services were introduced even at a time when there were no communications in this part of the world, by the people of Bhojpur. While Marwaris, backed by the British, did business on a large scale, exploiting the local populace, capturing important towns like Kalimpong, Darjeeling, and Gangtok, the poorly-clad Bhojpuris, semi-exiles from their home districts and very often working as servants of the Marwaris, began to cater to hundreds of isolated villages, trekking with boxes carried on their heads through the leech-infested dense forests and high mountains.

With the passage of time, the Marwaris came to control the capital and wealth of Sikkim and other adjoining places, owning the big shops, and giving credit to the Lepchas and Bhutias. The Nepalese became the big landlords and cultivators. The Bhojpuris remained poor; they were the cobblers, barbers, carpenters, blacksmiths, washermen, and petty shopkeepers. It is by them that the essential services are run in the entire Himalayan belt. They are also the most ignored people in Sikkim. In today's political set-up Gangtok has little to gain by wooing these numerically significant but poorer people in Sikkim.

The Enlightened and the Cramped

A K Essack

WHITE South Africa goes to the polls this month. The major issues in the elections will be basically the same as it was in 1910, namely, how to frustrate and stunt the development of the mass of the voteless and rightless Africans, Coloureds and Indians. The four parties wooing the white voters are Nationalist Party of Balthazaar Vorster, Hersigte Nationalist Party of Albert Hertzog; United Party of De Villiers Graaf, and Progressive Party backed by South Africa's leading mining magnate, Harry Oppenheimer. The former two derive their voting strength from the Afrikaans-speaking section of the white population, while the latter two are supported by English-speaking whites.

According to the 1917 census, the population of South Africa numbering 18.6 million consisted of: 12,750,000 Africans, 1,859,000 Coloureds, 561,000 Asiatics, and 3,563,000 Whites. No race classification has been devised for the whites, but it is generally known that the Afrikaaners, that is those who are descendants of the Dutch settlers, constitute 65 per cent of the white population, the remainder being of English stock.

Long Awaited Split

South Africa has a Parliament, consisting of the House of Assembly and the Senate. The former is important and its members are elected by white voters above 18 years. The Senate is packed with party faithfuls or those who have been defeated in the elections for the House of Assembly.

Nationalist Party has been in power since 1948 when it scraped in with a bare majority. Since then it has steadily strengthened its position at the expense of United Party. At the close of the 1969 session of Parliament the party position in the House of Assembly was as follows: Nationalist Party 126, United Party 39, and Progressive Party 1. It was after the close of the 1969 session that the long-awaited split occurred in the ruling Nationalist Party, with Vorster's former Cabinet colleague Albert Hertzog announcing the formation of Hersigte Nationalist Party (HNP). This splinter party has now four members in the House of Assembly.

United Party, founded by General Smuts, is now a shadow of its former self. Although it is the official Opposition, there is little hope of it ever forming the government because voting has come to take place more and more along racial lines with the Afrikaaners supporting the Nationalist Party and the English sticking to United Party. As the birth rate of the English-speaking whites continues to fall, so does their political influence. United Party stands for a policy of white supremacy with justice. What this meant in practice, when UP was in power, was enforcement of economic, residential, educational and political segregation. It was the UP Government which passed the 1937 Apprenticeship Act which prevented Africans from acquiring any skills which would give them openings for higher paid jobs. United Party's idea of justice for the 13 million Africans is that they should be represented in the House of Assembly by eight white members. Under General Smuts, who died in 1949, this number was four.

The tiny Progressive Party is a breakaway from United Party. It has one seat in Parliament. It stands for a qualified franchise which will include all whites and a tiny fraction of blacks. Basically it stands for the maintenance of the *status quo*, but it believes that white rule will have a longer lease of life if certain sections of non-whites are incorporated in the white establishment. Like United Party, it maintains that economic integration is an established fact and, therefore, middle class Africans in towns should be given 'greater *responsibility*' in their own locations and ghettoes. In a country where politics is shifting and more to the Right, there is little chance of the Progressive Party winning more than a few seats. Its chief strength lies in that it is being backed by the far-sighted section of the English bourgeoisie.

The chief focus in this year's election will be, however, the tussle between the two apartheid parties. For 21 years Nationalist Party has been able to preserve its monolithic character by keeping such diverse elements as farmers, workers, intellectuals, white collar workers and bourgeoisie together. Various devices were used to achieve this — the most important being the *Swaart Gewaar*, the Black Danger. But class differences overtook the Afrikaaners and have been finally responsible for the split in Nationalist Party.

The force which has disrupted Nationalist Party is the phenomenal rise of the Afrikaaner bourgeoisie. In the early thirties and forties, Afrikaaner nationalism manifested itself in practical things like urging the *volk* to boycott Indian and Jewish shops. This was one of the ways in which the nascent Afrikaaner entrepreneur gained a niche for himself in the South African economy. The Second World War swelled his coffers, but it was after the Nationalist Party's victory in 1948 that one witnessed the Afrikaaner bourgeoisie's meteoric rise. With juicy state contracts this was understandable. Large financial institutions mushroomed overnight and some of them, like Volkskaas, Old Mutual, Sanlam, Santam, Trust Bank and Federale Volks dotted the South African scene. And to the horror of the diehard Nationalists, these 'sons of the soil' began to collaborate with Oppenheimers in various economic projects. The links which the Afrikaaner financiers have forged with their American, British, German, French and Japanese counterparts have made them realise that the apartheid policy of Nationalist Party involving open and brutal suppression of the non-whites without any safety valves must lead to an explosion which would not only throw the Nationalists out of power but could jeopardise the whole system. It is for this reason that the Afrikaaner financiers believe that petty apartheid must go. They also believe that whites should assist the African countries in the fields of education, health services and technical knowhow.

The Grand Design

There is another reason why the Afrikaaner financiers feel the need to 'improve the image' of apartheid. South Africa is reputed to have 'the largest industrial complex south of Milan'. The rest of Africa, which is predominantly agricultural, is seen by them as a vast hinterland which could provide raw materials and at the same time consume its manufactured products. But this grand design is thwarted by rigid apartheid which discriminates against every black man even if he happens to be the President of his country.

Politically representatives of Afrikaaner financiers have been described as the *verligte*, the enlightened, as opposed to the *verkrampte*, the narrow and cramped. Vorster who has been labelled as *verligte* stands for an 'outward looking policy' which means greater contacts with African states. In practice this policy expressed itself in Seretse Khama, President of Botswana, being lodged in a white hospital and thus receiving the best treatment. Malawi, the only country which has diplomatic relations with South Africa, had its African diplomat accommodated in a white suburb, something which would normally contravene the Group Areas Act.

In the struggle between the *verligte* and *verkrampte*, the Afrikaaner financiers, numerically small but with vast resources at their disposal, were able to capture the parliamentary wing of the Nationalist Party and take over the leading Afrikaans newspapers. Rabid racialistic newspapers like *Die Transvaaler* began as a result to acquire *veligte* hues. They also chalked important victories in the vast network of Afrikaaner cultural organisations. With the state machinery at his disposal and with BOSS (Bureau of Social Security) at his command, Vorster has been able to hound and harass his former colleagues. Thus Hertzog who is now in his seventies has been hauled up before the courts and fined while his deputy, Jaap Marais, has complained that his telephone has been tapped and his mail opened. He is also due to appear in court on a charge of violating the Official Secrets Act. Meetings of HNP have been broken up. Yet HNP has one advantage in that its programme and policy reflect the immediate aspirations of the fear-ridden and racially indoctrinated white voter. The *verkrampte* have a powerful base in the Mine Workers' Union since there are 50,000 whites working in the gold mines.

Growing Black Militancy

The rift in the Afrikaaner camp comes at a time when there is increasing resistance from the oppressed people themselves. The first puppet 'parliament' created for an 'inferior race' in Transkei is not working well. There was substantial boycott in the elections and Government has found it necessary to keep Proclamation 400, under which a person can be detained for six months without trial, in the statute book. In a similar institution for the Coloureds, there was again a boycott; but those who did vote defeated Vorster's stooges. The strike of non-white doctors, followed by a magnificent display of solidarity by dock workers, indicates a growing awakening. There have been more reports of clashes between police and people.

The organisations of the oppressed people of South Africa, African National Congress, Unity Movement of South Africa, and Pan-African Congress, though still divided organisationally, have all accepted the necessity of engaging in an armed struggle. The ANC, which is better known to the outside world, had been conducting its campaigns in the towns in the past. The Unity Movement, on the other hand, has been waging its struggles in the countryside amongst the peasants, particularly in the populous region of Transkei. PAC, a breakaway from ANC, has its support amongst militant African youth and it was their activity that brought about Sharpeville and the massive demonstration at Langa. All three organisations also believe that the military strategy to be applied has to be that of guerilla warfare.

Ironically, one factor inhibiting the unity of these organisations has been the attitude of the Organisation of African Unity. OAU has recognised ANC, but not Unity Movement. Recently it suspended the recognition of PAC only to withdraw the suspension later. OAU can play a significant part in forging the unity of the three organisations if it adopts a policy of impartiality and letting the people of South Africa be the final arbiters among them.

The split in the Nationalist Party is a symptom of decline of Afrikaaner nationalism. Afrikaanerdom is in disarray and the bogeys of *Swaart Gewaar* and 'Red Peril' no longer suffice to hold the warring factions together. Attempts at patching up the differences have proved to be of no vail. It is doubtful whether Afrikaaner nationalism will ever again reach its post-War strength and display the same unity. This must lead to greater fragmentation of the white bloc.

VIENNA

Prague Autumn

THE first phase of the programme to 'cleanse' the Czechoslovak communist party of the unwanted ones seems to be over. The screening process, in pursuance of the Central Committee's decisions at the end of January, resulted in the suspension from the party of Alexander Dubcek, Ambassador in Turkey since the last week of January. Several others were expelled, including former parliament chairman Josef Smrkovsky, Zdenek Mlynar, a party theoretician, and Cestmir Cisar, a former chairman of the Czech National Council.

The suspension of Dubcek is a prelude to his 'ultimate disgrace', expulsion, unless the former party first secretary and symbol of Czechoslovak aspirations of the Prague Spring of 1968 admits his errors. Dubcek has valiantly refused to do any such thing, and his continuation as Ambassador can only be temporary because no communist country keeps a non-party man as Ambassador.

While the action against the stars of the 1968 reform programme has caught the headlines, what has not attracted much attention is the way in which large numbers of party activists have voluntarily decided to conform to the prevailing official dogma. One of the failings of Dubcek and his senior colleagues was that they did not purge the party apparatus of conservatives. According to *Rude Pravo*, the party newspaper in Prague, the screening of the "members of the higher organs, including district party committees and the party *aktif*" went on without "major difficulties". In other words, not much persuasion was needed to make these middle-ranking party officials conform. In the Czech lands, only about five per cent of the party officials are reported to have failed the test. According to official reports, in the Mlada Boleslav district of central Bohemia, not a single party official's membership had to be terminated.

Intellectuals under Pressure

Initial reports from Prague were that a majority of party officials had been 'honest'. But the party leadership is not content to leave matters with the confession of their errors by officials. The Slovak communist party daily, *Pravda*, for example, says that, "if a party member is not ready to give an account of his work, convictions, actions and loyalty, it is the duty of his closest comrades to reveal his alibistic standpoint, cautious temporising and in many cases even betrayal of the ideas of proletarian internationalism".

The people under the severest pressure are writers, journalists and other intellectuals who flowered into loud campaigners at the height of the reform upsurge in the early months of 1968. These intellectuals have also proved to be the hardest nuts to crack. A joke around Prague is that the best way to

meet intellectuals is to go to the petrol filling stations. A large number of writers and journalists are reportedly working as petrol station attendants. There are said to be more than 400 former journalists who have been forced to take manual jobs, because of their unwillingness to compromise their intellectual integrity or because they have been victimised. Among the intellectuals who have been jailed are the famous journalist and chess player Ludek Pachman, and the writer Ota Filip.

A year after Dubcek was eased out of the First Secretaryship and Husak took over command of the party, the intellectuals continue their struggle — a sort of passive resistance rather than headlong polemics. The pent-up feelings of the intellectuals overflowed into the "ten-point manifesto" last September. This manifesto was addressed to the Federal Assembly, the Czech National Council, the Federal Government and the party. The declaration was not published inside Czechoslovakia but smuggled out and printed first in a progressive Italian weekly, *L'Espresso*. The immediate reaction of the authorities was to arrest some of the leading signatories to the manifesto, including historian Jan Tesar.

Follow-up Action

The manifesto described the Soviet invasion as an outrage, demanded the withdrawal of Soviet troops and censorship and challenged the thesis of the primacy of the communist party. The Minister of Culture in the Czech lands, Miroslav Bruzek, failed to penetrate the artists' associations and disrupt them from within. The follow-up action of the Government was to decide to ignore the artists' associations and deal with artists directly. But not many prominent writers have been found willing to perform to the tune set by the Culture Ministry.

In the Slovak region, on the other hand, there has been neither extreme agitation nor extreme repression. Even when Novotny was in power, Dubcek, as secretary of the Slovak Party, had dealt with the intellectuals with a velvet glove. Husak's tenure as Slovak party secretary after the Soviet invasion was also marked by moderation. The Union of Slovak Writers co-operates with the Ministry of Culture in Bratislava. This is also partly due to the fact that the Slovak Culture Minister, Miroslav Valek, is himself a prominent modern poet, unlike Bruzek who is a party hack, pure and simple.

The Czech regional government has begun organising arts councils directly under Government's control, and is attacking the leading Czech artists and writers, who are practising passive resistance, by denying them opportunities for publication and depriving them of chances to earn a livelihood. The Ministry has also confiscated the entire financial resources of several artists' associations.

Second Phase

The second phase of the party screening operation is to cover the one and a half million ordinary members of the party. Many workers are bound to resist interrogation on the plea that manual workers merely followed advice and orders from above during the reformist period of 1968. While the intelligentsia is to be submitted to a rigorous interrogation, the workers are likely to be let off leniently. What will be expected from them is a commitment to support party policies wholeheartedly in future.

The Central Committee letter on the re-issue of party cards is reportedly unknown to the vast majority of the rank and file in the party. According to *Rude Pravo*, one and a half million copies of the Central Committee's letter were distributed. This would have been enough to reach all members. Now another one million copies are being printed and distributed. Whatever happened to the first million and a half copies is anybody's guess.

THE FOURTH ESTATE

Mirror, Mirror, Tell Me True...

Nireekshak

IS the Press interested in itself? An odd question to ask, perhaps, for every commercial establishment must be expected to be interested in its own welfare — and the Indian Press is a business as much as it is a public utility — and this is, besides, the year of the Press Council Bill and professional self-criticism in such quarters as the Bombay Union of Journalists. But the question is not irrelevant if the collective interest that newspapers and news agencies, journalists and non-journalists together take in their common welfare is the criterion.

Though the two main Press organisations, the Indian and Eastern Newspapers Society and the Indian Federation of Working Journalists, have managed to co-exist for at least two decades they have been unable to work together on any significant matter of common interest or concern. The chequered, if not wayward, career of the Press Council of India is ample illustration of this inability of the Press to pull together. It is conceivable that in circumstances of greater awareness of common interest, of what may be termed enlightened self-interest, a Press Council might have come into being by common agreement among all parties involved without any statutory compulsion. Such a voluntary organisation might also have been able to fulfil most, though probably not all, of the tasks that Parliament has now assigned to the statutory body. However it is idle to speculate on this theme now, for the fact is that a statutory body exists; it is, therefore, best that everyone concerned tries to utilise it to the best advantage of the Press as a whole.

Not a Muse!

Amazingly, though, hardly two or three newspapers seem to have seen fit to take editorial note of the new bill, the Press Council (Amendment) Bill, that both Houses of Parliament have passed and which now awaits the assent of the President. "There can be no perfect Press Council", as *National Herald* rightly remarked (April 1). Yet why "it cannot be like a Bar Council or Medical Council, ready to strike off the name of a journalist from a register", as *Herald* further remarks, is more difficult to understand. The paper also makes the strange observation that the Press "is not a muse like Clio" (why Clio, when there are several other muses in Greek mythology?) but "is more a mistress, a mistress of its owners, specially industrial barons". Whatever some owners may think, this is surely a dangerous notion to perpetuate, particularly as one of the objects of the Press Council is to strike at the roots of such notions?

There will, however, be wide agreement with the paper's contention that "the Press Council can only be what the[se] organisations [of the Press], especially the predatory organisations of proprietors put into it" and that "it can do only what they enable it to do". On the new procedure for selection of the chairman and members of the Council, *Herald* probably voices the view of the majority of journalists that it would have been best to allow "specified organisations to straightaway nominate its quota of members and for the selection committee to select only the chairman". However, as the paper notes, "the new procedure should be given a fair trial".

Editors' Lament

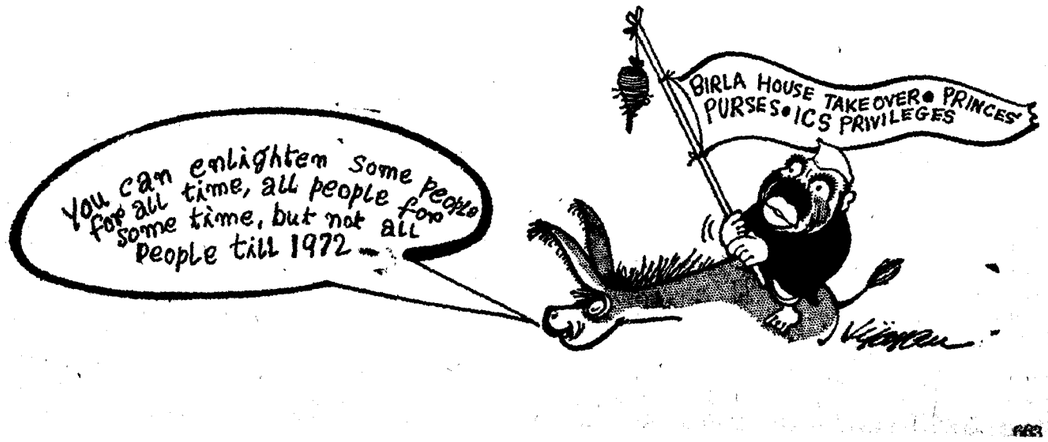
Statesman, however, has assumed that "if professional self-regulation is what is intended to ensure moral, and not merely legal, authority, this is unlikely to be achieved" by the Council. And why? Because, it argues, "the editor had been accorded a subordinate role on the Council though he alone is held responsible for any deviations from accepted standards". Quite obviously *Statesman's* concepts of professional morality are antediluvian. First of all, it is just not a fact that the editor has been accorded a "subordinate role" on the Council; there are certainly to be more non-editors than editors among working journalists on the Council but this does not by any stretch of imagination make the editor "subordinate" any more than it makes the non-editor "superior". It so happens, if *Statesman* does not know, that there are fewer editors than non-editors among journalists. Secondly, it is precisely to enlarge the area of moral responsibility that the Bill seeks to bring non-editors also within the scope of professional self-regulation. One hopes that the many doubts that *Statesman* has expressed about the scope of the Council will not prevent it and others of similar persuasion from giving the Council a "fair trial".

While on the subject of self-regulation, it may be pertinent to ask if any code exists in regard to the publication of non-commercial advertisements and, if none exists, as seems to be the case, whether it is not time one was evolved? In recent weeks, a number of newspapers all over the country have carried full-page advertisements of a book published in Japan, the autobiography of Kim Il Sung, Head of State of North Korea. It is not quite clear whether the advertisements were sponsored by the publishers or by the North Korean Government; it seems, however, that they are Government advertisements. These advertisements could probably be regarded as commercial in the sense that they sought to provide information to readers about a saleable commodity, even though the 'information' was almost entirely political.

But how does one classify a two-and-half column advertisement which appeared in *National Herald* on March 13 on "Kim Il Sung the great leader of the Korean people"? It was no advertisement of the man himself(!) nor of his book mentioned above, or of any other saleable commodity. It was, as its subheading proclaimed, a statement of the "theses on the socialist agrarian question in Korea". There was no mention anywhere in the advertisement of the provocation for publishing this particular theses at this particular time. No explanation was given by the editor either. It is customary for foreign missions in India to sponsor newspaper supplements on any occasion significant for themselves, like national days or other anniversaries. But the present advertisement, which does not form part of any supplement, stands in a class by itself. It is also doubtful if it has a precedent. In any case it may be worthwhile examining the propriety, scope and relevance of such advertisements, whose intents are transparently political and not commercial, in our newspapers. In the context of so much talk about the influence of foreign money of the Press, it needs to be asked if such advertisements cannot be one such source of influence.

Unusual Advertisement

Another unusual advertisement — unusual for India — to appear recently was one sponsored by the Swatantra Party and reproducing extracts of an article written by Rajaji in Swarajya. Opinions expressed by and in newspapers, and by individuals outside newspapers, are not unoften reproduced in commercial advertisements to enhance the value of the product advertised. Film stars' opinion on certain brands of soap and film critics' opinion of certain films they have reviewed in newspapers, are obvious examples. But in the case of the Swatantra advertisement, no saleable commodity was involved; it was a straightforward attempt to influence the political opinion of readers. Similar advertisements are not uncommon in certain foreign countries, and they may not also come in the same category of advertisements sponsored by foreign governments, but it may nonetheless be useful to determine their relevance in the Indian scheme of things, where the employment of money to influence political behaviour is a live public issue.



Not Forever Amber in W Bengal

A C B

THERE is no doubt that Bengal contributed very largely to the struggle for freedom — Bengalees think they made the major contribution, but that's another story. However, less than a quarter of a century after Independence we find Calcutta plastered with slogans "China's Chairman Is Our Chairman", "Hail Our Chairman Mao", etc, as though the people are longing for the chains of bondage again, longing once again to be slaves. This strange transformation requires analysis and very careful study if we are to get within hailing distance of an answer; and the solutions, once found, must be resolutely worked out if these unpatriotic ideas are not to spread like a cancerous growth and engulf the whole country

The law and order situation in the State has necessitated the reimposition of President's Rule, when we are hardly out of the disastrous aftermath of the first spell of President's Rule. This time we must not remain indefinitely at amber but ensure that the interregnum between the Green Revolution and the Red is utilised not only for restoration of the Rule of Law but for switching over to economic progress, thus making the latter resolution superfluous. Dharma Vira, it needs hardly to be stated, was a successful and brilliant administrator during whose regime the industrial sector was restored to health and the horrors caused by gheraos and strikes during the first UF Government halted. But this was nothing more than a slow and partial return to normalcy and there was no change in the general economic situation, nothing which would enthuse the imagination of the people, and kindle hopes of a better era. That mistake must be avoided and correction of some of the evils must be taken in hand with such speed and resolution as to unmistakably indicate that a stable socialistic administration would be able to ensure better living conditions most effectively.

The Bengalee, it must be accepted to begin with, is a political and not an economic animal; the economic interpretation of history would probably have been anathema to Jyoti Basu were he not blinded by prejudice. Throughout history, the Bengalee has been a rebel with little thought of profit to himself. Thus, five centuries ago when caste hierarchies were becoming more rigid in the rest of the country, Chaitanya preached the supremacy of man and of humanity over all such trivia. In the intrigues leading to the defeat of Siraj-ud-Doulah, the Bengalee combined with the British to overthrow the local regime. Then followed a period of political quiescence in which there was a cultural and intellectual revolution but complete stagnation on the economic front. The Bengalee then started an agitation for Independence culminating in the gospel of terrorism.

A new banner of rebellion has now been raised. Like all the others this is not designed to bring any sort of prosperity to the common man, being based purely on the sense of frustration and failure that hangs like a miasma over the Bengal landscape. A mass movement for economic welfare is now necessary, but for so emotional a people an appeal to sentiment rather than self-interest is basic; above all, therefore, it is necessary to find a leader who would be a symbol of the new age that we are trying to call into being, appeal to the hearts of the people and arouse an emotional involvement in economic achievement. Ajoy Mukherjee is perhaps too old to take on this role, but even so he should remain on the political stage as a 'father' figure. Perhaps Sidhartha Ray, a popular and attractive figure, with the added advantage of being the grandson of the great Deshbandhu, could fill the role of the emerging leader.

Calcutta: First Priority

So parochial a people are the Bengalees that it is perhaps necessary to remind non-Bengalees that Bengal is not Kerala; India can survive Kerala but not Calcutta. Were the industrial, mineral and agricultural production of West Bengal (which commands Assam) and the Calcutta port be denied to India, without coal, jute, tea, iron and steel and machine-tools, the industries of the rest of India would collapse, military defence would be impossible, exports vanish and very quickly political freedom would be destroyed. Massive and immediate action on the economic front is obviously necessary to cure the ills which 20 years of neglect (for which Bengalees are equally culpable) have engendered.

To begin with, the sub-human conditions of life in the important and dangerous area of Calcutta city must be improved. Even those of the middle classes who are fortunate enough to be able to earn a living are living in such conditions of misery, that we can well imagine them turning revolutionaries in sheer disgust. The transport system is completely chaotic and grossly inadequate. Commuters not only crowd the footboards of suburban trains, buses and trams, but even cling on to the windows outside and quite a number are thrown out and get killed or maimed. Even for such transportation they have to pay the full fare while the Railway Board debates such inanities as the economics of the Circular Railway!

Most of the offices in Calcutta, including those of the Central Government are depressingly dirty, dingy, dark and damp. Naturally in these conditions the employees are not interested in working.

The clerk goes home to a tumbledown house some 20 to 50 miles out of the city, which he is too poor to repair and too proud to sell; anyway he could not hire even the filthiest hole in the city within his means. He cannot get his favourite food, fish, while prices of both rice and mustard oil soar far beyond his reach at the slightest hint of shortage.

The conditions of the factory worker are even worse. It is an irony that wages of agricultural labour in West Bengal at Rs 490 per head per year are the highest in the country (*Economic Times*, March 6, 1970), while the wages of factory labour are about the lowest. Hence people from Bihar, Orissa, Eastern UP, where agricultural wages were about Rs 300 during the period 1962-65, found it possible to come to Calcutta, live on the meagre factory pay and send home money to their families; but the margin is too small for the Bengalee. As a consequence the Calcutta factories are manned almost exclusively by expatriates.

The industrialists of West Bengal are mainly canny Scots and Marwaris whose money-making propensity has for once overreached itself. Not only is labour miserably underpaid but they have no living quarters, no subsidised rations, no recreational facilities, hardly any amenities of any kind. A 'Men Only' community, far from wives and families, overworked and underpaid, they naturally tend to become prostitute hunters and gamblers, easy prey to agitators and rabble-rousers.

The most important problem facing the State is that of the refugees. Apart from the 20 lakhs or so who came in 1947-48, it is estimated that about double that number have come in since and as some 100 lakh helpless, persecuted, Hindus are still living in East Bengal one can expect a steady trickle at the rate of say 2 lakhs per year to continue indefinitely. To stem this flow Government of India has through the years stubbornly refused to give them the facilities that were given to the Punjabees, thus ensuring that they have to live in conditions of extreme misery and uttermost human degradation and incidentally further damage the economy of the State. At the same time they have consistently protected the 4 or 6 million Muslims in West Bengal leading to the terrible overcrowding now prevailing and preventing a Punjab-like solution to the problem of shortage of living room.

Partition has largely shattered the State's economy. East Bengal was surplus in rice and fish, a large producer of tea, almost a monopoly producer of jute. A modern jute industry has been built up in East Bengal which is ousting India from world markets, while the tea industry there is rapidly expanding.

The economic policies of the Centre have also been very damaging, but the people of Bengal have never displayed much interest in these. Perhaps reflecting the Bengalee's lack of interest in economic welfare, it is worth noting that the finance, commerce or industries portfolios at the Centre have never been held by a Bengalee except for the short tenures of the late Shyamaprasad Mukherjee and Sachin Chaudhuri. In fact in the years since Independence, Bengal has been slipping downwards in this field; thus the Calcutta head office of the State Bank has been abolished and now the Bank's Head Office is entirely at Bombay. None of the numerous new financial institutions have been located at Calcutta, so that credit requirements are more difficult to meet; nor has there been any public demand that they should be located in Calcutta.

In spite of this, due to its being a great industrial centre and port, Central revenues from excise, customs, income-tax, etc, are very heavy and a total of about Rs 600 crores per year goes from Bengal for the support of the Central Government. Since there is hardly any military recruitment and very few Plan programmes, Central expenditure in W Bengal is comparatively small (Rs 322 crores against Rs 900 crores in Maharashtra) and the revenue raised is mainly utilised to subsidise expenditure elsewhere. The State Government's income, on the other hand, is very low so that it is entirely unable to bear the burden of even a minimum rate of development. This fact also has not aroused interest either in Calcutta or in Delhi.

Again, some time ago the price of steel was equalised at cost of some Rs 50 crores to the Exchequer and this has effectively reduced the locational advantage which West Bengal enjoys. Were this inequitable decision reversed and the savings transferred as a grant to augment the revenues of that State, there would probably be a large increase in national welfare.

The traditional export industries, e g, jute, tea, cotton, etc, which were mainly based in east India, have been largely neglected and even stifled by export duties, the proceeds of which have been utilised to subsidise exports of commodities like machine-tools at a fraction of their true cost. This has also naturally worked very much to the disadvantage of the eastern region including West Bengal, but there has been no realisation of this position and no protest from the State authorities. The Calcutta port is working as a result, at half its capacity handling only 6.9 million tonnes of traffic against a possible 12.5 million tonnes. This reflects the neglect of the river where the drafts have fallen so low since Independence that only ships upto 6,000 tonnes can now be handled, as well as the neglect of the industries in the hinterland and the labour troubles of the last 3 or 4 years.

Immediate steps for correcting this position must be taken. Communism naturally appeals to the underdog; the slogan of a heaven here and now has a compelling appeal. As has been said:

> You'll have pie
> In the sky
> When you die—
> That's a lie!

Propaganda Effort

A vast propaganda effort should be undertaken to show that mere disorganised violence, leading to the breakdown of the established economic system is not communism. It is perhaps naive to condemn this violence as senseless; possibly the anti-national group of politicians are well aware of what they are doing, *viz*, attempting to destroy the social structure and create complete disorganisation, so that the public, in disgust, will accept any political system which ensures peace and under which they will be able once more to earn a living. Even though the anti-national leaders consider it a necessary pre-revolutionary stage which will enable quicker adoption of a communist dictatorship by a people sickened of goondaism and disorder, the people should be made to understand that by modern ideas and methods of social control faster economic growth can be achieved, through co-operation between government, entrepreneurs, labour, etc, than by destruction of the existing system and the slow creation of another. Indeed in the more advanced West European countries there is greater equality perhaps than in USSR or China. That should be shown up and, following the restoration of law and order, the emotional appeal of the Naxalites and Marxists should also be destroyed.

In this background the anti-national and unpatriotic attitude of the Marxists displayed in the recent attack on a Calcutta cinema where a film on the bravery and courage of Indian Jawans was shown, should be highlighted. A very large number of films with patriotic themes, particularly covering the outrageous and treacherous attacks by China and Pakistan should be shown free, in all the Calcutta parks, and the idea of nationalism propagated. The Imperialist aims of the present Chinese ruling clique and also its complete negation of communist principles should be shown up. Our film censors, instead of being so preoccupied with problems of kissing and nudity, would show better sense were films depicting brutal violence on the screen prohibited, particularly in West Bengal. It might, on the other hand, be a good idea to confine our cinemas solely to films with gentle humanistic themes of a poetic nature like so many of the stories by Tagore and other writers.

Obviously, the development of the eastern region must be accelerated even at some cost to other areas, if necessary. The existing industries are now suffering from want of finance as well as of demand, because the buyers in the rest of the country, as well as abroad, have lost confidence in the ability of the Bengal industries to produce. This feeling might be justified but in spite of this, the Centre's purchases must be increased; perhaps as a reinsurance a proportion of the orders may be placed in other States but Bengal's industries should be fully booked. Finance must also be provided, even at some risk; but when law and order are restored the risk will obviously be small.

Incentive schemes for labour should

be worked out, but it will be necessary to devise some method of enlisting their co-operation apart from through mere financial inducements. Thus perhaps a bonus in kind, say in the form of sarees for wives, or sweets for children, might have some value. In this connection, housing is of great importance. Several industrialists who have tried this have found that the wives of their employees have become their best foremen, so much did they like the clean and model quarters provided and hated to revert to their slum villages and the tyranny of their mother-in-law.

Labour welfare should, therefore, become a more meaningful concept than now. It has been found that even though 'paternalism' is frowned upon by economic theorists, it is still of great value in employer-employee relationships.

In the recent past, industrialists have been following a 'go slow' policy in West Bengal, though not many have been actually able to shift their factories. This trend has to be reversed and that should be comparatively easy with industrial peace returning. A dialogue should immediately be started between capitalists, labour leaders and Government as to the conditions under which further industrial expansion could be taken in hand and agreements reached and implemented rapidly. Central Government investment in labour-intensive public sector enterprises must also be taken up on a large scale.

It must also be recognised that we shall have to live with the refugee problem. The present system of monthly doles instead of lump sum grants has made idlers of them, and should be replaced by much larger capital grants chiefly in kind, to enable them to set up small industrial units. There is a great shortage of consumer goods of all types throughout the country, and with suitable subsidies there is no reason why these should not flourish, as has been the experience of Punjab. The lack of talent among the Bengalee refugees that has so often been deplored arises chiefly from a denial of opportunity which could be easily rectified. Steps should now be taken for the rehabilitation of the rest of the Hindus when they come over. This should be treated as a certainty and not as a vague possibility.

For making an impact on the public imagination, at least a few spectacular schemes should be taken in hand immediately. Thus clearance of one or two slums in the north and centre of Calcutta should be started at once and also some road construction, e g, the Howrah and Sealdah flyovers, to ease the movement of traffic. The battered Calcutta buses are the worst in the country, and even at some small cost to other cities a few hundred buses should be added to the fleet now operating there while the dirtiest and the most broken down of those now plying should be withdrawn. Some 3 or 4 years ago Calcutta Tramways had announced that they were purchasing about 43 second-hand trams from Bombay, but in the orgy of violence since then this proposal seems to have been forgotten. It should be revived. Even the suburban railway in Calcutta is overcrowded and filthy. The number of trains should be at least doubled as soon as possible and work on the Circular Railway taken up without further loss of time.

It will not be a matter of any difficulty to locate a dozen other such schemes amongst the debris of development proposals which had been made and abandoned in the last 20 years and to think of new ones. Thus the CMPO had formulated numerous schemes for the city and the region but none have been taken up. This must be done now, particularly some short-term proposals which may yield quick results. Similarly the Calcutta Improvement Trust which is moribund and the Howrah Improvement Trust which never started work at all (does it still exist?) should also be utilised to start new and impressive projects with local labour to provide employment as well as improvement.

One very simple and effective idea is to prevent the flooding of the Calcutta streets in the next monsoon. Apparently the drains which are too narrow, are also silted up and, were they cleaned, could carry off a much larger volume of flood water. This should not be a matter of great difficulty.

Emphasis on Fast Transport

The second Howrah bridge has been already announced and some token work on it should be taken up at once. Perhaps the quickest would be the connected development of the Howrah Urban Area near the bridge. In this connection the slow progress of the Salt Lake Scheme is relevant. The main handicap that it has suffered from seems to be the distance from the central office area, and the fact that the connecting roads have not been built. The VIP road from Dum Dum, it may be mentioned, ends in a delta of dirty and narrow lanes for a mile or so before falling into the main street system of the city. The Howrah area will be much nearer, and since the bridge will automatically include the development of the road system, it should be a much more attractive area for expansion of the twin cities.

The comparative failure of the Kalyani Scheme is perhaps also due to lack of fast communication. Being about 35 miles away, it can hardly be a dormitory satellite for Calcutta, but fast non-stop trains covering the distance in say 40 minutes might have been of help. Instead there are only slow ones which now take more than double that time. Obviously, the increase of traffic is linked with facilities provided and the Railways should immediately start a couple of fast non-stop trains each way in the mornings and evenings, perhaps at some initial loss. Similarly the Circular Railway which has been under discussion for the last quarter of a century should be expedited and a southern link, which is being delayed as it would have to pass over Docks area, could be provided by having an elevated line instead of a surface one.

Another essential project which will incidentally provide employment would be to subdivide the two districts of 24 Parganas and Midnapur and build new district towns.

One more scheme which has remained in cold storage for a long time is the rebuilding of the New Market Area in central Calcutta for improvement of the Free School Street. This would help to reduce overcrowding and improve traffic movement.

Similarly, on the agricultural front there is ample scope for quick action. As is well known sugarcane requires an equable climate and well distributed rainfall so that subtropical areas are more suited than northern UP and Bihar or Punjab for this crop. In fact the yield of sugar from cane grown in West Bengal at about 11 per cent is much higher than that in the western region where it is about 9 per cent. Sugarcane cultivation has not flourished chiefly because of the lack of sugar mills and the State Government mill has also been a failure because of lack of cane. It is said that cultivators became disenchanted with cane because they did not receive payment in full or in time from the Government mill. If such malpractices can be removed, sugarcane being highly profitable and other conditions favourable, there is no reason why sugarcane cultivation should not spread provided a few more sugar mills are built.

Cultivation of mustard and extraction of oil in north Bengal where the winters are cold, should be taken up. Extraction of rice bran is highly profitable and there is scope for several mills in the State. As an immediate measure seeds of hybrid rice should be distributed in the agricultural regions near Calcutta and demonstrations on cultivators' plots taken up on a large scale to improve their condition. Efforts should also be made to subsidise rice in the Calcutta area and bring up the quality sold there to the high standards prevailing in Delhi.

For more rapid industrialisation all new industrial units set up in West Bengal during, say, the next five years, should be exempted from Central excise duties and for existing plants remission granted on the increase in production each year over that in the previous year. Though this will not cause any appreciable loss to revenue which is already about Rs 200 crores it will naturally arouse a storm of protest from other States. It must be clearly indicated, therefore, that this concession is mainly a refugee relief and rehabilitation measure and might perhaps be limited to units employing a certain minimum percentage of East Bengal refugees.

The unemployment situation is so serious that no attempt to absorb the unemployed from other States should be made and local labour rather than expatriates should be employed. The high agricultural income which makes it uneconomic for a Bengalee cultivator to leave his village for the city is an optical illusion, created by high local prices and not greater production. Some method of ensuring that the agricultural income continues to rise even when the bread-winner goes away must be thought of and special measures taken to reduce underemployment. At present almost all the industrial labour and even those employed on the Farraka Barrage comes from Bihar; at the Barrage labour is following 'go slow' tactics for fear of the jobs coming to an end. Had refugees been employed and at the same time trained for some other skilled trades for entry into which they would be aided, this problem would have been avoided.

Small house-building and house-repairing advances to lower middle class individuals should be freely granted, and agriculture and fisheries developed more effectively than in the past so as to solve the food problem. The speed with which cultivation of jute was taken up after Partition and the slow progress of the Green Revolution in recent years would seem to indicate that the progressive element has died out of our countryside, perhaps, because of zamindari abolition. Anyway, it is clear that progress necessitates somewhat larger holdings than the average of 1 acre per head now prevailing and a way out must be found. Perhaps it would be possible to draw off some of the population from the land in certain areas and arrange to rent out their holdings to neighbouring cultivators who would thus be enabled to have farms of, say, 4 or 5 acres each, in which with aid in the shape of fertilisers, technical assistance, etc, they could produce a surplus for sale and also reduce underemployment.

One very obvious development is the expansion of double cropping, now very rare because of lack of irrigation. As the water table is very high, minor works, e g, wells should be sufficient for all needs and could be undertaken at low cost. Others should be helped to take up small industries, e g, paper-making, silk-weaving, fruit-canning, etc. Mulberry cultivation for producing silk should be increased and production of woven coloured silk fabrics which embody a much higher element of labour than ordinary printed ones, encouraged. Perhaps a combination of synthetic and natural silk or cotton yarn could be introduced to improve the sales appeal of cloth.

Nothing has been heard for some time about the proposal for cultivating "ramie", the wonder fibre, and producing cloth from this. According to the claim made some 2 or 3 years ago this should be very successful.

Apart from consumer goods, the 'servicing' industries, covering repair facilities and production of ancillaries for heavy industries, should provide much scope for employment. There has been very large expansion in the production of small electrical gadgets in Maharashtra and Punjab, but these are generally of very poor quality. This industry has not started in West Bengal and the manufacture of radio sets, which began in Calcutta some 30 or 40 years ago, has since languished due to the large-scale introduction of indigenous sets with foreign collaboration and with foreign trade names. Entirely national producers who lack resources for large-scale publicity may, therefore, be exempted from excise duty which would give a fillip to producers of various commodities as well, e g, refrigerators, etc, which are mainly sited in West Bengal.

This, it may be mentioned, is a general characteristic of most Bengali industrialists reflecting both technical knowledge and self-confidence as well as lack of business instinct. While in other States most entrepreneurs go in for foreign collaboration and for foreign trade-names which ensure their sales and profits, Bengalees generally manufacture commodities entirely on their own, e g, as in the case of chemicals, glassware, potteries, electric bulbs, etc. With our 'craze for foreign' these are generally unsuccessful. This position must be altered and protection given to more enterprising pioneers in industry.

It is obvious, therefore, that an active economic policy could within a few months restore faith in the national policies of Government and show results. One word of caution is also called for, *viz*, that general elections should not be agreed to, till the new policies have had some time to produce results, as otherwise there can be no reason to expect a different verdict from the electorate. As a matter of fact the Congress vote at the last election at above 42 per cent was higher than at the previous one and it was only the combination of the Leftist parties that enabled the UF to win such a disproportionate percentage of the seats. New political alliances must, therefore, be given time to emerge if a victory of the violent radicals is to be avoided. Naxalites have particularly entrenched themselves in the lower ranks of the public services including police and revenue officials. So, there is every reason to apprehend that there may be large-scale tampering with ballot boxes by returning officers in favour of these groups. It will, therefore, be desirable that returning officers are deputed from outside, preferably from Delhi and Punjab, and that each of the polling booths is protected by a posse of police, also from other States to ensure freedom of the poll.

One last suggestion may be made on this subject. The canny Scots and Marwaris who comprise Bengal's industrialists and businessmen being expatriates, have not been involved in the local population's hopes and fears, struggles and aspirations till now. Recently there was an effort by a group to aid Calcutta's development programme, but this has been dropped, chiefly due to the adverse reactions of the UF Government. The capitalist class must have a sense of involvement in the programmes mentioned above and show that to some extent they are prepared to utilise their wealth as trustees for national welfare in a Gandhian sense. At present, black-marketing even in food is not considered particularly undesirable; such unfortunate social attitudes must be shed immediately if the Red Revolution is to be staved off.

Many Pitfalls of Manpower Planning

S S Vasant

India's Manpower Strategy Revised, 1947-67, by George Tobias with Robert S Queener; N M Tripathi, Bombay, 1968; pp xxii + 265; Rs 25.

FOR more than two decades since Independence, India has been designing, re-designing and executing a series of policies, programmes, and institutions for the development of high-level manpower. Evaluation of these programmes and policies has been by and large confined to official agencies and to officially appointed committees, which are often intended for restricted circulation and are not published. Moreover, these evaluations, which are *ad hoc* and too detailed, touch only a segment of manpower problems. George Tobias, currently Programme Adviser on manpower and employment at the Ford Foundation and once adviser to the World Bank on manpower problems, has brought together the various elements of India's manpower strategy during 1947-67 for a critical review. In this work he has been ably assisted by his colleague, Robert S Queener, Training Associate in manpower planning.

Manpower strategy, according to the author, includes programmes concerned with "recruitment, deployment, motivation, stabilisation, education, utilisation, and training of present and prospective labour force" (p xiv). The book under review deals with all these aspects. It is divided into three parts. Part I is devoted to the evolution of India's manpower institutions. Part II analyses manpower in the socio-economic setting, *i e*, interaction between educational system, training programmes, employment practices and labour force. Part III highlights imbalances in selected manpower categories and describes that much talked-about phenomenon, the brain drain. It ends with a delineation of new directions for India's manpower strategy.

Beginning with the Scientific Manpower Committee in 1947, in the following decade committees on other manpower groups were appointed and, by the early sixties, various data-gathering programmes and bodies such as the Directorate of Manpower in the Ministry of Home Affairs, the Institute of Applied Manpower Research had come into existence. By comparison, the United States, according to the preface, recognised the imperativeness of manpower planning only during the stringencies of World War II. "India", thus compliments the author to Indian planners, "has one of the longest continuous programmes of manpower strategy and action of any country, developed or underdeveloped" (p xiii).

Dominating the manpower scene are the problems of unemployment and underemployment of the labour force, the magnitude of which is not reliably known. In the absence of precise estimates, "we are convinced that these maladies are pervasive in the Indian labour force, certainly much greater than 1966 estimates of 4.4 per cent unemployed and 7.5 per cent underemployed" (p 31). The three Plans have not been able to achieve the modest target of preventing the backlog of unemployed from increasing. The rural labour force's trend to migrate to urban areas will make the problem worse. Another dimension of the problem is the unemployment among the educated — 8 per cent to 12 per cent of persons with qualifications of matriculation and below graduation were unemployed during 1961-62 and, with rapidly increasing outturn of educational institutions in subsequent years, the incidence of unemployment would be much higher. The Rural Works Programme and the National Employment Service have failed to make any dent on the problem. The author suggests that the works programme should be properly planned and efficiently administered and that the National Employment Service should be relieved of data gathering functions to spare time for streamlining operations.

Expansion of education in the past two decades has taken place without any regard to the needs of the social and economic environment. This has created new problems for the manpower planner, such as educated rural youth migrating to urban areas and urban youth shirking manual effort or residence in unsuitable areas. Besides, the education system has few intermediate stepping-off points short of a degree, and a vocational course still has a stigma about it. The author goes on to say that "Indian education can rightly be called a system designed to produce failures" (p 199). Whatever the egalitarian argument about educational planning "India must regard the consumption aspect of education as a luxury" (p 42), and control indiscriminate educational expansion. Of course, this would be very unpopular with representatives of backward communities who regard education as an important opportunity for equalisation. But the author frankly explains that "the kernel of truth is that social demand is not for higher education itself but for the prestigious and remunerative jobs that can be obtained with higher education" (p 43).

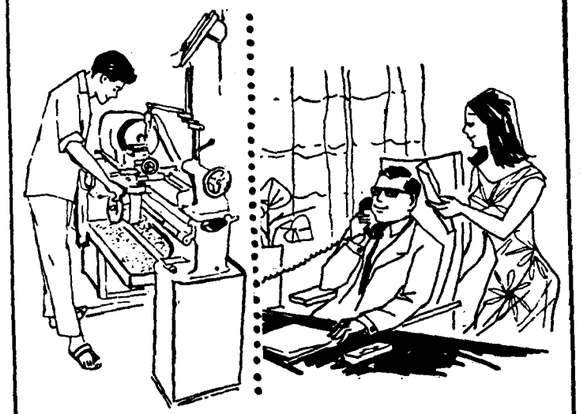
Trainees coming out of Industrial Training Institutes have experienced difficulties in fitting themselves in industrial environment and there is unemployment in certain trades. These call for careful evaluation of the Craftsmen Training Scheme. It is difficult, however, without further supporting data, to subscribe to the conclusion that "strong criticism of the ability of ITI graduates and reluctance to hire them suggest the Craftsman Training Scheme may not be the best approach to developing skilled craftsmen" (p 67).

The structure of employment practices has been described separately for the administrative service, the public sector undertakings; and the private sector establishments. Within the government, "most make little attempt to assess the personnel needs of their departments far in advance to appraise the extent to which existing personnel are poorly utilised, to examine and experiment with measures for increasing productivity or to increase the quality of the workforce through in-service training and professional development schemes" (p 75). As a result of the involvement of so many agencies in personnel management "personnel needs, once perceived, are often only slowly and laboriously filled" (p 74). The all-India services, including the IAS, the poor promotion prospects for non-cadre officers, and the difficulty specialists face in reaching top positions, are simply described. No solutions are suggested for the resolution of these problems, nor are any fresh ideas thrown up for the reform of the bloated Indian Administrative Service (whose strength now is about 3,000 officers) to meet the changing high-level manpower requirements of government. In public sector undertakings, manpower planning "ranges across the entire spectrum from haphazard to scientific". Included in the latter are Hindustan Steel and Indian Oil. Even the Estimates Committee's recommendation in 1964 that two years' training be provided to all junior management personnel remains to be implemented. In the private sector, practices range from the most sophisticated to the most *ad hoc*.

In the next part of the book, agricultural, engineering, managerial, health and medical, teaching and scientific manpower are critically examined from the point of view of planning, demand-and-supply situation, development, deployment and utilisation, and the problem areas are identified. In the field of agriculture, the need to study the requirements of agricultural engineers, agricultural technicians (*e g* farm mechanics, farm managers, laboratory assistants, craftsmen, etc) and, most important of all, of business managers of agricultural production is emphasised. The need for the business manager became apparent when the handling and processing of the bumper harvest in 1968 in Tanjore district, Tamil Nadu, posed a big problem. A surplus of engineers presents a new challenge to manpower planners. It remains to be seen how many can be converted to agricultural engineering, trained for managerial positions, and diverted to teaching posts in engineering institutions.

The current proposal to emphasise greater specialisation by way of polytechnic education would "but head-on into the problem of geographic mobility of diploma holders" (p 123) unless restricted to largest urban areas where employment opportunities are greater. Managerial manpower studies have not produced an acceptable definition of the 'manager'. The idea of management training being new, many firms regard management training as *la nouvelle vague*. "An extreme example of this is the firm whose representative to an All India Management Association course carried the job title of Management Trainer. When asked what his job entailed he explained that for the most part he attended training courses" (p 157). Planning for scientific manpower has been sporadic, characterised by loose organisation and lack of results. In 1961 16.7 per cent of post-graduate scientists and 39.6 per cent graduate scientists were engaged in non-technical work, while only 30.3 per cent of post-graduate scientists and 5.3 per cent of science graduates were engaged in research. The relatively small proportion engaged in research, the high percentage of the employed in non-technical jobs, together with the considerable incidence of unemployment, represent a sizeable waste of the investment in scientific manpower. What is worse, figures may conceal even more glaring evidence of poor utilisation. "How many of the science graduates choose not to pursue higher science degrees because they are discouraged by the career prospects of post-graduate scientists?" (p 171), the author asks. Poor career prospects, incidentally, also explain the brain drain. It is suggested that economic incentives such as insuring greater personal reward, bet-

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ter career opportunities, and the desire to have amenities, not otherwise available, will prevent the Indian scientists from going abroad more than law and government decree could. Teaching manpower faces problems of lower salaries — except at the university level — and limited promotional opportunities. There is, besides, a high percentage of untrained teachers in the secondary schools.

A serious weakness which has generally attended on manpower studies in the past is overemphasis on the "numbers game", "which obscures other extremely important aspects of human resource development" (p 101). Attention is also focused on the poor state of demand-forecasting technique in manpower studies — in agriculture it is the staffing pattern norms at the district and block level; in engineering it is the extension of the past trend-relationship into the future on a more or less linear basis; among the medical and health workers it is the doctor-population ratio. Not only are these approaches inadequate as guides to manpower needs; they perhaps also tend to divert attention from the qualitative aspects of manpower utilisation.

The last chapter, entitled "Finally", contains the summing up of observations on "seven steps" in manpower strategy outlined in the beginning. The recruitment process needs to be examined. Employers prefer pre-employment educational attainments in high-level manpower selection (even though educational experience may have had little practical content) and specify worker's characteristics, according to whim or tradition, rather than according to the calculated needs of production. As a result, little matching between men and jobs takes place. Further, the manpower planner too often accepts the stock of manpower as fixed in numbers and in other characteristics. He fails to take into account that a "given stock of manpower will grow more productive in an exponential fashion. Another essential of manpower planning is a detailed catalogue of available personnel regarding their educational background, training, utilisation and ratings of their performance, etc" (p 102). These essentials look elementary, but they have yet to be learnt and applied by the manpower planners in India.

Deployment of manpower offers the biggest challenge to manpower planners. Exploitation of unused resources, *e g*, forests, fisheries, latent mineral resources, etc, would call for manpower deployment on a large scale. No thought has yet been given to how and from where the manpower will be found for the Rajasthan Canal which, when completed, would require 12 million persons. It is not even clear what kinds of persons are required in this context. This would introduce a new perspective in manpower planning and would constitute an original contribution to current thinking on manpower problems. There are also immediate problems of deployment, such as attracting doctors and teachers to remote, rural areas, resolving the paradox of scientists engaged in non-technical work side by side with shortage of science teachers, absence of high-level manpower traffic between public sector and private sector, Government and universities, etc. The author, however, does not buttress his suggestions with reference to other countries which may have faced similar deployment problems at one stage or the other or to their manner of solving these — a contribution which any careful reader would expect from an expert who was once adviser to the World Bank on manpower problems. That would have enhanced the book's scientific value.

Besides the lack of co-ordination between educational system and employment market, unemployment and underemployment of labour and absence of motivation, are the other weaknesses in the manpower strategy to which attention is drawn in the book. Prospects of required reforms in manpower strategy will depend on a number of uncertain factors in the economic situation. The book leaves the question open.

No Feel for Citizen Contact

Nita

Citizens' Grievances and Administration by A P Barnabas; Indian Institute of Public Administration, 1969; pp 163; Rs 10.

ADMINISTRATIVE development in India in the last 20 years has resulted in a paradoxical situation. While Government has sought greater public co-operation and participation in developmental programmes, the nature of citizen contact with the administration has been such that it has generated more grievances and a feeling of alienation from if not hostility towards the administrative system. The procedures of "big government" are bound to result in some amount of frustration for the "small individual", as has happened even in mature democracies like the UK and the USA. The political and the administrative system has to provide agencies which will provide redress of the grievances and will keep this dissatisfaction at a low level. In developing democracies the problem becomes more acute. This is because lack of "generalised support" could result not only in slowing down the process of development, but might, in the long run, endanger faith in the democratic system itself.

The title of the book leads one to expect a systematic analysis of this much neglected problem in administrative reforms in India. More so because the study was undertaken for the Administrative Reforms Commission by a team of the Indian Institute of Public Administration. A reading of the book, however, leads to total disappointment. If such is the nature of research on which the recommendations of the ARC are based, one can understand why its reports contain fatuous verbiage.

The study is based on a survey of three districts, one each from Punjab, Uttar Pradesh and Mysore, and the purpose is to find out "the factors that make for the alienation or support of the common people in regard to the activities of administration, as reflected in the image in the minds of villagers and of officials of the functioning and efficiency of the administration" (p 4). Administration of the services such as Taccavi loans, seeds, fertilisers, irrigation and public health, that matter most to rural citizens, is examined. Instead of probing into the question of what the villager actually does when he has a complaint with regard to any of these services, the Study Team dismisses the problem with a hypothetical question like "what would you do if you had any complaints against the officials?". No explanation is thus provided for the clear gap which exists in the thinking of the villagers and the officials. A majority of the officials felt that the citizens would do something if they had complaints, whereas a majority of the citizens said that they either did not know or that they would do nothing.

Even the purely descriptive chapter on the machinery for redress of grievances in the States is extremely vague and sketchy. To give only two examples: on page 115, where the agencies which deal with complaints of corruption have been described, one gets the impression that only Andhra Pradesh, West Bengal and Rajasthan have Vigilance Commissions. Similar Commissions were set up in a number of other States like Maharashtra, Gujarat and Uttar Pradesh following the Union Government's acceptance of the Santhanam Committee's recommendations. On page 111 it is pointed out that the Government of Rajasthan has a Directorate of Public Grievances to enquire into cases of delay and inefficiency in administration. The Directorate was wound up in April 1967. Surely the author could have checked on such factual information while revising the survey report for publication.

On the prescriptive side, the book provides contradictory statements. The appointment of a Commissioner for Grievances is regarded as a "matter of necessity" and in the paragraph that follows we are told that the creation of another department or post will not solve all the problems for all time to come. "What is needed is a reform in the attitudes and education regarding the functioning of administration in a democratic and developing society" (p 131). Must we spend so much money and conduct surveys to arrive at such unhelpful and unoriginal conclusions?

SPECIAL ARTICLES

Indian Council of Social Science Research

Its Promise and Dilemmas

Yogendra Singh

The role that institutional innovations are capable of playing in society or in its sub-system is materially affected by the cultural and social forces emergent in that society. The Indian Council of Social Science Research has been established about two decades after India gained political freedom. During these years the democratic political spectrum has changed basically and the structure of personnel and of the cultural environment of the universities has also considerably changed.

These factors need to be borne in mind in any proper evaluation of the organisation and functions of ICSSR. While the establishment of ICSSR marks a new recognition of the role of the social sciences in national life, its success would lie in the extent to which it comes to symbolise a new professional consciousness. In this direction, with its present organisation, ICSSR faces many dilemmas.

INSTITUTIONAL innovations, great or small, have their own historicity and are governed by cultural and social forces emergent in a society. The role these institutions are capable of subsequently playing in society, or its subsystem, is materially affected by these forces; these determine an institution's promise as also its dilemmas. It is significant that the Indian Council of Social Science Research has been established about two decades after India gained political freedom, more than a decade after the various Research Councils in the natural sciences had been established, following the resolution on National Science Policy, and that it has been constituted on the recommendations of a committee, consisting mainly of the social scientists for the Planning Commission, which already had accumulated social science research experience through the Research Programme Committee. It would also be useful to remember how the democratic political spectrum of the nation has since changed basically, and how the structure of personnel and of cultural environment of the universities has also considerably changed now compared to at the time of Independence.

These factors help a great deal to set one's sights for a proper evaluation of the organisation and functions of the ICSSR, and surely one hopes that the Committee which recommended the establishment of the ICSSR was itself well aware of these existentially significant factors. Any review should, therefore, take into account the institutional limitations within which the ICSSR had to be set up. An important limitation is the absence of non-governmental funding sources to support the financial structure of research organisations. In the circumstances, the state has to step in to bridge the gap.

There is, however, another consequence of such institutional backwardness of developing societies which may not be value-neutral — *viz*, the psychology of dependence reinforced by traditionally germane authoritarianism in these societies. State initiative in and support to public institutions breeds psychic disorientations — such as attitudes of servility, uncritical conformity, and readiness to compromise with authority. In the circumstances, institutional innovations, supposed to be highly modern, are metamorphosed by the impact of native traditions to develop many dysfunctions. Indeed, most institutional innovations in developing societies, have shown such stresses and these should be recognised in any appraisal.

Organisation of the ICSSR

The organisational system provides the first basis from which an appraisal of the ICSSR may be undertaken. Here, the important facts are contained in the Ministry of Education's resolution of December 12, 1968, in the Memorandum of Association for the Council's registration, and in its Rules. The Government's resolution says that, "the Council shall be registered as a society under the Indian Societies Registration Act, 1860, and shall function as an autonomous organisation subject to its memorandum of association, rules, regulations and by-laws" (ICSSR: General Information, p 14). Further, "the composition of the Indian Council of Social Science Research (henceforth referred

to as the Council) shall be as follows: (1) an eminent social scientist nominated by the Government of India (as Chairman, (2) fifteen social scientists nominated by the Government of India from the universities and specialised research institutions or associations, (3) six persons to represent Government, which shall include one representative each, of the Ministry of Education and the Ministry of Finance, and, (4) the Member-Secretary appointed by the Council shall be honorary. The Member-Secretary shall be a whole-time officer of the Council". Governmental grants coming to the Council would be subject "to such limitations as the Government of India may from time to time impose". Government of India may institute committees of inquiry into the affairs of the Council and issue appropriate directions on the basis of its reports, "and the Council shall be bound to comply with such direction". Another clause in the memorandum of association further provides the right to Government of India to give directives to the Council in respect of its policies and programmes. Government may also give directives in cases of lacunae found in the memorandum of association or the rules which create difficulty in the functioning of the Council, and such directives would be binding on the officers and the authority of the Council. The authorities of the Council are the Administrative Committee, the Research Projects Committee, and other authorities as may be created by the Council. The 'authorities' could frame and amend regulations not inconsistent with the memorandum of association with the approval of the Government. The funds of the Council would consist of grants by Government, contributions from other sources, income from the assets of the Council, and its receipts from other sources.

This, in brief, presents some of the main facts about the organisation and internal structure of the ICSSR. Questions which now arise are: how far does this institutional structure offer the flexibility and autonomy necessary to the functioning of the Council for promoting the social sciences? What built-in devices do these rules and regulations contain to preserve the integrity and scientific character of this powerful new organisation for the social sciences in the country? How would the changing character of political power at the Centre, and more specifically the changing orientations and predilections of the Education Ministry affect seriously the future representation of the social scientists on the Council? How would this alter the professional legitimacy enjoyed by the Council from the community of social scientists? Answers to these questions might lead to an evaluation of the Council.

It is obvious that governmental control on the affairs of the ICSSR can be rather formidable — though perhaps it enjoys greater flexibility and autonomy than research councils established earlier in the natural sciences. A notable fact is that the Member-Secretary of the Council is to be appointed by the Council itself, which practice would be in keeping with academic values. Similarly, the majority of nominated members would be professional social scientists representing their individual disciplines. This should normally be a safeguard against non-academic values creeping in. The question of governmental nomination, however, remains. This must be examined, even though the present composition of Council's membership may enjoy professional legitimacy and distinction.

Exclusive right for Government to nominate to the membership of the ICSSR could be justified only if the credibility of Government in respect of its intentions and judgments on academic matters is high and well established. This surely can be disputed. Government's record with respect to the natural science research bodies, affecting their functioning and administration, is not such as to inspire easy confidence. Probably a significant historical factor which determined the organisational recommendations of the Committee on Social Science Research, on the basis of which ICSSR has been established, was the existing pattern of the Natural Science Councils. Another factor could well have been the professional interest of the social scientists as members of the Committee in striking a reasonable bargain with the Government. This is evident from the observation in the report that "unsatisfactory state of social science research is due to the absence of any central or national organisation which could not only bring the social scientists together and provide a forum for exchange of views between them but also act as a spokesman for social science research and *elicit support and recognition by government*" (italics added) (*op cit* p 2).

Hence the important organisational dilemma, of professional autonomy *with* State patronage. The two might not always go well together. A legitimate question that arises is of the extent to which social sciences in India have developed professional consciousness for it to matter to them to choose *between* autonomy and patronage. State patronage and recognition counts very highly with the social scientists even in the developed nations; in the developing nations, this not only counts but the State tends to be the only source through which resources both academic and financial could be mobilised on a large scale. Otherwise, a clear contrast to the organisation of the ICSSR could be found in the Social Sciences Research Council in the United States where "members of the board of directors are elected or appointed from panels nominated by the Executive Committee of the board, for a three-year term, by seven national scientific societies: the American Anthropological Association, American Economic Association, American Historical Association, American Political Science Association, American Psychological Association, American Sociological Association and the American Statistical Association". In this case, however, most of the funds too come from private Foundations and state grants constitute only a small proportion of the total grants.

Obviously, the Indian situation, though comparable to the United States in respect of commitment to democratic values and structures, differs very widely in all other respects. There are no comparable Foundations to support research and teaching here as there are in the United States; in many disciplines growth is also not uniform among all regions, thus creating an intellectual-regional imbalance; the professional organisations of the various social sciences have not grown fully or to any comparable degree of stability in matters of organisation and economy; many social science associations have yet to develop an all-India character, and some disciplines have not fully differentiated themselves in concepts and operation. Elsewhere, interdisciplinary convergence has followed disciplinary advancement and differentiation, but in India we seem to face a situation in which emphasis would be on simultaneous growth of both; this is more for reasons of historical contemporaneity than academic, evolutionary growth.

A comparative view of the growth of social science research organisations in different societies would reveal that the political system and historical traditions of the academics have mainly governed the process of development. A continuum of freedom and control over social science researches in relation to the state could be postulated by the extent to which the political system tends to be democratic or authoritarian. This is because of the peculiar nature of the social sciences being not value-free but crucially involved in the core of human problems. Social sciences are concerned with problems of societal self-awareness which, more often than not, tends to be critical of the establishment. It is no coincidence that social sciences, *qua* sciences, developed only after the authoritarian and closed social system of the mediaeval Western society broke down under the impact of the reformation and the industrial revolution. Particularly sociology has been observed to grow or decay according to whether the country where its growth is being studied is under a democratic or a totalitarian system. This principle applies as much to the internal working of the academic institutions as to national societies. Social science organisations, to be effective, must function with a fair degree of autonomy in relation to political authority in the state. While co-operation between the two can invigorate both, the monopolistic role of the State can certainly prove stifling.

Only time will tell how the pattern of performance would emerge from the organisational structure of the ICSSR — whether it will be used as an instrument for distributing patronage to social scientists who toe a certain ideological line and 'work style', or whether it will represent professional consensus through democratic selectivity. The rule by which Government is to nominate social scientists to the Council does not, however, have inherent check-devices against such abuse except for the 'conscience' of the Education Ministry which might oscillate in response to the changing complexion of political forces. Nominations under these conditions may not always be governed by the intellectual standing that a social scientist has accumulated in his own profession by hard and sustained work but also by political criteria such as regional, communal, and ideological balance. One does not find any safeguard here against such pressures, which may build up in course of time in matters of nomination.

These apprehensions are merely hypothetical right now and follow from deductive reasoning based on assumptions which may be confirmed or falsified by future events. However, the traditions established by the present members of the Council in co-operation with social scientists can to a great extent alter the direction of things. The short-term need is to so formulate and develop the activities of the Council as to bring about widest possible involvement of social scientists. Functioning through a number of committees specialising on different problems would be one useful method for realising this goal. The Council has already initiated some work on these lines. What it should safeguard against is the possibility that involvement of the State may thwart the process of rational and representative involvement of the social scientists. In the long run, the Council should even be able to introduce with the co-operation of Government a method of representation of social scientists on the Council which would institutionalise principles of excellence and democratic selection.

Activities of the ICSSR

Organisational structure impinges upon the efficiency with which an institution performs its activities. For the ICSSR the frame for its activities is provided both by the National Social Science Research Policy and by the type of co-ordination that this institution postulates with other organisations such as the UGC, RPC, and other research institutes and the universities. The relationship between the UGC and the ICSSR is proposed to be supplemental, the former providing structures (creation of posts, enlargement of staff and departments in the universities, etc) and the latter creating resources and facilities (data library, documentation, promotion of seminars, workshops and conferences, and encouraging research activities, etc) to reinforce the functioning of the former. The ICSSR would also include in its sphere of promotional endeavours the various research institutions which are not otherwise entitled to assistance from the UGC. The RPC would continue to function within the Planning Commission as before with ICSSR focusing its attention on areas of research outside the purview of the Research Programme Committee.

The National Social Science Research Policy, as enunciated implicitly through the Government resolution of 1968, identifies social science mainly as a policy science; it accepts an instrumental relationship between knowledge of social phenomena, human behaviour, and determinants of social processes, and the formulation of policies and promotion of social change in order to produce a dynamic society capable of absorbing the forces of modernisation. The ICSSR as a national organisation has to fulfil these objectives by bringing social scientists together and giving them a forum for exchange of views, promoting and co-ordinating social science research, functioning as a spokesman for social science researches, and finally by eliciting support and recognition for these objectives. Within this framework, the Council's main functions have been delineated as: (1) to review the progress of social science research and to give advice to its users in Government or outside; (2) to sponsor social science research programmes and projects and administer grants for it; (3) to provide technical assistance for formulation of research programmes and projects and support arrangement for training in research methodology; (4) to periodically indicate important new or neglected areas or topics where researches should be undertaken and promoted (5) to co-ordinate research activities and encourage inter-disciplinary researches; (6) to develop and support data library, inventory of current social science research and national register of social scientists; (7) to organise, sponsor and finance seminars, workshops, study circles, etc, for research promotion and utilisation; (8) to give grants for publication of research works, journals and periodicals; (9) to administer and institute research scholarships, fellowships and senior fellowships in order to facilitate research by students and senior social scientists; (10) to advise Government on social science matters, including on collaboration with foreign agencies, and finally (11) to take all necessary steps to promote social science research in the country.

The above are only the salient aspects of the functions of the Council. Both fundamental and applied researches would be encouraged by it and it would seek specially to promote researches in the universities. It would also encourage Indian social scientists to develop research outside India, and "shall take special steps to develop a group of talented young social scientists and identify and encourage research talent among the young teachers in the universities and other research organisations".

In view of these objectives the Council has already initiated action with regard to the review of the progress of social science research and its literature. It is hoped that other activities would follow. The objectives, within the framework adopted, have been well formulated and have a comprehensive

and long-term perspective. The question, however, is would these activities find a viable and creative environment to develop and grow within our existing academic structure — such as the university organisation, the standard and medium of teaching and research, the nature of the academic profession and above all the set-up of the Council's organisation itself? What problems would be encountered and how best to safeguard against them? These are going to be easy for solution and will call for constant thinking, experimentation and dialogue. For this very reason, perhaps, the Council has not found it feasible to explicitly state its views and policies on some of these issues.

Academic Structure

A basic dilemma has emerged before planners of education and research in India from the segmental character of the academic structure and tradition. Despite the fact that they have existed for over a century, our universities have not been able to establish an organic-integrative relationship with the other tiers of education. This is in strange contrast to the integrative process of the political structure in India which, despite its comparative newness, has struck deeper and more diffuse relationship with the rest of the social structure. This variation cannot be explained merely with reference to the populistic nature of politics and the elitist nature of education. The real reason is to be found in the detachment of our education, especially at the higher levels, from the existential moorings of the rest of society; our educational system does not respond to, or reflect the total structural image of, our society. It continues to favour certain strata; its internal system of organisation is such that, as one moves from higher to lower levels, say from graduate to undergraduate and secondary levels, there is progressive depreciation in quality and standard of instruction and type of human investment. It looks like a precariously balanced inverted pyramid. Past background as well as confusion of policies are responsible for this state of affairs. Patterned on the London University model, most early universities in India functioned merely as examining bodies and thus created the vast number of affiliated colleges which have taken different administrative and intellectual shades in course of time and which play today a dominant role in higher education. Subsequently, with the emergence of the teaching universities, an institutional hierarchy came into being which got slowly extended to the teaching profession. In course of time, the norms governing this hierarchy have petrified and created both an intellectual and an emotional gap among the units. This is a formidable problem in enhancement of academic standards and general reform. Even the Education Commission could think of redeeming the situation only by creating another hierarchy — that of major universities!

In formulating its operational schemes and policies, the ICSSR will have to recognise this aspect of our academic structure. Whereas, normally, university departments offer a more viable environment for undertaking research under the auspices of the Council, there may be promising young scholars and distinguished teachers in colleges whose talents should be encouraged. This task may not always be easy because of the general lack of support structures for research in colleges and also because of the apathy towards research among seniors who count in college administration and who use humanist subterfuges to rationalise their anti-intellectualism. A new image of social science will have to be implanted gradually among such sections of the teaching community apart from striving to institutionalise the tradition of research. In such matters, a collaborative effort by the UGC, the ICSSR and the State government is imperative to give needed direction for change.

The college-university hierarchy is only one aspect of the academic structure which needs to be given due weightage in planning research activities. Another important hierarchy to reckon with is that of the social science profession itself within the universities. Here, too, the expected norms for each functional strata do not harmonise with the values to which outward commitment exists. Distinctions of academic hierarchies (professor, reader and lecturer) get blurred and are confused with hierarchies based on material privileges and power. This happens because of faulty method of recruitment, and more recently due to increased regional orientation of universities following political pressure and actual or impending shift to regional languages teaching media. As non-academic considerations in recruiting university teachers increased for the above reasons, teachers' motivations and their roles have undergone negative changes at all levels.

These developments go against the 'ethos of science' which, according to R K Merton, requires internalisation by the scientists, social or natural, the values of 'universalism', 'communism', 'disinterestedness' and 'organised scepticism'. Does the teaching community in Indian universities show structural characteristics which may be expected to reinforce these attributes of the scientific ethos?

A rough idea may be had if we could develop a typology of university teachers based on their 'high' or 'low' degree of professional aspiration and commitment. Dividing both 'aspiration' and 'commitment' by 'high' and 'low' categories on scalar grounds we get four typologies. The first type (HC, HA) has 'high' commitment as well as 'aspiration'; he should constitute the dynamic and creative core of the campus. The second type (HC, LA) would have 'high' commitment and 'low' aspiration; this type may fit into the traditional ideal type for an intellectual; the research standard of this section should be from low to average and routinised in form, and its intellectual response to campus problems may range from stoicism to apathy. The third type (HA, LC), having high aspiration and low commitment, may easily turn into the campus politician; he would try to achieve (high aspiration) by manipulation what he cannot attain by creative efforts in teaching and research work (commitment). And finally, the fourth type (LC, LA) with both low commitment and low aspiration, should form the campus 'mass'. The way the teaching community distributes itself in these four typologies in a university would determine its general orientation in teaching and research and also its problems. In a study which this writer conducted at one university campus using a structured questionnaire for scalar analysis of the structure of the teaching profession, in respect of the extent of their aspiration and commitment, showed that 18.5 per cent are HC, HA type which is best adjusted; 32.5 per cent are HC.LA type or 'campus stoics'; 33.0 per cent are HA,LC type or 'campus politicians'; and 16.0 per cent belong to LA,LC typology of the 'campus mass'. This means that 'campus stoics' and 'campus politicians' are the most predominant types,[1] in this university; the pattern may differ in other universities.

A fairly plausible hypothesis, showing the relationship between the type-structure of the academics and the direction of their academic behaviour in teaching and research, may be formulated on the basis of the above analysis or other similar analyses undertaken by other social scientists. What is important is that sustained growth of any structure requires an established and impartial tradition of internal self-analysis and self-criticism, based not so much on vague impressions and hunches as on objective and scientific inquiries that may initiate debates through facts and counter-facts. One important activity of the ICSSR should be to devote itself to this problem by instituting a special committee on the social structure of social scientists in India; the job of this committee should be not only to identify talent and encourage it but to promote studies in the structure and function of the community of teachers and researchers in the social sciences. Such studies should mirror the realities of the social science profession in the country at all levels. This may help social scientists to reform or refashion themselves and help planners of education to sort out their priorities. It may directly help the Council to organise its own activities with economy, specificity and efficiency.

Teaching and Research

Standards of teaching and research are mutually reinforcing and interdependent. They are also products of the academic structure. It is, therefore, legitimate to ask, how are the planned activities of the Council relevant to the improvement of teaching and research? How does it plan to solve problems which are common both to teaching and research in India, such as medium of writing and teaching, medium of publications, realisation of social and distributive justice in allocating academic resources and encouragement of talent, (in respect of classes, regions and above all hierarchy of educational institutions). And finally how does it plan to communicate and cross-communicate information about research findings and operations throughout the country to students, scholars and the public?

On some of these issues the Council has shown its awareness, but on others, such a medium of writing and publication, it is silent and seems to have left its options open. For instance, it eventually seeks to disperse data library and documentation centres on a zonal basis, "at least one each in east, north-east, west-south, north-west and central regions". Beyond this, problems have been left to resolve themselves by operation of social forces. The issues, however, assume more acute proportion at the undergraduate level for which, in most universities, the medium of instruction is now the regional language. This has reinforced, linguistically, the distinction betwen the college and university intellectual statuses and has thus bifurcated the teaching community. The Education Commission, by reiterating the need for a regional language teaching medium in State universities (with English as library language at graduate level) and English teaching in the 'major universities' (proposed), has also shown the same type of ambivalence on this issue as persists at the national level. The Council too seems to share this uncertainty and ambivalence. And this uncertainty might drastically reduce the effectiveness of the Council's role in institutionalising higher standards of teaching and research in the social sciences by seriously limiting the diffusion-function of its intellectual products.

To establish traditions of research teaching at a higher level of creativity and effectiveness, it is necessary that both teachers and students share a pool of knowledge which is equally accessible to both; otherwise, there would be no dialogue or dialectical response, so indispensable to teaching as a creative enterprise. It is, therefore, essential that students be able to read the sources from which the teacher builds up the content of ideas and informations he communicates, and it is here that similar linguistic facility is required in both the teacher and the taught. Any compromise here would create dysfunctional hierarchies which not only violate norms of equity but do violence to the scientific ethos. In the long run, this problem could become serious. Responding to this problem Satish Saberwal writes:

> "In India today we have what might be called a two-tier intellectual community, the national one and the many regional ones. Until recently the two tiers were reflected only in the patterns of social relations on a national and international level, others only at the local and regional level. With the switch to regional media of instruction, this associational split will be (should be) increasingly matched by linguistic one: it seems likely that for the rest of the twentieth century, English will continue to be the language of the national level, while regional languages come to dominate the regional level.
>
> If this is so, ICSSR should take a stand at the beginning, on the language(s) in which it will do business. To use letterheads in Hindi, do all the work in English, and hope for the best only avoids the issue; nor can ICSSR itself work in 14 languages or exclusively in Hindi. An alternative would be to foster institutional growth such as would reflect the two-tier nature of the intellectual community. I am suggesting that ICSSR might aid the emergence and development of regional language CSSR's which would function within the context of regional intellectual communities, supporting research, writing, and publication in ways which capitalise on the strong points of and help enrich the regional linguistic traditions. The national organisation could help the regional ones through (a) partial functional support, (b) trained personnel, (c) seed ideas, and so forth."

Evidently, to promote the standard of teaching at the undergraduate level a rational linguistic policy, through which production of research literature in regional languages might be possible, would have to be adopted by the Council. Here, help might be sought from the State governments to create regional centres of the Council. But at the national level English would have to continue as the common linguistic medium since English alone is at present capable of cutting across barriers of communication, at the regional, national and international levels. Bilingualism (English and a regional language) is already an established attribute of most Indian academics; the challenge of the future is that most of them (as so common in Europe and North America) would have to be multilingual, being able to acquire knowledge through more than one regional language of India. Development of a uniform script can add momentum to this process of growth in learning and communication.

No doubt, improvement of teaching at the undergraduate level confronts many hurdles to cope with which the Council's thinking as also its resources are inadequate. Whatever contribution the Council is going to make towards such improvement will have to be indirect, e g, through creation of literature and trained personnel that would improve standards slowly by creating a viable foundation. The Council has rightly decided to award scholarships and fellowships, and to help in the organisation of workshops, seminars and training programmes for younger scholars in the social sciences. This may lead to selective improvement in educational standards, but what impact it would have on the whole system remains to be seen. A more rational policy for the Council would be to adopt a diagnostic and analytic role on these problems rather than undertake the teaching improvement role directly; this should be left to the universities and colleges concerned.

An interesting picture emerges in this regard when we look at annual reports of the Social Science Research Council in the United States. Apart from a committee on 'social science personnel' which has existed since 1933 a number of committees directly relevant to teaching and research improvement were created for shorter periods, and these did the basic diagnostic and analytic jobs in specific areas. The deliberations of these committees led not only to excellent research publications but also to creation of text-books and specially-designed reading material in branches of knowledge which were considered urgent and undeveloped. The committees on 'mathematical training of social scientists' and 'mathematics in social science research' may be pointed out as examples, along with others such as, 'undergraduate research and training', 'identification of talent', 'personality development of youth', 'human resources and advance training' committees, etc.

We have mentioned this, not in order to make a case for imitation of any model but only to highlight the broad orientations. The problem in each nation has its own uniqueness, particularly so in India. What one would wish to emphasise is that the Council should leave specific programmes for improvement of teaching and research to relevant institutions and should focus its energies on analysis of problems and research production of high and general relevance and greater intellectual legitimacy, from which then other institutions could draw suitable specific programmes for action. The Council, in other words, has to establish itself as a 'role model' of the social science profession and as a catalyst for change.

This has a direct bearing on the research programmes that the Council might eventually like to plan. D R Gadgil made an important point in this connection in his address to the inaugural function of the Council, when he said that, 'while a certain amount of progress has been made in some fields in India, in field studies and in descriptive material, I believe that in terms of concepts, abstractions and theorising appropriate to our situation, little has been attempted. In this field we appear yet content to borrow. I have nothing against intelligent borrowing. However, in my view because of the great peculiarities of our situation the result of such borrowing cannot prove — have not proved — very satisfactory' (*op cit*, pp 29-30).

No doubt, the Council enjoys the advantage that it has been created about two decades after India's Independence when social science researches have had time to grow fairly in one direction, *viz*, that of descriptive-analytical portrayal of forms of social life, e g, communities, tribes, cities, sub-groups and substructures both normal and pathological. Now, when this groundwork has been fairly accomplished (though some gaps may have to be filled) a logical second step for Indian social sciences is to undertake tasks of comparative analysis, formulation of generalisations, and construction of theories.

To accomplish this task with economy and efficiency, we would need a degree of reorientation in our teaching and training programmes in the social sciences. There is immense need in social sciences such as sociology, political science, public administration, etc. (with the exception of economics) to reformulate courses in methodology with an emphasis on logical and operational techniques of theory construction. For years to come we would need an organised programme in mathematical training of social scientists as an 'imperative' for the second stage of social science growth. The level of methodological training which our Indian universities give to undergraduate and graduate students is highly insufficient for this task. Here, ICSSR should lay down a norm based on scientific expertise and projected advancement in the field, which may be later taken up with the co-operation of the UGC and the university bodies.

Finally, the ICSSR to be effective would have to symbolise the consensus of social science thinking and orientation in India. It would have to be careful to ensure that proper ethical standards are established for research, both in relation to the researcher and his respondents and the researcher and his sponsoring agencies. *Bona fide* researchers should have access to all the facts they desire to utilise and their findings should be allowed to be published, except in rare cases where national security may be involved. For accomplishing all this the Council would have to fight the pre-established traditions of 'academic feudalism' on our campuses and the bureaucratic resistance in Government departments. The influence of either might prove abortive for the endeavours of the Council.

To conclude, the establishment of the ICSSR marks a new turning point in the history of Indian social sciences. It represents a new recognition of the role of social sciences in national life, but its success would lie in the extent to which it comes to symbolise a new professional consciousness. It may have great promise but it also faces many dilemmas.

NOTE

1 This study has been conducted to analyse the nature of academic role structure and its relationship to modernity. The sample consisted of only the male university teachers of all ranks — professors, readers and lecturers. In all 245 out of over 300 teachers completed the structured questionnaire which seeks to classify them on five scales, that of modernity, aspiration, commitment, authoritarianism and morale. Factor analysis and item tests of the responses have shown very high reliability and the coefficient of reproducibility of scale for aspiration is 0.96; commitment, on the other hand, has been measured by concrete indices such as publications, research and other academic performances.

Tata Textiles

TATA textile group has fared better in 1969, in line with the "modest" revival in the fortunes of the cotton mill industry after two successive years of stress and strain. Cloth sales appear to be improving in both volume and prices, but Naval H Tata, chairman, points to the "unpredictable" feature of the industry and is hesitant to forecast how long or how far this trend will last. The future, according to him, will depend on the extent to which the industry is able to adjust prices of non-controlled cloth to take into account high prices of cotton which have reached "almost an all-time high". He adds, moreover, that it remains to be seen how much of the recent burden of excise duty on synthetic fibres as well as on polyester fibre can be passed on to consumers without inviting resistance. He has made the industry's oft-repeated suggestion that it be permitted to import viscose staple fibre and polyester fibre at international prices to enable it not only to develop blended sorts which would earn better foreign exchange but also keep its wheels moving and thereby avoid any loss to labour by way of short working. Naval Tata has urged that imports of polyester fibre be linked with indigenous production of terene fibre and that imports be permitted, at least, against exports of textiles so as to enable industry to reduce costs of production and compete effectively in overseas markets.

China's Foreign Policy in the Seventies

G P Deshpande

No policy-maker in Peking looks forward to the seventies as a decade without the Americans in Asia. A major factor in China's foreign policy will remain the continued presence of American power in Asia, possibly all through the decade. China's policy will be thus largely a response to American moves.

Though China talks of 'American imperialism' as a paper-tiger, it has in fact been very cautious vis-a-vis US. At times it has shown itself ready to make major concessions in order to normalise relations with US. In the seventies China will continue its efforts to talk to US and, as China's nuclear power grows, these efforts might yield more tangible results than in the last two decades.

The status of Formosa is likely to be the main bone of contention between China and US. China has made it clear that Formosa's integration with China is a primary condition for normalisation of relations with US. However, this heavy emphasis on Formosa has in fact narrowed down Sino-American differences.

The other power with which China would be concerned in Asia in the seventies is Japan. Here, too, one gets the feeling that China's worries spring mainly from Japanese interests in Formosa.

As for relations with Soviet Union, it is unlikely that China will take the initiative to turn the border dispute into a hot war because this will bind its hands in the north while the real struggle is in the south. Second, China's interest in national liberation struggles will be very indirect but very active. This may present some problems for Moscow in its dealings with governments such as those of Thailand and Malaysia. Finally, China is unlikely to be very vocal in its criticism of possible pro-Moscow leaderships in Hanoi and Pyongyang.

China's attitude to India will be determined, as it is now, by its world view. To put it simply, China finds India far too dependent on US and USSR to think that any meaningful dialogue would be possible. The seventies will show whether India will get itself involved in a cold war with the Chinese (in fact, with Asia's communists in general) or whether it will muster some courage in its dealings with the super powers. There are no indications yet of what will happen, but one thing seems fairly certain — unless India is seen to begin to face this challenge, China will remain cold and hostile.

AS China enters the 70s, the political picture is reasonably clear. The Great Proletarian Cultural Revolution has thrown up a new leadership. The Communist Party, which to many observers looked as if it were disintegrating, has emerged with a new face. The Cultural Revolution did, among other things, bring about considerable clarity in the minds of the leadership about the problems facing China. It underlined that problems *arising out of* developments are as important as problems *of* development. If the leadership does not perceive these problems in a proper perspective and before it is too late, developments may well create new difficulties further complicating the process of modernisation and nation-building.

These processes, to be sure, are related to the international situation. Foreign policy of any country is aimed, first and foremost, at the defence and consolidation of the country's internal socio-economic system. It follows, therefore, that success or failure of a domestic experiment will depend as much on proper perception of the international environment as much as on efforts within the country. Foreign policy, thus, is related primarily to perception of international reality. This needs to be emphasised as it is often argued, particularly in case of the Communist states, that the foreign policy posture depends on who is in power and what kind of ideological prism he looks at the world through. Related with this argument is the customary division of communist leaders into hardliners and softliners or dogmatists and pragmatists. This neat distinction imposed on us by the West is very misleading. It is at times used to conceal and, at other times, to rationalise Western attempts to come to terms with reality. To cite only one instance: Stalin, always thought of as a hardliner and a dogmatist, had actually proposed and was more than willing to agree to a kind of division of power in Europe which was not substantially different from what ultimately came to stay under Khrushchev. While Khrushchev came to be regarded as the usherer of a *detente*, Stalin is still painted in the blackest of colours. What, in reality, made all the difference was the fact that in the immediate post-War period Russia did not possess the Bomb, while Khrushchev's Russia did. It was in order to euphemise the West's reluctant admission of Soviet preponderance in Eastern Europe that Khrushchev came to be described as a 'pragmatist' while Stalin remained a 'dogmatist'. What the strategic interests of Soviet Union were had become clear during the last days of the Second World War. Standley, US Ambassador to Moscow, had cabled to Washington in 1943:

> In 1918 Western Europe attempted to set up a *cordon sanitaire* to protect it from the influence of Bolshevism. Might not now the Kremlin envisage the formation of a belt of pro-Soviet states to protect it from the influences of the West?[1]

Standley's cable was, of course, ignored. But ultimately the Russian bomb made geopolitical reality acceptable to the West. The Soviet-American *detente* thus had very little to do with whether a pragmatist or a dogmatist ruled in Moscow. Similarly, there is no reason to assume that the truism that foreign policy is mainly a function of perception of international reality and strategic equations does not apply to China and its foreign policy or, indeed, to the foreign policy of any other country.

What will China be like after Mao? This is a commonly heard question. Mao is 77 and his disappearance from the Chinese political scene because of disability or death in the not-too-distant future cannot be ruled out. Post-Mao China would indeed be different, as much as post-Lenin Russia was. However, the decade that we are talking about may still be a Maoist, if not Mao's, decade. For one thing, Mao may well be around for another three or four years. For another, Mao's impact on China has been tremendous. Mao has been a man of the masses, in a way Stalin was *not* — a fact which

almost all enthusiasts of the de-Stalinisation analogy tend to forget. It is much more appropriate to compare Mao to Lenin (as we have done above) but even that is not the issue. It seems unlikely that Mao's impact on China will wear out during this decade.

Besides, strictly in foreign policy terms, what has been Mao's policy? There may be several answers to this question. One thing stands out quite clear: The so-called hardline period of China's foreign policy was also the period (1958-1962) of the ascendancy of the professionals, whom everybody is fond of describing as the pragmatists. So we come back to the same theme. It does not make sense to relate foreign policy to personalities, whether dogmatic or pragmatic. It has to be related to the perception of the international situation and to the *practical* courses of action open to a leadership.

I

With these preliminary remarks we can now turn to the international situation in which China finds itself. It is obvious that, as for any other country, 'the possibility of American withdrawal from Asia' would be a factor of primary importance in China's foreign policy calculations. How real is this possibility?

American withdrawal from Asia, it would seem, is nowhere near realisation. What is more, US itself has at no time promised a withdrawal. What seems to be true is that US has contemplated a *phased withdrawal of its ground forces from Vietnam*. This is hardly withdrawal from *Asia*. There is no talk (nor has it been demanded by the protest movement in United States) of withdrawal of the 75,000-odd American troops from South Korea. Equally, people seem to have forgotten that US has forces in Thailand, Philippines and Formosa. And there is the ubiquitous Seventh Fleet in the South China Sea. Has anyone asked for withdrawal of this presence? And, for its part, United States has not promised even to give a second thought to this presence, let alone withdrawing it. Yet we find Western commentators and even some erstwhile socialists from Moscow talking about imminent American withdrawal from Asia.

Coming to Vietnam, we have it on the good authority of John Collingwood that the phased withdrawal of troops from Vietnam would still leave, by the middle of 1972, about 20,000 American troops in South Vietnam.[2] Collingwood was careful to add that this timetable "may not even be met". This means that total withdrawal of American forces from Vietnam can come only if the Vietnamese are ready to accept American terms and conditions for withdrawal or the American position becomes militarily totally untenable. While United States has learnt many lessons in Vietnam it is not yet ready to say enough is enough. Likewise Vietnamese are not ready to accept an American protectorate status for the southern 'zone' of their country.

Even assuming that US miraculously withdraws its troops from Vietnam, it does not mean that US would not be there. It would mean *substituting human forces by technological thrust*. In other words, US ground forces may probably leave and bombers and bacteriological weapons will reign supreme (this is in fact better for US, for the death rate of Americans in the Vietnamese jungles will fall so that the 'noisy minority' of protesters against the war in US can be absorbed in Nixon's favourite 'silent majority'!). In fact US has been already trying out this game in Laos:

> North Vietnam was more heavily bombed than Korea. Laos is now being bombed even more than North Vietnam. And this battering has been going on for over five years... The US Air Force carries out more than 12,500 raids a month.[3]

Another report described the raids on March 17 and 19, 1969:

> The two ends of the town were razed to the ground. The old ruins of 1965 have disappeared, those of March 1968 were still 'smoking' when we visited them . . . houses were burnt out (phosphorous had been used). At the other end of Sam Neua, the sight was even more painful. Everywhere enormous craters, the church and many houses were demolished.[4]

It will be clear from this what US 'withdrawal' from Vietnam could really mean. United States has power and it can use it as brutally as it means to. As long as that is the case, the question of US withdrawal does not arise. As long ago as December 1965, Premier Chou En-lai had in a speech at a reception for an NLF delegation, listed the American options as:

> ...bombing the central and southern parts of Laos held by the Pathet Lao, invading the southern parts of Laos bordering on Vietnam, and intensifying attacks against Cambodia in order to seal off the borders between Cambodia and South Vietnam.[5]

It must be admitted in view of what has happened in Cambodia, that even wily Chou En-lai failed to accurately predict American options in Cambodia!

Anyway, the point is that no policy-maker in Peking looks forward to the seventies as a decade without the Americans in Asia. Commenting on President Nixon's report to the Congress on Foreign Policy, the Chinese naturally highlighted this reality. They quoted Nixon as saying that US "occupies a special place in the world" and will continue to play "a major role" because of its "strength".[6] *Peking Review* also lists the following other quotations from President Nixon.[7]

(1) The US will "maintain current US troop-levels in Europe".
(2) The US will "remain involved in Asia".
(3) The US will "seek other powers' help for this role, particularly W Germany".
(4) Coming to Asia, "Japan's partnership with us will be a key to the success . . . in Asia."

Thus a major factor that Peking will have to take note of is American power and its continued presence, possibly all through the decade. China's policy in the seventies thus would be largely a response to American moves. It must be made clear that although China has time and again talked of "American Imperialism" as a "paper tiger", it has in reality been very cautious *vis-a-vis* US. At times it has even made concessions to US in order to normalise relations. For instance,

> ...in the mid-fifties, President Eisenhower, responding to a Press query listed several steps Peking could have taken to win a reconsideration of Washington's position both in bilateral relations and in the United Nations. Quietly but consistently, the People's Republic of China reacted, releasing Americans from jail, withdrawing its forces from North Korea and receiving the UN Secretary General in Peking. The only response from Washington was a harsh restatement of our cold war view of the mainland regime by Secretary of State John Foster Dulles in San Francisco in June 1957.[8]

It is more than likely that China will continue its efforts to talk to United States with a view to avoiding a direct confrontation. This might yield more tangible results in the seventies than in the fifties and the sixties, particularly as China's nuclear power grows.

It is unlikely, however, at least in the seventies, that China would be any the less interested in 'wars of national liberation' in mainland South-East Asia than heretofore. For one thing the seventies are going to see more of these wars and as a regional power China cannot afford to be neutral towards them; for another; with increasing Soviet accent on 'peaceful transition',

China can scarcely avoid the posture of being a steadfast supporter of the 'protracted war'. It seems to me that Sino-American understanding, whenever it comes, would involve some guarantee on the part of China that it would not *directly* participate in these struggles. But then this guarantee has always been there. It is US which has not seen it. It is as clear as daylight that China has never wanted to involve itself *directly* in any of the liberation wars; nor is such involvement necessary for the liberation wars to succeed. China emphasised this even in that "revolutionary document", the famous Lin Piao speech of 1965 in which Lin Piao enunciated the now well known thesis of the world's countryside versus the world's cities.[9] It seems the Americans want to learn about this only at Warsaw!

But more than China's role in the national liberal movements, the status of Formosa would be the main bone of contention betwen US and China. Only the other day Formosa was given by US another $10 mn worth of ammunition and tanks.[10] It is far from clear what the American objectives in Taiwan are. *Peking Review* seems to take a rather despondent view of them. It says:

> ...Nixon asserted blatantly that he wanted to "maintain" the treaty commitment with the Chiang Kai-shek bandit gang in Taiwan. This has further exposed the aggressive nature of US Imperialism in its plot to occupy China's sacred territory, Taiwan, permanently.[11]

China thus seems to have made it clear that it will not accept a compromise on Formosa and that Formosa's integration with China is a primary condition of normalisation of relations. What is noteworthy about this ancient warning is that *Peking Review*, with its heavy emphasis on Formosa, has in fact narrowed down the field of Sino-American differences. China has indeed made it very specific with this emphasis on the status of Formosa. It seems more than likely that China will persist in making clear its terms and its desire for normalisation of relations with US in the coming years. It is to be seen how US reacts to this.

II

The other power with which the Chinese would be concerned in Asia in the 'seventies is Japan. *Peking Review* harps on this problem in its criticism of President Nixon's foreign policy report. Here, too, one gets a feeling that China's worries over Japan spring mainly from Japanese interests in Formosa. *Peking Review* is comparatively silent on Japan's manifold activities in Asia. It is worried about Japan and US 'colluding' to create an independent Taiwanese nation. It says:

> To encourage the Japanese reactionaries to serve its policy of aggression in Asia, US Imperialism has allowed the Japanese reactionaries to get a foothold in Taiwan and *other places* (emphasis added).[12]

So it is "Taiwan and other places" now! But this is a cynical way of looking at China's concern over Taiwan. It cannot be ruled out that some move may be afoot to give a special status to Taiwan, or at least so the Chinese fear.

China's growing worry over the future of Taiwan has got reflected in its criticism of Soviet Union. The *Peking Review* article, referred to above, takes note of the fact that Tass in its coverage of Vice-President Agnew's visit to East Asia referred to Taiwan as "a country". It has also claimed that one Liu Chich under the name of Sydney Liu, a representative of the Chiang Kai-shek group, visited USSR for two weeks. The change in Soviet attitude to Formosa, *albeit* very vague and marginal, seems to add another facet to the quarrel of the communist giants.

It is evident, therefore, that Sino-Soviet rivalry is going to dominate China's foreign policy in the seventies. The *Peking Review* article, mentioned above, noted President Nixon's remark that Soviet-American co-operation had "made a good beginning". It then goes on to list the areas where, in Nixon's view, the co-operation is less than satisfactory. The areas are Middle East and Eastern Europe. It is possible to infer from this selective quoting on the part of *Peking Review* that in China's view President Nixon implied that co-operation in other areas has been satisfactory; more particularly co-operation against China in South Asia and in Taiwan. The seventies will thus be, for China, a decade of working against such a possibility.

This gives some idea of what China's policies *vis-a-vis* Soviet Union are likely to be. First, it is unlikely that China will take the initiative in converting the border dispute into a hot war because this will bind its hands in the north while the real struggle will be in the south. Second, China's interest in the national liberation struggles will be very indirect but very active; this can present some problems for Moscow in its dealings with the Governments of, for example, Thailand or Malaysia. Third, China will not be very vocal in its criticism of a possible pro-Moscow leadership at Hanoi and even at Pyongyang. It may, in fact, learn to live with them hoping for the better while being, at the same time, very vocal about the principle of "the protracted war". It cannot be ruled out that Hanoi itself will find so-called Chinese intransigence useful in its objectives which are by no means fulfilled yet. Already Chinese criticism of the North Korean regime is considerably muted.[13]

III

It must have been obvious that this discussion of China's foreign policy has been mainly Asia-oriented so far. This is because, I think China is primarily an Asian power and will remain so even during the seventies. ICBMs, which China is expected to develop by 1975, do not *ipso facto* make a country a world power. They possibly confirm the world power status of countries which already have this status. World power status comes to countries which have the brutally efficient military machines to move half a million troops — whether in Vietnam or in Czechoslovakia. China seems to be far removed from this level of power, and will remain so during this decade.

What distinguishes China from other Asian powers is not its nuclear weapons but rather its world view. We used to have it once ourselves but during the last decade we have found it uncomfortable and awkward and like good pragmatists have quickly abandoned it. China, in short, is and will remain a regional power with a difference: a power with a world view of its own.

It is against this background that Sino-Indian relations in the seventies have to be looked at. There is nothing exciting to report at the present. It is all snow up there on the Himalayas. Almost like a ritual we periodically declare our intentions to talk with China, hastening to point out that China does not respond. What is our China policy going to be like?

It has to be recognised that the 'send me no flowers' attitude of China has to be related to the view it takes of our position in the world. To put it simply, China finds India far too dependent on US and USSR to make any meaningful dialogue possible. In other words, the Chinese leadership seems to think that any defreezing of the Sino-Indian situation can come about if, and only if, India shows some willingness to shed its dependence on the super powers. It is certainly plausible that a dialogue with China would not fit in with our present equations with

Moscow and Washington. It seems that this is a major reason why China and India are not talking. Talks with China will have to come as a part of an independent reorientation of our foreign policy. This does not mean that an anti-Soviet or an anti-American posture is a precondition for talks with China. But it does mean more tangible acts of independence of the super powers — certainly more tangible ones than closing down libraries. It is only then that talking to India will become politically meaningful to China. The seventies will show whether we get ourselves involved in a cold war against the Chinese (in fact against Asian communists, including North Vietnamese and Pathet Lao if discussions in our Parliament are any guide) or whether this country can muster some courage against the super powers. There are no indications yet of what will happen. But one thing seems to be fairly certain — that unless India is seen to begin to meet this challenge, China will remain cold and hostile. This is about the only predictable trend in Sino-Indian relations in the seventies.

NOTES

1 Quoted in Arthur M Schlesinger Jr, "The Crisis of Confidence", p 114.
2 John Collingwood, "Time Table for Vietnam", CBS Television.
3 *Le Monde*, Weekly Selection, October 1, 1969.
4 Jacques Decornoy in *Le Monde*, July 1968. Quoted by Noam Chomsky: "After Pinkville". *The New York Times Review of Books*, vol XIII, No 12, January 1, 1970.
5 Donald S Zagoria: "Vietnam Triangle Pegasus", New York, 1968. p 90.
6 *Peking Review*, No 10, March 6, 1970, p 18.
7 *Ibid.*
8 Alan S Whiting: "Time for a Change in Our China Policy". *New York Times Magazine*, December 15, 1968, p 28.
9 Lin Piao said in that speech: "The common victory was won by all people who gave one another support and encouragement. Yet each was above all liberated as a result *of its own people's efforts*" (emphasis added). Text as released by NCNA, September 2, 1965.
10 *New York Times*, March 28, 1970 (as reported by *Times of India* News Service).
11 *The Peking Review*, *op cit*, p 18.
12 *Ibid.*
13 Since these lines were written, Chou En-lai has begun a visit to North Korea.

MARKETS

Moonward Bound?

Nishtar

STOCK markets too seem moonward bound. Of course, they have simply set their sights higher — towards a destination unknown and perhaps unknowable. Last week's rise has carried them very close to their 1969 peak and there is little doubt that they will push through it before long. How soon, it is difficult to say. Markets are often quite unpredictable. They could straightaway make a new high mark but they might well take a pause to consolidate their position before undertaking the hazards of a journey in a territory unexplored before.

Markets continue to be in high spirits. Bullish fervour has acquired a new dimension recently. With the popular counters commanding scarcity value, investors have now turned their attention to the laggards with some promise. Shares quoted at a discount or around par have been receiving increasing attention and many of them have registered spectacular gains; turnover has been restricted only by the volume of offerings. Selling is seldom popular with investors, the more so when prices are moving up.

The corporate news has continued to be sufficiently pleasing not only to sustain but also to provide a further boost to the prevailing bullish psychology. Last week many more companies brought cheers to their shareholders, whether by way of improved results or higher distribution or bonus issue. The list included National Rayon, Khandelwal Ferro, Raymond Woollen, Modella Woollens, Podar Mills, Shreeniwas Cotton, Wimco, Goodyear, Chemo-Pharma, Herdillia Chemicals — to mention some names.

An overwhelmingly large number of important companies have reported improved results for 1969 and their chairmen have held out the promise of still better results for the current year because of the impetus provided by the accelerated economic and industrial tempo. It is mainly because of the encouraging performance of the corporate sector that stock markets have not allowed themselves to be perturbed by mounting political tensions and the trend towards dear money. From the viewpoint of return as well as capital appreciation what matters most is how well the corporate sector is doing. That the industrial landscape has now few dark patches will be readily conceded.

New Delhi is getting worried on account of the recent export trends. Expanding domestic demand high internal prices shortage of certain materials and unfavourable conditions in foreign markets have begun to tell on exports. On current indications, the increase in exports this year is likely to fall far short of the 7 per cent target. But the stock market is not bothered on that score. With its peculiar flair for interpreting things to suit its mood of the moment, the stock market is inclined to argue that the unfavourable export trend will compel Government to adopt a more helpful policy towards export-oriented industries and that expanding domestic demand will bring increasing prosperity to industry.

The stock exchange community deeply mourns the sudden and unfortunate death of J J Anjaria, chairman of the committee set up to go into the question of resumption of forward trading in shares. The committee's report which was due to be submitted shortly is now likely to be delayed considerably. Stock markets have reason to feel uneasy over the receding prospect of early resumption of forward trading. But what is one to make of the argument forcefully advanced by the stock exchanges that the ban on forward trading had precipitated a crisis of confidence? Markets are now about to cross their last year's peaks and many counters have already improved upon their 1969 highs. It is a pity that the stock exchange authorities should not have posed the issue of forward trading in the proper perspective. The outlook for equities is quite unrelated to forward trading. The growing shortage of scrips is perhaps the biggest bull factor for the market. If new issue activity does not develop, even a low level of investment inquiry over a period of time could generate an unhealthy boom on the stock exchange.

More Imports?

THERE is very little to report on cotton. Inordinate delay in importing PL 480 cotton and staple fibre has aggravated the scarcity psychology. Since there has been very little cotton on offer, turnover has been restricted. Prices have hardened further. Thanks to continued good demand for cloth and yarn, industry is not seriously bothered about soaring cotton prices. If it were, it would have thought of self-regulatory measures to restrict consumption in order to check the rising trend in cotton prices. But what can one expect of the Indian Cotton Mills' Federation which cannot check even clandestine deals in foreign cotton which is allocated on the basis of spindles and is meant for self-consumption only. The Federation's letters asking mills to surrender their unused quotas have proved to be of no avail but no action is known to have been taken against the erring mills.

Unable to enforce discipline on the industry, the Textile Commissioner is reported to have suggested additional import of some four lakh bales. Nothing like having more cotton to beat prices. But it costs foreign exchange which is still very scarce. Would it not be better to strictly regulate cotton consumption when scarce foreign exchange can be utilised for importing more essential raw materials. Producing more cloth with imported cotton may not be a wise choice. It is high time that all the interests concerned applied their minds seriously to evolving an effective programme of action to step up cotton production in the next season.

Tide Turning

BULLISH fever ran high earlier in the week. Linseed and castor moved up further under the lead of the maturing contracts which made new highs for the season on nervous short covering because of the absence of tenders. Sentiment was also aided by expectations of a further rise in vanaspati prices, though groundnut oil fluctuated narrowly between Rs 4,975 and Rs 4,925 per tonne. The market took a sharp turn about the middle of the week. Not only were the earlier gains erased but prices showed net losses over the week-end. Down came linseed July from Rs 166.25 to Rs 159.50, April from Rs 176.50 to Rs 169.50, castor June from Rs 134.50 to Rs 128.50 and April from Rs 138.75 to Rs 132 (per quintal). Groundnut oil declined from Rs 4950 to Rs 4800 per tonne.

The real change in trading sentiment occurred only when it became known that vanaspati prices were not being raised this time and that Government had decided to compensate the industry for higher groundnut oil prices through larger allocation of cheaper soyabean oil. The percentage use of soyabean oil has been increased from 13 to 17 per cent to 21.4 to 26.3 per cent, depending on the region. Welcome as it is, Government's decision to keep vanaspati prices unchanged seems to have been influenced mainly by the severe criticism of high vanaspati prices in Parliament.

Yet another factor which had a significant impact on market sentiment was the announcement that Government had finalised arrangements for "quick" import of 35,615 tonnes of soyabean oil from the US under PL 480 to relieve the acute shortage of vanaspati and to check the rising trend in edible oil prices. Three consignments consisting of 1,050 tonnes, 18,665 tonnes and 1,900 tonnes have been received recently. The balance of 16,000 tonnes is expected to reach the country in June. Besides these imports under PL 480, another 10,000 tonnes of soyabean oil have been commercially purchased from the open market in the US and Europe. Of this, 6,000 tonnes are expected to arrive either by the end of May or early June. The balance is expected to be received by early July. Arrangements have also been made for importing 40,000 tonnes of mutton tallow within the next few months. This is in addition to 24,000 tonnes already purchased from the US.

Imports of edible oils and mutton tallow should have a significant impact on the market. Of course, a good deal will also depend on Government's policy in regard to vanaspati prices. Any upward revision of these prices is likely to encourage speculators to tighten their hold over groundnut oil. Imports would have been in vain if the authorities cannot keep speculative tendencies under firm check.

COMPANIES

The Good Samaritan

Hansavivek

MORARJEE GOCULDAS is selling one of its two textile units which, it is stated, has not been making any appreciable contribution towards the company's profitability. Another reason given for the proposed sale is that financial resources have to be augmented for modernising and renovating the other unit. The freehold land at Planet Mill Street, off Ferguson Road in Bombay, admeasuring 34,436 square metres is proposed to be sold for Rs 12 lakhs, buildings and structures thereon for Rs 8 lakhs and plant and machinery for Rs 45 lakhs. It is not disclosed how this valuation of these assets has been arrived at. All cloth and yarn in process and in the folding department will also be sold, and the price will be fixed on the basis of "the mixing price of cotton plus manufacturing expenses in respect thereof at different stages countwise at cost". On completion of sale, the buyer will also take over the technical, supervisory and clerical staff as well as workmen serving in the said unit.

The intending buyer is none other than Piramal Spinning and Weaving which has a total paid-up capital of only Rs one lakh. Mohanlal Piramal, a managing director of Morarjee Gokuldas, is its director and shareholder. It is stated that before completion of the sale, the paid-up capital of Piramal Spinning will be "adequately increased" to enable it to complete the sale.

NAGPAL AMBADI PETRO-CHEM REFINING has undertaken a Rs 5.2-crore project for the annual production of 15,000 tonnes of transformer oil, 8,000 tonnes of speciality oils, and 16,500 tonnes of oleum, in technical collaboration with WITCO Chemical of the US, said to be the pioneer in the manufacture of speciality oils in that country and till recently the main supplier of these products to India. The plant, being set up near Madras adjacent to Madras Refineries which will supply the main raw materials, is expected to be commissioned towards the end of 1970 and to go into commercial production two or three months thereafter. As key ingredients in many types of products, the company's products

Exports

During 1969 our exports reached a new record figure of Rs 2.8 crores, an increase of 12 per cent over the previous year. Already we have in hand orders amounting to over Rs 2 crores for delivery during 1970 and we hope to cross the Rs 3 crore mark this year.

Exporting is neither easy nor profitable but we fully recognise the necessity to maximise foreign exchange earnings. What we have achieved to date has largely been possible through the assistance of The Dunlop Co Ltd, UK, by proper market surveys, and by regular visits to overseas markets. What we can achieve in the future will depend upon the acceptance by Government of our expansion plans in both automotive and cycle tyres.

Raw Materials

By and large we were able to obterials although there were difficulties terials although there were difficulties in obtaining sufficient steel for bicycle rims, necessitating a cut-back of production in December. Nylon also was in short supply compelling us to adjust our nylon tyre production programme.

In many cases the margin between requirements of raw materials and availability was, and continues to be, very thin. Thus any dislocation in the pipe line caused by suppliers' plant breakdown, labour trouble, power cuts, transport bottlenecks, or procedural delays in the issue of import licences, can seriously jeopardise production.

The Tariff Commission Reports on natural rubber and rayon are still under consideration by Government and it is hoped a decision will soon be announced as these are our two main raw materials.

Production

During the year tyre production at our Sahaganj Factory fell below expectations. This was entirely due to labour unrest and unscheduled holidays. However, following prolonged discussions and negotiations, tensions appear to have eased on all sides, and we are hopeful that an element of understanding and good faith has been restored. Given reasonably settled conditions, the output for 1970 should be well above that of 1969.

The output from the Industrial Products Division at Sahaganj Factory was virtually the same as that of 1968 despite the various problems encountered, not least among them being an acute shortage of cycle rim strip.

Our Ambattur Factory continued to make good progress during the year. Both the volume of output and productivity showed substantial improvement over the previous year.

Training and Development

The Company continues to give high priority to the training of its personnel at all levels. We are very conscious of the fact that the continued future progress of the Company will necessitate keeping up with modern techniques in production and management.

A wide variety of training courses are run within our own organisation. In addition, we utilise the services of independent institutions, and by no means least we have a constant flow of personnel to UK for training within the Dunlop Group and to attend the highly specialised courses available there.

During 1969 we introduced training programmes for our Sales staff designed to equip them for the challenge of changing market conditions. Suitable training courses were also introduced for our Depot Operating staff and an orientation programme on computer applications was designed to provide management with adequate knowledge as to how it could be used for deeper and more accurate information and control.

Profit and Loss Account and Balance Sheet

I do not propose to go into great detail regarding the financial results for 1969, the main features of which have been mentioned in the Directors' Report. However, there are a few points I would like to make.

As you will have seen from the Accounts, despite the increase in profits, the tax charge was lower than in 1968. This was mainly due to substantially higher capital allowances accruing from increased capital expenditure and a revision in the rules relating to the calculation of capital allowances under the Income-Tax Act, 1961.

We require very substantial liquid resources to help finance the expansion plans to which I have already referred and with this in view the Directors propose to transfer the balance of available profits for the year, amounting to Rs 1,65,28,699, to general reserve.

The reduction in the balance sheet provision for taxation arises mainly from higher advance payments as required under the revised rules.

Future Prospects

As was mentioned last year, we received a Letter of Intent to manufacture an additional 250,000 automotive tyres and tubes. We anticipate that this expansion, which will take place at our Ambattur Factory, will be fully installed and partly productive by the end of 1971. It will be fully operative during 1972.

A licence has also been obtained to manufacture 1.5 million cycle rims at Ambattur. Work on this project is progressing and it should be completed by the middle of 1971.

Letters of Intent have also been received by us for the manufacture of tennis balls and golf balls, both of which will be implemented as quickly as possible.

During 1969 we concentrated, with considerable success, on improving the quality of our automotive tyres. We also laid down plans to introduce new patterns of truck tyres during 1970. Our objective is always to be looking ahead in order to offer our customers quality products of the latest design and specification.

As stated earlier, further expansion of automotive tyres and tubes and also cycle tyres and tubes will be necessary to meet the growing demand. We are planning on the basis that we shall share in such expansions and we are geared and ready with plant and equipment, sales, and finance, schemes to do so when the opportunity arises.

In conclusion, I should like to thank on your behalf all those employees who helped to make 1969 another year of progress. We look forward to the 1970s with confidence and optimism.

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

Ahmedabad Advance

AHMEDABAD Advance, equipped with 59,480 spindles and 1,222 looms including 336 automatics, was able to raise its total turnover by Rs 88 lakhs to Rs 6.98 crores, and gross profit by Rs 18 lakhs to Rs 56 lakhs in its 68th year ended December last. Net profit was Rs 24 lakhs (Rs 13 lakhs) and the unchanged dividend of nine per cent (payable in full on 30,000 new shares which last year were eligible for proportionate payment for only two months) was covered 2.4 times. Government approval is awaited for conversion of the 'letter of intent' for the manufacture of special steels into an industrial licence. Efforts are being made to develop new products to achieve higher profitability.

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ECONOMIC AND POLITICAL WEEKLY

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DEPARTMENT OF INDUSTRIES (INDUSTRIES)
1970
INDUSTRIES DEPARTMENT

MORE NON-ALIGNED THAN THOU

SOCIOLOGY IN MEDICAL EDUCATION

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TAMIL NADU'S THIRD FORCE

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INST 0068

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But the dairy industry alone couldn't contain our interest. We had other branches of the food industry on our minds. That accounts for the mill that grinds 1000 tons of grain a day, silos that store 10,000 tons of food grains, earthmoving equipment, fertilizer plants, bulk handling equipment and cattle and poultry feed plants. It's a big range. But it's only one of the industries L&T serves.

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Skylark 284 Frere Road Bombay 1

Phone 26 60 72

Editor

KRISHNA RAJ

Assistant Editor: Rajani X Desai

Business Manager: A Fernandes

Circulation Manager: Shiv Patil

Editorial Staff

Colin de Souza, Haresh M Advani, Shireen Heerjee, Ashok Rao, Ranjeet R Chandi

The Danger Within

THE recent antics of so-called Naxalites in Calcutta have attracted a measure of attention which must have been highly satisfying to their perpetrators. While newspapers have prominently reported every revolutionary peccadillo along with photographs of upturned furniture and slogan-daubed walls, Parliament in New Delhi has been deeply disturbed. One day the Home Minister was exhorting all parties in Lok Sabha to fight the Naxalites politically; the next day the Prime Minister was assuring MPs belonging to her party that Government was considering bringing forward legislation to curb the menace.

By contrast, the communal violence that broke out about the same time in the Chaibasa and Chakradharpur towns of Bihar was, for all the attention it got from the Press and politicians, a non-event. Some 20 persons had been done to death and twice as many injured — this according to official reports — in the first three days of the riots and the violence had not been contained and the casualities continued to mount. Communal violence, by common consent, cannot be written about or discussed in Parliament for fear of further inflaming passions. On the other hand, the passions that sensationalist reporting of Naxalite activities arouses are deemed to be of the desirable type — no doubt because it is mainly the upper and middle classes which read newspapers; those among whom the wrong kind of passions might be roused are, fortunately, too illiterate and too poor to be newspaper readers.

Of course, irrespective of where one stands in the political spectrum, it is impossible to approve of what the Naxalites have been up to in Calcutta. Even tactically, their activities are bound to be counter-productive of everything except perhaps newspaper publicity. The cloying adulation of Mao would seem to be deliberately calculated to offend ordinary nationalist feelings just as the ransacking of the Gandhi Centre at Jadhavpur and similar acts must seem loathsome to even those who had by no means gone overboard over the Gandhi Centenary.

It is precisely for this reason that it seems that if the activities of the Naxalites pose a threat to the political system, it is a considerably less grave one than that posed by the manner of functioning of the very forces charged with working the system. In his column elsewhere in this issue, Romesh Thapar has some very pertinent things to say about the working of Parliament and Parliamentarians. So conscious has Parliament been of its dignity and privileges recently that, on the whole, one hesitates to comment on its performance, but the pile of accumulated legislative and other work before it bears testimony to the fact that the pattern of allocation of Parliament's time and attention has been considerably less than optimum.

And what about the other segments of the political system? The one fact which stands out amidst all the trivia of day-to-day politics is that, since the 1967 election and more particularly the Congress split last year, the process of fragmentation of the system has quickened. This has taken the form not so much of a further multiplication of parties as of growth in the number of politicians without any sense of party identification. The attitudes of practically all parties, and particularly Congress (R), have been responsible for this. In seeking to consolidate its position at the Centre and in the States the leaders of Congress (R) have been concerned almost entirely with the counting of heads, throwing to the winds all considerations of strengthening the party organisation and achieving a modicum of programmatic coherence. These tactics have yielded some short-term gains in UP, Bihar and Gujarat, and the Central Government, though in a minority in Parliament, has managed to coast along without much serious trouble.

It had been hopefully expected at the time of the Congress split that the two Congress parties might emerge as the focal points of loose coalitions which might give some coherence and stability to the political system. This has not happened. On the contrary, the tactics adopted by Congress (R) to strengthen its position have actually confounded those in other parties like PSP and SSP who had initially recognised and even acted upon the possibilities of a programmatic coalition. Increasingly, it has become apparent that Congress (R) was assuming the character of the pre-split party of being an umbrella harbouring divergent ideological positions. Witness, for instance, the very effective pressures which have been mounted recently from within the part to put off legislation to abolish privy purses, to do away with the nominal wealth tax on agricultural property, to dismantle the public distribution network for foodgrains and allow a larger role for private trade, and so on.

To many in the party, including perhaps the Prime Minister obsessed with the arithmetic of Parliamentary majorities, the playing down of ideology may appear to be a desirable thing since it seemingly increases the party's manoeuvrability at the Centre and in the States. But the long-term impact of these tactics must be to fragment the political system further. This trend poses a far graver threat to the system than the paint-and-brush activities of Calcutta's Red Guards.

Green Signal for Steel

Our New Delhi Correspondent writes:

WITH Rs 110 crores in its pocket for advance action on additional steel capacity in the Fifth Plan, the Ministry of Steel and Heavy Engineering has got going on the preliminaries involved in implementing the Government's decision, announced by the Prime Minister in Lok Sabha last week, to establish three new steel plants in the south. In her statement, Indira Gandhi did not go into details; nor was it expected that she would. She merely said that the three new steel plants would be at Visakhapatnam, Hospet and Salem — the first two producing mild steel and the third special steels. She also said that "these three steel plants are to be designed by Indian engineers and the equipment is to be manufactured in India". The size of the plants, their organisational set-up, the question of consultancy, etc. were not touched upon by the Prime Minister.

Obviously these are matters of detail to be settled by the Steel Ministry. The Minister of State for Steel, K C Pant, is expected to visit the three States concerned after the current session of Parliament. Though the current steel shortage helped him to some extent, the Government's decision to have three new steel plants was largely due to Pant's efforts to get the steel programme going.

The first point that is likely to be taken up with regard to the proposed steel plants in the southern region is the extent of participation of the three State Governments concerned. In no other steel plant (except Bhadravathi) is the State Government involved as a partner and it has been felt in some quarters that this is the reason why State Governments do not care sufficiently about the smooth functioning of the plants. A beginning may, therefore, be made in associating the Governments of Tamil Nadu, Andhra Pradesh and Mysore by offering them equity participation in the projects.

If this is done, it follows that the three steel plants in the south will not be under a single authority (like Hindustan Steel which is in charge of Rourkela, Bhilai and Durgapur). Each will be a separate entity like Bokaro. This should bring in some amount of healthy competition. By keeping them separate, the losses of one plant (whether due to labour troubles or other causes) will not be thrust on another, as happens in the case of HSL.

The third point to be settled is about consultancy. The Prime Minister emphasised that the plants "are to be designed by Indian engineers" and that the "equipment is to be manufactured in India". This seems to suggest that Dastur and Company, which has been kept out of Bokaro's expansion, might be assigned a key role at least in one of the three new plants. Long ago the company completed feasibility studies for the Goa-Hospet area as well as the Bailadila-Visakhapatnam region. It had also done a detailed project report for the Salem plant. Naturally, HSL's Central Design and Engineering Bureau (CEDB), which has just been appointed consultants for Bokaro's expansion, will also be associated with the new steel plants.

The Minister of State for Steel has gone on record that he would prefer a standardised two million tonne unit for future steel plants and it is possible that Visakhapatnam and Hospet will be of this size. From that standpoint it might be preferable to have the same consultant for these two units. It would help facilitate designing and placement of orders for equipment, etc. Salem's is a different case because, for the first time, a plant is to be based on lignite from Neyveli and on iron ore available in Salem district itself. Again, its size is not envisaged to exceed 500,000 tonnes of special steel. It might be better, therefore, to have a different consultant for Salem.

Most of the equipment for the three new plants will have to come from the Heavy Engineering Corporation (HEC), Ranchi. The Prime Minister said in her statement that the construction programme of the plants would have to be "suitably drawn up to fit in with the availability of technical personnel and the manufacturing capacities of the engineering units". The reference to "capacities of engineering units" implies that there will not be complete dependence of HEC. HEC will have to cope with the requirements of Bokaro's expansion to four million tonnes, Bhilai's expansion from 2.5 to 3.2 million tonnes as well as the needs of the three new steel plants now proposed. Presumably, therefore, private engineering units can expect some orders from the new steel plants.

Though the Government's decision on the three new steel plants was announced only last week, inter-Ministry discussions have begun about providing railway facilities for transport of raw material and finished goods well as other on-site services. Vizag faces the additional problem that the establishment of a steel plant there has to be co-ordinated with the development of the port. These are some of the issues, apart from the selection of actual sites, which the Minister of State for Steel will discuss when he visits Tamil Nadu, Mysore and Andhra.

One last point in Indira Gandhi's statement also needs to be emphasised. She said that "new steel plants may have to be erected apart from the three now decided" because it was expected that capacity for steel making would have to be doubled every 10 years. "We are fortunate in having a number of other sites and these will be taken into consideration in the process of rapid development of the steel industry which we now envisage", she added. This should keep hope alive in many other States.

Managed IOUs

THE Budget for 1970-71 takes credit for a gross market borrowing of Rs 455 crores and a net borrowing of Rs 161.70 crores. Repayments due this year total Rs 293.30 crores — Rs 178.24 crores in April against the maturing loan, 4 per cent 1970, and Rs 115.06 crores in October against the maturing loan, 3 per cent 1970-75. As part of the borrowing programme for the year, the Central Government floated on April 11 a Rs 275-crore, cash-cum-conversion, 30 year loan at par — repayable in April 2000 — which attracted a total subscription of Rs 290.02 crores. The excess subscription of Rs 15.02 crores, being less than 10 per cent of the notified amount, was retained in full.

Cash subscription to the loan amounted to Rs 149.90 crores and conversion subscription to Rs 140.12 crores. A sizeable portion of the maturing loan was held by the Reserve Bank. This, together with some institutional subscription, accounted for the large conversion subscription. Holders of the maturing loan opted for repayment in cash to the extent of Rs 38.03 crores.

Two points need to be noted in this context. First, the new loan offers a gross redemption yield of 5.50 per cent, the same as that offered by last year's 5.50 per cent 1999 loan at par, though the cheap money policy of the recession period had ended since. It is, therefore, very unlikely that captive buyers like banks, including the nationalised ones, Life Insurance Corporation and provident funds, subscribed to the loan with cheer. True, improved terms would have hardly boosted the volume of subscription sizeably, but the size of cash repayment might have been conceivably smaller than a fifth of the maturing loan.

Secondly, subscription to the loan this year has been more 'managed' than usual. The precise mechanics of such management have never been revealed to the public. Broadly, the practice is for Reserve Bank to subscribe to the loan and later sell it to the institutions which are statutorily required to hold a portion of their resources in Central and State Government and approved securities. The justification for the practice is that banks do not have a high degree of liquidity in April-May, which coincides with the busy season, LIC's investible resources, in liquid terms, are not large during the first few weeks of its financial year, and provident funds get their resources in monthly instalments. The initial subscription of captive buyers is, therefore, not large.

This year, however, the institutions lodged some of their investments, especially State Government loans, with the Reserve Bank and took funds from it to subscribe to the 5.50 per cent 2000 loan on the understanding that in the coming months they would buy back the investments so lodged. As a result Reserve Bank's own subscription to the loan has been kept lower than usual. What precisely is sought to be thus achieved is a closely guarded secret!

But that such an arrangement was resorted to can be easily seen from the fact that during the week-ended April 11 short-dated Central and State loans, especially 1971 and 1972 issues, were transacted in the market by a number of banks. (Dealings in gilt-edged are usually thin during a week when a major loan opens for subscription.) Barring the 4.50 per cent 1972 loan which was traded in at Rs 101, the loans were available at fair discounts. It would appear that buyers picked up the bargains and lodged the investments with the Reserve Bank. The sellers (exchange banks?), on the other hand, appear to have utilised the proceeds for improving the ratio of long-dated in their investment portfolio.

The precise implication of these short-term arrangements for the ensuing borrowing programme of State Governments (in July-August) is not clear. Left to themselves, the captive investors would have preferred to invest the bulk of their funds in State loans and other approved issues which fetch a higher yield than the Central loan. More important, investment in these other issues help the institutions to diversify the pattern of their resource use, thus aiding dispersal of funds among the regions. These objectives have been rated high in the competitive socialist propaganda of political parties in recent months. The complex management of the Centre's IOUs this year was probably inspired by fears of excessive channelisation of resources away from the Central loan.

J J Anjaria

Savya Sachi writes:

J J ANJARIA, who passed away in harness peacefully and suddenly on April 10, was in many ways an institution. When he was a reader at the University School of Economics in Bombay before 1948, he was the main attraction for post-graduate students in economics from all over India. He represented, in contrast to the old school, a new trend in teaching and research and encouraged a number of good students to undertake research in theoretical subjects. These students now occupy responsible positions in Government and the Universities. And it is because of his students that he was known as 'Professor' Anjaria.

When he left the School of Economics and joined initially Reserve Bank of India and later Government as Chief Economic Adviser to Ministry of Finance and Planning Commission, he set up another tradition — a tradition of close collaboration between civil servants and the economics profession. It was he who made economists acceptable to and respected by Government. The present strength of this tradition is in a large measure due to the unique qualities he possessed.

All those who knew Anjaria were impressed by his humanity and urbanity He had genuine regard for all individuals and treated all those who came in contact with him with respect and politeness. In spite of being in Government, he never acquired the haughtiness or sense of power which seems to come so naturally to civil servants. With this human touch, he combined a pragmatic temperament. He believed in no dogma, no doctrines or theories and approached every policy problem with a fresh and open mind and tried to grasp it in its wholeness rather than in terms of isolated analytic categories. He was aware of the inevitable need for abstraction to understand socio-economic reality, but at the same time he was conscious of the utter inadequacy of such abstract theoretical knowledge when applied to policy problems. His approach to policy problems was, therefore, experimental and pragmatic. This experimental approach, a little hesitant and tentative, to problem of economic development is so well reflected in the first chapter of the First Five-Year Plan; this chapter was largely drafted by Anjaria. A few sentences from it are worth quoting:

> "In planning for a better economic order, the close interrelation between the technical and social aspects of the process of development has to be continually kept in view . . . In spite of the considerable developments in economic and social sciences in the last few decades, our knowledge of human motivation and of social process is but limited . . . Parallels from past history or from contemporary conditions in other countries are useful upto a point, but they cannot provide a complete answer. A nation, like an individual, has to work out its inner potentialities by a process of experimentation. All that can be said is that there is need, on the one hand, for clarity in regard to basic values and, on the other, for readiness to adapt practical solutions to the concrete problems arising in the process of transition to a different economic and social order . . . A national plan has to be an expression of a basic unity of purpose in the community."

This tentative, experimental approach to problems is invariably associated with individuals with a keen sense of humour. For, it is only with such a sense of humour that it is possible to perceive instantly the inherent incongruities in men, thoughts and things. Anjaria had this sense of humour in ample measure. His style of presentation of intricate problems was marked by clarity, crispness and lucidity and apt phrases and expressions. The essentials of a problem were presented without polemical over- or under-tones. It was a reflection of his organised, disciplined and logical mind that his dictated first drafts were by and large the final drafts — down to the commas and dashes.

Anjaria was a liberal and a socialist. He was influenced by Gandhi and Marx as well as Laski and Nehru. His approach to life and religion was moulded by Tagore; that is why he could say: "And because I love this life, I know I shall love death as well."

Where Mergers Are Needed

Magnus writes:

GOVERNMENT recently announced its intention to legislate for amalgamation of collieries. The main purpose is to ensure that reserves of good quality coal are not lost through piecemeal extraction. The proposal is certainly along correct lines and, if it is carefully planned and implemented, it can bring great long-term benefits. The major coalfields of Raniganj and Jharia were developed in the flush of early industrialisation in Bengal and Bihar, and contain vast coal reserves. However, only in the last two decades was it realised that coking-grade coal would be exhausted unless rationed out to industries which really need it. Coal production is currently about 74 million tonnes per year, of which 17 mn tonnes are coking coal, 2.5 mn tonnes blendable coal, and the rest is of poorer qualities. This proportion will have to change substantially in the future years through better coal-burning technology, but the output of coking coal cannot be reduced in absolute terms.

Coal deposits generally occur contiguously over large areas. However, they are split up among several mine-owners, some of whom have very small holdings. Each separate mine, for reasons of safety, now has to leave unworked 'pillars' of coal along its boundaries. It follows then that the greater the number of independent workings, the greater is the coal permanently lost as pillars. It is to avoid this wastage that collieries must combine. There are several beneficial side effects such as improved ventilation, reduced chances of flooding, economies of scale, and so on.

The National Coal Development Corporation has cornered most of the undeveloped areas containing good coal and developed large new collieries there. The two private steel companies have large areas of good-grade coal in the Jharia field, while a few large mining houses enjoy a similar position in the Raniganj fields. These collieries already have, or are implementing, comprehensive and integrated mining schemes at great cost. For example Indian Iron has invested nearly Rs 40 crores in its expansion project (which, incidentally, is about as much as the total investment in the rest of Jharia); TISCO has just launched a scheme which will cost up to 20 crores; and NCDC's investment is in hundreds of crores. One of the difficulties of amalgamation will be to decide whether to break up these large holdings as part of a general rationalisation, or to attach neighbouring small mines to them, making them even bigger. Politics, unfortunately, appears bound to play a large part in this decision, particularly if somebody takes up nationalisation of coal at the same time.

The body which will study this problem has yet to be set up. Its main tasks will be threefold: first, a strictly technical decision on how the existing workings can best be combined, including a decision on the optimum size of a colliery (if such a decision is possible). Second, the valuation of various properties based on their workable reserves, degree of mechanisation, present outputs, etc. Third, the difficult task of deciding who should swallow whom. Several collieries have massive arrears of taxes and royalties; this will lead to disputes as to transfer of court and legal proceedings, apart from complicating the assessment of liabilities, when merger with a law-abiding colliery is involved.

Administrative hurdles will be easier to clear if guiding principles (like the Pataskar formula for state boundaries), are firmly decided on prior to undertaking actual physical reorganisation. The inevitable Committee, or Commission, should consist equally of persons who know about mining, about valuation and about legislation, but who are not directly interested in any producing mines or mining groups. Government will also do well to guard against including any of the second-rate ex-coal miners who are now occupying key posts in Government mining undertakings, and who tend to monopolise all such posts and committees.

Finally, delays in implementing whatever decisions are announced would be disastrous. The average private colliery owner is a wily and experienced person who knows all the loopholes, and who amasses riches by exploiting opportunity of every possible sort rather than by solid hard work. In the process of improving our coal mining methods and preserving our coal reserves the proposed amalgamations should not provide windfalls for such types.

Winds of Competition

EID-PARRY was hit by the winds of competition in 1968-69, though H V R Iengar, its Chairman, shows little realisation of this fact. Profits came down to Rs 87.44 lakhs in 1968-69 from Rs 269.05 lakhs in 1967-68.

EID-Parry's interests lie in three main fields : sugar production, fertiliser production and fertiliser distribution. While sugar production was high in 1968-69, the recovery was low, and the price paid for sugarcane (Rs 85 per tonne) turned out to be high in the light of failure to anticipate fall in free market price of sugar from Rs 2,900 per tonne in 1967-68 to Rs 1,500 per tonne (both prices net of excise duty). The Ennore fertiliser factory continues to face teething troubles and operated below capacity. Fertiliser sales were slow and had to be supported by extended credit facilities.

Setting aside the legitimate difficulties of the Ennore fertiliser factory, who is responsible for this state of affairs? Iengar, like all private industrialists, does not find it difficult to blame Government for the company's difficulties. But is this justified?

Iengar refers to the high price of sugarcane paid to farmers at the instance — "pressure" is the word used by Iengar — of Government. However, there are two factors to be taken into account: first, the sugar industry made fancy profits in 1967-68 and a part of the high price paid to farmers in 1968-69 was only delayed sharing of these profits; second, the industry, oblivious of the impact of high sugar production on prices, had expected the high free market price of sugar to continue.

The fertiliser market, despite initial optimism, is growing more slowly than envisaged. With large imports coming in (now to be pruned in 1970-71), the local industry and distributors have suffered. Used to operating in a sellers' market, the distributors had not built up an adequate distribution support system, including credit supply. Now that a buyers' market has emerged, the inadequacy of the sales effort has shown up.

It is easy to join in the game of blaming Government for everything. However, a buyers' market is hardly something that private enterprise should resent. It is time private entrepreneurs learnt to operate in a free market instead of depending upon Government to bring about a sellers' market again to prop up inefficiency.

No Straight Shortage

THE emerging paradox in the refractory industry has been underutilisation of capacity at a time when there is once again a shortage of refractories. Two years ago, the refractory industry had been faced with the problem of finding customers for its output and capacity utilisation had then shrunk to just 40 per cent.

The revival of construction activities on the Bokaro Steel plant — the slowdown in which had upset the demand calculations of the refractory industry — has now given fresh lease to the industry. Refractories are an indispensable material for industries based on heat operations. Their main consumer has always been the iron and steel industry — other industries such as cement, glass, and ceramics together accounting for about half the demand of the iron and steel industry.

While production of refractories rose to 5.51 lakh tonnes at the end of the second Plan, from 2.80 lakh tonnes at the end of the First Plan, and further increased to 6.96 lakh tonnes by 1965-66, production of refractories in India has never kept pace with the rise in demand for them; and sizeable imports, especially of fireclay refractories, had to be resorted to.

It has not been a matter of a simple shortage. Forty-three units producing various types of refractories have an installed capacity of 14.60 lakh tonnes but the capacity utilisation, as revealed in the last year's production, is hardly 50 per cent even at a time when demand for refactories has begun to pick up. This anomaly is explained by the fact that the refractory industry is not yet in a position to produce to the specifications required by the consuming industries, particularly by the steel industry. Bokaro has already placed an order for about 18,000 tonnes of refractories with Russia and complained that refractories manufactured by some of the indigenous units are of poor quality.

Lack of quality control in raw materials and of proper heat treatment are the main obstacles in producing the high-grade refractories required by the steel plants. Steps have to be taken, therefore, to overcome these. Strict supervision and control on raw material preparation, and mixing and humidity control during manufacturing process, are obvious areas for operational reorganisation. Domestic demand could thus be effectively met and the industry's capacity utilisation increased. are mounted to employ CBI techniques to satisfy the frustrations of those who have been thwarted by upright officials, and when no one, literally no one, has the courage to take an unpopular stand. This 'baradari' of politicians, this trade union of leaders, will have to be disciplined if the whole system of parliamentary democracy is to be saved.

The representatives of the people must restrain themselves from putting their fingers into every pie. Inaugural flights. Investigation committees. Research bodies, Friendship societies. International conferences. Travelling concessions. Subsidised housing. Free foreign exchange. Customs privileges. Priority allotments of scarce commodities. Immunities galore. If there is any privileged class in our society, it is this. The sooner we recognise it as such, the better. Only then will we be able to demand performance in return for the consideration we give to the representatives of the people. Too long have we watched this performance unquestioningly. The time has come to draw attention to its implications for the political future of this country.

Growing Impatience

The behaviour patterns set by our politicians are beginning to influence the various elites which make up the system. Whether it is the academic world or the military, the youth or the professionals, the bureaucrats or the business executives, newspapermen or publicists, there is a visible corrosion of essential values and disciplines taking place. The rash of Naxalite violence, particularly on university campuses, is indicative of the crisis that is building. No jobs, no perspectives, no motivation, no dreams. . . .

In other words, Indira Gandhi's confidence is not well-founded, nor is the easy optimism of the politician. A crisis is building which even a mid-term poll now cannot resolve. The beginnings of this belated consciousness can be seen in the rumblings in all the major national parties. An impatience with tedious personal manoeuvrings, an exhausted leadership, lack of political definition and general opportunist attitudes are the order of the day. When the impatience builds to anger, and that may be sooner than we think, then the catalyst will be easier to locate.

Maybe, Madhu Limaye, MP, has a point when he calls for the convening of a new Constituent Assembly.

April 20

CAPITAL VIEW

The Leaders' Trade Union

Romesh Thapar

INDIRA Gandhi's confidence, even at this moment of political gloom, appears to be well-founded. Parliament seems to be in no mood to embarrass her. As the grants of each ministry are voted upon in this budget session, it becomes increasingly clear that the politicians we have spawned consider themselves integral parts of a business venture, which may be racked with tensions but which will continue functioning so long as the minimum interests of the various parts are preserved. Manipulative politics, disastrous as they may seem, act as cement for a tattered system.

Rising Expectations

The other day, while discussing with one of the 'leading lights' or 'pillars' of Parliament, as they are described in the Indian-English of today, about Parliament's obsession with peripheral issues, I was informed that membership of this 'august body' was fast becoming a 'simple' waste of time. A job here. An honorarium there. Membership of a mission. A trip abroad. The joys of foreign night clubs — and day clubs! Patronage in fixing jobs for others. The possibility of ministership. And other such lollypops. There is a revolution of 'rising expectations'. Parliament has become a docile body, despite the occasional 'uproar'. It suffers from a lack of dignity because a new elite, rural based, is setting the norms. The WOGS are few and far between. . .

It would be difficult to expect anything else when ministers attack colleagues and are not reprimanded by the leader of the party, or when others lose their elections and continue on some constitutional justification, when membership of parliamentary committees is used for all manner of junketing, when irresponsible parliamentary questions are asked, when pressures

The Healers

Nireekshak

FEW political events have been watched so keenly or reported and analysed so extensively as the Congress split. And no wonder. In the decades before Independence the Congress was India, and for at least two decades after 1947 its political supremacy was unchallenged. A large section of the Indian Press had itself grown out of and with the movement for Independence so much so that, while no organic links existed between the Press and the Congress, sentimental ties remained strong even through controversy and disagreement. When the split came, last year, the Press seemed more shocked than most others. For some newspapers it has meant a parting of the ways with one or the other of the divided factions, while some others continue to nurse secret hopes of a reunion of the two factions. Whether or not these hopes will be realised is more than anyone can say. But the Press continues to take the closest interest in every little detail of Congress politics.

Deccan Herald is among those newspapers which regard unity not only desirable but possible. And it has found the occasion of a meeting between Kamaraj of the organisation Congress and D P Mishra of the ruling faction an appropriate enough moment for reviving the unity theme. Tracing the background to the Kamaraj-Mishra talks, the paper suggested in its editorial of April 11 that "there is little doubt that many in both camps deeply regret the split and yearn for unity". Saying that "not all the Congress (O) are crusted reactionaries, nor are all in the Congress (R) flaming radicals vibrant with socialist zeal" the paper expressed the view that "recent experience must have branded the lesson on the consciousness of either party that because of the split the effectiveness of each has been very considerably curtailed, reducing itself to dependence on dissimilar elements". There can be no question, it said, of a reversal of the direction given by Indira Gandhi and "unity can be forged only on the basis of commitment to policies". Finally, "it clearly behoves all concerned to try to bring about such a consummation and, at any rate, it is better to have tried and failed than never to have tried at all".

Herald's Delhi man, Narayan Swamy, who had never concealed his sympathy for the ruling faction, had a somewhat different story to tell in his 'political commentary' of the same date. He is concerned more with the internal affairs of the ruling party than any prospect of unity. "It is six months since the Congress split", he wrote. "There is as yet no evidence to suggest that the ruling Congress is interested in building up an organisation." On the contrary, he says, "the AICC headquarters at Windsor Place hardly functions". While the organisation Congress has been bringing out a weekly for the past one month, "nobody knows" when the ruling party's proposed publication will come out, though it is two months since it decided to publish a journal of its own. "The Rajya Sabha elections provided sufficient proof that the nominees were chosen without reference to some criteria and that electioneering was badly managed. No lesson seems to have been learnt from the debacle. If the ruling party wants to rule even after 1972", he concluded, "it is time its leaders took effective steps to energise the party, or is it already too late?"



"Managers of the monument trade, unite!"

Ranajit Roy of *Hindustan Standard* had a more or less similar complaint to voice. He wrote on April 9: "The optimism and enthusiasm displayed by Mrs Gandhi's supporters during her conflict with the Syndicate leaders and immediately after the party split formally are ebbing. Those who want to gear up the organisation to enable it to face its task in the changed situation are openly levelling the charge against the leadership that its style of functioning is the same as that of the leadership of the old undivided Congress for whom power politics had become the preoccupation. More and more supporters of the Congress (R) are asking for a thorough review of the party's organisational problems and for an assessment whether the practices of its leaders are in conformity with their professions. The same old Congress story again."

Mail concentrated its attention on another aspect of Congress politics: the toppling game. Under the title, "Ram's Moment of Truth", Mail wrote editorially on April 10 to say that "it is a fair inference that in its anxiety to carry out Operation Topple in as many States as it possibly could, the New Congress could not pause to count its blessings — or friends". (The direct reference was to Biju Patnaik's resignation from the party.) After referring to developments in Gujarat and Punjab, *Mail* concluded thus: "The developments in all the three States have the same moral: it would be conducive to the longevity of the New Congress if it concentrated on winning popular support to reinforce its own position while attempts at bringing down Governments by political rivals would, at least in the long run, prove suicidal. The New Congress can yet keep faith with the people if it gets over its almost neurotic preoccupation of weakening others. It should strengthen itself, instead."

The Grumblers

Not unexpectedly, the allocation of newsprint to newspapers for the current year has failed to please everyone. *Indian Express*, for example, called the Government's announcement of "liberal allocations" nothing less than "liberalism in reverse". Writing editorially on April 16, the paper said: "What has robbed the new policy of its avowed liberal content is a new provision which lays down that a paper's allocation shall be based on either the actual consumption on the basis of average circulation in 1969-70 or the entitlement admissible for the year in terms of the newsprint allocation policy for the year, whichever is less". This means, the editorial said, that "if for any reason a paper could not consume its permitted allocation in 1969-70, the reduced consumption becomes the ceiling for the current year". This may be true, but whether such a policy is "unwarranted when the improved availability of newsprint has induced the Government to grant increases in allocations for other newspapers whose consumption has been equal to or exceeded their 'entitlement'" is more difficult to determine.

Debatable Point

The fact is that the quota has been raised for all newspapers including the biggest ones, with over 100,000 circulation, who get an increased quota of approximately 5 per cent above the present level. It is true there is a simultaneous reduction in the quota of white printing paper, and this can affect only the more affluent ones for none else can afford its cost. Whether the affluent ones should not be permitted to use more white printing paper, since they can afford it, is a debatable point. However, it is not unreasonable to expect the Government to ensure that they do not do so to the detriment of the smaller newspapers, which find competition from the giants almost ruinous to their own survival and growth. At least this seems to be the intention of Government. Perhaps there is room for reviewing some aspects of the policy in order to ensure that all newspapers, big and small, are enabled to serve readers to the best of their capacity.

Statesman, however, is not so sure. "The indications are", it said editorially on April 9, "that this policy of muddle and fiddle may continue almost indefinitely". Arguing that there is "no Press monopoly in India, nor anything near it", the paper said: "What the country does in fact need is simply more newspapers, with wider circulations, more space to print the news and something better than garbage on which to print it." Well said, except that more newspapers simply cannot grow if the existing giants, monopolies though they may not be, are allowed unrestricted freedom of newsprint consumption.

FROM OUR CORRESPONDENTS

SOUTH

Tamil Nadu's Third Force

Mohit Sen

WITH great fanfare and amidst huge public gatherings drawn by the presence of the Prime Minister, Congress (R) sought to establish itself in Tamil Nadu through the Mannargudi political conference. The importance attached by the central Congress leadership to this conference can be gauged from the fact that apart from Indira Gandhi, Jagjivan Ram and Brahmananda Reddy were also present.

The president of Tamil Nadu Congress, R V Swaminathan, propounded the new thesis of the third force. He admitted that as of now the Syndicate was the stronger force in his State. Somewhat illogically, however, he went on to say that the 'myth of Kamaraj's might' had been exploded. Along with some other leaders, he admitted that the 'obsession with Kamaraj' had prevented Congress from playing a more positive and identifying role in the State.

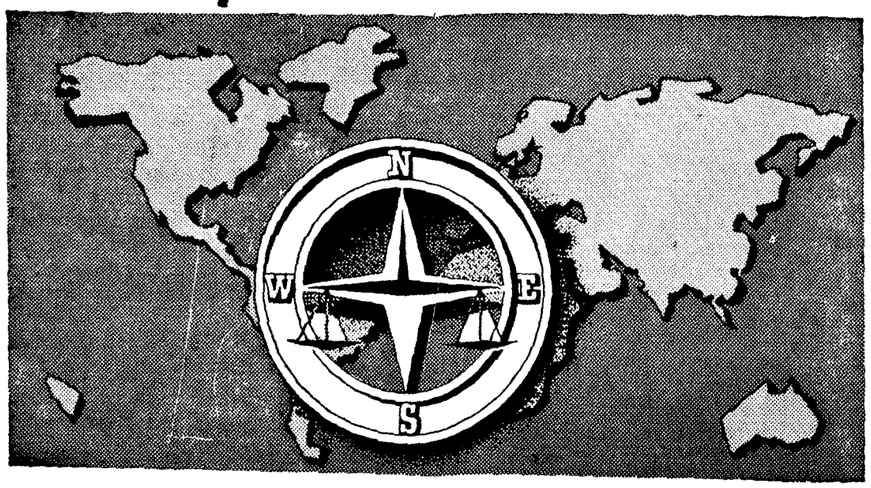
In such a situation, his view was that the best course would be for Congress (R) to take the initiative to build a common front of all socialist forces Such a front, led by Congress, would include CPI, PSP and Forward Bloc. If such a front was established then it would quickly emerge as a challenge both to the Syndicate and DMK.

Socialist Front

The main political resolution also called for the creation of a progressive socialist front. During the discussion, C Subramaniam declared that a violent revolution was inevitable if the socialist order was not established rapidly through peaceful and democratic means. He stated that Jan Sangh, Swatantra and the Syndicate had come together in a reactionary front against which the progressive forces should unite. Only

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such unity could save the country from the calamity of the triumph of extreme reaction, on the one hand, and the onslaught of those who believed in the *inevitability of violent revolution*, on the other.

It was a noticeable fact that the conference shed what some delegates termed an "overcautious approach" towards DMK. The ruling party of Tamil Nadu was characterised as having been caught in the clutches of the reactionary forces, as evidenced in the Rajya Sabha and Legislative Council elections. DMK was also castigated for its claim that it had won the Salem steel plant for the State as well as for the numerous exemptions granted in its land ceiling law which, it was alleged, also failed to provide proper guidelines for *distribution* of surplus lands.

Bland Speech

It was equally striking, however, that Indira Gandhi neither attacked DMK nor called for the establishment of a *non-DMK, non-Syndicate, non-*CPI(M) front of all the progressive socialist forces. Her's was a bland speech trying, if anything, to establish a centrist image for her party. The quite surprising assertion that her party and government had no intention of nationalising general insurance was in keeping with *this general line. One can, of course,* appreciate the Prime Minister's difficulty. She could scarcely be vituperative against the State Government, apart from the fact that DMK votes are essential not only for the survival of her Government but also to maintain its centrist stature. *Additionally, however, one* feels that the Prime Minister is somewhat disenchanted with C Subramaniam and is more than sceptical of the third force idea.

The traditional forces of the Left would, naturally, react still more cautiously and gingerly towards these overtures. CPI, in particular, would have to tread very warily indeed. It is an *undoubted fact* that there are some very genuine radical-democratic forces in Congress (R). It is equally undoubted, however, that the reactionary conservative and *status quo* forces are also very strongly entrenched there. Similarly, it is quite wrong to write off DMK as one reactionary *mass or even as a party that is in* the clutches of reactionaries. DMK is quite as heterogeneous as Congress (R) itself. And it is, of course, far more powerful. If the Congress can be supported from issue to issue as against the forces of the Right, there seems to be little reason why a similar attitude should not be adopted towards DMK by the Left parties.

Additionally, while CPI(M) in Tamil Nadu follows the same arrogant and sectarian line as its counterparts in other States, it *is also a sizeable* Left force. Only some weeks ago it organised an *impressive* march of the peasants in Madras demanding radical land reforms. This followed the equally impressive rally, some weeks earlier, of the CPI-led Kisan Sabha at Thanjavur. It is all to the good that CPI(M) is now adopting forms of struggle and *movement*, at least in States where it is *in opposition*, which it had earlier condemned as 'revisionist' and 'diversionary'. This should make it somewhat easier for CPI to make still greater efforts to establish unity in action with it. It is quite clear that there is need for such unity *in action in Tamil Nadu*, no less than in the country as a whole. While PSP, SSP and Forward Bloc do have pockets of influence, it is CPI and CPI(M) that represent the bulk of the forces of the *organised* Left. At the same time, such unity of action need not and must not be confined to these two parties. It can and must be extended to large sections of the following, members and leaders both of DMK and Congress (R). The establishment of an independent line of the organised Left should not be mixed up with an arrogant or sectarian approach to radical and democratic forces outside the traditional Left parties.

Consolidation of the Left

Such Left consolidation is essential if the mood of the masses for change is to be channelised into massive actions to break the grip of the forces of reaction as well as the *status quo*. It is to this task that energies should be bent rather than in chasing the will-o'-the-wisp of a third force.

KATHMANDU

Smell of Change

WITH the release of Krishna Prasad Bhattarai and *Rishikesh Shah* on March 27 and the grant of amnesty to ten outlawed Nepali Congress workers, public opinion here has been led to hope that it may not be very long before some sort of a working arrangement is established between the King and the Nepali Congress leaders. The Government's action came *immediately* after a *statement* by the Nepali Congress chief, General Subarna Shumser, reiterating his loyal and unflinching support to the monarchy and, at the same time, calling for an atmosphere of trust and faith in which all Nepalese could work to rebuild Nepal. This statement, it is clear, influenced the decision to release *Bhattarai and Shah, instructions* to which effect had been left by the King before he left on his Asian tour on March 26.

Uncompromising Opponent

Bhattarai was the Speaker of the Lower House of the dissolved Nepalese Parliament and *is considered* a close associate of B P Koirala. When he was not released along with Koirala and Ganeshman Singh, it had been attributed to the uncompromising attitude he had adopted during his detention. That this speculation was not wrong was proved when, soon after his release, Bhattarai declared, while talking to newsmen at his residence, that he "*continued to* be a firm believer in and supporter of unadulterated parliamentary democracy" and that since "the Panchayat system being experimented with in Nepal was no substitute for parliamentary democracy" he was "opponent number one of the system". However, he did add that in saying all this *he was speaking* for himself and not on behalf of anybody.

With Bhattarai's release most of the front-rank workers of the outlawed Nepali Congress have now been freed. The process of their gradual release made considerable headway during the administration of Surya Bahadur Thapa. There are, *however*, still many Nepalese politicians living in voluntary or forced exile in Indian cities. It remains to be seen whether recent events represent a new trend in the kingdom's politics which had become stagnant after the royal takeover in 1960. As the newly-started English daily, *Himali Bela*, has rightly put it "the course of future events will be decided mainly by the attitude and behaviour of the people who had been either released or pardoned. A correct approach on their part could create a climate for reconciliation. Such a behaviour would help the administration in planning further release and amnesties."

Public reaction to Bhattarai's statement has been mixed. The rank and file of the Congress party has applauded it. But there is another group in the Congress, consisting mostly of younger people, which has refused to accept the claim implied in the statement that parliamentary democracy under Nepali Congress rule was superior to the present Panchayat system. In the view of these people there was little difference between the ancien regime of the Ranas and the parliamentary democracy of Koirala. Both Mohan Shumsher, the last Rana Prime Minister, and B P Koirala used to go round Tundikhel with four horses early every morning. And when people complained about Koirala and his colleagues indulging in this type of pomp and show, the number of horses was raised from four to six!

Fiery Speeches

This view of the Koirala regime is not unjustified when it is recalled that during the anti-Rana movement the Nepali Congress leaders had called for sacrifices on the part of the people with promises of improving their lot which were mostly forgotten once the Congress came to power. In many a fiery speech from Raxaul Jogbani, Gorakhpur, Darjeeling and other places, Nepali Congress leaders had promised that once the Ranas were eliminated, the people would have a government of their own under which there would be no differences betwen the ruler and the ruled; there was to be rule of law, justice, equal opportunities and freedom. But what the people actually experienced during the nine years of parliamentary democracy was a bitter family quarrel between the two step-brothers, Matrika Prasad Koirala and Bisheswar Prasad Koirala, which obscured all other issues, minor and major. Congress leaders instead of coming nearer the people, were keen to show off their closeness to the sophisticated Rana families. In this they were subject to the same failing as the Western-educated, town-oriented political leadership in the entire Indian subcontinent. The anti-Rana movement in Nepal was an extension of the anti-British movement in the plains and, likewise, it had no concrete programme to be taken up once the main objective was achieved. Most of the Nepalese Congress leaders had worked with the socialist group in the Indian National Congress and were as good or as bad democratic socialists as their Indian colleagues. If when in power they started behaving in the same way as the latter, it was hardly surprising.

Rishikesh Shah, who was released along with Bhattarai, is a senior member of the Rashtriya Panchayat. He has been Foreign Minister and Permanent Representative in the United Nations and was also responsible for framing the Panchayat Constitution. He had been arrested in July 1969 after a controversial press conference at his residence in which he had charged Prime Minister Kirtinidhi Bista with insulting the Rashtriya Panchayat by not taking it into confidence and instead making a major policy statement on Indo-Nepalese relations through the columns of *Rising Nepal*. After his release Shah said that his views were unchanged and that he was for open sessions of the Rashtriya Panchayat and adult franchise. Speaking about his detention he said that it had brought credit neither to the Government nor to the system. But Rishikesh Shah at least had the rare opportunity of pleading his case in the Supreme Court thrice during his nine months of detention. After the first hearing the Court had ordered his release on finding an inconsistency in the administrative procedure. He was, however, re-arrested immediately on the premises of the Court. During the second hearing, on a writ filed by his wife, a division bench of the Court could not reach a decision and referred the case to the full bench which upheld his detention. All these hearings attracted large crowds, consisting especially of the younger section of the Nepalese elite composed of school and college students and teachers. Shah was elected to the Rashtriya Panchayat from the graduates constituency. With his long fluttering beard, which he grew in jail, he had in those days become something of a hero to Nepalese youth.

Shah has, in a statement after his release, greeted the freeing of Bhattarai and expressed the hope that something positive would result soon from the recent developments. The Kathmandu air is thick with rumours about what the King would do on his return from Burma. Rishikesh Shah's release has set off speculation that he may be the King's choice for the next Prime Minister. Whether or not these rumours have any basis, one thing seems certain — that important political changes are around the corner.

April 4

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WASHINGTON

Very Low Profile

THE resounding defeat handed out to the Administration over the nomination of Judge Harold Carswell raises several important questions. Is the Nixon Administration slipping? Is its reliance on the so-called Silent Majority becoming more a burden than a help? Where does the Administration stand as Nixon goes into the second year of his low-profile presidency?

One thing is becoming very clear: Nixon is getting very poor advice from his friends in the Cabinet. And Attorney-General Mitchell is fast becoming a liability. At least one confirmed Republican Senator has publicly demanded Mitchell's resignation. Mitchell has been moving on the thesis that previous Democratic administrations have been too eager to force social revolutions, that there is a great silent majority that has resented the tempo of change and that appeal to this group can win Nixon friends in least suspected areas.

The Kennedy and Johnson administrations, of course, did not initiate any revolution. They were merely trying to contain it and channelise it in pre-determined grooves. The revolt of the blacks was not spurred by Democrats. It was a natural concomitant of existing social conditions. What the Democrats did was to acknowledge that change was inevitable and introduce the necessary social legislation. If, in this, the Supreme Court helped, the judiciary was merely reflecting a situation that called for social justice. The Supreme Court had acted powerfully to support a sensible Establishment.

If the Establishment had baulked or if the Supreme Court had been niggardly in dealing justice the chances were that the Black Revolution would have taken extremist dimensions. As it is, the extremists are a small group. Their activities have not spread; the black middle class is still strong and is growing stronger and is not in favour of violent solutions. But suddenly this class, which was once being assiduously wooed by the Democratic Administration, is being ignored — when it is not being insulted. The nomination of a proven racist like Judge Carswell as Associate Justice of the Supreme Court is a case in point. It was bad tactics and worse judgment. And the Senate has had the sense to recognise this.

Attorney-General Mitchell refuses to acknowledge that the requirement that a candidate for appointment to the Supreme Court should be a "strict constructionist" is largely irrelevant at a time of tremendous social change. What he hopes to do is to stem the wave of change by the devious mechanism of packing the Supreme Court with reactionaries. He does not realise that the Supreme Court has for some years now become a sort of lightning conductor. What might happen if the Administration takes away from the Court its special function does not seem to concern the Attorney-General.

Whether the changes introduced in a particular social set-up are too soon or too much is a highly subjective assessment. Would the blacks in the United States have remained content with third rate education in fourth rate schools — and if so, for how long? Would they have been content to accept segregation as a way of life — and again, if so, for how long? No easy answers are possible. But what the Nixon Administration is doing is to slow down the pace of desegregation ostensibly to help, but undoubtedly to win votes from the white population, whether in the North or South. The South is not necessarily more racist than the North. The South has a larger black population and a longer history of black-white confrontation. Segregation has been a way of life both in the South and in the North and has been adhered to by the lower middle class white, irrespective of his geographic origin. It has been Mitchell's strategy to cash in on this. If the Senate had approved Judge Carswell's nomination the Nixon Administration would then have moved to more reactionary fields. In that sense, the Administration was testing the Senate somewhat carefully, for sounding public attitudes. The Carswell nomination was political litmus paper.

Nixon is now threatening to take the issue to the electorate, no doubt in the belief that he will win. This, of course, is debatable. To cheer a man in power in his racist acts is one thing: it is easy because the public does not have to accept responsibility, but to be racist oneself in the act of voting is quite another. Many responsible commentators here believe that Nixon is playing with fire and might in the end come a cropper.

But Nixon's tactics are devious. Having failed with Carswell, he has apparently decided to adopt other, even less reputable methods. There is now a move to inquire into the conduct of Associate Justice Douglas and, if possible, to impeach him. Douglas is most susceptible to attack. His personal life has been controversial; he is an ex-married man. And he has been a maverick in more ways than one. And the Republicans hate him for his guts. The impeachment of Douglas, should this come about, would provide Nixon and his advisers an excellent opportunity to test their philosophy of 'strict constructionism', even if this leads to the denigration of the Supreme Court which has been rocked by enough scandals already. One defines 'strict constructionism' as something that hews closely to the letter of the law — and not its spirit. Nixon does not want social innovators as Supreme Court judges; this is evident. He wants men who will interpret law as it stands with no judicial embellishments. Douglas represents a breed, now rapidly vanishing, of judges who go beyond law — to justice. The Republicans want to get rid of him. He is an embarrassment.

But it is not merely in the matter of an appointment to the Supreme Court that the Nixon Administration is faltering. The President is finding himself boxed in on an even more portentous issue. This is his failure to get a settlement in Vietnam. Having promised to keep withdrawing US troops, he now finds himself under increasing pressure from the Generals to slow down his pace. The war, of course, goes its course and there is nothing to show that Vietnamisation, by which the President swears, is succeeding. On the contrary, the Vietcong have been active on many fronts. The coup in Cambodia may or may not have been engineered by Washington, but the fact that there is a rightist government in Pnom Penh has not helped any. On the contrary, the United States is more suspect than ever.

For the time being there is peace — of sorts — on the campuses, but dissent has again begun to rise and may gather momentum in the weeks ahead. The fact is that once again the public has reason to doubt Nixon's credibility. In the old days Nixon used to be referred to as Tricky Dick. This label is again quietly coming into vogue. One TV commentator described as 'vintage Nixon' his furious attack against the

Senate for turning down Judge Carswell's nomination — an amazing performance for a man who had once said that he wanted to heal the north-south division.

On the home front, then, Nixon has clearly been a failure. His popularity is falling as recent Gallup polls show. This by itself is not significant: Eisenhower suffered the same fate at the end of a year in office. What is disturbing is that Nixon's Administration does not seem to be holding together. There have been large-scale resignations from the Department of Justice. Political corruption seems to be on the way in and Liberals on the way out. Frustration is reported in the Department of Health, Education and Welfare — incidentally, a key department which has much to do with blacks and their welfare. One commentator has described the Nixon Administration as government of the mediocre, for the mediocre, by the mediocre. Not a flattering description, but an apt one.

More Non-aligned Than Thou...

G P Deshpande

THE Dar-es-Salaam preparatory conference of the non-aligned states has ended without deciding anything more substantial than the venue of the eventual summit meeting. The conference decided that the summit meeting should be held at Lusaka, Zambia. There was a move that New Delhi should be the venue but it seems to have been quickly abandoned. In a sense it was only proper that an African capital should be chosen as the venue. Asians are fast losing interest in non-alignment as a political concept. It is rapidly becoming, for them, a very legalistic concept. Strangely, India has taken the lead in bringing about this transformation.

In Indian accounts of the non-aligned meet there was much emphasis on the 'criteria' for membership. We should, it would seem, take the initiative now to draft a "charter of united non-aligned nations" which would provide all the rules and regulations, clauses and sub-clauses necessary to tackle such difficult questions as what constitutes non-alignment. In any case, we should (and have) congratulated ourselves that Pakistan has been kept out of the club. That it has in fact more freedom of action *vis-a-vis* the big powers is beside the point. For when did non-alignment mean freedom in foreign policy? At any rate the 'criteria' did not say so. They provided only against membership of military blocs. We won our point; the chances of countries like Pakistan or Rumania joining the club at a later date have been successfully eliminated. This emphasis on exactitude and clarity has been mainly our work and we should rightly applaud ourselves.

And we gained a couple of political points, too. If Pakistan kept us out of Rabat, we kept it out of Dar-es-Salaam. Dependence is all right, if it is total; and if you depend on both the super powers for survival, so much the better. But this is different from being a member of a bloc. Our Foreign Minister made that wonderfully clever point: "repudiate your membership and you are welcome". This way we are supposed to have scored another political point inasmuch as we demonstrated that we are not obsessed with Pakistan at all as many people erroneously take us to be!

This being the state of non-alignment in Asia, an African capital is naturally a more fitting locale for the summit meeting. Besides, Lusaka is very close to those areas which should remind us that the world is not yet fully free. Large parts of Africa are still struggling to achieve something which the Asians secured long ago. The non-aligned summit in 1961 first made the unfortunate error of assuming that we are living in a post-colonial era. A decade after the Belgrade summit, the brute facts are that we still are nowhere near a completely post-colonial world. One hopes that Lusaka would remind most summiteers to spare a thought for the hapless Africans whom everybody seems to have abandoned. Dinesh Singh is to be congratulated for having spared a few lines in his speech for these peoples.

Thus the choice of Lusaka as the site has potentialities of setting the tone for the summit. There are luckily people like the Tanzanians and Algerians and Guineans who may not let the importance of this site slip by. Belgrade made the non-aligned meet more Europe- or West-oriented. It was natural that in Belgrade even for such sensitive minds as that of Nehru, the most pressing problem of the world seemed to be peaceful co-existence between Khrushchev's Russia and Kennedy's America. The point is that locale matters. Fortunately, we do not yet have 'criteria' for choosing venues.

However, apart from choosing the venue, the Dar-es-Salaam meeting seems to have achieved precious little. Two other issues which dominated the discussion were the status of the Provisional Revolutionary Government of South Vietnam and the question of representation of Cambodia. The first was settled through a compromise that the PRG should be given observer status. The debate on this took the familiar course. Algeria, Tanzania and Guinea, among others, insisted that PRG should be admitted as a full member. Sierra Leone and Ceylon, among others, firmly rejected this suggestion. Being the 'father of non-alignment', India seems to have taken the line that it could not back the PRG's claims because of its involvement in the International Control Commission. We are strictly non-aligned between Marshal Thieu and Le Duan. If at somebody's behest we stopped trading with Hanoi, that was a pardonable slip in view of the heavy burdens that we have to bear for non-alignment. So far as representation for the Viet Cong, which even in American judgment controls three-fourths of Vietnam, was concerned, we took the splendidly non-aligned view that, to quote Dinesh Singh, only a coalition government representing all important sections of the community could bring peace to South Vietnam. As chairman of the ICC, we could not, of course, say that the PRG represented "all important sections of the community"!

The other question of Cambodian representation was more tricky. There were two delegations one representing Prince Sihanouk and the other Gen Lon Nol. The Dar meeting took the only course of action open to it. It manoeuvred to keep both the delegations out. To describe Gen Lon Nol's government as 'non-aligned' may do no offence to the 'criteria', but it is preposterous. The Prince, on the other hand, has to prove himself in Cambodia first before establishing his claim to be present at the non-aligned meet. This is not to say that Gen Lon Nol's government is or is not likely to be an everlasting thing. It only means that the Prince (like the PRG did in South Vietnam) will have to fight his way to Pnom Penh. You cannot unmake a coup by securing representation on international bodies.

It would be a mistake, however, to presume that the Cambodian question was one of representation only. What was sadly missing in the Dar meeting was the realisation that the blow to the Prince administered by Gen Lon Nol, whether independently or with outside help, was a blow to non-alignment. Indeed this is the lesson of the Dar meet. The so-called non-aligned states did not seem to be perturbed that the Prince had to pay such a heavy price for his non-alignment.

This would be precisely the kind of problem that the Lusaka summit will have to face. Agreements on economic co-operation are not going to be difficult to arrive at. But Nyerere's concept of a 'trade-union of undeveloped states' may be difficult to put into practice, because it is primarily a political concept. Non-alignment, although the Government of India seems to have forgotten it, started as a political strategy. Some people have accused it of being a dogma; in fact, it has become exactly the opposite. It is no longer even a principle. For, those who take it seriously are sooner or later taught a lesson. One only hopes that Lusaka will remind the statesmen who gather there that the erosion of non-alignment has not been brought about by the changing world situation (as it is customary to say) but by the increasing pressures of the super powers to make bi-alignment look like non-alignment. Unless this is realised, many would ask the same question as a Burundian delegate is reported to have asked at the Dar meeting: "What are we discussing in the first place?"

BANGKOK

Rice Price Stabilisation

RECENTLY an inter-governmental consultation on price stabilisation of rice took place in Bangkok under the auspices of ECAFE. Fifteen countries joined in this debate: 11 of them importers of rice, three exporters and one self-sufficient at the moment. Two of the major exporting countries in the region, namely, Burma and Cambodia, were absent. Of the three exporting countries, Australia, Nepal and Thailand, only the last two were vitally interested in the rice problem and took an active part in the debate. This debate was interesting, not because its achievements were significant (in fact, it achieved very little except narrowing down the divergence of views to some extent), but because of the policy stands taken by different delegations.

Several countries attending this meeting, namely, Ceylon, Indonesia, Korea, Philippines and Thailand, wanted to set up a consultative machinery among developing countries of the ECAFE region with a view to arriving at a stabilisation agreement with differing degrees of binding clauses. It is true that there was considerable divergence of views within this group as to the scope of this consultation. Nevertheless, all the countries were anxious to set up a dialogue on the rice problem in Asia. The delegate of India, however, strongly opposed setting up of any such consultative machinery before the adoption of an overall regional trade liberalisation scheme now being discussed in the ECAFE secretariat. In his view such measures should be developed only as an integral part of the general trade liberalisation scheme. It was this negative Indian position which was largely responsible for the failure of this meeting to adopt any positive measure of regional co-operation for price stabilisation in rice.

The Indian Government has in recent years adopted a series of measures for internal grain price stabilisation and has been implementing them by building buffer-stocks, setting up procurement machinery and establishing a grain prices commission. Normally one would have expected the government to give whole-hearted support to any regional attempt at price stabilisation which would have provided considerable help to and strengthened the national effort. Why then did the Indian delegate take this negative position? As far as the author is aware there has been no national debate on this important question. One, of course, does not know whether this stand has the Cabinet's approval. Even if one assumes, for the sake of argument, that India's interest in a regional scheme of price stabilisation in rice is negligible, the fact that India isolated itself from a number of major South-East Asian countries on this issue in itself augurs ill for developing a friendly and, commercially fruitful relation with them. There must have been very strong reasons to justify India paying this price of isolating itself from the rest of Asia on so vital a matter as rice. The Indian delegate did not offer any reason for this negative stand; one can, therefore, only guess what could have been the justification for it.

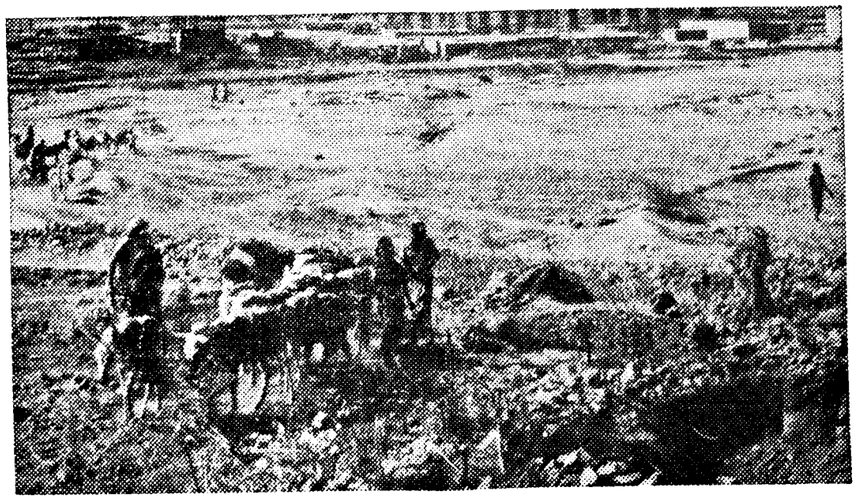
The Indian delegate's position that any rice agreement for price stabilisation should be developed only after and as an integral part of the general regional trade liberalisation scheme was obviously unconvincing to the other delegates, as it was to this correspondent, because it was difficult to see how, on the face of it, the one stood in the way of the other. Yet it is possible that the crux of the Indian position was the assumption of such a conflict between them. It is possible that the officials who drew up this brief regarded promotion of exports of Indian products to South-East Asian countries to be more important than price stabilisation in rice. Given this priority one could argue that whatever modest quantity of rice is to be imported should be used to push the export of Indian manufactures. Since the rice exporting countries are faced with a buyers' market, and since India has become or is becoming self-sufficient in rice, this is the moment, it may be argued, when India should push vigorously its sale of manufactured products into the rice exporting countries.

Given this priority, one could argue also that commitment to import rice, in however small quantity, under the stabilisation agreement, would, to that extent, reduce the export possibility of India's manufactures. Under this assumption, then, a regional stabilisation agreement in rice does appear as a competing alternative to the more preferred objective of export promotion.

Before any verdict can be given in favour of or against the stand of the Indian delegate, it is necessary to obtain a clear answer to a number of basic questions that immediately arise. These are: (i) What is the ultimate objective in export promotion for which the price stabilisation objective is being sacrificed? (ii) Can the export drive be maintained without price stabilisation of foodgrains, particularly of rice? (iii) Should export promotion be given a higher priority than price stabilisation in rice?

It is possible to argue that the success of the package programme and the high-yielding varieties has broken the back of our food problem; that very soon we will be self-sufficient in foodgrains and may become even a net exporter of foodgrains; and that there is no need any longer to worry about price stabilisation in foodgrains. There is little doubt that the package programme has achieved notable progress,

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specially in wheat. In rice the programme has been faltering somewhat. The new technology has immense possibilities and the effort to accelerate the tempo of progress should be maintained. The time has not come yet to relax this effort and to put a low priority to it or to price stabilisation measures essential to ensure its success. Reviewing the progress of the Intensive Agricultural Development Programme, the Expert Committee on Assessment and Evaluation, appointed by the Ministry of Food, Agriculture, Community Development and Co-operation in its Report states (vol I, p 32): "The foregoing review shows that in spite of all its shortcomings the IADP has succeeded, by and large, in leading not only the IADP districts, but other potential areas of the country as well, towards a progressive modernisation of our agriculture. Looking ahead, it seems that two things are of major concern for the next ten years or so. They are, first, to strengthen the changes initiated so as to keep the present rate of progress accelerating and, second, to ensure equitable distribution of gains amongst all those who work for it — big, medium and small farmers, tenants and landless labourers."

Price Stabilisation: External and Internal

Presumably, experts on Indian agriculture feel that the high priority given to the IADP should be maintained for the next ten years. Internal price stabilisation of rice and other foodgrains is an integral and necessary part of this programme; for if the farmers are not assured of a stable price, there is very little chance of the heavy inputs and investments needed for the new technology ever being applied. In other words, it is premature to argue that India has reached a stage where the high priority given to the grain price stabilisation programme can be scrapped or even relegated to a secondary position.

It can still be argued that while internally price stabilisation of foodgrain should have a higher priority, externally there is no need to give it a priority higher than given to export promotion. This argument underestimates the very significant support that external price stabilisation can provide to internal price stabilisation. In fact internal price stabilisation is an extremely costly programme and involves heavy expenditure in building warehouses, setting up a procurement machinery and warehouse management, etc. A regional or international price stabilisation scheme can reduce this burden considerably and can ensure the success of the internal price stabilisation scheme by making foodgrains available within the agreed price ranges in times of acute shortage. To suggest that such shortages can be ignored without providing for it is to gamble with food. And to provide internally for it by carrying a large stock of grain is to incur a heavy expense. In fact the regional price stabilisation scheme can be regarded merely as an extension of national price stabilisation schemes which, just because more countries are brought in, reduces the risk and the cost of covering the risk on well-recognised insurance principles.

Politically Dangerous

It may further be argued that since progress in wheat production has been spectacular and since wheat is available at a much cheaper price than rice, it is not necessary to import rice at a stabilised price since emergency shortages can be met by substituting wheat in the diet of the rice-eating people of India through importing wheat under PL 480 if necessary. Indeed, this would be a very sensible thing to do from the purely economic point of view not only under an emergency situation but at all times as long as price of rice is higher. In fact, mainland China's rice export is believed to be achieved by such substitution of rice by imported wheat in the diet of its people. How far such a policy is feasible in India is a question that must be decided at the Cabinet level. For, its implementation involves political judgment as to how far the rice-eating people can be asked to undertake this sacrifice for the benefit of Indian industrialists. Secondly, it leads to an invidious differentiation among the people in the distribution of benefits and costs — the rice-eating people and States taking most of the costs with the wheat-eating people getting most of the benefits. Policies such as these, even if they were economically justifiable, may be politically dangerous because of their unequal impact on the States and the consequential effect on Indian integration. Given regional price stabilisation such policies can be avoided altogether because supply of cheap rice will be assured under the proposed regional rice-scheme.

How far can the export promotion scheme be achieved by the proposed rice deal? Under the prevailing shortage of foreign exchange, anything that helps in pushing our products abroad receives high priority. It is natural in this atmosphere for the rice-deal proposal to receive immediate approbation. One must, however, examine carefully the basic objectives claimed to be achieved by it.

The drive for export promotion draws its strength from the acute shortage of foreign exchange that has thwarted our effort to achieve accelerated economic growth. However, this particular rice-deal does not bring in foreign exchange — it brings in some rice in exchange for our manufactures. The basic objective of the export promotion drive is, therefore, not fulfilled by it. In other words, any possible foreign exchange gain by pushing our manufactures is contingent, in a deal of this kind, on a foreign exchange loss on account of rice purchases.

Possible Merits

There are, however, two possible merits which such barter deals can bring. The first is the help that it provides in overcoming industrial idle capacity. The extent to which such idle capacity could be overcome would, however, be limited by the volume of grain which would need to be imported. As India advances towards self-sufficiency, the extent to which rice imports could be used as an instrument for pushing the exports of manufactured goods would naturally be reduced. Alternatively, such assistance to Indian industrialisation as rice imports could afford would be sporadic and uncertain. Secondly, it may help our non-traditional export items to be 'broken-in' in new markets and thus help our exporters to overcome some of the initial difficulties and to gain some experience. Whether they will be able to capitalise on this initial push will depend on the intrinsic competitiveness of their products, the credit facilities provided them and the efficiency of their marketing organisation.

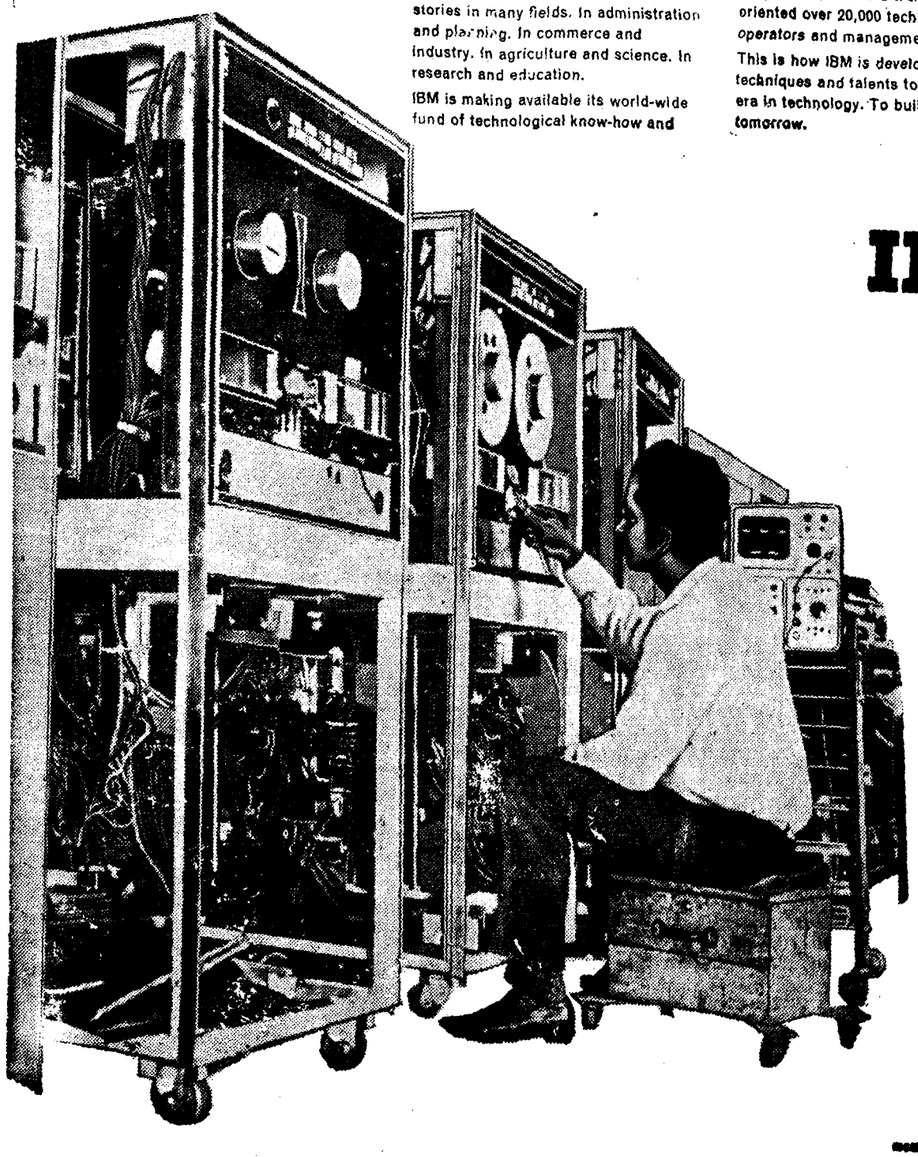
Can the export drive be maintained without price stabilisation of rice? One of the basic factors in the competitiveness of our export products will be their costs.

While it is true that immediately India's input requirements of rice may be used as a weapon for compelling the rice surplus countries to admit India's manufactured goods, the long-run prospect for Indian industrialisation would obviously depend upon several other factors. One relates to credit facilities and marketing efficiency, even if our products are subjected to strict and

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uniform quality control. The other factor is the long-run competitiveness of our manufactures *vis-a-vis* the exports of advanced and already industrialised nations, price-wise. Lower price, however, requires higher labour productivity relative to the wage rate, or, lower wages relative to a given level of productivity. Lower wage rate, in turn requires stabilised price of rice at a low level. It is in this sense that price-stabilisation of rice is a precondition of success in our drive for export promotion. To sacrifice price stabilisation of foodgrains in order to achieve export promotion through trade liberalisation cannot but be self-defeating in the long run.

Not Mutually Exclusive

Finally, it is difficult to see how the export promotion by rice deal comes into conflict with the price stabilisation agreement as maintained by the Indian delegate. For the latter merely establishes an agreed price range (and also perhaps quantities to be traded for a given period of time). It does not prohibit barter deals so long as the unit price used to calculate the value of the rice exchanged remains within the agreed price limits. These two objectives are not mutually exclusive.

To sum up, then:

(1) The Indian delegate's stand seems to have been based on an assumed conflict of the export promotion objective with regional price stabilisation, the former having a higher priority over the latter. This stand contradicts the accepted policy statements of the Indian Government according to which price stabilisation of grains will be given the highest priority for at least the next ten years.

(2) The Indian stand has serious implications from the distributional and integration aspects. The political consequences of such discriminatory policies as implied in the Indian stand should be carefully considered before it is given official approval.

(3) The gain from export promotion to be achieved by using rice imports is very limited and transitory and can hardly justify the sacrifice of regional price stabilisation scheme for rice.

(4) In the long run price stabilisation of foodgrains will provide greater help to India in establishing the competitiveness of its export products by keeping the price of the major wage-good low and thus adding to labour productivity.

REVIEW

Mission to Lhasa

Sudhir Chandra

The Younghusband Expedition: An Interpretation by Parshotam Mehra; Asia Publishing House, Bombay, 1968; pp xxi + 408; Rs 35.

METICULOUS thoroughness, delicacy of perception and a flair for the dramatic have gone into the making of this work on an aspect of our history that has assumed great importance as a result of certain events on our north-east frontier. Dealing with the famous Younghusband Mission that opened the way to the Forbidden City of Lhasa in 1904, Parshotam Mehra subjects it to a minute and comprehensive analysis. Historical background, the nature of the sprawling frontier, the geo-politics of the then mysterious Hermit Kingdom of Tibet, the personalities that were involved in the drama, their policies and predilections, the international situation, all these are taken up by him in order to provide a balanced perspective to the study [illegible] to-day events with all [illegible] sense are delineated as the Expedition moves from one tentative destination to another, eventually reaching Lhasa despite the opposition of the Tibetans and the reluctance of the authorities in London. Then after follow the negotiations at Lhasa which placed Younghusband at the pinnacle of his achievement only to push him into an abyss of disgrace.

It is such a dramatic theme that Mehra has undertaken to examine and to narrate. Others before him have been fascinated by it. But no one has shown the perfect blending of the historian and the novelist that Mehra does. For he not only makes things clearer for us than his precursors had been able to do, but he also provides a structure that is outstanding from the viewpoint of effect.

The first attempts to open up Tibet were the outcome of commercial diplomacy. But the two envoys, George Bogle and Samuel Turner, sent one after the other by Warren Hastings, failed to obtain a footing for trade in Tibet. Subsequent efforts during the following hundred years proved equally unavailing. Yet there was a significant change in the political situation. The wars with Bhutan and Sikkim in 1861 and 1865 had made the British dominion in India coterminous with Tibet. Moreover, the weakening of Imperial China and the emergence of the 13th Dalai Lama as a powerful figure had given Tibet an amount of independence it had not enjoyed for quite some time. These were interrelated developments. When the Chinese and the British Indian governments concluded the Sikkim Convention of 1890 and the Trade Regulation of 1893, Tibet refused to abide by them. It may be noted that without consulting Tibet the former had defined the Tibet-Sikkim boundary, and the latter had spelt out the trading facilities that would be given to British subjects. This, Mehra points out, goes a long way to explain the drama that followed. For while China failed to make her ward listen to her, the British Indian authorities naturally resented the situation. Only the patience of Elgin prevented further complication.

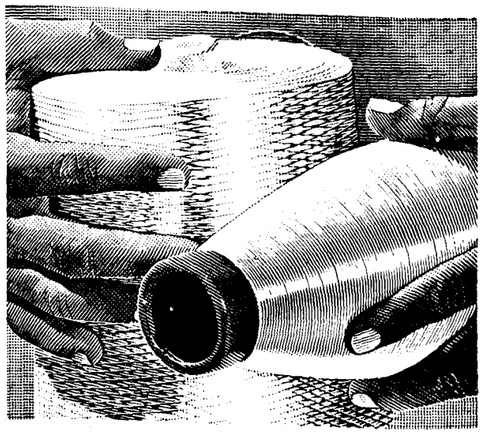
Reversal of Earlier Policy

Curzon, however, was not a man to put up with any intransigence that would affect the prestige of the imperial power. Taking his cue from Sir Harold Nicholson, Mehra shows that the 'prancing proconsul' had acquired his 'megalomania for territory' and for 'imperial influence' during his globe-trottings early in life. His obsessive Russophobia had also been an acquisition of the same period. The result was a reversal of the earlier policy. The forward policy that was now substituted was aimed at preventing the expansion of the Russian influence and the establishment of direct relations with the neighbouring States.

Taking advantage of disputes regarding trade and boundary, Curzon decided to disregard the 'fiction' of Chinese suzerainty over Tibet, and attempted to enter into direct communication with the Dalai Lama. But the Grand Mughal's sealed letters were re-

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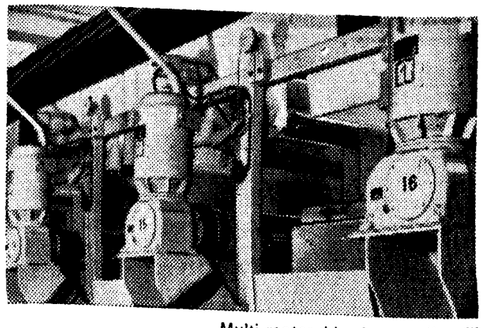
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turned unopened by the Tibetan Pontiff. This, Mehra observes, "was sufficient cause, in Lord Curzon's eyes, for a march on Lhasa, if only to show the Tibetan barbarians some elementary rules of human behaviour, of a code of (international) conduct"! The matter, however, became truly intolerable for Curzon when he discovered that the same Dalai Lama who had spurned his overtures was fraternising with Russia through a Buryat Mongol named Dorjieff. A tutor and confidant of the Tibetan god-king, Dorjieff had certainly won the former over in favour of Russia by painting visions of the Tsar becoming a convert to Tibetan Buddhism. Here was a contrast between Russia, coming nearer Tibet, and Britain, intent on destroying the great Tibetan religion. For the Dalai Lama was convinced that behind the innocuous talks of trade lay hidden other nefarious designs. He wrote to the ruler of Sikkim:

> Why do the British insist on establishing trade marts? Their goods are coming in from India right up to Lhasa. Whether they have their marts or not, their things come in all the same. The British, under the guise of establishing communications, are merely seeking to over-reach us. They are well practised in all these political wiles.

Mehra thus explains the lines on which the minds of Curzon and the Dalai Lama were working. While the latter was determined not to be outwitted by the *firinghies*, the former could go any length in his mortal fear of the Russian designs. And this fear was given an urgency by the reports that Dorjieff was a secret agent of the Russian Intelligence Service. Similar, though greater, was the effect of persistent rumours of a Sino-Russian deal on Tibet, and later of direct Russo-Tibetan compact. Curzon reacted to these developments in his characteristic manner. He thought of frightening the Tibetans into coming to an agreement with the British by marching right up to Lhasa. He wrote:

> Nothing can or will be done with the Tibetans until they are frightened. I should at once move a few men up the frontier. . . . I would step across and occupy the Chumbi Valley just beyond. By this time, the Dalai Lama and his men . . . would probably offer to negotiate. Yes, I would say, by all means, but only at Lhasa. . . . I need hardly say that I would not dream of referring to China in the matter. Her suzerainty is a farce, and is only employed as an obstacle. Our dealings must be with Tibet, and with Tibet alone . . . My belief is that without firing a shot, it may be possible to get to close quarters with the Tibetans. Of course we do not want their country . . . But it is important that no one else should seize it, and that it should be turned into a sort of buffer state between the Russian and Indian Empires.

Early in 1903 Curzon made a proposal for sending an armed mission to Lhasa. This was to be ostensibly a commercial mission, and was to demand a conference with the Tibetan and Chinese delegates. The situation was, however, changed by Russian and Chinese denials of any agreement regarding Tibet. The London authorities accepted the denial, and all seemed over with the proposed mission. But Curzon discovered in the disavowal further proof of sinister Russian designs. To make his plan acceptable, he now suggested a commercial mission with an armed escort instead of the earlier 'armed mission with commercial overtones'. But, as Mehra emphasises, his sights continued to be fixed at Lhasa.

Questionable Means

Aware that the authorities in London were reluctant to permit him to go as far and as fast as he wanted, Curzon seems to have made up his mind to arrange things in such a way that he could point by point compel the British ministers to sanction all that he wanted. As a first measure, he chose as commissioner of the mission a man who was impregnated with his own political ideology, and saw eye to eye with him on the Tibetan question. Henceforth, as things were to turn out, this nominee of Curzon's, Colonel Francis Younghusband, was to supply the viceroy with precisely the sort of excuses that were to enable him to reach Lhasa in spite of the British cabinet. How Curzon managed this is beautifully summarised thus by Mehra, "He coaxed and cajoled, threatened and pleaded, seemed to yield ground now and yet remained unbending, singly and by turns, until Lord George Hamilton, Mr Brodrick or Mr Balfour gave way. It is imperative to note, however, that in attaining his desired objective in each case some of the means to which His Excellency was willing to resort were decidedly questionable."

A major portion of the narrative shows how these questionable means were used from time to time. Even after Curzon had gone to England on leave, months before the Mission had reached Lhasa or even been allowed to proceed there, Younghusband saw to it that Curzon's plan was not frustrated. So impetuous and precipitate, in fact, appeared Younghusband that even Curzon was constrained to advise him not to jeopardise his policy by frightening 'the authorities at home either by showing your hand too plainly or by dragging in Lhasa before Lhasa is required'. Younghusband also gave the impression of seeing the point. The Home Government, he agreed, had to be treated as a 'pack of children', and his diplomacy had to be directed more towards them than towards the Tibetans. And yet in no time he relapsed into his usual impatience both with Tibetans and with the policy that advised caution; once again he was ridiculing the farce of negotiations, and dwelling on the inevitability of a march on Lhasa.

There were three main stages through which the Mission managed to reach Lhasa. The thin end of the wedge was the sanction given by the London authorities to the advance to Khamba Jong in the Tibetan territory for negotiations with the Tibetan and Chinese representatives. The sanction was obtained by Curzon by means of a characteristic distortion of facts to the authorities. Seizing upon a syntactic inadvertance, he conveyed to the secretary of state for India the impression that the choice of Khamba Jong as venue for talks was in accordance with the communication sent by the Chinese Amban (Resident would be a loose substitute) at Lhasa. Thereafter he gave the impression that the recalcitrant Tibetans could not be persuaded to come to the conference table unless they were frightened by a deeper penetration into Tibet. With considerable misrepresentation was sanction obtained for further advance to Gyantse. Mehra, with his penchant for sarcasm, comments that the representations to Whitehall 'did severe violence' to 'those twin ideals of truth and forthrightness which Lord Curzon had publicly proclaimed to be peculiarly Western in their "conception" and as occupying "a high place" in its moral codes.' He adds that 'with a brazen-facedness bordering almost on the semi-comic', Curzon 'catalogued the "war-like preparations" of the Tibetan lamas' in order to convince Brodrick, who had succeeded Hamilton as secretary of state for India, that the breach of negotiations at Khamba Jong was inevitable. It was only the massacre of Tibetans at Guru — which was represented as 'fighting' — that saved Curzon from obvious embarrassments. This and the futile resistance offered by Tibetans made it easy for Younghusband — Cur-

zon had already gone on leave — to press for permission to advance to Lhasa. The third stage was thus the easiest to contrive.

Once perched on the roof of the world, Younghusband went further in his disregard for the orders of his superiors in Calcutta and London. Anxious to avoid a permanent involvement in Tibet, Brodrick had specifically laid down that neither at Lhasa nor elsewhere was a Resident to be asked for; that the indemnity imposed on the Tibetans should be such as could be paid by them without much difficulty, and this could be paid in three annual instalments; and that the Chumbi Valley was to be occupied to secure the payment of the indemnity and the effective opening of the trade marts. It was in the face of these unequivocal instructions that Younghusband forced the Tibetans to agree to an indemnity that would be paid in seventy-five yearly instalments. Which clearly was a stratagem to secure the occupation of the Chumbi Valley for a long time. Furthermore, Younghusband also got a separate agreement by which the Tibetans accepted a British Trade Agent at Gyantse who could proceed to Lhasa if and when he had matters that could not be discussed locally. Both the measures were in flagrant violation of the policy that the Commissioner was supposed to execute.

Not a Desolate Waste

Mehra asks the inevitable question as to why Younghusband defied the authorities. He discovers a clue in the advance to Lhasa. As the Mission moved from Gyantse onward it began to appear that Tibet was not after all the barren, desolate waste that it was supposed to have been. Tibet, wrote Younghusband, 'is a much richer country than Kashmir'. Moreover, he thought that barring the selfish Lamas, the Tibetan people were friendly to the British. 'Could it be', asks Mehra, 'that his cupidity was excited — and whose would not? — by "the fertility of these valleys, the affluence of the people, the wealth of the temples and what is more extraordinary still the good disposition shown to us everywhere by all" except the few out and out anti-foreign 'Lamas?' This supposition is strengthened by Younghusband's own words written to *The Times* thirty-five years later: "My humble little effort to improve the shining hour and get a trifle little more than I was specifically ordered to obtain".

A significant contribution of Mehra to the study of this fascinating event in the history of British Indian imperialism is his broad perspective. He is not interested in finding an excuse for anybody; nor does he condemn anybody. He only tries to explain how things happened as they did. For example, he refuses to adhere to the usual portrayal of Brodrick as a second-rate muddler, just managing or mismanaging matters somehow; weighed down by an inferiority complex in relation to his old friend Curzon, a complex that was inverted the moment he became the political superior of his brilliant friend; giving stupid and contradictory or imprecise orders; and deriving a sadistic pleasure in humiliating Younghusband in whom he saw an easy target to attack Curzon indirectly. Instead, Mehra shows that the defiance to the London authorities being the pattern rather than an aberration, it was rooted in the views of empire that Curzon and Younghusband entertained and shared. Given this obsessive sense of mission, Younghusband could not be expected to overcome the pressure of solitude at an altitude of fifteen thousand feet above sea level. The already narrow vision of empire became narrower, thereby aggravating the incapacity to appreciate those who had to take decisions in the context of the British position in the world as a whole. As for Curzon, his blinkers were the outcome of his obstinate refusal to consider issues in the truly international perspective, a refusal that sprang from his conviction that India formed the pivot of British greatness. Used to bringing the London authorities to his own viewpoint later rather than sooner, Younghusband miscalculated their mood while disregarding them at Lhasa. At this moment he badly needed advice, and he would listen to Curzon alone. There is weight in Mehra's conclusion that Curzon's omission at this stage grossly misled Younghusband who now began falling down the precipice.

It is noteworthy that where there is a paucity of records, Mehra refuses to come to a conclusion. Thus whereas one of his precursors has dismissed the Expedition as having been born in fallacy, and another has suggested that there was substance in rumours of Sino-Russian and Russo-Tibetan understandings, Mehra does not attempt an unequivocal verdict on the Russophobia which can be regarded as the most potent factor responsible for the Mission. Unless Russian records can be consulted, as Mehra points out, we shall have to be satisfied with the present state of suspended judgment. In this connection it may be noted that a similar attitude has to be adopted in regard to the role of the Chinese Amban. Going through Mehra's account, one is often kept wondering whether the slow progress of the new Amban from the Chinese capital to Lhasa was not a part of a calculated Chinese policy. A more tentative approach than the one in the book under review is demanded by the paucity of material from the other side of Tibet.

For a work of such comprehension and thoroughness, it is indeed a glaring drawback that no attempt has been made to study the actual and potential trade between India and Tibet. It is true that trade disputes and boundary settlements were the ruse for a bigger objective; but trade was in itself a matter that would remain after the Russian threat was gone. Also, though he refers to tea, Mehra does not dwell on the prospect of mining gold in Tibet; the latter, it may be noted, was exercising the imagination of men both in Russia and in Britain.

Sheer Brilliance

Surprising though it is for a seasoned researcher like Mehra, his index is incomplete; his references are neither uniform nor calculated to help fellow students in locating the particular documents; his use of honorifics is arbitrary; and he has not cared to translate Tibetan terms like *jong, pen, shape, tsongdu*. Nor can Mehra argue that because he had in mind a readership that was already conversant with Tibetan history, he thought it unnecessary to explain such well known terms. For example, after he has used the term two or three times, he tells the reader in a footnote that *tsongdu* was the Tibetan national assembly. Finally, much of the beauty of Mehra's narration has been marred by an unnecessary and inordinate use of brackets, question marks, parentheses, and stock phrases like 'as it were' and 'caveat'. The result is that the otherwise racy and arresting narration becomes jerky at places.

But these are minor irritants and lapses that trouble because of the sheer brilliance of the work as a whole. By the level of his own performance, Mehra induces the reader to expect so much more. As it is, "The Younghusband Expedition" is one of the few outstanding works of historical scholarship that have appeared in recent years.

Role of Sociology in Medical Education and Research

A M Shah
Aneeta Ahluwalia

There appears to be general agreement that some training in the social sciences can help the medical practitioner in his profession. There are, however, certain specific questions about the introduction of social sciences in medical education: in which phase of his medical training should the medical student be taught the social sciences; who should provide this training; which aspects of social sciences should form part of the training; what should be the proportion of social sciences training in the total training received by the trainee; and how should this instruction be imparted.

Answers to these questions will help determine whether social sciences could be merely added to the present medical curriculum, or the addition will require a radical change in the system of medical education so as to achieve a new integration.

It is also necessary to ask whether the social sciences in India are so developed as to be capable to giving the medical practitioners what they actually require. This question is important because the purpose behind the introduction of social sciences in the medical curriculum is not just to make the medical students familiar with the contents of the various social sciences but to make them aware of how the social science orientation will be useful to them in playing their professional role more effectively.

The content of social sciences introduced in medical education would vary according to the level of such education. What is taught to the medical undergraduate would be different from what is taught to students preparing to take post-graduate degrees or diplomas in such subjects as social and preventive medicine, public health, occupational medicine, hospital administration and health administration.

It will also be necessary to work out the role of each of the different social sciences in medical education and research. In this paper the authors have confined themselves to discussion of the role of sociology (including social and cultural anthropology).

[This paper was prepared originally for the seminar on "Teaching of Social Sciences in Medical Colleges" held in New Delhi, October 6-11, 1969. The authors are grateful to M N Srinivas for his comments on an earlier draft of the paper.]

I

IN recent years medical scientists in India, especially those engaged in the field of medical education, have shown awareness of the need to introduce some teaching of social sciences, such as sociology, social and cultural anthropology, social psychology, and economics in the curriculum of medical students. There is much appreciation of the fact that there is at present a *lacuna* in the training of the medical student who, after graduation, is supposed to take up the *social* role of a doctor. It is felt that the MBBS course does not equip the doctor to play his social role efficiently and effectively and to his own as well as his client's satisfaction. The question now-a-days is not whether social sciences have any contribution to make in the sphere of medical education and practice, but rather what should be the nature of the contribution. Gone are the days of arguing that doctors can pick up the relevant knowledge about society during the course of their medical practice.

As the sociologist sees it, when a doctor and a patient come together it is not simply an interaction between a diseased entity and a curative agent but an interaction between two cultural milieux. Both the doctor and the patient are social beings and a variety of social factors influence the nature of interaction between them. There are also many social implications of this interaction. In all the stages from health to sickness and from sickness to health (or to death) it is possible to detect the influence of social factors, and if they go unappreciated by the doctor, it may lead to dissatisfactory or inadequate enactment of his role. The doctor would understand the patient better if he places him in his social milieu. He may be greatly helped in his task if he understands the patient as a social entity, the interaction setting as a social setting, and the medical profession as a social organisation.

Understanding the patient as a social entity involves appreciation of the fact that the patients may come from a variety of social backgrounds. The doctor is thus led to identify the person as belonging to a series of social groups, such as region, rural or urban community, caste, religion and family, and as having a certain educational, economic and occupational status. These identifications would enable the doctor to place the patient on a social map or chart as it were, and sensitise him to the social factors or influences to which the patient is exposed. Knowledge of these influences would help the doctor in his diagnosis and treatment of the patient. A person's social background influences his style of life, value systems and action patterns. People's ideas and practices relating to diet, rest, recreation, cleanliness, sanitation, personal hygiene, child rearing, etc, vary from society to society and from one section of the society to another. In his study of village Chinaura in UP, Hasan[1] shows how members of different religions and castes differ in their health practices, such as bathing and body cleanliness, cooking and eat-

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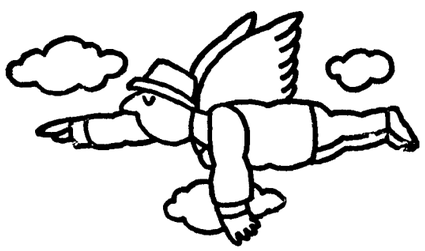
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ing of food, and drinking. Some foods are classed as 'hot' or 'cold', and eating of both types of food together is avoided as this is believed to cause disturbance in the body. They may, *therefore, evaluate the diet prescribed* by the doctor in terms of these two classes of food and follow or ignore the instructions of the doctor.

The social factors involved in the patient's health and illness may be positive, i e, conducive to his health and treatment of sickness, or negative, i e, detrimental to his health and cure of disease. The doctor would utilise with benefit his knowledge of these factors in his medical practice. For example, members of the family play an important role in a person's illness and treatment. It has been observed that very often women patients are not very well-informed about their own medical history. They depend on their husbands to explain the nature of the complaint to the doctors and take instructions from them. The husbands decide independently what type of medical advice is to be sought, from whom, and how. In such cases it may be helpful if the doctor seeks to get the co-operation of the patient's family in diagnosis and treatment.

Conception of Doctor's Role

Social factors play a significant role in determining the patient's and his family's attitudes to different elements in the modern system of medicine — tools, techniques and personnel. The doctor, in the course of his practice, may come into contact with patients with varying experiences with the modern (scientific) system of medicine. While some of his patients may be habitually resorting to this system in every sickness, some others may come to him after trying remedies of various kinds, such as magical, folk, Ayurvedic, Unani and homoeopathic. This would have an important bearing on the enactment of the patient's role *vis-a-vis* the doctor. Various social factors determine the patient's (and his family's) choice of a particular setting of interaction (such as a hospital or a doctor's clinic) and of a particular doctor. Madan has recently examined certain assumptions regarding the influence of age, education and rural or urban upbringing of a person on his acceptance of modern medicine for himself and for his family.[2]

The patient's experiences also influence his and his family's expectations from the doctor and in general from the entire system of modern medicine. The doctor may have to take into account the difference between his own commitment to modern medicine and similar commitment of the patient and his family. The latter, he may find to his consternation, may be simultaneously resorting to all types of medical practices which to the doctor may appear diametrically opposed in the logic underlying them. In short, there may be a hiatus between the doctor's own conception of his role and his patient's conception of the doctor's role. The patient may have different notions and expectations of male and female doctors.

Not only is the patient's conception of the doctor's role as a healer important to the nature of interaction but also his conception of the doctor's position in the wider society. Most people view the doctor as belonging to the highly educated, economically well-off, and urbanised section of the society. This fact often produces two types of attitudes to the doctor. One is that the doctor is seen as culturally and socially different from them and thus thought of as being incapable of understanding the patient. Hasan in his study observed that the people felt that a child who is a victim of the evil eye should not be taken to a physician, because they believe that "... the physician does not know it nor does he show any respect for such ideas. On the contrary, he ridicules people if they talk about it."[3] Gould has also examined the implications of technological change in the acceptance of scientific medicine in an Indian village.[4] The second type of attitude is that the doctor is viewed as an object of awe and reverence and as someone whose advice could be sought on many matters, medical and non-medical.

The point we wish to make is that a part of the doctor's training in social sciences would require knowledge of the social elements in the doctor-patient interaction. Such knowledge would enable the doctor to see his patient under the influence of his social milieu and to plan his role performance accordingly. He would learn to appreciate the fact that patients suffering from the same disease but coming from different social milieux (which may be similar to or different from his own) may require different types of role enactment from him in the various stages of the interaction — diagnosis, treatment and after-care. He would also realise that his present interaction with the patient will affect the enactment of the latter's role as patient in future. Mckim Marriott has discussed the conflicts that have existed in the past between the roles assumed by indigenous and by Western medical practitioners, and how these conflicts have acted as obstacles to the spread of Western medicine.[5]

The doctor's training in sociology would enable him not only to learn about the impact of the cultural milieu on the behaviour of patients but also to have a close look at himself in his own cultural milieu. What is the social composition of the medical profession? What is the place of the medical profession in the society? What are the distinctive characteristics of the medical profession, of the interaction between the medical professional and his client, and of the organisation of the different medical settings? These are important questions, answers to which would be useful to the doctor.

Comparative Studies

The sociology taught to doctors should also include comparative studies of social aspects of health, disease and its cure in different countries. For example, contrast between Indian and foreign hospitals would help the doctor to identify and understand the peculiar features of Indian hospitals. This will check his enthusiasm to convert Indian hospitals into replicas of foreign hospitals which he may have seen or heard about. Moreover, sociological studies of Indian society in general will give the doctor a true picture of Indian society which may enable him to see his own profession *vis-a-vis* other professions in a proper perspective. Such knowledge would enable him to define his expectations from his own society realistically. It may probably induce him to practice among poor and backward sections of the society.

An important method of collecting data in sociology and social and cultural anthropology is the method of fieldwork or 'participant observation'. It involves the ability to balance objectivity with involvement. It helps one to understand people by using one's empathy. Although time consuming, it is the technical *par excellence* for observing the daily activities of people from within. It allows one to understand how they think and rationalise. If properly used, it can become an important tool in the hands of a doctor to get an incisive understanding of the patient which is vital to his diagnosis and treatment. It would enable him to see the patient as some-



thing more than a diseased entity. Familiarity with studies based on the use of this technique would enable him to appreciate the fact that the sociological approach to phenomena is something which can only be 'understood', and not 'demonstrated' in the way some other subjects in medicine, such as anatomy, can be. The technique of interviews (of various kinds) are also very useful tools of investigation.

Knowledge of sociology, particularly knowledge of sociology of organisations, would be helpful to the various categories of doctors. The private practitioner would be able to organise his own practice better. The doctor working in a big organisation, such as a hospital, a medical college, or a government agency would be able to acquire a systematic understanding of the various features of his organisation, such as the nature of the formal and informal authority structure, the pattern of communication, and the arrangement of specialised functions and roles. And those involved in health administration and planning would be able to frame policies more realistically.

In brief, knowledge of sociology, if properly imparted, would deepen and enrich the medical professional's understanding of the members of his own profession as well as of the people he deals with. It would become a part of his daily practice, may be, of his life, rather than something which he remembers while studying in a medical college and forgets after getting his medical degree. This should be the aim of introducing sociology and social and cultural anthropology in medical education and research.

II

There is a general agreement that some training in the social sciences can help the medical practitioner in his profession. There are, however, certain specific questions about the introduction of social sciences in medical education: in which phase of his training should the medical student be taught social sciences; who should provide this training; which aspects of social sciences should form part of the training; what should be the proportion of social sciences training in the total training received by the trainee; and how should this instruction be imparted. Answers to these questions will help determine whether social sciences could be merely added to the present medical curriculum, or the addition will require a radical change in the system of medical education so as to achieve a new integration.

Granted that medical educationists have generally welcomed social sciences into their field, it is necessary to ask: are the social sciences in India so developed as to be capable of giving the medical practitioners what they actually require? This question is important because the purpose behind the introduction of social sciences is not just to make the medical students familiar with the contents of the various social sciences but rather to make them aware of how the social science orientation will be useful to them in playing the role of the doctor more effectively. That is to say, the aim is not to make the doctors social scientists, but to make them better doctors as such, to help them perform their role better, and to enable them to practise 'whole-person' medical care, especially when specialist care is becoming the trend. It has been the experience of some countries that one of the major difficulties in the social sciences delivering the goods which the medical practitioners need, is the relatively underdeveloped state of some of the relevant aspects of these sciences. This point has been elaborated in the 1968 Report of the Royal Commission on Medical Education in Great Britain (the Todd Report). Although this observation should not prevent the introduction of social sciences in medical education in India, it does indicate a need for chalking out a programme, firstly, to take stock of the present position of social sciences with a view to determining their suitability for aid in medical educatton, and secondly, to take steps towards their development.[6] The emphasis should be on developing a body of knowledge based on Indian material. Analogous material about other societies could be used till such a body of knowledge about India is developed. And even when such material is developed, the non-Indian material should be used mainly for the purpose of comparison. The comparative material should always include material from other parts of Asia and from Africa besides the material from Europe and America.

A question is often raised as to who, from among the following, should introduce social sciences to doctors: (i) medical teachers, especially those attached to Departments of Social and Preventive Medicine; (ii) social scientists attached to medical colleges; (iii) social scientists in the social science departments of respective universities; and (iv) 'medical social-scientists', such as medical sociologists, medical anthropologists and medical psychologists.

In this connection, it should be realised that Departments of Social and Preventive Medicine in medical colleges in India have come to stay. Therefore, the aim should be to strengthen the social science content of these Departments. It is also necessary to realise that most of the students in these Departments will be medical students, and most of the teachers will also be persons with basic training in medical sciences. These Departments are thus the chief media through which the professional social scientist can reach the doctors. As mediators, these Departments will be 'double-faced': on the one hand they will be in close contact with professional social scientists and on the other with medical educationists and doctors.

The interaction between Departments of Social and Preventive Medicine and Departments of social sciences should be of mutual give and take. Social scientists cannot always expect the former to remain at the receiving end. There is bound to be a two-way traffic. This will mean that social sciences and medical sciences will not be simply juxtaposed but integrated according to the needs and demands of medical practice and profession. Social sciences should be introduced in medical institutions not for the sake of fashion but for a genuine purpose and with a view to perform specific tasks.

Social Sciences also Gain

It should be realised in this context that a social scientist interested in doing research in the field of medicine and health has to follow the demands of his science and profession. He uses the general theoretical framework and the terms, concepts and ideas of his own science. He draws from various specialised branches of his discipline. For example, a sociologist making a study of interpersonal relations in a hospital would draw from studies on social structure, social organisation, bureaucracy, mobility, stratification, and so forth to interpret his data. His research would also be used by other sociologists. It would contribute to an advancement of the frontiers of the discipline as a whole. There is, therefore, a need to work out an arrangement by which the social sciences also gain from studies on medicine and health.

The content of social sciences introduced in medical education would also

vary according to the *different levels* within the medical field. What is taught to the medical undergradnates would be different from what is taught to the students preparing for post-graduate diploma or degrees in subjects such as social and preventive medicine, public health, occupational medicine, hospital administration, and health administration. The latter are expected to do research and should therefore be trained in the research methodology of social sciences, while the former may not be expected to do any research and may therefore be taught only the elements of research methodology of social sciences. At yet another level, there are persons in medical institutions, particularly the members of teaching staff in Departments of Social and Preventive Medicine, whose competence in social sciences would be of a different order, for they are the ones in the medical field who are continuously and deeply involved in social science research. It will also be necessary to work out the role of each of the different social sciences, such as economics, sociology, social and cultural anthropology, and social psychology in medical education and research. In this paper we have confined ourselves to the discussion of the role of sociology (including social and cultural anthropology).

III

Sociologists view the field of health, disease, and medicine as having two main aspects: it is firstly, a culture complex, i e, a complex of material objects, tools, techniques, knowledge, ideas and values, and secondly, a part of social structure and organisation, a network of relations between groups, classes and categories of persons. They also try to understand how these two aspects are related to one another and how they are both related to other fields of social life such as economy, religion, magic, law, occupations and politics. The point is that medicine, health and disease are amenable to sociological analysis like other social and cultural phenomena. One of the present authors has elsewhere indicated how a hospital as a social and cultural system is a useful area for sociological investigation. For example, one can study within it the social relations between different categories of persons generally encountered in the medical field and also the differences in their ideas and values pertaining to health, disease and cure.[7]

There are also some other reasons why sociologists are interested in the field of medicine. A great deal is invested in this field by the society in terms of men and materials. The medical profession is also considered one of the most important and enjoys a very high status in society. Doctors command respect from almost all sections of the population, and often play an active role in politics. Studies of social aspects of medicine would contribute to the development of several branches of sociology. Sociologists in general have therefore a stake in the development of medical sociology.

To place research in medical sociology within the general framework of sociology seems to be the only way of ensuring good quality in research in this field. However, this research will have to be made intelligible to medical scientists, educators and administrators. On the one hand, sociologists will have to seek ways to carry the results of their research to an audience which is not very familiar with the intricacies of social sciences, and on the other, be sufficiently sensitive to the problem and needs of the medical field.

Departments of Social and Preventive Medicine should be able to contribute a lot to the pool of studies on the socio-medical field. By virtue of their being part of the medical field, they occupy a strategic position, which they can exploit to their own advantage as well as to that of the social scientists. For example, they could study the medical profession, the social background of medical students and other health personnel, the popular concepts of disease and cure, the habits and practices of different sections of the society regarding hygiene and health, their attitudes to medical settings, and the health programmes of the Government. Departments of Social and Preventive Medicine could usefully carry out the survey type of research. They could analyse various types of records and statistics available with hospitals and other health agencies. They could identify those areas in the medical field which can be usefully investigated by professional sociologists. And they would be in a better position to critically evaluate the research done by professional sociologists, from the view point of its usefulness to the medical profession.

Central research institutions, such as National Institute of Health Administration and Education and Central Family Planning Institute, can also contribute to the pool of studies on social aspects of medicine. These institutions have large resources at their command in terms of both money and personnel. They have medical as well as social scientists on their staff and can therefore act as intermediaries between medical institutions and university social science departments. They can perform several important functions. Firstly, they can function as clearing houses of research on social aspects of medicine done by medical and social scientists in different parts of India. Secondly, they can act as "data banks" by storing data on social aspects of medicine in India and in other countries and by providing library facilities to scholars interested in undertaking research. Thirdly, they can conduct independent research, specifically on those problems which are beyond the resources of scholars attached to university departments and which involve teams of scientists belonging to diverse disciplines. They could undertake, for example, macro-studies of differential needs and demands for medical services among different social and demographic groups in the society, the organisation, distribution, and utilisation of medical services, the organisation of health personnel, and medical education. Such institutions could also undertake 'action oriented' research, especially for the benefit of medical scientists who often confront problems in carrying the latest medical knowledge and skill to the people and demand quick solutions to these problems.

Notes

1 K A Hasan, "The Cultural Frontier of Health in Village India", Manaktalas, Bombay, 1967.

2 T N Madan, "Who Chooses Modern Medicine and Why", *Economic and Political Weekly*, September 13, 1969 pp 1475-84.

3 Hasan, *op cit*, p 151.

4 H A Gould, "The Implications of Technological Change for Folk and Scientific Medicine", *American Anthropologist*, No 59, Vol 3, 1957, pp 507-16.

5 Mckim Marriott, "Western Medicine in a Village of Northern India", in B D Paul (ed), "Health, Culture and Community", Russel Sage Foundation, New York, 1955.

6 See Charles Leslie, "Professional and Popular Health Cultures in South Asia: Needed Research in Medical Sociology and Anthropology," in Ward Morehouse (ed) "Understanding Science and Technology in India and Pakistan", Occasional publication No 8, Foreign Area Materials Centre, University of the State of New York, 1967.

7 See Aneeta Ahluwalia, "Sociology of Medicine in India: An Approach", *Economic and Political Weekly*, June 3, 1967, pp 1007-12.

Productivity, Wage Rate and Relative Share of Workers in Manufacturing Industries

M M Dadi

The constant elasticity of substitution production function used by Arrow, Chenery, Minhas and Solow is definitely an improvement over the earlier production functions which assume either zero or unit elasticity of substitution between factors of production. A regression of labour productivity on wage rate, according to the authors, shows a highly significant correlation in manufacturing industries. The regression co-efficient — the elasticity of substitution — varies from industry to industry.

The present paper makes an attempt to test the logarithmic relation between the labour productivity and the wage rate for the Indian manufacturing industries spread over different regions for the year 1962.

The hypothesis that value added and wages per worker are uncorrelated is rejected at least in ten out of seventeen two-digit industries. The rank correlation between share of wages and wage rate is also calculated to examine the distributive aspect of the production function. Thirteen industries confirm the good fit — relative wage share and wage rate moving in the opposite direction in those industries where elasticity of substitution is greater than one, and in the same direction where it is less than one.

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TO explain the substitutability of capital and labour in production, economists until recently used to rely on either the Leontieff or the Cobb-Douglas production functions, probably due to the simplicity of zero and unit elasticity of substitution assumptions underlying these production functions.

Arrow, Chenery, Minhas and Solow[1] have developed an aggregate production function with constant elasticity of substitution — not necessarily unity. They have found out varying degrees of substitutability in different types of production. Because of numerous tech nological alternatives available in different sectors, they argue that the uniform substitutability is most unlikely. Their study is primarily based on the empirical observations that the value added per employee within a given industry varies across countries with the wage rate. "A regression of the labour productivity on the wage rate shows a highly significant correlation in all industries and also a considerable variation in the regression co-efficients."[2]

Solow and Arrow (independently) have derived a constant elasticity of substitution production function. This generalised production function includes both the Leontief and the Cobb-Douglas functions as special cases. SMAC tested two relations:

$$\frac{V}{L} = C + \dot{d}w + n$$

and $$v = aw^b$$

where $v = \frac{V}{L}$; V being value added and L the labour input. w is the wage rate.

The authors fitted the regression to international data of 24 three-digit industries from 19 countries. Both functions according to them gave good fits, the logarithmic being somewhat better. The logarithmic function was also fitted by Solow to US manufacturing industries.[3]

The constant elasticity of substitution production function is given as:

$$v = \gamma\left(\delta k^{-\rho} + (1-\delta)L^{-\rho}\right)^{-1/\rho}$$

where δ, ρ and γ are distribution, substitution and efficiency parameters respectively; K and L are capital and labour inputs. The elasticity of substitution turns out to be

$6 = \frac{1}{1+\rho}$, which is exactly equal to the regression *co-efficient 'b' in the* logarithmic regression equation;

$\log v = \log a + \log w + u$.

In the present paper an attempt is made to estimate the above production function for the year 1962 on the basis of cross-section data relating to 17 two-digit manufacturing industries in India. By fitting the logarithmic relation, the elasticities of substitution and other parameters are estimated, and the hypothesis that value added and wages per worker are uncorrelated is being tested. The relative share of labour in relation to whether the industry is elastic ($b > 1$) or inelastic ($0 < b < 1$) — the distributive aspect of the SMAC production function — is also examined. The year 1962 was found to be relatively normal and hence selected for the study.

The data used in the study are taken from Annual Survey of Industries, 1962, where the value added by manufacture is defined as ". . . that part of the value of the products which is created in the factory and is computed by deducting from the gross ex-factory value of output, the gross value of input". The total number of workers employed is used for 'labour', which excludes persons holding positions of supervision or management or employed in a confidential position. The total number of employees included working proprietors and unpaid family workers, hence not selected for labour input. Wages include all payments made in each as compensation for work done during the year.

SMAC studied different industries spread over 19 countries. But the technological conditions between States are definitely more homogeneous than between countries for a given industry. This happens because the strategies of development are supposed to be different in different countries. The relations in this paper, therefore, are tested for industries spread over different States of Andhra Pradesh, Assam, Bihar, Gujarat, Kerala, Madhya Pradesh, Madras, Maharashtra, Mysore, Orissa, Punjab, Rajasthan, Uttar Pradesh, West Bengal and Delhi regions. 'Other regions' include the data for each industry, not included in the above shown regions.

Productivity and Wage Rate

Whether the fit is relatively good or not can be found out from the small standard errors of b and the high co-efficient of determination (R^2) between the productivity and the wage rate as shown in columns 5 and 6 of the Table. Eight industries namely 20 and 21, 22, 23, 26, 28, 30, 34 and 38 show excellent fits (at 1 per cent significance level). In all, 10 industries (including No 35 and 36) give significant correlations at 5 per cent level. In other words in these ten cases, we reject the hypothesis that the value added and

Appendix: Value Added, Total Wages Per Worker and Wages Share, By Industry and Region, 1962.

Industry No		Andhra Pradesh	Assam	Bihar	Gujarat	Kerala	Madhya Pradesh	Madras	Maharashtra	Mysore	Orissa	Punjab	Rajasthan	Uttar Pradesh	West Bengal	Delhi	Others
20 and 21	A	3641	4434	3099	3133	936	2040	8492	7189	2595	2146	3984	2715	3085	3629	5381	6439
	B	921	731	1084	1098	397	759	1063	1562	663	473	1173	652	1355	826	1191	1222
	C	.2529	.1649	.3499	.3505	.4378	.3722	.1251	.2172	.2556	.2202	.2944	.2400	.4394	.2276	.2214	.1897
22	A	817					1100	3206	2112	682					1385		8216
	B	453					655	795	863	159					723		2010
	C	.5549					.5951	.2479	.4087	.2339					.5228		.2445
23	A	1523			3032	2110	2384	3537	3428	2232		3120	1876	2494	2579	3977	2369
	B	1063			1786	1209	1504	1723	2085	1077		1152	1028	1397	1255	2107	1091
	C	.6981			.5892	.5729	.6309	.4873	.6082	.4822		.3693	.5478	.5602	.4866	.5297	.4606
24 and 29	A					1739		3367	3276					1806	2014		2615
	B					928		1135	1886					1183	1043		1070
	C					.5337		.3371	.5864					.6550	.5178		.4092
25	A		3844			2100		1253	2079	1901		2214			2269		2506
	B		866			757		414	1117	704		1011			993		956
	C		.2253			.3606		.3293	.5372	.3702		.4573			.4376		.3813
26	A	94		768	2014			717	5055			913		770	2659	3480	887
	B	189		1067	970			205	2371			761		668	1148	1804	754
	C	2.0103		1.3850	.4812			.2853	.4691			.8320		.8658	.4314	.5186	.8502
27	A				.2620				5608	5500	4916	7132		4009	5517		4372
	B				1065				1524	1386	1204	1570		1551	1752		1458
	C				.4064				.2717	.2520	.2449	.2200		.3868	.3176		.3335
28	A	1708		3717	3373	3214	1770	4283	3842	3711	1322	2600	2025	2211	3808	6046	2973
	B	1229		1757	1536	1465	1379	1759	1697	1110	1140	1632	1614	1315	1733	2219	1398
	C	.7191		.4727	.4553	.4557	.7791	.4106	.4417	.2990	.8622	.6275	.7971	.5946	.4551	.3670	.4702
30	A				3470	4474		9108	5123			9911			9275	2739	11388
	B				1380	1123		2107	1553			2155			2643	951	2341
	C				.3978	.2509		.2313	.3031			.2174			.2849	.3467	.2055

Appendix : concluded

Industry No		Andhra Pradesh	Assam	Bihar	Gujarat	Kerala	Madhya Pradesh	Madras	Maharashtra	Mysore	Orissa	Punjab	Rajasthan	Uttar Pradesh	West Bengal	Delhi	Others
31	A	6763		4340	10175	9581		4345	14514	8916		2204		6122	7203		9268
	B	1528		2021	1740	2619		1098	2517	829		1146		1005	1678		1892
	C	.2259		.4655	.1710	.2733		.2527	.1734	.0929		.5201		.1614	.2330		.2041
32 and 33	A	5014		3364	3266	1730	4679	6048	9191	1879		1236	4426	1349	2008	1913	5186
	B	1533		1229	950	850	1306	1378	1435	898		1057	734	886	903	938	1439
	C	.3057		.3652	.2908	.4913	.2791	.2277	.1561	.4780		.8547	.1656	.6567	.4499	.4900	.2773
34	A			9879	2130			2971	4798	2730	1093	2504		1860	4920	2431	6032
	B			3213	1156			1091	2044	1162	763	1245		1007	1788	982	1476
	C			.3252	.5428			.3671	.4259	.4258	.6983	.4971		.5417	.3633	.4039	.2446
35	A			3066	1820	4516		3916	4615			3041		2443	4525	1990	3043
	B			620	977	1950		1481	1847			1741		1200	1780	1044	1139
	C			.2021	.5370	.4321		.3782	.4002			.5727		.4910	.3934	.5247	.3743
36	A		5143	3069	3137	3169		3469	4915	7344	1687	2799		1774	5046	2150	4538
	B		1819	1693	1095	988		1497	1902	1725	1417	1378		1092	1821	1597	1855
	C		.3538	.5517	.3492	.3119		.4316	.3868	.2348	.8402	.4923		.6156	.3609	.7429	.4087
37	A	3090	2176			4256		3759	6285			4211		3361	6016	3254	4401
	B	795	1826			1597		1459	1851			1077		1312	1797	1003	1773
	C	.2569	.8391			.3752		.3881	.2944			.2558		.3903	.2986	.3080	.4028
38	A	2093	2921	1762	1839	1693	1288	5473	5217	10475	1987	2217	2081	2204	4438	2569	3938
	B	1539	1372	1160	1408	1424	1215	1939	2212	1569	1418	1378	1475	1353	1931	1467	1937
	C	.7351	.4703	.6583	.7655	.8414	.9433	.3543	.4240	.1497	.7121	.6216	.7088	.6136	.4350	.5712	.4919
39	A				1248	799		1791	3552			4675		1417	3929		3666
	B				427	535		1009	1345			1499		884	1473		1576
	C				.3422	.6693		.5632	.3785			.3209		.6234	.3749		.4298

A = Value added per worker ; B = Wages per worker ; C = Wages' share in value added.

Source : Annual Survey of Industries, 1962.

wages per worker are uncorrelated (Industries 25 and 27 give significant results at 10 per cent level).[4] This leaves complete failure in the case of five industries namely 24 and 29, 31, 32 and 33, 37 and 39. This needs an explanation in terms of interregional wage differences among industries. Solow in connection with the poor results points out that "It is in general bad policy to seek good excuses for poor results. The hardy econometrician must learn to take his lickings in the conscious realisation that you can't win 'em all."[5]

Column 4 in the Table shows the estimates of parameter b, which is the measure of elasticity of substitution between labour and capital. Out of the 17 industries nine show elasticity of substitution greater than one, and the remaining eight show it to be less than one. In the absence of capital data, it is not possible to test the estimated elasticities of substitution. What we could do is to apply the test of significance on b, say at 5 per cent level. Industries where b is not statistically different from one are nos 20 and 21, 22, 24 and 29, 25, 26, 27, 31, 35, 36, 37 and 39. Thus, in six out of 17 industries under examination, the elasticity of substitution is found statistically different from one.

Relative Share of Labour

To examine the distributive aspects of the SMAC relations, the correlation between share of wages in value added and average wage rate is estimated. Assuming no technical change, the increase in the price of labour relative to the cost of capital would mean an increase in marginal rate of substitution between labour and capital — the shift in inputs would lead to an increase in marginal product of labour relative to the marginal product of capital. But the increase in marginal rate of substitution will lead to a proportionately greater increase in capital-labour ratio if $b > 1$. This implies that the relative share of labour would decline with a relative increase in the wage rate. On the other hand the relative share of labour would vary directly with the wage rate if $b < 1$.

Thus, assuming cost of capital to be uniform over the regions, we should find the wage rate and the relative wage share moving in those industries where elasticity of substitution is greater than one; and moving in the same direction in inelastic industries.[6] Column 7 of the Table shows the rank correlation between wage rate and the corresponding share of labour in value added. It can be easily seen that out of the nine elastic industries, eight show negative correlation (i e, all industries except No 23). Similarly out of eight inelastic industries, five show positive correlation. Out of the total of 17 industries examined, 13 industries confirm the good fit; the SMAC production fits well to the distributive aspects.

Conclusion

The index of substitutability of the factors of production is the elasticity of substitution between factors. But the formula of the elasticity of substitution does not allow for its direct calculation. To evolve some estimation methods we, therefore, assume constant elasticity of substitution. No doubt, this type of assumption is a restriction on the form of production possibilities, but to arrive at some estimates we have to have the precise nature of the elasticity of substitution.

Another limitation of the study lies in the fact that the relation used to estimate the different parameters is an equilibrium relation. The analysis, therefore, does not convey anything more than some tentative suggestions. Even a very good fit should not be considered powerful evidence in favour of the intended interpretation. As Solow points out, the strong positive correlation might alternatively be interpreted as a wage differential which arises because of intrinsic interregional productivity differentials due to differences, say, in effective production functions, product mix, age, sex, or educational composition of the labour force.

There is also a difficulty of input measurements, which makes it difficult to test the estimated elasticities of substitution. The capital figures are not available in physical terms and the book value does not serve the purpose. The data does not demarcate between the used and unused capacities, and the deduction of depreciation does not necessarily represent the actual consumption of capital.

Table : Regressions of Value Added Per Worker on Wages Per Worker and Rank Correlation between Wage Share and Wage Rate

Industry	Degrees of Freedom	log a	b	S e of b	R^2	Rank Correlation
1	2	3	4	5	6	7
20-21 Food (including Beverage)	14	0.2537	1.1136	0.1145	0.6010	−.0705
22 Tobacco	5	0.9946	0.8027	0.1355	0.9233	−.1785
23 Textiles	11	0.8478	1.9705	0.1635	0.6581	+.2308
24 & 29 Wearing Apparel*	4	1.2084	0.7060	0.3082	0.3590	+.3715
25 Wood and Cork	6	1.4579	0.6450	0.2892	0.4324	+.8334
26 Furniture and fixtures	8	−0.3620	1.1809	0.1233	0.7427	−.3696
27 Paper	6	−0.3713	1.2845	0.1463	0.4683	−.1904
28 Printing and publishing	13	1.4323	1.5392	0.0865	0.4906	−.4071
30 Rubber products.	6	−0.6251	1.3685	0.0905	0.8782	−.5952
31 Chemicals	9	1.7286	0.6456	0.1760	0.1516	+.3546
32-33 Petroleum, coal and non-metallic minerals	12	3.3862	0.0328	0.2728	0.0010	−.4417
34 Basic metal industries	9	−0.9428	1.4209	0.0770	0.8614	−.5727
35 Metal products	8	1.6259	0.6005	0.2718	0.4150	+.1031
36 Machinery	11	−0.1227	1.1509	0.1220	0.3411	−.1373
37 Electrical Machinery	8	2.3700	0.3884	0.2884	0.1332	+.3697
38 Transport equipment	14	−3.5215	2.1874	0.0610	0.5155	−.5735
39 Miscellaneous	6	2.7956	0.1767	0.5123	0.0612	−.3333

* Wearing apparel includes footwear, made up textile goods, leather and fur products.

Notes

1 K Arrow, H B Chenery, B Minhas and R M Solow: "Capital Labour Substitution and Economic Efficiency", *Review of Economics and Statistics*, August 1961 (henceforth cited as SMAC).

2 *Ibid*, p 225.

3 R M Solow : 'Capital, Labour and Income in Manufacturing', in "The Behaviour of Income Shares", NBER (New York); Studies in Income and Wealth, Vol 37, 1964.

4 In his study of US manufacturing industries, R M Solow found the excellent fit in six industries, namely tobacco, textiles, apparel, lumber, furniture and fixtures, and instruments. Food, printing and publishing, leather and fabricated metals fitted less well. See his article, *op cit*.

5 *Ibid*, p 114.

6 The distributive aspect of SMAC relations for American manufacturing industries is examined by C E Ferguson in his article, "Cross Section Production Functions and the Elasticity of Substitution in American Manufacturing Industries", *Review of Economics and Statistics*, August 1963.

BANKING

Branch Banking and Banking Growth, 1955-1968

N Nagarjan

AN extensive banking structure is a prerequisite of economic development. Such a structure may take the form of unit banking as in USA or of branch banking as in UK. In India, in spite of all the recent discussion about the 'lead bank' concept, the intention is to persist with the British pattern.

Accent on Rural Areas

Between 1955 and 1967 the total number of offices of Indian scheduled commercial banks increased by 72 per cent from 4,085 to 7,025. The pace of expansion slackened slightly in 1961 on account of the failure of two leading banks and the compulsory amalgamation policy adopted by the Reserve Bank immediately thereafter. After 1962 this policy underwent a radical change in favour of branch expansion. At the instance of the Reserve Bank, commercial banks, excepting the State Bank of India and its subsidiaries, phased their branch expansion programmes in stages. The first stage covered the period 1962-65 followed by two periods of two years each. The banks were allowed to implement a co-ordinated programme of expansion in unbanked places and in centres already having banking facilities to ensure that their overall financial position and earning capacity were not adversely affected. Consistent with the instructions of the Reserve Bank more branches were opened in hitherto unbanked centres, especially from 1963.

In this context the role of the State Bank needs examining. One of the principal aims of nationalisation of the Imperial Bank of India, as incorporated in Section 16(5) of the State Bank of India Act 1955, was to extend banking facilities to hitherto unbanked centres. Upto June 1960 the State Bank and its subsidiaries were to open 400 branches which target they exceeded. The Karve Committee suggested an additional 300 branches in the Bank's second branch expansion programme which extended upto 1965. The State Bank also agreed to open 319 more branches by the end of 1969 in places where the cash work of treasuries and sub-treasuries was not managed by the Reserve Bank. Its third expansion programme covers the five-year period ending June 1970 during which 200 branches have been opened.

The proportion of new offices in centres with populations less than 10,000, representing the rural sector, rose sharply while the share of the urban sector (populations above 50,000) declined and a steady trend was maintained in semi-urban areas with populations between 10,000 and 50,000. Because of the rapid branch expansion the average population per bank office has declined steeply in rural areas and, at 3,402 persons per office, is substantially lower than the all-India figure of 45,122 persons per office.

Evaluation of New Offices

Inter-State comparison of branch expansion shows the remarkable progress made in a few States. In Madras and Mysore, for instance, the number of offices rose from 370 and 239, respectively, in 1956 to 1,010 and 686 in 1968. The proportion of offices in these two States to total offices in the country went up during the same period from 12.6 per cent and 8.1 per cent, respectively, to 13.6 per cent and 9.2 per cent. Along with the opening of branches, banking facilities also have improved. Generally in all States population served per office has declined. In many States deposits and advances have increased considerably.

Data on the success of new branches in mobilising deposits during the entire period are not available. Available figures relate to the years 1957 to 1963 and these show a remarkable increase. Since the number of reporting offices differ widely, average deposits per reporting office seems to be a more appropriate indicator. These averages have shown sharp fluctuations because of changes in current deposits of businessmen, government and semi-government agencies which, in turn, were affected by the changes in the level of

payments and the pace of construction of major projects in centres like Rourkela. These fluctuations had disappeared in the case of offices opened since 1959 and the share of deposits from project areas to total declined from 50 per cent in 1955 to 33 per cent in 1963. Besides, even after a branch was started in a place by a particular bank a second office of another bank also was able to flourish, suggesting the different types of business in which these banks had specialised and the possibilities that exist of diverting to the banking system the resources that might otherwise have been inadequately mobilised by the existing banks in those places.

Area Level Banks

Generally branch opening is not profitable in the short run, especially in rural areas. On the other hand, excess centralisation of banking results in avoidable cost and unnecessary delay. Branch offices have to depend on their central offices even for petty matters. The personal relationship between the banker and the customer, the most important aspect of banking, is absent. In rural areas this problem is acute since the customer there is entirely different from his urban counterpart and the employees are often urban. Moreover, inadequate remittance facilities lock up deposits in particular branches. In spite of all these difficulties, rural branches of banks have succeeded in tapping deposits, although a quantitative study cannot be undertaken due to paucity of data.

The impressive performance of the State Bank in opening new offices has been achieved at a cost. Losses incurred on new branches are made good by drawings from the Integrated Development Fund created out of profits due to the Reserve Bank which holds more than 90 per cent of the shares in the State Bank. Also, the State Bank opens branches mainly in centres which are deemed to require banking facilities for official purposes.

There had been a suggestion for setting up area level banks, perhaps one in each district or a homogeneous group of districts. This structure of banking would remedy the ills of branch banking. Concentration on a smaller area will go a long way in establishing a decentralised banking system. However, this proposal has been modified recently and the concept of 'lead bank' introduced by which each existing bank would adopt specified districts to initiate and expand banking facilities.

really wonders whether, apart from fixing minimum support prices, Government has any price policy at all. And support prices are of no practical value; not because these are too low but because ruling prices have always been on the very high side. The emergence of a situation when excess production would push down prices below the economic level is only a distant dream. However, Ranjit Singh's suggestion that control over cotton price policy should rest only with the Ministry of Food and Agriculture has much to commend itself because the need for an integrated price policy for agricultural commodities can scarcely be overemphasised. New Delhi has still to evolve such a policy.

Dynamic Production Policy

Of course, what is needed at present is not a price policy but a dynamic policy for production. It is common knowledge that the stagnation in cotton production is due essentially to the disappointingly low yield. The average yield for the period 1965-66 to 1968-69 works out to the miserably low figure of 132 kgs per hectare for India against 278 kgs for Pakistan, 391 kgs for Sudan, 551 kgs for USA, 645 kgs for UAR and 827 kgs for USSR. The average yield for Asian and African countries comes to 226 kgs and 253 kgs, respectively, and the world average is substantially higher around 344 kgs. The point is often made that the bulk of cotton is grown in India on relatively heavy soils under scarce rainfall conditions and that hardly 18 per cent of the total area under cotton is irrigated, with the result that the crop is entirely at the mercy of the unpredictable weather. But it is foolish to blame the weather all the time year after year for any shortfall in production. There are several other countries which have smaller irrigation facilities but still have yield twice or thrice that in India. The results achieved by the Indian Cotton Mills' Federation's cotton development projects have conclusively proved that even under adverse weather conditions, the yield per acre can be substantially raised by anything between 50 and 125 per cent in the irrigated areas and by 30 to 80 per cent in unirrigated areas if farmers practise improved methods of cultivation.

Ranjit Singh has made many useful suggestions for stepping up production. These include extensive use of hybrid seed, the cultivation of new varieties of extra long-staple cotton like MCU-5, Sujata and Sea Island Andrews, replacement of the existing low-yielding short staple 'deshi' by the better quality American types and application of urea along with insecticides — all of which have proved their merit on an experimental basis. Another useful suggestion relates to the maintenance of the purity of seeds by growing the seed crop under strict supervision as is being done in the UAR. There is nothing new in these suggestions but that does not make them any the less valuable.

What needs to be done to improve the yield is sufficiently well known. How to get things done is the main question. The problem of increasing yields through various modern inputs is essentially organisational. This aspect of the problem has not received the attention it deserves. Government, industry, trade and cotton growers will have to put their heads together to evolve suitable organisations at all levels in different cotton producing tracts for the procurement and supply of inputs and supervision of the crop. The chairman of Bombay Millowners' Association Chandrakant M Khatau has done well to appeal to his fellow textile industrialists to "take a much keener interest in the cotton development schemes than has been the case so far". He has suggested the institution of a network of agro-service centres in the cotton-growing areas by individual mills. This should go a long way towards establishing a close and continuous rapport with the cultivators and creating and sustaining in them the necessary enthusiasm for the adoption of the latest technological improvements in cotton cultivation to the mutual benefit of both. Since there has been no technological breakthrough in cotton so far, it is essential that agricultural scientists should strive hard to evolve high-yielding short-duration types of cotton to replace the existing varieties in order to improve the economics of cotton cultivation. The country is paying very dearly for neglecting cotton.

Marketwise, cotton prices have continued to display remarkable strength. The Textile Commissioner, Rangaswami, has once again warned traders and mills that penal action might be necessary against them in case they failed to supply to the authorities periodical returns of stocks and consumption of cotton. He also indicated that Government would prosecute those textile mills which violated the prescribed stock limits in respect of cotton. But who takes these warnings and threats seriously?

Hot and Cold

THE oilseeds market has been blowing hot and cold recently — more hot than cold. Prices last week moved quite erratically and showed small net gains over the weekend. Bulls have ceased to be aggressive but they continue to call the tune. In spite of the prevailing high prices rabi crop arrivals remain on the low side. Because of the overall inflationary psychology, growers and upcountry traders are reluctant to part with their goods.

Perhaps no decisive trend is likely to emerge in the immediate future. In view of the anticipated imports of soyabean oil and mutton tallow, bulls are likely to toe a cautious line for some time. It is difficult to assess the likely impact of these imports because it will depend on uncertain factors — the quantum and timing of actual arrivals and the prices at which soyabean oil and mutton tallow will be made available to the consuming industries.

Since prices abroad have risen very sharply over the past few months, imports will now cost a great deal more than in the past. New Delhi will have to take a hard decision on selling prices

MARKETS

Tears for Cotton!

Nishtar

IN his address to the 5th meeting of the Indian Cotton Development Council, Chairman Ranjit Singh has warned the authorities against singling out cotton for pegging price artificially instead of allowing cotton prices to find their level in the prevailing price structure. He says that even now cotton suffers in comparison with other competing crops and that the natural corollary of any stringent measures to curb the price of cotton would be not only diversion of its area to other crops next year but also a propensity on the part of the farmers to treat cotton as a secondary crop giving it less attention which may lead to a further shortage in production.

These fears are not only highly exaggerated but entirely baseless. There is no evidence to show that cotton production has ever suffered for lack of remunerative prices or want of acreage. Cotton has had a perpetual sellers' market; prices are known to have risen not only in a year of poor harvest but also when the crop has been normal. As for acreage, India has the largest area under cotton in the world — about one-fourth of the total world acreage — but it produces only one-tenth of world cotton output.

False Alarm

The ICDC chairman could not have chosen a more inappropriate time to raise the false alarm. For never before have cotton prices ruled so very high as they have done this season. No less irrelevant is his complaint that cotton price policy is being decided by the Ministry of Foreign Trade which as a matter of course gives greater weightage to the interests of the industry. One



of the imported materials. If it wishes to stabilise edible oil prices it will have to be content with nominal profits. It may even become necessary to dig into past profits made on the sale of imported soyabean oil and mutton tallow. The need for an effective check on the rising trend in edible oil prices requires no special emphasis.

Weary but Confident

STOCK markets crawled their way further up last week. While Dalal Street very nearly reached its last year's top, other markets did not lag much behind. Of course, it was not easy going; at times, markets seemed to pant for breath. But this should cause little surprise. Climbing on high altitudes is neither easy nor without hazards. It is good that markets should be moving warily.

Apart from corporate news which continued to be quite encouraging, there was little else in the week's news which could enthuse markets to rush for new peaks. And where is the big hurry? Already markets have travelled a long distance from the year's low point. It is perhaps time they took a good pause and had a fresh look at various influences which have a bearing on the outlook for equities.

Exports seem to have run into difficulties. There has been a very steep fall in exports in February to Rs 97 crores from Rs 145 crores in January. Inflationary pressures are causing concern. Political uncertainties are on the increase.

But bulls have little cause to worry. With short sales banned and floating stocks of shares getting scarcer, they are in full command of the situation. There is none to challenge their position. The ban on forward trading has become the biggest bull factor for the time being.

COMPANIES

Lever Spreads Out

Hansavivek

HINDUSTAN LEVER nearly doubled its exports in 1969 to exceed the Rs 2 crore mark with emphasis on non-traditional items in which sal seed oil figured prominently. Collection and extraction of sal seed and export of oil for use as a confectionery fat are claimed to be pioneering operations. Several processes developed at the Research Centre are being scaled up for regular production of aromatic chemicals. An agricultural specialist has been put in charge of surveying and encouraging production of natural essential oils which are raw materials for some of these chemicals. Production of nickel catalyst has been increased not only to meet the company's own growing requirements but also to supply to other vanaspati manufacturers. Research and development activities have been further strengthened and several items of pilot plant equipment added. Total capital expenditure on research amounted to Rs 1.47 crores and further additions to plant and buildings are to be made this year. Revenue expenditure on research and development rose by Rs 10 lakhs to Rs 54 lakhs in 1969.

The company's brand of malted milk food has been established in the South and several products in the Hima range, put into test markets, are expected to be sold nationally in the current year. The range of animal feeds has been widened and research is being undertaken into formulations to improve efficiency of products. Owing to a poor oilseed crop in 1968-69, prices of vegetable oils ruled high for the greater part of 1969 in spite of substantial imports by Government of soyabean oil and non-edible oils. HL was able to utilise increasing quantities of inedible oils for soap-making.

During 1969, turnover expanded 17.5 per cent from Rs 92.59 crores to Rs 108.79 crores but, with contraction of margins due to higher raw-material and production costs, gross profit could edge up barely 3 per cent from Rs 7.06 crores to Rs 7.28 crores. Net profit was Rs 2.97 crores (Rs 2.38 crores) to cover the unchanged 14 per cent distribution on the enlarged capital 1.6 times. Return on total capital employed worked out at 13.5 per cent. In February last, the company issued 28.89 lakh new equity shares on a one-for-four basis raising the capital to Rs 14.45 crores.

CEAT TYRES expects to receive shortly part of the imported machinery for expansion of capacity by 2.5 lakh automotive tyres and tubes and the bulk of the rest in the second half of the year. Licence for import of capital goods is being awaited for the bicycle project which, when completed, will enable production of 20 lakh units per annum. For the third year in succession, manufacturing facilities were fully utilised. Throughout 1969, the plant operated in excess of capacity and production could be stepped up by 10 per cent because of commissioning of balancing equipment. Entire production was sold out, reflecting high market acceptability of products. During its tenth year ended December last, turnover was up 10 per cent from Rs 21.05 crores to Rs 23.09 crores and in step gross profit rose from Rs 2.37 crores to Rs 2.61 crores. Net profit was Rs 106 lakhs (Rs 95 lakhs) to cover dividend stepped up two points to 11 per cent on capital enlarged by a one-for-ten bonus issue 3.2 times. Return on total funds employed worked out at 14.2 per cent.

PHILLIPS CARBON completed work on the Rs 50-million expansion in March 1969, and in anticipation of rising demand has applied for a further expansion of the plant capacity. Two additional grades of carbon black have been produced for the tyre and rubber industry. An off-gas burning system was installed for utilising the fuel value of effluent gases to reduce fuel costs and a new purge gas filter was commissioned for additional recovery of carbon black particles and minimising pollution of atmosphere. It is claimed that, despite "further substantial increases in the costs of a majority of our supplies and services", the 1964 price-levels were maintained once again in the year ended November 1969. With the loss of one coal tar storage tank in an accidental fire, and with the feedstock shortage, production was affected for a quarter of the year. Efforts are being continued to explore new sources of feedstock. During 1968-69, the tenth year of its existence, Phillips Carbon increased sales from Rs 330 lakhs to Rs 362 lakhs and gross profit from Rs 92 lakhs to Rs 117 lakhs. Net profit was Rs 48 lakhs (Rs 37 lakhs) to cover the 15 per cent equity distribution 1.7 times. In addition, the board has recommended issue of bonus shares on a one-for-ten basis.

J K CHEMICALS intends diversifying its activities into shipping and aerial spraying of fertilisers and pesticides, besides carrying tourist traffic in aircraft and helicopters on non-scheduled flights. As a first step in this direction, authorised capital is being increased from Rs 95 lakhs to Rs 3 crores and board's authority to borrow funds from Rs 2 crores to Rs 14 crores. Most of the finance for purchase of ships will be in foreign loans.

TATA MILLS, which is 58 years old and has an installed capacity of 80,192 spindles and 1,909 looms including 288 automatic ones, could step up its total income from Rs 8.50 crores to Rs 9.68 crores in 1969, and the outcome was a trading surplus of Rs 70 lakhs against a deficit of Rs 14 lakhs in the previous year. Out of this, Rs 69 lakhs were provided for arrears of depreciation for 1967 and 1968, with the result that depreciation for the year was left in arrears and preferential dividend amounting to Rs three lakhs would be possible with the aid of a withdrawal from reserves. Equity dividend is skipped for the third time in succession. Plant and equipment of the value of Rs nine lakhs was installed, and value of works under construction and machinery awaiting installation at the year-end amounted to another Rs nine lakhs. Further orders have been placed for machinery worth Rs five lakhs after the close of the year. Production of non-wovens increased by about 50 per cent. Non-woven lapping for printing is now acceptable to many textile mills and process houses. Manufacture of printed 'paper' dress material from non-woven fabrics, first of its kind in India, has also been well received.

AMAR DYE-CHEM has had a good year to December 1969 when, despite a month-long strike and shortage of raw materials, it could step up production from 1,914 tonnes to 2,392 tonnes, including 196 tonnes sold abroad. Turnover expanded by 20 per cent at Rs 6.39 crores but gross profit shot up by 60 per cent at Rs 1.28 crores. Net profit was Rs 37 lakhs (Rs 23 lakhs) to cover the unchanged equity distribution of 10 per cent 2.7 times. Return on total funds employed worked out at 8.3 per cent. In addition, there is a recommendation of a free scrip on a one-for-ten basis. The current and future years hold out promise of still better results. The project of doubling beta naphthol capacity to 2,000 tonnes is in progress, and is expected to be completed by the end of this year. The commissioning of the dianisidine and ortho tolidine plant has been delayed as the ordered equipment has not arrived. One unit is now expected to be commissioned by the middle of this year. Pilot plant trials are being taken for vat dyes. Meanwhile, range of reactive dyes has been expanded by adding about a dozen products. Expansion of the reactive dyes plant is under progress.

FROM THE CHAIR

Jessop and Company Limited

Chairman, Mr A K Chanda's Review

Shortage of Raw Materials Continues to be Very Critical — New Wage Bill Hits Cost of Production — Export Improves

THE following is the address by the Chairman, Mr A K Chanda, at the 38th Annual General Meeting held on April 24, 1970, at Calcutta.

I regret to say that the working for the year ended 31 October, 1969 does not present a cheerful picture. Though the sales increased by Rs 186 lakhs to Rs 1,402 lakhs, we incurred a loss of Rs 49.87 lakhs, after certain adjustments mentioned in Notes to Accounts.

Though the Company has a fairly full order book, it has not, despite strenuous efforts, been able to attain an economic level of production and sales. The causes were many, not the least of which was acute shortages of iron and steel materials which persisted throughout the year. Shortages of flat products like plates and sheets, in particular, continued to be very critical. The situation has worsened further in the current year. They are not readily available even for orders which enjoy the highest priority. There does not seem to be a likelihood of the position improving perceptibly until the Bokaro Steel Plant goes on stream, itself delayed beyond the date set. These shortages and inability of other units to supply essential components due to difficulties of their own, mainly of labour and finance, have upset the rhythm of production of the Company and its viability. The inter-dependence of industrial units causes a chain reaction when there is a default even on the part of a single unit in certain circumstances. The truth of this has been amply demonstrated in West Bengal. Often, a handful of militant workmen, in a comparatively small unit, has held the entire engineering industry to ransom. This irresponsible attitude has swelled the ranks of the unemployed and enlarged the area of economic distress.

Wage Level

The threat of an industrywide strike was averted by an agreement on wages made on 27th September, 1969 which became operative from 1st July, 1969. This has increased our wage bill by about 21 per cent, and in terms of money by about Rs 66 lakhs per annum. Even before this increase, our products were being priced out of the market because of low per capita production. It is imperative, therefore, that if the Company is to survive, there has to be higher productivity not only to offset the wage increase but also to overtake the past cost differential.

We have since rationalised our schemes of production bonus and provided higher incentives for higher output. I am glad to say that our work-force has, so far, responded to our exhortations. There is the growing realisation that the viability of the Company and its future, as also their own, rest largely on their dedicated performance.

Finance

The results of the working of the last two years have increased considerably the strain on our ways and means position. We have not been able to generate resources needed for maintaining production without external loan assistance. The Industrial Development Bank of India came to our rescue by granting us a Term Loan for Rs 300 lakhs during the year which was utilised largely to liquidate the Cash Credit Account with State Bank of India.

While we have reviewed and reduced our inventories, there has been unconscionable delay in the settlement of our escalator claims, export entitlements and release of balances withheld. The way the export entitlement scheme now works is tending to make it a disincen-

tive rather than an incentive to export. The heavy incidence of interest charges on outstandings due to the Company erodes any margin there might be in the export prices and adds to our financial difficulties. This is equally true of internal orders placed by Government and official agencies. This is a matter which requires urgent attention of Government, needing a streamlining of the system of procurement and payment.

Production

The load on our Structural Works has improved slightly because of the order which we have secured for the manufacture and supply of 3 Sliding Caissons for the Haldia Docks. The size of caisson is the first of this dimension to be manufactured in India.

The offtake of cranes, which are generally of higher capacity, continues to be low. With a view to effect a breakthrough in the field of high capacity wharf cranes and other specialised mechanical handling equipment, we have made arrangements for acquiring technical know-how from a world renowned firm. This now awaits formal Government approval. Major sluice gate projects at Farakka, Gandak and Nagarjunasagar, are nearing completion. We are making efforts to obtain further sluice gate orders to take up the capacity of the Farakka Workshop, likely to be rendered idle.

Delivery of our EMU coaches for Railways commenced from May, 1969. The production rate, which was 1½ units a month, has now been increased to 3 units a month. We have indicated to the Railway Board that we can increase outturn further to 4 units a month provided that the electric traction equipment and wheel sets, which we receive from Railway Board as "free supply items" and which in its turn is dependent on Heavy Electricals' (Bhopal) production, matches our output. Without co-ordinated supply, our effort to increase production would be frustrated and economics of the production of EMUs would be further disturbed.

A letter of intent is also expected from the Railway Board for a further 36 units. This would mean that our EMU manufacturing capacity will be booked for a few months more. We have approached the Board for a review of the uneconomic price of EMUs now in execution and we expect a favourable settlement.

The production of metre gauge coaches was low at the beginning due to inadequate receipt of steel materials from the mills and wheel sets from the Railway Board. These factors affected considerably our production of coaches during the year under review. We have now attained the production rate of 35 coaches a month and are taking steps to increase it further to 50 coaches provided steel sheets, components and wheel sets are received in time. With the present orders in hand, the Coach Works would be kept employed till around May, 1971.

The domestic demand for Road Rollers has recently shown a marked improvement and we have received firm orders for 152 rollers and enquiries for many more. The sales prospect for the coming months is also encouraging. We are making efforts to regain our past production of 40 units a month. But scarcity of steel and components is hindering our reaching optimum output.

We have also introduced into our range of manufacture, Towed Vibratory Road Roller, which we designed and developed ourselves. The first roller produced has been sold and the interest shown in this type is encouraging.

Export

During the year we entered the export market for Road Rollers by securing orders from Burma for one 5/6 ton Roller, and from the UAR for four 8/10 ton Rollers. Both these orders have been executed. We now expect a repeat order for 12 Rollers from the UAR. We also have a number of enquiries from other countries and there are prospects of securing some more orders during the current year.

I reported last year that an order for 500 covered 4-wheeled wagons from Poland had been secured. The execution of the order is well in hand and we expect to ship two prototypes by April, 1970.

Orders from Brazil for potshells and cradles, and from East Africa for 247 covered Wagons were completed during the year. We also completed supplies of sluice gates and mechanisms for the Muda Project in Malaysia; these are now being erected and commissioned under our supervision. We also supplied a few cranes to Sudan which are being commissioned at site.

During the year, we have received further orders from Iraq, Sudan and Nairobi for Pressed Steel Tanks and Stagings. Our offer for 69 Tanks in addition to 64 on order from Sudan is, we understand, being favourably considered.

We have participated in tenders for 3,800 units of Rolling Stock of various types from East European and African countries. There are distinct possibilities of some of the orders materialising. This would keep the Works building Wagons gainfully employed.

Durgapur

Our Spring Plant capacity could not be fully commissioned due to shortage of spring steel billets. Although we had planned to install balancing equipment in our Spring Plant to meet the demand of the Automobile Industry, we had to postpone the scheme in view of shortage of materials.

The production of the foundry is steadily improving to make our Durgapur project more profitable. We are actively considering a fuller utilisation of the investment in Durgapur by diversification, pooling our resources with those of another well known established unit.

Management

The Order of the Government of India dated 15th May, 1958, made pursuant to section 18A of the Industries (Development & Regulation) Act 1951, entrusting the management of the Company to a Board of Management was withdrawn with effect from 15th August, 1969. The management of the Company was vested with effect from that date in a Board of Directors elected at the Extraordinary General Meeting held on 31st July, 1969.

Mr P K Bardhan, who had served the Company as the Financial Controller and a Member of the Board of Management for about six years and was elected as a Director, retired with effect from 15th January, 1970. I should pay a tribute to his loyal and distinguished services. I am sure you will join me in wishing him happiness in retirement.

General

I should like to express our appreciation of the services of the staff and workers. The spirit of understanding which animates them augurs well for the future.

It would be foolhardy for me to project into the future; there are too many uncertainties and too many imponderables. But with the willing cooperation of all employed in the Company we should break even, if not make a reasonable profit, provided there is an even flow of material needed for keeping the Works fully employed.

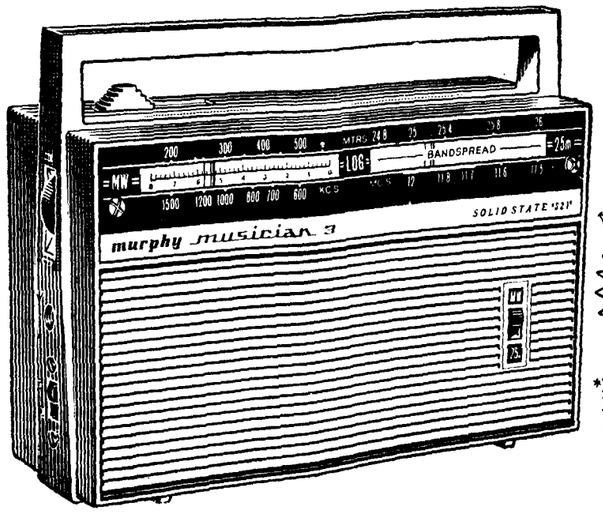
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April 25, 1970 Regd No MH—139

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ECONOMIC AND POLITICAL WEEKLY

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DEPUTY SECRETARY TO GOVT. (INDUSTRIES)
4 - MAY 1970
INDUSTRIES DEPARTMENT

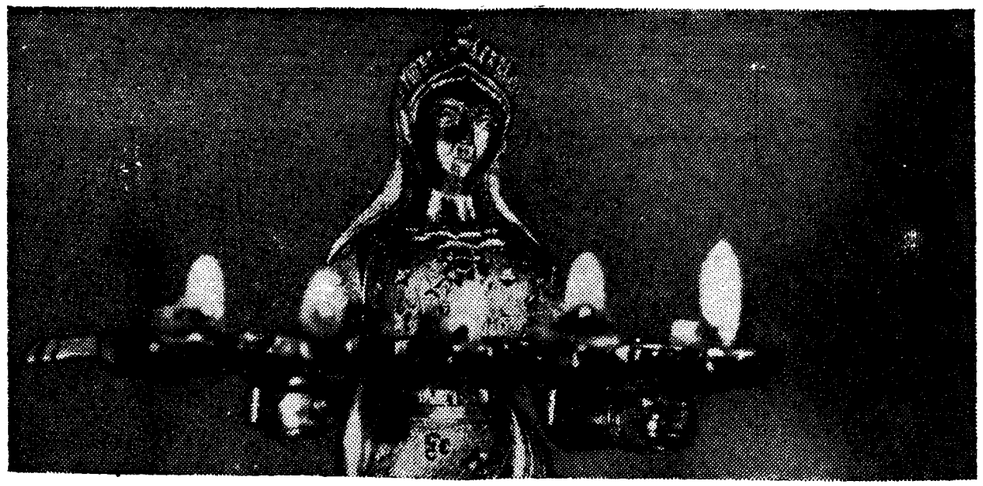
POLITICAL CULTURE OF COORGS

SUPREME COURT AND RIGHT TO PROPERTY

FARMERS' RESPONSE TO PRICE CHANGES

MICHAEL KALECKI

INTER-STATE DIFFERENCES IN WAGES



Welcome to our new shareholders

ITC's recent issue of 37,90,000 Equity Shares met with an overwhelming response and was swiftly oversubscribed.

We greet our new shareholders and thank them for their confidence in the Company.

Nearly six crores of rupees have now been invested in the equity capital of ITC by the general public and 47,90,000 shares are held by over 20,000 shareholders throughout the country.

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ECONOMIC AND POLITICAL WEEKLY

Founder-Editor : **Sachin Chaudhuri**

Vol V No 18 **May 2, 1970**

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Editor

KRISHNA RAJ

Assistant Editor: Rajani X Desai

Business Manager: A Fernandes

Circulation Manager: Shiv Patil

Editorial Staff

Colin de Souza, Haresh M Advani, Shireen Heerjee, Ashok Rao, Ranjeet R Chandi

China's Long Haul

THE fact that US intelligence reports had more or less prepared the world for it or that it in no way alters the strategic balance between China and the Super Powers has not diminished the worldwide awe with which China's entry into the space club has been received. This reminder of China's progress towards full-fledged nuclear power status has come at a significant juncture. Chou En-lai's recent visit to North Korea has been taken to mean that China is emerging from a period of relative diplomatic inactivity supposedly enforced on it by the Cultural Revolution. Also, it is becoming clear that some generally accepted assumptions about the trend of developments in South-East Asia are in need of reconsideration.

Of these, one of the less important ones relates to the withdrawal of British forces from the region. The purpose of the well-publicised military exercises proposed to be held shortly in Malaysia and involving troops from Britain, Australia, New Zealand, Malaysia and Singapore is to demonstrate that even after British troops now permanently stationed there pack up and go home, Britain will retain the ability to air-lift troops to Singapore and Malaysia at very short notice and in adequate strength to contain any external or internal threat to their pro-Western regimes.

More important, of course, is Japan's declaration of intention to carve out a major power role for itself in the region with the active support of United States and, hopefully, the tacit acceptance of Soviet Union. Japan's ambitions are still founded mainly on its economic and technological strength; but it is also making known that should the need ever arise, it would not hesitate to bare its military claws which would prove adequately sharp and powerful.

But the most important assumption which is in need of reconsideration is that there is going to be in the foreseeable future a withdrawal of the American military presence from this part of the world. True, there has been some reduction of American troop strength in Vietnam; also, President Nixon has only the other day declared that another 150,000 troops would be called back by the end of April next year though, significantly, he omitted to spell out how this withdrawal was going to be phased. But even after these 150,000 troops return home, there will still be more than ten times as many US troops in Vietnam as there were in 1964. And in any case the American presence elsewhere in the area is so powerful that reduction of troop strength in Vietnam, to assuage American domestic opinion, will in no way amount to US withdrawal from the region.

Most important, it needs to be noted that President Nixon has followed up his announcement about prospective troop withdrawal by proceeding to falsify the general expectation that US would not intervene militarily in the Cambodian civil war. What began as shipment of 'captured communist arms' to the Lon Nol regime has now turned into officially admitted participation by many thousands of American troops in the fighting. The argument used to justify this is the old one — that a short, sharp escalation is the best way to win the war and restore peace. But by now the US Government knows the complexities of the situation in Indo-China too well to seriously believe that what it has embarked on in Cambodia is going to a quick, clean operation. The decision to launch on it nevertheless squares only with acceptance of the fact that US troops are going to be in the area for a long time to come.

This then is the context in which China's gradual emergence as a nuclear power has to be seen. The situation that faces China is marked by the Super Powers' efforts to encircle it with hostile governments backed up by a massive US military presence and a growing Soviet one; by their attitude that China is not to be taken into account, much less accommodated, in developments which are, by any reckoning, vital to its interests; by US determination — now tacitly supported by Soviet Union — to keep China out of the councils of the world on the pretence that Formosa represents China. Viewed in this context, the launching of the first Chinese satellite appears not as some spectacular development posing a new threat to any region or country, but as another step in China's long haul to put itself on a more equal footing *vis-a-vis* the Super Powers.

It is understandable, given the state of relations between India and China, that this is not how the event has been viewed in this country. It overshadowed the debate on the Defence Ministry's budget in Parliament and sparked off demands from all sections of the two Houses that Government reconsider its decision not to make nuclear arms. But if in the wake of the Chinese satellite, the 'bomb' becomes a live political issue, the reasons may have much to do with the internal political situation. Apart from its traditional supporters, the

demand for going nuclear is likely in the present context to have the support of all those who are disillusioned with, among other things, the country's slow economic progress, the diminution of its international status, the seemingly never-ending dependence on foreign aid of various sorts, and the steady strengthening of fissiparous tendencies and regional loyalties. For these elements, many of them with Leftist sympathies, the economic and political discipline, the enforced self-reliance and the compulsion to subjugate regional loyalties to a national goal which a total commitment to a nuclear armaments programme will supposedly entail appear highly attractive. Then there are those in the ruling Congress — the debate in Parliament revealed a large number of supporters of the 'bomb' on the Government benches — who, given their limited political vision, see the 'bomb' as the answer to their 1972 election problems.

A Still-Born Tax ?

A Correspondent writes :

MORARJI'S last budget — that for 1969-70 — had a few delayed-action bombs which are now exploding under Indira Gandhi. Indira Gandhi has been blamed for the purely negative action of letting the rates of development rebate come down. And now she is having to face resistance to the agricultural wealth-tax which, though introduced in the 1969-70 Budget, came into effect from April this year.

Agriculture is a sacred cow in all countries, and in India taxing agriculture presents peculiar political problems — mainly, of lack of courage among State Governments. State Governments have reneged on their economic obligations in favour of the easy option of slow growth — and of begging or bullying the Centre into giving them more funds. Morarji, with rather characteristic disregard for political popularity, imposed the tax on agricultural wealth though, to buy off the States, he agreed to give away the entire revenue from the tax to them.

This has not assuaged the State Governments which, led by Punjab, have spearheaded the opposition to the levy. Indeed, many State Governments are reported to have even issued unofficial instructions to their village level functionaries to hinder — or at any rate not assist in — the collection of the tax. The arguments advanced by the States expose their political cowardice. They argue that the tax is unconstitutional, agriculture being a State subject. However, besides the Law Ministry, eminent constitutional authorities have opined that the tax is not covered by a specific entry (agricultural wealth tax not being the same as a tax on land which is a State subject) and that it, therefore, falls within the sphere of the Centre under the residual powers. In any case, if the tax is constitutionally invalid, it is for the tax-payer, and not the tax-beneficiary, to challenge it.

Once this argument falls, the States resort to others of dubious logic to justify their stand. It is argued that the 'green revolution' is just taking root and that the tax would retard its spread. This is patent nonsense: the one advantage of a wealth tax (as of a pool tax) is that it is neutral to income and, therefore, it does not discourage production — in fact, it might be a strong incentive to additional production if the taxed person seeks to maintain his net income.

For the same reason the proposed tax will not discourage agricultural investment — or, rather, adoption of better agricultural practices. It is true that investment in land improvement would raise the tax liability under the tax; but better agricultural practices would also include more fertiliser consumption and digging water channels, which would hardly come under the tax. At the most there would be a marginal shift from permanent improvement of land to more current inputs.

Is the tax regressive in character? It is true that overall agricultural income is lower than non-agricultural income, and, as the recent study by P D Ojha ("A Configuration of Indian Poverty: Inequality and Levels of Living", Reserve Bank of India *Bulletin*, January 1970) showed, the percentage of people below the poverty line is higher in rural areas than in urban areas. Yet this is the strongest argument for the proposed tax. For, the tax will hardly touch the agricultural poor. Rather, it will tax the new agricultural *nabobs* who flaunt their wealth in the possession of two tractors and a jeep and much besides. This is the Kulak road to a Naxalite revolution. Must our State Governments be so short-sighted as not to see this?

Only Ripples

SINCE prospects of any radical reorientation in South African politics remain blighted by heavy-handed repression, the return to power of Vorster's National Party in last week's elections is no matter or surprise. Yet, because of the strong challenge that had been posed to the ruling party by the Hersigte Nasionale Party, the lunatic fringe of Afrikaaner reaction which had broken away from the National Party in the split of last year, the elections had aroused worldwide interest. In the event, the Hersigte party has been routed at the polls, its leader, Albert Hertzog, forfeiting his deposit in Transval's Ermelo constituency. Simultaneously, however, the ruling party has also suffered reverses, losing altogether nine seats to the main Opposition, the United Party. The only party to have made any gain in terms of seats in the elections, the United Party has secured 48 seats against the 39 it had before. Helen Suzman's Progressive Party, which may be said to be the only non-racist party in the elections, made no headway whatever, though Suzman herself increased her majority.

All this is for the record. In basic terms the elections have changed practically nothing for, with 117 seats in hand, including all the four previously held by the Hersigte party, the nationalists will continue to be in full command as they have been for the last 22 years. Though the Hersigte party has been wiped out as a political force of any immediate consequence, this cannot be thought to have made any dent on the hard core of Afrikaaner racialism, which the Nationalist party still represents. Vorster and Hertzog represent no more than two sides of the same medal; the difference, if any, is a difference between apartheid and more apartheid. Even the United Party, for all its professions of pseudo-liberalism, is racialist to the core; in fact, its racialism extends to Afrikaaner whites as well. And its leaders have been accusing the Nationalist party of doing too much for the Africans in the Bantustans.

The most significant thing about the elections, after all, is that it has been an all-white election, in which the majority population of coloured South Africans took no part. As such, and irrespective of the minor fluctuations that it may have caused in the white community itself, the election results hold out no promise of a better and less inhuman order for South Africa. There is a slight possibility of the Afrikaaners being compelled to abandon some of the harsher measures of apartheid out of sheer economic necessity. The United Party, which represents English business interests, for example, has been urging employment of more non-whites in positions previously held by whites only. This may have to be met at least to some extent, as there are just not enough whites to go around. However, it seems unlikely that the whites will seek to compromise on apartheid and white supremacy even for securing greater economic prosperity for themselves.

Teeth—To Bite the tail?

AFTER the gorgeous show of arms and materiél at the Republic Day parade and the rehearsals of the eight-minute fly-past that did not take place, one might have expected the 1969-70 report of the Ministry of Defence to vaunt the strength of the Indian armed forces. Instead, it is strangely muted about the physical aspects of the forces. It concentrates rather pointedly on questions of organisation and training; only when it comes to defence production is it somewhat informative. No amount of reading between the lines would tell one that the Indian army's small weapons are now roughly the equal of those of the more modern armies of the world, that it has far more and qualitatively better artillery support than ever before (though even now probably less than adequate), that it has at least two, possibly three well-equipped armoured divisions with one in reserve, that it has a fairly balanced fighter force going up to Mach-2 interceptors, or that the Navy, though militarily insignificant still, is poised for an expansion that might give it a meaningful capability for short-range defence. This is just the moment when the Government of India could have patted itself on the back for the armed strength it has built up — and it has missed the moment.

The reasons might be twofold. First, the strategy, formulated in the late fifties and early sixties, of building up armoured and air strength from indigenous production and technology has failed spectacularly, at least for the time being. Presumably as a reaction to the frantic arms build-up of Pakistan after 1965, the Government has had to rely heavily on imports of armour, planes, and submarines from Russia; and the indications are that this dependence on imports or manufacture on licence would continue well into the seventies.

Even this might not be a cause for much depression if Russia were an unequivocal ally; after all, all second-rank powers and below are dependent on foreign arms. But by giving military aid to Pakistan, Russia has greatly raised the strength we would require to feel confident against both Pakistan and China.

In fact, thereby Russia has made our problems incapable of military solution. The Government's attitude, as stated at the beginning of the report, is that we are a universally friendly country who unfortunately have two recalcitrant neighbours, and we have to keep ourselves armed against their possible collusion and attack. Well, we cannot. Sixteen years ago Dulles suddenly put us in a position where we could in no conceivable manner make ourselves secure within our means; today, with armed strength roughly quadrupled, we are back where we were then, ever thirsty like Sisyphus. It gives food for thought on the level of foreign policy; but then that is not the Defence Ministry's kettle of fish.

Shifting Thoughts on Moving Pegs

WHEN D-mark was floated last September, and the experiment, despite the experts, proved a success, there were hopes (and fears) that flexible exchange rates might become respectable and acceptable. At IMF's last annual meeting, grudging recognition was given to the phenomenon and it was agreed that the implications of flexible exchange rates should be examined by the Fund. Now views seem to be getting crystallised — against flexible exchange rates.

IMF's findings are to be examined by the Group of Ten among whom some resistance to flexible exchange rates is to be expected. First, West Germany which triggered off the movement towards flexible exchange rates has noticeably cooled towards the idea. D-Mark being a strong currency, it would, like Yen, lose the advantage of undervaluation which a strong currency enjoys under a fixed parity system.

Second, ECM itself is engaged in a move to form a currency union: this would imply fixed parities among ECM currencies and uniform movements, up or down, against the others. Such an arrangement would require harmonisation of domestic policies, particularly fiscal and monetary policies, which raises various political issues. France would, so as to consolidate ECM before the British enter it, go to this stage in one leap while West Germany would prefer to 'evolve' towards such a union.

Finally, flexible rates go against the current *dirigiste* philosophies of governments, and would make life nightmarish for central bankers. To achieve some semblance of order, most central bankers would consider official intervention in currency markets absolutely necessary, and each such intervention would raise the issue whether it was in consonance with, or contrary to, the trend rate.

For all these reasons a consensus is sought to be gradually created about future policy regarding currency parities. First, flexible rates are to be considered justifiable only when the parity of a currency is in the process of revision — as was the D-mark's last September. Second, the present parity band — one per cent on either side, under the IMF articles — is, however, deemed to be too narrow for comfort. At the last IMF meeting UK favoured a slight widening of the band. This seems to be the form in which the new orthodoxy is likely to jell.

'Anna' for Lunch?

HOW can a party in power, its leaders preoccupied with administration in the capital city, still retain its "Common Touch"? In its own limited sphere, DMK has shown remarkable success in this direction. But then it could be quickly pointed out that this success springs precisely from the fact that the sphere is limited and provides such highly effective points of mass contact, as Anna and the Tamil Language. These advantages have been exploited through various and diverse rituals of hero worship and sustained work at altering names and devising nomenclatures with an authentic Tamilian flavour. Sometimes the two operations can be happily combined, as in the proposal to name a new paddy strain after the late leader, Annadurai.

The moving spirit behind this particular idea is actually the Centre, which seems to have suddenly decided that the promotion of the Green Revolution requires 'meaningful' designations for new seed strains. This is a little confusing. New seed varieties are the result of continuing research at various agricultural research stations. What could be more 'meaningful' then than a nomenclature indicating both the station and the stage of research — such as the famed ADT 27, which was the twenty-seventh strain developed at the Aduthurai research station? But no, the Centre will have no more of this pedantry and the Tamil Nadu Government has gleefully set about the job of finding new and better names. The combination of English alphabets and Arabic numerals is definitely out. Nor is the Centre's suggestion of tame, conventional names like 'Jaya' and 'Padma' acceptable. For true meaning, there has apparently to be a link with real life — which means politics. To underline the significance of this new

bout of christening, the State Agriculture Minister, Satyavani Muthu, cited the example of a farmer, who chose to burden his son with the name 'IR 8', after the paddy strain that brought him prosperity.

Perhaps to save other Tamilian children from a similar fate, CO-33 paddy has hastily been re-named 'Karuna', after the Chief Minister. This provoked a member of the Tamil Nadu legislature to wonder why the first choice had not fallen on the name of the party's late, great leader. Whereupon Satyavani Muthu assured the House and the public that the *next* paddy strain would be called "Anna".

No one seems to have stopped to consider the propriety of choosing agricultural products as a means of commemoration. A paddy strain would mean more prosperity only if it increased yields — to be marketed and, ultimately, eaten. To have an edible product bear the name of a loved and revered leader does not seem in the best of taste. To those with literal minds, it might even smack, ever so slightly, of cannibalism. Even less pleasant is the thought of the after-effects should the yield of the new strain prove indigestible or unpalatable.

BUSINESS

Revolt in the Conference

DEVELOPMENTS regarding the India/Pakistan Shipping Conference's proposal to put up freight rates by 15 per cent from July 15 followed a by-now-set pattern — upto a point. A high-powered delegation arrived in the country, held talks with different bodies of shippers, heard them patiently and then announced blandly that the proposed freight hike was inevitable! Shippers and Government protested, but to no avail — so powerful is the oligopolistic organisation of the Conferences.

But then an encouraging development came from the most unsuspected quarters — namely, the Indian member-companies of the India/Pakistan Conference. According to Press reports, the Indian companies have actually threatened that they might quit the Conference should it insist on the 15 per cent increase in freight rates. In the past, whenever freight increases had been proposed by Conferences operating in the Indian trade, Indian companies had invariably stood solidly behind the demand. Their attitude to shippers' pleas for better service and/or promotion rates was no different from that of the other companies comprising the Conferences.

Why this change of heart this time? One reason could be that Indian companies have *now* acquired their legitimate share in our trade on the India/Pakistan Conference and can, therefore, speak with confidence. Further, Shipping Corporation of India which accounts for nearly 50 per cent of India's liner tonnage, has recently come in for criticism for its tendency to toe the line of the Conferences. In this instance it seems to have decided to try to answer its critics by appearing to put up a fight. It is also suspected that Government may have decided to exert some pressure on the Indian companies, which it is well equipped to do given control over allocation of foreign exchange and SDFC funds.

Shipping Corporation itself would not mind it too much if the 15 per cent freight hike does not go through since its tramp fleet has shared in the boom in tramp freight rates and this would improve its overall working results. The other two Indian members of the Conference, Scindia and India Steamship are less strident in their opposition and are content to hope that things would be sorted out somehow. In any case, even the Indian companies have questioned not the case for a rise in freight but the extent of the proposed increase. They have dropped hints that an increase of about 10 per cent would not be unjustified. The dispute seems in fact headed for some such compromise settlement; but before this happy ending is applauded it needs to be examined how much of an increase of even 10 per cent is justified by cost factors and how much of it reflects just the Conference's anxiety to exploit the boom in tramp rates.

Fertiliser Blues

THE upsurge in fertiliser demand is gradually losing steam. After initially rising by as much as 25 per cent per annum, during the last two years demand went up by a mere 15 per cent per annum. At the same time, supply has expanded. First, production is rising (though, mercifully it would seem, less rapidly than capacity). Three major projects have gone into production in the last one year — DCM at Kota, ICI at Kanpur and expansion of Gujarat State Fertiliser. Soon Madras Fertiliser will be ready to go into production. Second, aid-giving countries, eager to take credit for the 'green revolution', are at the same time eagerly pumping in more aid in the form of fertilisers. This, of course, is not entirely altruistic; there is a fertiliser glut in the advanced countries and prices have been falling; producers' pressure to palm off the surplus supplies through aid is, therefore, great.

The result has been that selling fertiliser has become difficult and stocks have mounted. The worst sufferers are superphosphate producers, many of whom have had to keep their factories closed for varying periods during the last two years. Superphosphate is an inefficient fertiliser in that the P_2O_5 content is only one-sixth. Its transport is, therefore, uneconomical over long distances. Moreover, pure P_2O_5, though essential and in the long-run beneficial, does not produce the same visible luxuriant growth that application of urea (44 per cent N) gives. Consequently, superphosphate is not the most popular variety of fertiliser among farmers.

Yet India needs P_2O_5. Against a 1:1 ratio between N and P_2O_5 in advanced countries, here even the target of 2:1 for $N:P_2O_5$ has not been reached. Superphosphate producers have asked for an import duty on fertilisers and Government has announced reduction in imports of fertilisers. Both these are short-sighted remedies. It is necessary that fertiliser producers, too long used to operating in a sellers' market, learn to sell fertilisers hard. Second, farmers have preferred mixed (and complex) fertilisers, and superphosphate producers should be encouraged to go in for mixing and granulation — even by supplying to them N at incentive rates. Expansion and diversification — product-wise and market-wise — is a remedy seldom popular with our manufacturers.

Not Too Private

THE Thirteenth Annual Report on the Working and Administration of the Companies Act, 1956, for the year ended March 31, 1969, brought out in April 1970, makes strange reading. The year 1968-69 was a better one for companies than 1967-68. The number of Government companies registered increased from 9 to 13, though the authorised capital was almost constant (Rs 71 crores in 1967-68 and Rs 69.3 crores in 1968-69). The number of non-Government companies registered increased from 1,035 to 1,102; the rise in their authorised capital was even more marked — from Rs 107.4 crores to Rs 180.6 crores. The number of companies liquidated declined from 627 in 1967-68 to 588 in 1968-69. Capital issued in 1968-69 amounted to Rs 43.35 crores and the project cost of these companies was Rs 132.62 crores.

Yet various issues remain. Evidently, the number of complaints received declined from 1,352 in 1967-68 to 1,160 in 1968-69. So also, applications for appointment of selling agents and for making inter-corporate loans and investments seem to be on the decline. On the other hand, the number of extensions sought for holding annual meetings increased from 2,686 to 2,790. It is in these respects that one can question the work of the Department of Company Affairs. In very few cases is there valid justification for seeking extension of time for presenting accounts or holding meetings; invariably such requests indicate that something is wrong with the managements of the companies. Instead of giving extensions and condoning mismanagement, the Department should require companies to give half-yearly accounts to shareholders. But then the question is: is the Department of Company Affairs, which itself takes one year to report on 1,000 company registrations, in any position to discipline others?

To begin with, company managements obviously overrated the Department's efficiency. Soon after the passing of the Act, there was a widespread move to convert public companies into private companies to avoid being covered by its provisions. As a result, of 27,707 non-Government companies, only 6,164 are public limited (against almost 10,000 in 1955-56). But are the private companies so private as to justify the exemptions they have? Many of them use large quantities of public funds — from banks and financial institutions.

The Company Affairs Department has thoroughly mismanaged implementation of the decision to abolish the managing agency system; and it has still to bring into effect the Monopolies and Restrictive Trade Practices Act. It is time the Department acquired a somewhat clearer philosophy of corporate management and control.

Business as Usual

R B SHAH's statement as Chairman of the Indian Banks' Association, despite being the first since the nationalisation of 14 banks, marks few departures from the earlier trends. Admittedly, he had the difficult task of justifying (or at least not challenging) nationalisation without at the same time finding fault with the running of banks in pre-nationalisation days. Yet, the question is: have banks changed? Shah's statement seems to imply that few things have changed.

Let us look at the disposition of bank funds in 1969: bank deposits increased by Rs 621 crores in 1969 against Rs 493 crores in 1968. Of this, bank credit took Rs 516 crores in 1968 against Rs 344 crores in 1968: that is, against a deposit expansion of Rs 128 crores, credit expansion was Rs 172 crores. It is not surprising that the increase in investment in Government securities was only Rs 100 crores in 1969 against Rs 108 crores in 1968.

Shah offers two explanations for this phenomenon. First, advances to 'neglected' sectors (small-scale industry, transport operations, retail trade) increased sharply by about Rs 62.49 crores in the seven months since nationalisation. (Shah, however, is discreetly silent on the increase in credit to these sectors in the 6½ months in 1969 prior to nationalisation — or the share of State Bank in it!) Second, Shah argues that banks had to finance a larger volume of output — though his example of sugar is hardly the best, considering the fall in free market sugar prices in the 1969-70 season.

Shah also trots out the usual statistics on branches opened and emphasises viability as an index of creditworthiness for loans. At the same time, he sounds a note of caution on the need for proper scrutiny before rushing in to finance backward regions.

It is Shah's omissions that are most striking, particularly considering the forum from which he was speaking. His implicit argument is that financing of 'neglected' sectors is to be at the cost of investment in Government securities. Moreover, he hardly considers the broad issues of excessive credit expansion, which have caused so much concern to central banking authorities in recent months.

So also, Shah hardly examines the role of banks in the new context. He harps on the immediate impact of branch expansion on profitability (and even profits foregone), but fails to examine the long-term role of banks in terms of servicing the credit needs of the economy. Nor does he discuss the impact of nationalisation on bank organisation and management and personnel training or the need for advance planning by banks to meet the new situation. All this makes one wonder: was there a July 1969 in Indian banks' history?

Export Infrastructure

EXPORT consciousness is a recent phenomenon in this country for which the credit should go not only to the recession and generous Government incentives, but also to the building up of a good infrastructure — most important, cheap credit and adequate export cover — to support the main effort. The annual report of the Export Credit and Guarantee Corporation (ECGC) for 1969 shows the progress made in this direction. The number of policies written and guarantees issued increased from 2,234 in 1968 to 2,976 in 1969 and the maximum liability covered from Rs 82.58 crores to Rs 133.15 crores. As a result, premium income increased from Rs 47.19 lakhs to Rs 70.47 lakhs. The claims experience, despite the increase in business, appears to have remained favourable.

However, some points do deserve attention. First, export policies still amount to only Rs 64 crores and cover a small part of total export trade. (It must be said, though, that some large long-term contracts, like export of transmission towers, are being covered by ECGC.) Second, post-shipment export credit guarantees declined marginally in 1969, after a sharp spurt in 1968. Third, though the Corporation reduced various premium rates, premium income increased marginally faster than growth in business — indicating a shift in favour of high-premium business.

Yet ECGC has kept up the momentum of its activity. It has been liberalising the terms of its cover — for example, increasing the percentage of loss payable to a uniform 90 per cent (against 80 per cent for commercial and 85 per cent for political risks) and from 66-2/3 per cent to 75 per cent under packing credit guarantees. ECGC's importance will increase as non-traditional exports expand, particularly exports of machinery, equipment and entire plants as part of turn-key jobs. So far, its promise is good.

Science or Seance?

Romesh Thapar

SIGNIFICANTLY, the hoisting of a satellite by China has not been given the kind of newspaper display which we associate with much lesser achievements. No doubt is left in any impartial mind that China has consolidated a remarkable scientific and technical sophistication into its productive infrastructure. These achievements show a massive co-ordination of skills and resources, limited as they must be in a developing economy. These dramatic pointers to advance have a lesson for us at home.

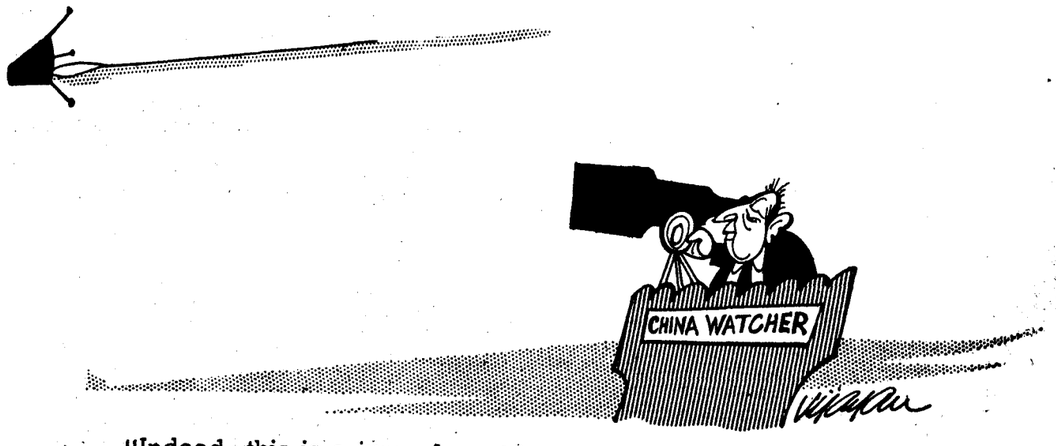
Science and scientists function at three levels in India — in the widespread empire of the Council for Scientific and Industrial Research, in the secret operations of the Defence Ministry and in the growing ramifications of the Atomic Energy Commission. Amidst the disorganisation that is Government of India, it is the Prime Minister who, in one way or another, co-ordinates these three levels of scientific thrust. Upon her will fall the responsibility of comparing perspectives of India and China, and also of closer neighbours.

Waiting for Achievements

The bulk of the budget for science in India — and for many years — has been consumed by the Atomic Energy Commission. It is now attempting to consume more of this budget by attempting to control the field of electronics which so far has been considered the untapped preserve of Defence. The Commission has been a law unto itself, and we have exhausted ourselves waiting with bated breath for achievements. Yes, atomic power has been offered but largely as a result of 'aid' from several advanced nations. This pattern is now becoming general, with the Commission planning the future much in the same way as one would go about organising a safe and profitable industrial collaboration heavily dependent on the technologies of an advanced nation. There is no vision of self-reliance, no boldness of sovereign purpose, no desire to take meaningful risks.

Small wonder, then, that we are fed on statements which bleat about us being able to do like the Chinese in five years' time. This is so much stuff and nonsense with the kind of lazy, collaborative, sleeping-partner attitudes which infect our scientific leadership. Talk to any young scientist, and he will tell you of the sorry mess our laboratories are in — including the "duplicates" in the domain of the Defence Ministry where, very often, non-scientists are in charge. The Kane Report, just released, has already confirmed some of our worst fears about the lack of co-ordination between science and industry. This fact should not be forgotten as other controversies on the Report are joined. If the Kane Report is fifty per cent correct, then we will certainly be where we are five years hence. Remember that statement about atomic bombs, and how easily we could produce them?

It is not that we need bombs of various description, but there are a host of other solid objectives which remain to be attained. Alas, we do not move towards them. Our so-called 'defence experts', who are clamouring for *the* bomb and *the* delivery system, are playing games like everyone else, but at least they are working themselves upto some degree of righteous passion. What of the scientific leadership of this country? We need to shake these non-starters from their roots. If they cannot perform, they must find other jobs.



"Indeed, this is a jump from Mao's Thought to Mao's Fantasy!"

Secrecy to the Rescue

Secrecy in the areas of science and defence is now a major weapon in the hands of the incompetent and corrupt. Minor probes, conducted by public-spirited individuals, or the outpourings of indignant men in these 'secret services', have uncovered situations comparable to the worst in the private and public sectors. We have no idea of the monumental waste which is permitted from year to year, in secrecy. And this is not to suggest that enough is spent on scientific effort in our country. The great job waiting to be done is to carefully tabulate technical and productive capacities, pool and co-ordinate the resources available in various sectors, and sketch the perspectives for achievement. Nobody is doing this, despite the proliferation of committees and such bodies.

The debate in Parliament on these matters takes the usual course — allegations against this or that personality. The personalities are not important; we have to find the treatment for the paralysis in the laboratories. Only then will we be able to see the difference between science and a seance. At the present rate of achievement we will be left far behind junior neighbours, let alone China.

April 27

Michael Kalecki

Ignacy Sachs

MICHAEL Kalecki, the world-famous Polish economist, died in Warsaw in April 1970 at the age of 70. He was Professor Emeritus of the Central School of Planning and Statistics and member of the Polish Academy of Sciences.

Kalecki visited India in 1959 to study the draft of the Third Five-Year Plan. His observations were subsequently published in *The Economic Weekly* ("Financial Problems of the Third Plan: Some Observations", July 9, 1960, pp 1119-1123). Several Indian students attended his lectures on the theory of growth in Warsaw and a few had the opportunity of working with him for their Ph D.

No economist with the exception perhaps of his compatriot, Oskar Lange (who died in 1965), could claim so wide an audience, both in the West and in the East.

Kalecki's reputation in the West was established with his early works on business cycle and his studies on war economy conducted in Oxford from 1940 to 1945. As early as 1933, he published in Polish his 'Essay on Business Cycle Theory' which anticipated Keynes' treatment of effective demand. "Michael Kalecki's claim to priority of publication is indisputable", wrote Joan Robinson. "With proper scholarly dignity (which, however, is unfortunately rather rare among scholars) he never mentioned this fact. And, indeed, except for the authors concerned, it is not particularly interesting to know who first got into print. The interesting thing is that two thinkers, from completely different political and intellectual starting points, should come to the same conclusion."

As a matter of fact, Kalecki's approach was much more radical and he had always been a sharp critic of the capitalist system; his ideas can be traced back to Marx and Rosa Luxemburg. Kalecki's theory of wages, his treatment of the degree of monopolisation of the economy and, later on, his insistence on the fact that the armaments race is a substitute for external markets, made him a source of inspiration for many left-wing scholars. Baran and Sweezy in their "Monopoly Capitalism" acknowledged their debt to him.

Kalecki's studies on business cyle culminated in his "Theory of Economic Dynamics" (1954), a classic translated into several languages and included in the syllabi of many universities.

From 1947 till 1954, Kalecki worked at the United Nations Secretariat. In 1955, he returned to Poland and became adviser in the Prime Minister's office and then in the Planning Commission. There he had the responsibility of preparing the draft of the 15-Year Plan, the first exercise of the kind in the world. He also worked on such methodological issues as the criteria of effectiveness of investment and the principles of international division of labour.

His planning experience prompted him to treat in a formalised way the theory of growth of a socialist economy. His book on the subject, published in Polish in 1963 and later translated into several languages, though extremely condensed, was a milestone in the development of the economic theory of socialism and was hailed as such in several eastern European countries.

Kalecki, in the meantime, was appointed professor (this was his first academic appointment, as he had never completed his studies in engineering, interrupted for lack of resources), and took a lively interest in teaching and academic research. He became the leading figure of a group of scholars and students keen to rationalise the planning and management of socialist economies.

Having founded, together with Oskar Lange and C Bobrowski, a Centre of Research on Developing Economies and an Advanced Course on economic planning for economists from Asia, Latin America and Africa, he oriented the work of the Centre towards specific problems of mixed economies and planning in such economies. The Centre was visited by a number of Indian professors who read papers at Kalecki's seminar.

A powerful and original theoretician, reputed for the precision and the conciseness of his formulations, a polemicist feared for the merciless logic of his arguments, but appreciated for his wit, Kalecki was also a man of great character who always stood up for his principles. He resigned before the War from the Warsaw Institute of Business Cycle Research to protest against the dismissal of two of his colleagues on political grounds. He left the United Nations in 1954 because of interference with the contents of a chapter on China prepared for a publication he was in charge of. Ten years later, he handed in his resignation from the Planning Commission in Warsaw because he felt that his presence there was becoming primarily decorative. In spring 1968, the so-called anti-revisionist and anti-zionist campaign of the Polish authorities hit several of his close collaborators and a surreptitious attack was launched against his theories. Kalecki expressed his protest by dissolving his seminar, giving up teaching and retiring ahead of time.

Council for Social Science Research

YOGENDRA Singh's constructive, incisive and thoughtful commentary on the Indian Council of Social Science Research (April 18, p 671) might, despite its cautious but not too diplomatic scepticism, be too optimistic. The Council certainly represents an institutional innovation. Would that work where the National Institute of Sciences of India — based much more on the initiative of scientists themselves, a group with a much more clearly defined professional identity — did not? But perhaps there is no point in asking such pessimistic questions. It is best to be constructive, keeping one's fingers crossed, with Yogendra Singh. Except that one could wish that the chairman of the Council were not also, simultaneously, Deputy Chairman of the Planning Commission, that the Member-Secretary, though a 'non-official', had higher credentials as a social scientist and less standing as a non-official Adviser to six successive and contrary Education Ministers and the rest of the secretariat were not borrowed from Government on promotion or post-retirement employment.

In this context, and even otherwise, one gets more than doubtful of the utility of State Councils. The dichotomy of the two-tier intellectual community is very real. Proliferation of State level social science bureaucracies is not a very promising prospect, nevertheless. The regional communities of social scientists could be much more servile *vis-a-vis* them!

Yogendra Singh's demands on the Council — improvement of teaching and conceptualisation in social sciences — are pitched rather high. Perhaps those are better met by (a) organisations of social scientists themselves, and (b) the UGC. The main thing, perhaps, to be thankful for regarding ICSSR is that it adds one more to the multiplicity of sources to which the individual social scientist can look for support — adding perhaps to his freedom somewhat. As for leadership and guidance, it adds one more source to the more natural and legitimate one, *viz*, the professional associations of social scientists themselves. The Council will succeed best if its birth stirs these associations into more meaningful activity, if only in sheer self-protection. The tragic example of how the Indian Association of Teacher Educators became a meaningless appendage of the powerful in the National Council of Educational Research and Training is already there to avoid.

S SHUKLA

New Delhi
April 21

Last Chance for Democracy?

WHILE your correspondent's letter from Sikkim ('Last Chance for Democracy?', January 3, pp 10-11) gives a very good assessment of the political situation in the country, there are some very serious misinterpretations contained therein of historical facts.

When, in 1949, the Sikkimese rose in revolt against the oppressions of the landlords and the monarchy they did not in any way express their demand for accession of Sikkim to the Indian Union. Why then should the Indian Government have entered into an alliance with the monarchy as against the wishes of the people? Yet Indo-Sikkimese relations are today based entirely on the 1950 treaty between the Chogyal and the Government of India. And accordingly, Sikkim came to acquire the status of a colony of India, with Indian troops deployed in Sikkim to safeguard the monarchy against the democratic aspirations of the people.

Further, the 1949 peasant uprising in Sikkim was in no way influenced by the Indian Independence movement as your correspondent suggests. It was a spontaneous act of the people against the ruthless oppression by the landlords and against the sheer passivity of the monarchy. The flourishing Tibet trade was just one more opportunity for the landlords to exploit the peasants. Villagers were forced, often at the point of torture, to carry goods to Tibet without wages. What was incredible was that these villagers had often to provide their own food and clothing for the long, cold and hazardous journeys into Tibet. It is against this background that the 1949 uprising should be viewed, instead of being attributed to the influence of the 'democratic upsurge' in India. In any case, external influences (such as India's) could not have played a leading role because Sikkim at the time had practically no contacts with the outside world. Radios, roads, newspapers, etc, were introduced only after the 1950 treaty.

The situation in Sikkim today is as bad as in the pre-1950 days. There is utter frustration among the people. Economically, the peasants and the other poor are extremely hardpressed, and exploitation is still carried on unhampered. Agriculture and trade have been badly neglected and the handicraft industries have been completely destroyed. In fact, this can be attributed to the great inflow of Indian manufactured goods into Sikkim. The ranks of the unemployed have steadily swollen in recent years. One of the worst features is the emergence of the money-lenders who are by and large Indian traders. They lend money to the poor at exorbitant rates of interest, thereby completely enslaving them. They dominate the market all over the country and sell their goods at very high prices. These merchants are detested by every section of the Sikkimese population, who are nevertheless helpless against them as the merchants have the support of the monarchy and the powerful bureaucracy whom they seem to have bribed and further corrupted.

It may be said in truth that, if democracy has not come to Sikkim, the Indian Government is equally to blame. While India is trying desperately hard to build up an international image for itself as the vanguard of the underdeveloped countries against imperialism, in its own backyard it remains very much an imperialist power. The presence of Indian troops in Sikkim can in no way be justified except indirectly for suppressing the people. This consciousness is gradually spreading among the people who now look northward for assistance in their just struggle for liberation. India is looked upon as the champion of the monarchy and of authoritarianism, and it cannot, therefore, win the confidence of the Sikkimese people.

GB

W Sikkim
January 30

Problems of Technical Education

D P NAYAR suggests ("Problems of Technical Education", March 21, p 533) that problems of adjustment of the engineering graduate are due to a change in his role "from routine maintenance to designing and manufacture of machinery and doing research to solve new problems coming up every day". As a recent Mechanical Engineering graduate I wish to state my views on this.

Nayar blames Universities for following outdated syllabi and excluding "modern subjects" from their curricula. The problem is precisely the opposite. It is because of an undue emphasis on research and design that enormous resources have been invested in institutions like the IITs which have failed to achieve the goals they were set up for — to cater to the research/design needs of the country. This has been mainly due to a gross overestimation of the demand for engineering graduates in general, and specialised researchers/designers in particular.

The syllabi of the IITs include courses taken straight from universities abroad (particularly from US) without adapting them to suit our own requirements. These courses are highly theoretical and fundamental in nature and do not lend themselves to exploitation for some time to come in a developing country like ours. Courses such as Gas Dynamics, Complex Variables Theory, Modern Algebra and other advanced topics in Mathematics, and similar courses in other fields of Physical and Applied Services are a far cry from the jobs actually performed by a number of graduates from these institutions. Talk about the need for training in Nuclear Power Engineering rather than conventional Steam Power Engineering sounds naive, especially in our context, where the number of engineers even remotely connected with nuclear power would be relatively small.

There is no shortage of such research/design oriented engineers — the IITs themselves produce over a thousand graduates every year. On the contrary, there seems to be a distinct lack of demand in Indian industry for the specialised skills imparted by these institutions, with the result that the graduates have either to rest content with jobs totally unrelated to their training or go abroad for further studies. In fact, the large percentage of IIT products who go abroad for further studies are invariably lost to the country due to the poor opportunities in highly specialised fields, except in the national laboratories and academic institutions.

A reorientation of technical syllabi at the undergraduate level is called for, but not in the direction suggested by Nayar. Apart from the few students who are likely to enter the fields of research/design, the others should be oriented to the needs of Indian industry rather than being put through courses copied from universities abroad. The emphasis should be on practical, applied fields such as Machine-Tool Technology, Chemical Engineering Practice and Civil Engineering Estimation rather than the theoretical fields referred to earlier. The goal should be to produce pragmatic, result-oriented engineers who can work with their own hands rather than graduates schooled in high-falutin concepts which have little relevance in our context. There should be greater liaison between industry and the teaching/research institutions through consultancy, industrial training/orientation programmes for students and faculty (a significant proportion of the faculty in engineering schools in the country has spent little time in industry) and industry-sponsored research. The final years of the undergraduate curriculum should be a sandwich course with the student spending alternate periods in industry and the university.

M G SUBRAHMANYAM

Bombay
April 20

FROM OUR CORRESPONDENTS

BIHAR

Cruel Month

APRIL, was a cruel month for Bihar. Whoever fired a bullet at Jyoti Basu gave the month a bloody start. There followed a quick succession of murders in Patna, including the most gruesome murder of a young student in a college hostel. And then Chaibasa was aflame. Bombs were hurled on a Ramnavami procession and a communal riot ensued. The official figure of persons killed was 23. Arson and loot had left the place charred and scarred.

There was ample cause for concern, as was reflected in Prime Minister Indira Gandhi's message to Chief Minister Daroga Rai. This was not the first time that communal riots had flared up in the highly sensitive tribal belt of Chotanagpur. Not very long ago Jamshedpur and Ranchi had gone through worse orgies of killing and evidently the forces of chaos and anarchy seemed to have their eyes set on this region. With all its concentration of basic industries, this was for them the right place to strike. By hitting this region they could do incalculable damage to the already limping industrial growth of the country.

But for once the administration went into action with promptness and strength. The almost immediate police firing had a sobering effect on the rioting mob and to a great extent this checked the trouble from spreading to other areas. Nevertheless, sporadic incidents of stabbing, arson and loot went on for some days. The recovery of a large number of bombs — considered "powerful" by experts in explosives — seemed to give credence to the theory that the riot had been the doing of an organised agency.

The Government at least considers the Chaibasa riot as an attempt to disturb the social, industrial and economic climate in the region. Tentatively it considers Naxalites, Pakistan-operated agencies and Hindu chauvinists as groups which have "vested interest in disturbing peace". But obviously it would take an intensive inquiry to pinpoint the forces actually responsible for the latest communal flare-up.

Coming soon after the Assembly session was over, the riot gave almost no breathing space to Chief Minister Daroga Rai to consolidate his political strength. True, he had escaped unbruised from the session but this was primarily because the opposition itself had been in disarray. If the opposition had lacked teeth, the ministry was far from virile. It had merely stumbled from issue to issue. The incomplete and ill-assorted cabinet that the Chief Minister had formed under pressures from his mentors was evidently of little help.

The ministry continues to have an *ad hoc* air about it. After great pains the team achieved its second expansion on April 23 when just one more minister — this time the leader of the Hul Jharkhand Party — was sworn in. Another disappointment for many other aspirants, waiting all dressed up to take the oath of office and secrecy.

Meanwhile the Government has given no indication of having charted out any clear course for itself. No economic policy, no wage policy. Any interest group which is willing to go into direct action and send its members to fill the jails is able to extract concessions from the Government. There has been a rash of strikes and agitations. And promises and assurances to match them. But how long can mere words stave off trouble?

There is, besides, the more difficult job of keeping a disparate alliance together. Behind the scenes the cauldron of discontent continues to bubble over. Within the new Congress itself, there is growing anger over the question of abolition of the Legislative Council. Soon after the Assembly had passed a resolution for the abolition of the Council, members of the Assembly began to develop second thoughts and by now about 150 members have signed a representation for a further lease of life to the Upper House. This seems to strengthen the charge levelled against the Chief Minister by many of his own partymen that they had been hustled into voting without prior consultation.

Ever since the day the abolition of the Council was included in the 35-point minimum programme of the ruling coalition partners, many legislators of the new Congress were deeply concerned about it. But they were always given the bland assurance that nothing would be done until 1972. "And yet suddenly we were forced to vote for the abolition of the Council by a last-minute whip," complain members.

Even otherwise, not all members of the new Congress legislature party are willing to be mute sheep behind the shepherd. Some leading members have a feeling that the working of the Government does not reflect that it is headed by a new Congress Chief Minister. There are not a few in the party who resent the continued influence of Ramlakhan Singh Yadav, one of the six former Congress ministers indicted by the Aiyar Commission, over Daroga Rai. Some even go to the length of branding the Government as a "government of the Yadavas for the Yadavas". While it is true that Daroga Rai has not been known as a spokesman of his caste (Yadava) in the State politics, a few inadvertent steps, such as attending a recent conference of the Yadava Mahasabha, have given people ground for criticism.

Also, the godfathers of the Bihar Congress, Jagjivan Ram and Satyanarain Sinha, may yet decide to show their dissatisfaction with the way the Bihar Cabinet was constituted. It is felt that some prominent legislators like Dharam Bir Sinha, L N Jha, Ramdulari Sinha and Vidyakar Kavi who had played crucial roles right since the presidential elections had become victims of pressure tactics adopted by the Chief Minister's mentors. But Jagjivan Ram is probably waiting for the Prime Minister to make up her mind about who would be the political managers of the party in Bihar. *Ad hoc*-ism everywhere!

ANDHRA

Getting Set for Steel

THERE is popular jubilation in Andhra Pradesh as in Tamil Nadu and Mysore, because the State's claim for a steel plant has been met. And the fact that all three neighbouring States that had claimed steel plants are to get them has averted the possibility of neighbourly jealousy or recrimination among them.

The British American Consortium, which investigated the question of setting up only one steel plant under the Fourth Plan, had preferred Visakhapatnam for the site because it had all the facilities for a deep water plant. It had alternatively preferred Hospet, if the steel plant was to be an inland plant. Throughout its report the Consortium displays a strong preference for the fifth steel plant to be in the South and for its being a deep water plant such as could come up at Visakhapatnam. The concentration of the entire steel production capacity has so far been in the north-eastern part of the country. This has left the resources for steel production available in southern India untapped. Recent thinking on the location of steel plants in the European countries and elsewhere has been overwhelmingly in favour of deep water plants. The Visakhapatnam site offers manifold advantages which steel plants in the country today do not have as they are all inland plants. Among these advantages is that of easy importation of raw materials for the plant, particularly coking coal. More important, a deep water site would also attract financial support from external sources. The American and European, public and private, financial sources being aware that "the steel industry has demonstrated a genuine preference for deep water sites ... would assist in finalising the financing of such projects and negotiate within the purview of that familiarity".

With the Prime Minister's announcement of the three new steel plant sites, it is important now that preparatory work on the sites should begin without loss of time. BASIC's report could serve as the guide in getting ready the Visakhapatnam site. Diligent and vigorous efforts will have to begin forthwith to explore, with foreign aid-giving governments and international aid agencies, the prospects for securing investment resources to ensure quick execution of the project, and to take up the erection of the plant as soon as the preliminary works are completed — or even simultaneously if possible. A gratifying feature of the situation is that the machinery and equipment needed for the plants can be indigenously fabricated. This will save, considerable foreign exchange on the equipment's import, as well as, one hopes, save on the procurement lag. The four steel plants which have already come up have been set up with foreign technical association. Indian engineers have developed adequate knowhow by now, however, through being associated with the establishment of these older plants. The progress of the new steel plants should be quicker to that extent.

The State Government, naturally, has been quick in its efforts to provide the water supply, transport, and communication facilities for the proposed steel plant at Visakhapatnam. Preliminary work for these facilities, which are indispensable in the construction of a big steel plant, would make for expedition in its construction. When it made its report in 1968, BASIC indicated that, assuming that power facilities then planned would be executed on schedule, adequate power would become available if a second 220 kV line were installed from Upper Sileru and Lower Sileru to the plant site. The provision of this should now be taken up. As for other requirements, the area around Visakhapatnam has in any case been developing more rapidly, industrially, than was anticipated in the last few years. The shipyard in the harbour is being expanded, and a new and bigger dry-dock is planned. Other industries, including an operating oil refinery in the private sector and the heavy plates and vessels plant in the public sector, have come into existence, or will come up soon, while a fertiliser plant is also likely to be established. Additional port facilities for handling the import of coal and the export of ore or finished goods can be developed at Balacheruvu creek, 15 miles from Visakhapatnam. Further, the prospect of a number of ancillary industries developing around the industrial and steel complex will, no doubt, be an inevitable sequel.

NEW DELHI

Ideas on Aid

INDIA, which has received sizeable US aid over the past several years, has a special interest in the recent report of the Task Force which was appointed by President Nixon to advise him on the role the US should play in developmental assistance to the developing countries during the 1970s. The timing of the report — called the Peterson report — is propitious. Submitted to the President last month, the report has come well before the Aid-India Consortium meeting in Washington next month to decide on the quantum of aid during the current year. Though it is a document prepared by leading US citizens, the significance of the report in eventually influencing US aid policy in the 1970s cannot be underestimated. For one thing, having voluntarily asked for advice, President Nixon might feel honour bound to accept some at least of the recommendations. Yet this may take some time, as President Nixon has stated that legislation regarding the new US approach to developmental aid may be expected in January 1971.

Non-Discriminatory Basis

Among the recommendations of the Peterson Commission are some that India has pressed at world forums over the past few years. Three of these need special attention. The first relates to the trade and tariff policy of industrial countries. Stating that easier entry for the products of developing countries offers both advantages as well as difficulties to the industrial nations, the report adds: "enlightened trade policies towards developing countries are an essential element in achieving international development. The Task Force urges continued US leadership in working for the reduction of tariffs and other obstacles to trade and in avoiding imposition of new restrictions". It, therefore, "strongly supports" the proposal for an international agreement, extending temporary tariff preferences to developing countries on a non-discriminatory basis. It even suggests that if the US cannot reach agreement with other industrial countries on this non-discriminatory approach, "it should unilaterally extend such tariff preferences to all developing countries".

The second point the Peterson Commission stresses concerns tied aid. It estimates that bilateral developmental lending, which is effectively tied to procurement in the lending countries themselves, is about $ 2 billion — half from the US and the other half from the other developed countries. These restrictions on lending are estimated to reduce the value of aid by about 15 per cent — or by $ 300 million a year. The report therefore recommends that the US should propose that all industrial countries agree to untie their bilateral developmental lending, thus permitting the developing countries to use these loans for procurement from the cheapest source on a competitive-bid basis.

Joint Action Necessary

The third point, of particular interest to India, is the suggestion for joint action — by the industrial countries and the international lending institutions — to devise a comprehensive strategy for rescheduling debt burden, estimated at $ 50 billion. The cost of servicing this debt, the report adds, has been increasing at the rate of 17 per cent, and these trends cannot be allowed to continue. Joint action has to be undertaken to prevent an emergency, so as not to have to deal with one after it has arisen. The elements of the comprehensive strategy include stand-by credits by IMF, concessional terms for new loans, etc.

Though it has rejected the idea of specifying an annual target of developmental assistance by industrial countries, the report has made several suggestions for increasing the volume of aid flow. These include the setting up of a US International Development Bank with an initial capital of $ 2 billion and authority to raise another $ 2 billion from the public; an increase of $ 500 million in annual US contributions to international financial institutions by 1972; and an increase in US subscriptions to the callable capital of these institutions.

As for the international organisations, the report maintains that they could roughly double their present rate of lending, from $ 2.5 billion to $ 5 billion a year. It has thus agreed with the Pearson Commission recommendation that contributions to IDA should be increased from the current level of $ 400 million a year, to $ 1 billion by 1972 and to $ 1.5 billion by 1975. The US, whose share will be 40 per cent of the total has been asked to give the lead in supporting such levels of financing.

The Peterson Commission shows clear preference for multilateral action in aid to developing countries. It believes that "more reliance on international organisations should be built into all US policies relating to international development". "This", it adds, "is basic to the new approach to foreign assistance we recommend. A predominantly bilateral US programme is no longer politically tenable in our relations with many developing countries, nor is it advisable in view of what other countries are doing in international development". This approach is based on the experience that organisations like the World Bank, with no political or commercial interests of their own, are able to obtain good results from the investments they make or encourage. This is not to underrate the importance of bilateral aid; both are needed. Without getting involved in an entire range of developmental programmes all over the world, a bilateral lending programme of its own would put the US in a better position to encourage countries demonstrating the ability to move rapidly toward self-reliance. In other words, the US's bilateral lending programme should be selective; and in this connection special mention is made of India. Funds for bilateral lending should be available on an assured basis; hence the suggestion of a US International Development Bank with adequate funds and with authority to raise more from the public. An objective of US bilateral lending has been stated to be: "In its bilateral programmes, the uses of US recourses should depend on US interests in particular countries or particular areas, on where other industrial countries are providing resources, and on where the international institutions are concentrating their effort".

The Task Force has also dealt exhaustively with "security assistance" programmes of the US and with what should be done about these in future. Though recommendations on this front may not be of direct interest to India, a point made by the Task Force may be of interest. "US international development programmes should be independent of US military and economic programmes that provide assistance for security purposes. Both types of programmes are essential but each serves a different purpose. Confusing them in concept and connecting them in administration detract from the effectiveness of both."

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KATHMANDU

Outlines of Change

WITH the resignation of Kirtinidhi Bista as Prime Minister of Nepal, and the constitution of a nine-member Council of Ministers by King Mahendra under his own chairmanship, the 370-days old Bista regime came to an end. This was neither sudden nor unexpected. Though he headed the marriage procession of Crown Prince Birendra on February 28, Bista knew what was in store for him. It was as though he had done the job allotted to him, of displacing Surya Bahadur Thapa on April 7, 1969, and that in the new circumstances of today and the changed needs of Nepal he had outlived his usefulness.

In the fortnight preceding Bista's resignation and formation of the new Council of Ministers, rumours and speculation had reached a climax, forcing the Nepalese Home Ministry to make the official statement that all such talk was completely baseless. Yet the rumours were not without foundation. Just before the royal wedding, an emissary of B P Koirala had been given to understand by responsible people in Narayanhitti and Singhe Darbar that a change would follow in the administration. Further, during Dinesh Singh's hunting trip in February in the deep jungles of Bharatpur, when he was a guest of King Mahendra, the future of the Kirtinidhi Bista government had been discussed and an early change in the administration which would be neither pro-north nor pro-south was indicated.

The exit of Bista does not signify the end of his political career, however. His future hinges partly on the outcome of the forthcoming elections to the Rashtriya Panchayat and partly on the forthcoming trade and transit treaty between India and Nepal. His precipitated resignation seems to have been as much a gesture of pacification towards the Indian Government to induce it to accept Nepal's demand for unrestricted and free trade and transit facilities, as an attempt at pacifying and marshalling the dissent that is growing within Nepal. If the Government of India proves adamant on Kathmandu's request, it may yet strengthen the credibility of Bista's anti-Indian attitude and so help to put him back into saddle. In fact, it looks as though continuity rather than radical change is to be the keynote of the new administration that has just started to function. It is with this in mind that its members have been constituted. This is probably an interim government, and, as soon as elections to the 28 vacant seats of the Nepalese Rashtriya Panchayat are complete, there will be a major cabinet reshuffle.

It would, therefore, be incorrect to conclude that the change suggests a shift from the rigid stand which the Bista government had taken. Nepal has already made its stand clear. King Mahendra has further made it known to the Indian Government, through the presence of President Giri at a reception organised for Crown Prince Birendra's wedding, that "Nepal seeks nothing more than the usual trade and transit facility in accordance with customary international practices" and that "with our friends and neighbours we like to be frank and friendly and we will appreciate if they are likewise frank and friendly with us". Again, during his 15 days' tour of the Far East and the South-East Asian countries, Mahendra harped on the same theme. The recent statement by Dinesh Singh in the Lok Sabha that people should not be alarmed by stories in Nepalese newspapers, and by statements of some people in authority, about the sorry state of Indo-Nepalese relations, should not in fact bring the solace it was intended to bring. The Himalayan stage is changing very fast. For instance, in the past, whenever the Nepalese King returned from a foreign tour, in his customary message to his people, he would without fail mention 'mitra rashtra Bharat bhayer' — i e, 'via the friendly country of India'. It was no accidental omission if, this time, there was no reference to it. Nepal wants to make it clear that it is a nation in its own rights, and that it is more than in a hurry to establish itself. When Indian operators were asked to quit the northern checkposts of Nepal, when the Indian Military Liaison group was similarly asked to go away from Kathmandu, and when Bista pointedly talked about Susta and the other disputed areas on the Indo-Nepal border, he was talking and acting not as an individual but only representing a trend in Nepalese thinking as it has developed and taken definite shape over the past two decades. New Delhi has, of course, unwittingly more than contributed her share to this development. Consequently, now no radical change in Indo-Nepal relations can be expected to be brought about by a mere change in the Kathmandu set-up. The change will have to be also in New Delhi's awareness regarding this region and its recognition of what changes in strategy will be required to keep its influence in this region where its commitments and investments have already been significant. There is something more. In its search for establishment Nepal realises that it may not be an entirely good idea to go alone.

Recently, *Motherland*, an influential English daily in Nepal, taking the lead in expressing the general feeling of the ruling circles and of the Nepalese Press, wrote editorially that there should be a better understanding among the people of the Himalayan region. The paper said, "while she has been broadening the horizon of international contacts, Nepal's indifference to her relations with countries like Bhutan and Sikkim does not fit in well with her policy of being friends to all. Both Bhutan and Sikkim are forging ahead, politically and economically, Bhutan is already a member of the Colombo plan. It will be only a matter of time for her to apply for the membership of the United Nations Organisation. Sikkim likewise is also looking outside for greater international contacts. Such developments suggest that the people are becoming increasingly restless in these countries. The growing awakening should be properly channelled." Though the paper did not think that Nepal should take the initiative to form a grand Federation of Himalayan Kingdoms, it did suggest that there was a point to Nepal and the Nepalese people working to bring together these three Himalayan kingdoms.

Though this proposal for a Himalayan confederation gained currency during Bista's administration, the idea is quite old, fostered as early as in 1956 by the Chinese Prime Minister, Chou En-lai, through Tanka Prasad Acharya who was then Prime Minister of Nepal. It was not received favourably by Palden Thondup Namgyal, the then Maharajkumar of Sikkim and now its Chogyal. The same proposal was brought again to the Nepalese capital by Tulsi Giri when, as chairman of the Council of Ministers, he returned from his Peking tour. By arranging a summit of the three Himalayan kingdoms on the sidelines during Crown Prince Birendra's marriage, Bista was merely making another attempt to carry further the idea of developing a Himalayan politics. And the new administration is likely to maintain the continuity in this attempt as well.

Quiet Correspondents

Nireekshak

AFTER man's historic first landing on the moon, which was eagerly and extensively reported in the Indian Press, general interest in moonflights had slackened somewhat. And by the time Apollo-13 blasted off from Cape Kennedy, though it was only the third manned flight to the moon, newspapers had already begun to take most of the news out of the front pages. Moon voyages were becoming a routine affair. But Apollo-13 returned to the front pages with a terrific splash when, following a major technical mishap which placed the lives of the three astronauts in danger, the mission was called off. From the moment of discovery of the technical flaw till the successful splash-down of the maimed vessel in the Pacific, the Apollo-13 story stayed on the front pages.

Nowhere in Evidence

Almost all the reporting came from agency sources, principally Associated Press of America and United Press International, with Reuters and Agence France Press (AFP) occasionally chipping in; PTI was nowhere in evidence. PTI has a long way to go before it can hope successfully to compete with the major international news agencies, and it is no reflection on its general competence that it failed to participate in the reporting of the moon voyage. Yet the fact that it continues to lag far behind even AFP as a source of international news needs to be noted by all concerned.

Also, none of the Indian correspondents resident in the United States, bar M V Kamath of *Times of India*, made any attempt to report the event. The trouble, of course, is that correspondents are based in Washington while news of the Apollo mission was originating from Houston. Besides, since correspondents are not usually scientific experts they faced a double handicap. Yet it is certainly no creditable thing that, with at least four full-time correspondents (five including PTI) resident in America, the Indian Press had to rely almost entirely on foreign agencies for information about the moonshot. Maybe some of them might yet seek to tell the Apollo-13 story in retrospect but, meanwhile, couldn't they have filled in the background and other interesting details of the moonflight even from Washington? *Indian Express*, as usual, published several stories from *Washington Post* and *Los Angeles Times* to extend the area of its reporting, but this was still far below the level of reporting it had attained during the first moonshot.

Free Comment

There has been no backsliding in editorial comment, however. *Nagpur Times* is probably not the most typical in this respect, but its two-column editorial certainly captured the spirit of the occasion. Aptly titled "Man's Indomitable Spirit", the editorial went into such details of the flight as the failure of oxygen supply, the cost of the Apollo programme and the scientific possibilities of the moon missions, finally to conclude: "This vista [of scientific achievements] makes any expenditure on space a worthwhile investment. This is certainly more useful than the colossal waste on futile wars. The scientists have realised this; the politicians have not. The ill-fated Apollo-13 will not sap the spirit of man. In the arduous space probe, scientists take mishaps for granted. One mishap leads them on to more strenuous effort, new knowledge, new precautions and new innovations. One failure spurs them to achieve greater success next time. That sums up the indomitable spirit of man which accepts no defeat even in adversity."

Amrita Bazar Patrika was less effusive. "The mission has been abandoned," it said on April 19, "but the performance of those in space as well as on the ground undertaking it has, perhaps, been more creditable, in a way, than what its successful completion would have brought about . . . The happening, however, will surely lead to more safety measures in future space flights against potential dangers of the nature confronted so unexpectedly by Apollo-13 (*sic*) in its almost successful flight."

It is a long haul from adventure in space to bickering on the ground. Bickering is probably not the right word to describe the debate in Parliament on the question of building a nuclear deterrent of our own, but the debate has brought to light conflicting viewpoints. The Press, too, reflects differences. *Hindustan Standard* argued, for example, that India was being unnecessarily 'squeamish' in its approach to defence. New Delhi, it said, "has set its face against going nuclear in defence. But the time for building a nuclear deterrent is running out. At the rate China is going forward with its nuclear arms programme it will before long acquire a second strike capacity and when this materialises a small packet of nuclear arms which India may later decide to have won't deter Peking." *National Herald* thought, on the other hand, that the "policy decision against using nuclear capability to produce war weapons is becoming more valid as time passes". It argued that as the "nuclear balance between the two super-powers is a reality" amounting to a "stalemate", the "emergence of new possessors of nuclear weaponry is unlikely to disturb" the balance.

Nuclear Tokenism

Deccan Herald, too, argued against a nuclear programme. "Admittedly, with the repeated demonstration of Peking's growing military capability vital issues are involved for India's national security in undertaking any immutable commitment to nuclear renunciation 'as a matter of national policy', considering that no one can predict with certainty what the future may hold for us in a world so full of nationalist paranoia and ideological stridency." However, the editorial (April 10) went on to say: "The cost in economic, political and moral terms outweigh the largely notional advantages to be derived from any indulgence in nuclear 'tokenism'." How regrettable, I am tempted to exclaim after reading this, that such high-minded comment should be couched in such ununderstandable jargon!

Since I wrote about the poor reporting of Expo 70 in the Indian Press, a few more details of the fair have trickled in. I am particularly glad to notice a lengthy and quite comprehensive description of the fair in *Amrita Bazar Patrika* of April 12. Written by Satyen Sen Gupta, the paper's special representative, it is the kind of narrative that imparts significance to such events. It is a pity that there has not been more of its kind!

Choice of Technique

Debjani Sarkar

Size and Capital-Intensity in Indian Industry by J C Sandesara; University of Bombay Publications, Economic Series No 19, University of Bombay, 1969; pp 163; Rs 14.

THE problem of choice of technique is a crucial one in the process of planned industrial development of a country and since the mid-fifties in particular, we have had an extensive literature on this. J C Sandesara's volume is a recent addition in this field and it raises major issues of fact and theory in an area of economics where there has been much room for controversy. The book is an empirical study of small and large industries and the primary concern of the author has been to find out the proper "technique of production that should be employed for obtaining a given industrial product" (p 1).

Detailed Statistics

The study contains fairly detailed statistics on facts relating to size, capital-intensity and other economic characteristics of both small and large industries — in fact, nearly 120 pages (out of a total of 163 pages), have been devoted to tables containing various data regarding different industries. Unfortunately, an adequate combination of theoretical and empirical analysis is conspicuous by its absence so that the reward from a fairly diligent piece of work is relatively meagre. There are several loopholes in the economic arguments as also in the statistical techniques employed in the book which vitiate the final conclusions.

The author has collected his data from the Census of Manufacturing Industries. For the purpose of the analysis, the 29 industries reported in the Census have been divided into three categories according to the size and year-wise consistency in the coverage of data. The basic hypotheses set up for analysing the relation between size (denoted by average number of workers employed per day), capital-intensity (quantity of capital employed per worker) and other economic factors such as output, wages and surplus are as under:

(i) Size and capital-intensity are positively associated.

(ii) Size and (a) output, (b) wages, and (c) surplus per worker are positively associated.

(iii) Size and (a) output, (b) surplus per unit of capital are associated negatively and positively, respectively.

(iv) Capital-intensity and (a) output, (b) wages and (c) surplus per worker are positively associated.

(v) Capital-intensity and (a) output-capital ratio, (b) surplus-capital ratio are associated negatively and positively, respectively.

The technique of simple, two-variable correlation analysis, as adopted by the author, is admittedly too simple to be acceptable to those genuinely interested in quantitative empirical studies. One would have much liked to see the adoption of a more sophisticated multivariate regression analysis over a long period in a field like this. However, even within the over-simplified set up chosen by Sandesara, the analysis is not free from weakness. For instance, for the first three sets of hypotheses, rank correlation co-efficients have been calculated, but for the last two sets both rank correlation and product-moment correlation co-efficients have been found in case of each of the three different groups of industries. The rank correlation and product-moment correlation co-efficients do not tally with one another, but the author has nowhere tried to explain the relation between the two.

Correlation Studies

In the last chapter, the author summarises the results of all these correlation studies. These results are not without interest, but the reader may feel that the conclusions arrived at are not quite striking. Furthermore, it would have been better to discard the third group of industries from the study. The period under survey is very short; besides, this group of industries do not have continuous distribution of factories from the lowest to the highest size-groups for even this short period. Thus the correlation co-efficients for such a small number of years do not reveal any association between the different variables, and the author himself agrees that "the evidence is pretty much conflicting".

These doubts about statistical techniques apart, several points may be raised concerning some of Sandesara's basic premises and concepts. In the first place, it has been assumed that "an under-developed economy suffers from the relative paucity of capital and plethora of labour" (p 2). But he should have noted alongside that although the supply of unskilled labour is abundant in an underdeveloped country there is a dearth of skilled labour, and for the country's industrial progress both capital and skilled labour are essential prerequisites. Secondly, the author has defined surplus to cover the residual of output after deducting wages. But then, what exactly is the economic significance of this concept and what is the relation of this surplus with profits?

No Definite Results

No definite results have been arrived at regarding the relation between size and capital-intensity of the industries. Yet the author has asserted that the larger-sized units are very often labour-intensive and small-sized units are capital-intensive (p 68). However, the correlation studies show that small industries have lower output, lower wage and lower surplus per worker, as also lower output and lower surplus per unit of capital than large industries. The author further infers from the correlation between capital-intensity and economic characteristics that labour-intensive techniques have higher output and surplus per unit of capital than capital-intensive techniques. But one does not have to calculate innumerable correlation co-efficients in order to arrive at this conclusion, for it is obvious from the very definition of a labour-intensive technique of production. Such a technique involves a smaller amount of capital than a capital-intensive technique, so that *per unit* of capital it will admittedly have higher output and higher surplus than under a capital-intensive method. Accordingly, it is erroneous to infer from these relations (as the author has done) that labour-intensive techniques are more appropriate than capital-intensive techniques.

The author has also ignored the problem of the capital mix and labour mix. Money values of capital goods and labour have been taken with a view to calculating the capital-labour ratios. But one should be aware of the fact that the efficiency of an industry depends not only on the total money value of the capital goods (or labour) em-

ployed, but also to a large extent on the quality of these productive factors. For example, the producer might well increase the level of output of an industry by using more sophisticated *albeit* less costly capital goods.

The Growth Factor

Furthermore, the author has applied the conclusions derived from his correlation studies to all industries simultaneously. But it would have been more appropriate and revealing if the results were treated for each one of these industries separately.

Finally, it is pertinent to observe that the proper choice of techniques should depend not only on short-term factors but also on the long-term rates of growth that are to be achieved as targets both for the industry and for the economy as a whole. Then that mix of production techniques will have to be chosen which by leading to a higher aggregate saving-output ratio will help the economy to attain the required rate of growth within a specific period of time.

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Farmers' Response to Price Changes

Sugarcane in Uttar Pradesh, 1951-52 to 1966-67

Chandresh Kumar

Farmers' response to prices in underdeveloped economies has been a subject of investigation by many research workers. While some have maintained that farmers are sensitive to price changes others have definitely concluded that there is no significant price response.

The basic interest of the following study is the response of total planned production to price changes. The frequent large gaps between planned and actual output force econometric studies to approximate planned output not by actual output but by area planted which is usually more within the control of farmers. Area planted, not actual production, is thus considered the dependent variable in the present examination of supply responses.

The findings of the present study, using the 'adjustment model', support the view that farmers are sensitive to price changes in their product.

[This paper has been prepared at the Institute of Economic Growth, Delhi. The author is grateful to Dharm Narain for his encouragement and guidance. Thanks are also due to C H Hanumantha Rao, B D Dhawan, and Ramesh Chandar Kumar for their valuable comments and useful suggestions.]

FARMERS' response to prices in underdeveloped economies has been a subject of investigation with many research workers. The more recent studies, notably those by Raj Krishna[1] and Dharm Narain[2] have convincingly demonstrated that farmers are quite sensitive to price changes of their agricultural produce, thereby refuting earlier findings and opinions that farmers in underdeveloped economies are not sensitive to price changes.[3] More specifically, both Raj Krishna and Dharm Narain demonstrate that this sensitivity exists, among other commodities, in respect of sugarcane. However, some other research workers who have recently studied farmers' response in respect of sugarcane have not found any significant price response.[4] In view of the fact that the findings of Raj Krishna and Dharm Narain pertain to the pre-Independence Indian economy, while the others are more recent studies of the post-Independence period, the whole question of sugarcane growers' response to cane prices needs to be looked at afresh.[5]

The Model

The present study concentrates on three districts in the Meerut division of Uttar Pradesh, apart from the State as a whole. The three districts, Saharanpur, Muzzafarnagar and Meerut of Meerut division, have been selected for the study because of their importance in sugarcane production[6] and in the sugar industry, and because they satisfy the assumptions made in the study. The period selected for study is 1951-52 to 1966-67.

The basic interest of the study is the response of total planned production to price changes. The non-availability of time series estimates of planned production makes it necessary to use some proxy variable instead. One possible proxy could be the actual output. Realised agricultural output, however, differs considerably from planned output because of environmental factors which remain beyond farmers' control. The frequent large gaps between planned and actual agricultural output force econometric studies to approximate planned output, not by actual output, but by area. The area actually sown in a particular year is under the control of farmers to a far greater extent than is output and it is, thus, a much better index of planned production. Area planted, and not output of the crop is, therefore, the dependent variable in the present examination of supply responses.

Sugarcane has one distinctive feature that needs to be mentioned here. After obtaining one crop it is possible to get further crops in subsequent years without planting new seed in the soil. This practice is known as 'ratooning' and the subsequent crops so obtained are known as 'ratoon' crops in contrast to the first crop which is known as 'plant' crop. In India, normally one or two ratoon crops are taken. This practice of ratooning imparts 'stickiness' to cane acreage. Obviously, for studying farm supply response, it is more important to consider only newly planted area. Unfortunately, figures for 'ratoon' and 'newly planted' area are not readily available separately. In the choice of the model due consideration should be given to the fact that some proxy variable, like lagged acreage be used.

The present study makes use of the "adjustment" model originally formulated by Marc Nerlove[7] and as later used by Raj Krishna. The Nerlovian "adjustment" model is in fact the basic model used:

$$(1)\ X^{*}_{t} = a + bP_{t-1} + cY_{t-2} + gZ_{t-1} + hW_{t} + \mu_{t}$$

$$(2)\ X_{t} - X_{t-1} = B(X^{*}_{t} - X_{t-1}).$$

where,

X^{*}_{t} is the acreage that farmers would plant with sugarcane in the year t if there were no difficulties of adjustment.

X_{t} is the index of acreage actually planted with the crop in the harvest year t (where 1949-50 =100)[8]

P_{t-1} is the index of relative price of the crop in the year t—1, *i e*, index of gur price deflated by the index of wheat price.

Y_{t-1} is the index of relative yield of the crop in the year t—1.

Z_{t-1} is the total irrigated area in all the crops of the season.

W_{t} is rainfall of the sowing period.

μ is the error term.

B is the Nerlovian co-efficient of "adjustment". The farmers, it is postulated, are able to in-

crease the acreage under a crop in any year to the extent of a fraction of the difference between the acreage they would like to plant and acreage actually planted in the preceding year.

Equations (1) and (2) yield the estimating equation:

$$(3)\ X_t = a0 + b\,2\,P_{t-1} + b\,3\,Y_{t-1} + b\,4\,Z_{t-1} + b\,5\,W_t + b\,X_{t-1} + \mu_t$$

where,

a0=aB; b2=bB; b3=cB; b4=gB; b5=hB, b6=(1—B) and $\mu t = B\mu_{t-1}$[9].

Variables Y and W, have been excluded from the study as they have been found to have, in a preliminary analysis, an insignificant influence on acreage, Z_{t-1} has not been used.

In the model, by assuming that all inputs other than land vary in proportion to acreage and that constant returns to scale prevail,[10] elasticity of planned output with respect to price is at least equal to the elasticity of acreage planted.

This assumption is, no doubt, a very sweeping one. The inadequacies of approximating planned production by planted area needs to be made clear. First, land is only one of many inputs in agriculture. It will thus be preferable to use an index of all inputs for the crop. However, most non-land inputs are not committed to one crop only, but are changed throughout the crop period in response to factors over which the farmer has no control. It is very difficult to have data on the quantity of such factors used for a specific crop. And non-availability of such data precludes the construction of an all-inclusive index. Secondly, land is not a homogeneous factor; rather it is considerably heterogeneous. If there is a constraint of other inputs a farmer can increase his planned output by using better, though less, land. The above model assumes away this heterogeneity by assuming that the correlation co-efficient between planned output and planted area is near to one.

Methodological Issues

Methodological issues regarding the relevance of price and the duration of lag to be given to the different variables have been widely discussed in the available literature on the subject and need not, therefore, be discussed here.[11] The present study makes use of relative price with one year's lag only because relative price with two years' lag has been found to have, by a preliminary analysis, an insignificant influence on acreage.

For finding out the relevant price variable we note that the sugarcane crop is utilised for the following purposes (the percentage utilisation are given in the brackets): (i) Manufacture of sugar (25 per cent), (ii) chewing, juice drinking and planting (14 per cent) and (iii) manufacture of gur and khandsari (61 per cent). The percentages are average figures for the period 1956-57 to 1963-64.[12] The most relevant price variable would be the one which includes prices of all these uses. This could be done by pooling the prices of different categories of use to which cane is put by giving appropriate weights on the basis of percentage utilisation.

In trying to calculate such a price variable the study faces various difficulties. Time-series data regarding farm harvest prices, *i e*, prices of cane supplied, for the manufacture of sugar, to various factories in the post-harvest period are not available. Non-availability of data hampers the calculation of the price variable. The prices which are available are minimum prices guaranteed by the Central Government and announced one year in advance of the sowing period. Since they fail to take into account the yearly fluctuations, their independent influence on variations in the sugarcane acreage is not significant.[13]

The minimum mill prices have thus been dropped from the study. The prices of cane supplied to various markets for the purpose of chewing and juice-drinking, which could be important in influencing sugarcane acreage in districts where the farmers grow cane mainly for this purpose, are not available. It therefore becomes necessary to exclude these prices.

Finally, we are left with the prices of cane utilised for the manufacture of gur and khandsari. Though the khandsari industry is important in some parts of UP, like Muzzafarnagar, yet the non-availability of time series data of khandsari prices for the period as a whole hampers their inclusion in the price variable. This exclusion will not matter much for two reasons (i) the percentage of cane which goes for khandsari manufacture is only about 5 per cent,[14] and (ii) khandsari and gur being competitive, gur prices could be assumed to take account of khandsari prices. The study is thus left with the prices of cane utilised in the manufacture of gur, which are available for the period as a whole. As the bulk of the crop is utilised for the manufacture of gur — about 62 per cent — and since the percentage that goes for gur production rising in UP,[15] prices of gur can be used as our price variable. These prices could be taken as representative of all the uses to which a sugarcane crop is put.

The present study makes exclusive use of calendar year averages of wholesale prices of gur prevailing at Hapur, a well known marketing centre of UP. Yearly averages of prices have been used for the following reasons:

(i) It is difficult to determine the post-harvest period because of the long duration of the harvest period, which runs from November to April,

(ii) The sowing season coincides with the harvesting season; so the determination of acreage as dependant on prices implies harvest period price or sowing season price and

(iii) The long duration of harvest also implies that a larger portion of gur is sold in the market during this period.[16] For the reasons mentioned it is expected that a calendar year average will reflect itself in the ensuing agricultural years' sowings. The implicit assumption is that the movements of both harvest prices and wholesale prices are in the same direction and that they do not exhibit wide deviations. The latter could thus be used as a proxy for the former.

To get the relative price variable, wholesale prices of gur have been deflated by the wholesale prices of competing crops. The cropping pattern of UP, especially of the districts studied, shows wheat to be the major competing crop. Relative price series, based on one competing crop only, is expected to depict a better picture of how changes in sugarcane acreage are influenced by corresponding changes in price of gur. Only wheat therefore has been considered as the major competing crop, both at the district and at the State level.

Sources of Data

The acreage data on sugarcane have been obtained from (1) Estimates of Area and Production of Principal Crops in India, Ministry of Food and Agriculture, Government of India, (2) Season and Crop Reports of UP and (3) Bulletin of Agricultural Statistics, UP. The wholesale prices of gur and wheat obtained from the relevant issues of (i) Agricultural Prices in India and (ii) Agricultural Situation in India.

Results of Multiple Regression: Multiple regression co-efficients of equa-

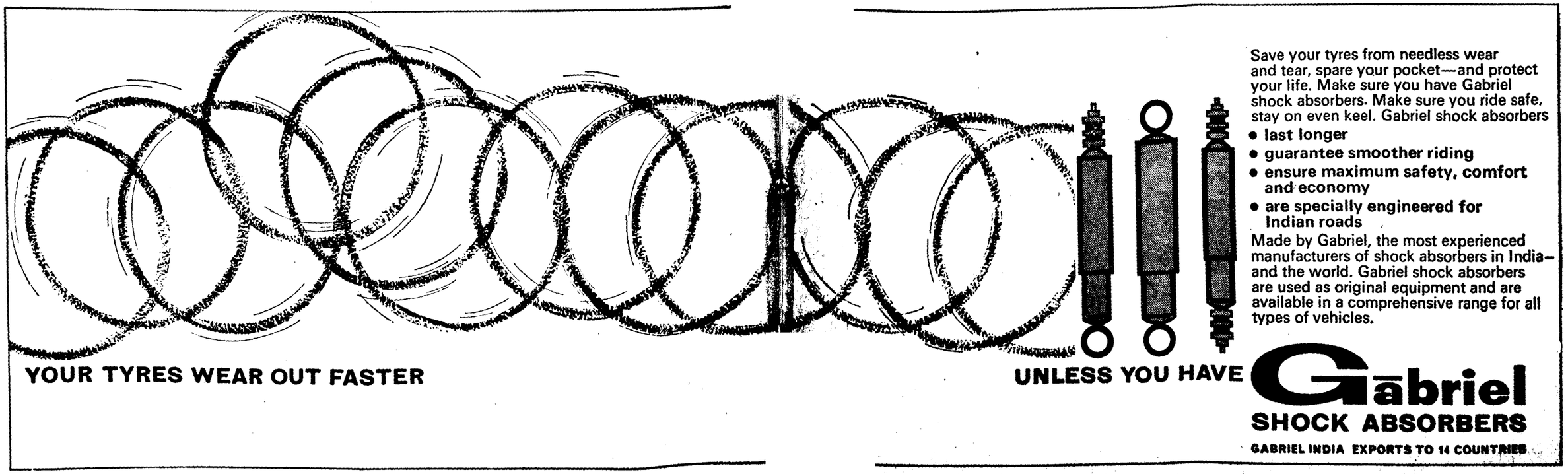


TABLE 1: ACREAGE RESPONSE FUNCTION FOR UTTAR PRADESH
$X_t = ao + b2P_{t-1} + b6X_{t-1}$ where: X_t = 1952-53 to 1966-67

District/State	Regression Co-efficients				
	ao	P_{t-1}	X_{t-1}	R^2	N
Saharanpur	3.42	0.561** (0.269)	0.713* (0.165)	0.669	15
Muzzafarnagar	15.24	0.359** (0.145)	0.701* (0.149)	0.729	15
Meerut	36.70	0.352** (0.131)	0.514** (0.205)	0.507	15
Uttar Pradesh	12.08	0.434** (0.172)	0.654* (0.181)	0.607	15

* Significant at 1 per cent level.
** Significant at 5 per cent level.
Note: Figures in brackets are standard errors of regression co-efficients.

tion (3) with the relevant variables for the sugarcane crop, computed with 1951-52 to 1966-67 data, are shown in Table 1.

The co-efficients of multiple regression, calculated for the three districts of Meerut division and for Uttar Pradesh as a whole, with regard to relative price with a one-year lag show that sugarcane acreage in all the three districts considered separately, as well as in UP State as a whole, is significantly responsive to price movements. The co-efficients are significant at a 5 per cent level.[17] Similarly, lagged acreage, the importance of which has been discussed above, in all the three districts considered separately and in UP State, is significantly related to the current year's acreage. The co-efficients are significant at one per cent level, except in Meerut district where the co-efficient is significant at a 5 per cent level.

The low value of the price co-efficient in the case of Meerut [0.352 (0.131)] and Muzzafarnagar [0.359 (0.145)] may be explained by the fact that, in these two districts, there is the highest concentration of sugar factories, as a result of which a large part of the sugarcane crop is supplied to these factories. Though the number of sugar factories in Meerut (eight factories in 1963-64) is larger than that of Muzzafarnagar (4 factories), there is not a wide difference in the total of daily cane-crushing capacity between the two districts. The total of daily cane-crushing capacity of eight factories in Meerut district in 1963-64 was 11,890 tons, while that in Muzzafarnagar for the four districts together was 8,150 tonnes.[18] In Muzzafarnagar, however, the khandsari industry assumes an importance, and a significant percentage of cane supply goes to this industry resulting in a lowering of the influence of gur prices on acreage under sugarcane. Apart from this, the difference between the co-efficient of determination (R^2) of Meerut (R^2 =0.50) and Muzzafarnagar (R^2=0.72) can be explained by lower impact of lagged acreage in Meerut district (co-efficient of X_{t-1}=0.51) in comparison to Muzzafarnagar district (X_{t-1} =0.60). This may be explained by the lower annual trend growth rate of the index of acreage in Meerut (1.985) as compared to that of Muzzafarnagar (3.911).

The higher value of price co-efficient in the case of Saharanpur district [0.561 (0.269)] can be explained by the same kind of reasoning. In Saharanpur the incidence of sugar factories is very low. Here the khandsari industry also occupies an insignificant position. As sugar factories located in Meerut and Muzzafarnagar are far away from Saharanpur, especially when the bullock cart is the main mode of transport, it must seem relatively unprofitable for farmers to supply their sugarcane crop to the factories in Meerut and Muzzafarnagar districts. As a result, a large part of the sugarcane crop is utilised for the manufacture of gur and the relative price of gur is thus bound to show greater influence on sugarcane acreage.

Finally, for the State as a whole, the influence of the relative price of gur on the sugarcane acreage is positive and significant. The price co-efficient is significant at a 5 per cent level. The co-efficient of relative price for UP lies somewhere in between the values of the above mentioned two sets of different districts (0.434). This clearly indicates the importance of the relative price of gur to other prices of cane.

It may be added that inter-district differences in respect of price response may disappear if the price co-efficients for the different districts are found to be statistically equal. By means of the 't' test it has been found that the co-efficient of the relative price of gur in Muzzafarnagar-Meerut districts is not statistically different, implying equal influence of the relative price of gur on acreage. For other groups, Saharanpur-Muzzafarnagar and Saharanpur-Meerut, the price co-efficients are found to be statistically different.[19] This confirms the reasoning outlined above with regard to differences in the influence of relative price.

A separate equation, when used for Muzzafarnagar-Meerut districts pooled together, gives the following result:

$$X = 14.128ao + \underset{(0.096)}{0.361^{\circ}P_{t-1}} + \underset{(0.111)}{0.691^{\circ}X_{t-1}}$$

$R^2 = 0.672$ N = 30

° Significant at 0.1 per cent level.

This confirms the above reasoning and shows a very significant influence of relative price and lagged acreage on sugarcane acreage for the two districts taken together.

The need to calculate difference elasticities arises because the basic interest is to find out the elasticity of acreage with respect to the relative price of gur. The above regression analysis merely helps in its calculation.

For most agricultural products, very short run response is greatly limited by the length of the gestation period. The observed response to a change in some incentive may vary considerably with the time allowed for adjustment. For a crop like sugarcane, where rationing is widely prevalent, a short run response may be expected to be lower — which, in fact, is the case with most crops — than the long-run response.

The estimated co-efficients of adjustment and the elasticities of acreage with respect to price[20] are presented in Table 2.

The following facts emerge from Table 2. Sugarcane acreage, in all the three districts individually and in UP State as a whole, has positive short run price elasticity, varying from as low as 0.2019 in Muzzafarnagar to as high as 0.2747 only in Saharanpur. The short run elasticity for UP State comes to 0.2603. The corresponding long run elasticities range from just 0.4460 in Meerut to as high as 0.9590 in Saharanpur. The figure for UP State is 0.7525 which seems reasonable. On the whole, positive and significant price influence is seen in all the above considered districts as well as for UP.

TABLE 2: ESTIMATED CO-EFFICIENT OF ADJUSTMENT (B) AND PRICE ELASTICITIES OF ACREAGE

District/State	B	Elasticities	
		Short Run	Long Run
Saharanpur	0.2865	0.2747	0.9590
Muzzafarnagar	0.2983	0.2019	0.6766
Meerut	0.4857	0.2166	0.4460
Uttar Pradesh	0.3459	0.2603	0.7525

CONCLUSION

The results of the present study support the view, arrived at by Raj Krishna and Dharm Narain for the pre-Independence period, *viz*, that farmers in Uttar Pradesh respond normally and efficiently to relative price changes in the post-Independence period also.

NOTES

1 Raj Krishna, "Farm Supply Response in India-Pakistan" *Economic Journal*, Volume LXXII, Number 291, September 1963.

2 Dharm Narain, "The Impact of Price Movements on Areas under Selected Crops in India, 1900 to 1939", Cambridge University Press, London, 1965.

3 B K Madan, Presidential Address, Proceedings of the Eighteenth Conference of the Indian Society of Agricultural Economics, 1958 pp 13-14; Walter C Neale, "Economic Accounting and Family Farming in India", *Economic Development and Cultural Change*, Part I, April 1959, pp 297-298; R O Olson, "Discussion: Impact and Implications of Foreign Surplus Disposable on Underdeveloped Economies", *Journal of Farm Economics*, December 1960, pp 1043-44.

4 S C Gupta and A Majid, "Farmers' Response to Prices and Marketing Policies Affecting Sugarcane and Paddy: A Case Study of Eastern Uttar Pradesh, India", Bombay 1965; and Y Satyanarayana, "Factors Affecting Acreage Under Sugarcane in India", *IJAE*, Volume XXII, Number 2, April-June, 1967.

5 The period covered by Raj Krishna, Dharm Narain, Gupta and Majid, and Satyanarayana is 1915-43, 1900-39, 1949-50 to 1961-62 and 1950-51 to 1963-64, respectively.

6 When ranked according to sugarcane production, the respective districts assume fourth, second and first position in India, and of course, in UP they rank first three. See "Districtwise Distribution of Production of Rice, Wheat, Groundnut, Jute and Sugarcane 1959-60 to 1961-62", *Agricultural Situation in India*, February 1967, pp 1003-1017.

7 Marc Nerlove, "Dynamics of Supply", Baltimore: Johns Hopkins Press 1958, and "Distributed Lags and Demand Analysis for Agricultural and Other Commodities", Agricultural Handbook, Number 141, Washington, United States Department of Agriculture, 1958.

8 Base 1949-50=100 has been used for all the variables.

9 The advantage in the use of this model over "expectation" lag model has been given in Raj Krishna's *op cit*, p 481.

10 Raj Krishna *op cit*, p 479.

11 Dharm Narain *op cit*, pp 1-26.

12 Sugar Inquiry Commission Report, 1965 (mimeographed), p 18.

13 Satyanarayana's study using it as an independent variable supports this "Inclusion of the relative mill price variable in the . . . model brought no improvement in multiple correlation . . . (*op cit*, p 83).

14 Sugar Inquiry Commission Report *op cit*, p 19.

15 *op cit*, p 18.

Percentage utilisation of sugarcane for the manufacture of gur in UP for the period 1956-57 to 1960-61 was 60.9 per cent and for the period 1961-62 to 1963-64 was 62.3 per cent.

16 Raj Krishna uses only post-harvest period prices. For reasons mentioned above, the present study makes use of both harvest period and post-harvest period prices by taking yearly averages.

17 This is in contrast to the result obtained by Y Satyanarayana *op cit* for UP State for the period 1950-51 to 1963-64. His result indicates an insignificant inverse relationship between acreage of sugarcane and the relative price of gur which is quantified by him in the following form:

$$A_t = \underset{(1.222)}{-23.421 + 4.550^{*}C_t} \underset{(2.589)}{-2.106P_{t-1}} \underset{(0.190)}{+0.356^{**}Y_{t-1}}$$

R^2= .660 N=13

where A_t is sugarcane acreage in lakh acres,
C_t is installed capacity of sugar industry in terms of annual sugar production (in lakh tonnes),
P_{t-1} is relative price of gur, and
Y_{t-1} is relative yield of sugarcane.
* Significant at 5 per cent level.
** Significant at 10 per cent level.
(..) Standard errors of regression co-efficients.

A similar model when used (for price alone) in our case shows:

$$X_t = \underset{(0.238)}{106.62 + .404^{**}P_{t-1}}$$

r^2=0.18 (significant at 10 per cent) level). The reasons for low r^2 seem to be the exclusion of lagged acreage from the model, the importance of which has been discussed above.

18 Data obtained from B D Dhawan, Institute of Economic Growth, Delhi.

19 An interesting implication of this hypothesis would mean that the often repeated aggregative analysis of price response is statistically invalid.

20 The co-efficient of adjustment for equation (2) has been calculated from the estimating equation (3) where $b_6=(1-B)$. B is the co-efficient of lagged acreage in equation (3).

Similarly different elasticities have been calculated. As price elasticity is given by $\frac{\Delta X_t}{\Delta P_{t-1}} \cdot \frac{\bar{P}_{t-1}}{\bar{X}_t}$

where, $\frac{\Delta X_t}{\Delta P_{t-1}}$ is our calculated co-efficient b2 in equation (3), $\bar{P}_{t-1}$ is the mean value of relative price and $\bar{X}_t$ is mean value of acreage.

Short-run elasticity (SRE) is thus given by b2. $\frac{\bar{P}_{t-1}}{\bar{X}_t}$ and long-run elasticity (LRE) is given by $b.\frac{\bar{P}_{t-1}}{\bar{X}_t}$

where b of equation (1) is nothing but our b2/B where B is the co-efficient of adjustment calculated from b6, equation (3).

Therefore $LRE = \frac{b2}{B} \cdot \frac{\bar{P}_{t-1}}{\bar{X}_t} = \frac{SRE}{B}$

Herdillia Chemicals

HERDILLIA Chemicals is seeking permission for expanding its capacity for phthalates from 3,000 to 5,000 tonnes and phthalic anhydride from 6,000 to 12,000 tonnes because of the anticipated increase in demand for its products due to the growth of the petrochemical industry in the country. Meanwhile, the raw material position has also changed for the better and the company even stands to benefit from restrictions imposed on import of products being manufactured indigenously. The new 22-kV feeder line, under construction, is expected to be completed shortly. To offset the increasing cost of steel barrels and to effect quicker deliveries to customers, Herdillia made use of road tankers. A shipment of acetone was sent out through Kandla port, but this method did not prove satisfactory because of the distances involved and the difficulty in maintaining material up to specification after transhipment. Limited quantities of chemicals have since been exported in drums, but H V R Iengar, chairman, feels the acute necessity of bulk handling facilities for export of hazardous chemicals. The company is in close touch with Bombay Port Trust to accelerate provision of these facilities.

Handle with care

Last year there were 14 million tourists like him roaming the world. And they spent nearly Rs. 11,000 crores in the countries they visited.

Tourism is the biggest and fastest growing industry in the world today. It can yield higher foreign exchange earnings with low investment faster than any other industry. And tourism as a service-oriented industry has a very high employment potential.

What about India?

It is true that the number of tourists visiting India has greatly increased. From 1,50,000 in 1964 to almost 2,45,000 in 1969. And our earnings from tourism have gone up to Rs. 33 crores in foreign exchange. But in terms of world tourism, only one out of every thousand world travellers visited India last year. Yet we have just about everything in this country to make it the world's most attractive tourist destination. We are privileged we have India.

What's missing here?

We lack nothing but broad-based public participation and enough of what is known as the 'infrastructure': hotel accommodation, transport facilities and tourist amenities. For instance, the city of Bangkok alone has more hotel beds suitable for tourists than we have in India.

And when the Jumbos come...

Jumbo Jets will soon bring past India many thousand more people than have ever come this way.

They will need clean, comfortable accommodation; at least 23,000 more hotel beds are required by 1974. Wholesome, hygienically prepared food, more shops, restaurants, recreation facilities... all these are necessary now. Above all, a smiling, friendly welcome must await our visitors to make their visit a happy one.

What are we doing about it?

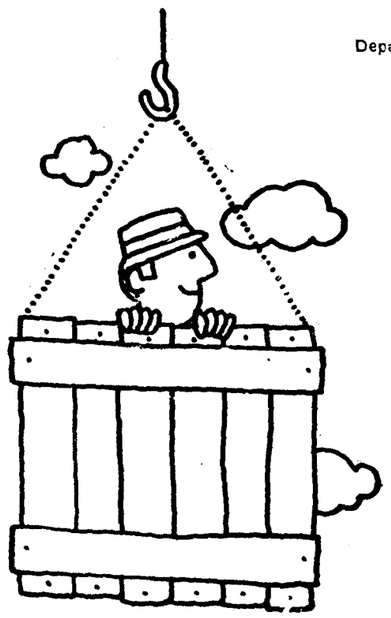
The Government is taking an increasingly active part to help build more hotels, improve air and transport services, provide new and better tourist facilities.

But Government effort alone is not enough. Tourism is everybody's business. Because people benefit wherever the tourist travels. Wealth flows from affluent countries to the less affluent, and within the country from the developed areas to the less developed and from the richer strata of society to the less rich. Everyone benefits from tourism.

So, join us in our efforts. Let us give the tourist the amenities he needs and see that he goes home happy. Each happy tourist means so many more will come next year. Shouldn't be too difficult for us. Isn't ours one of the world's oldest traditions in hospitality?

Welcome a visitor
send back a friend

Department of Tourism
Government of India



Right to Private Property

Some Issues

S P Sathe

The conflict between the Supreme Court and Parliament on the extent of judicial control of governmental action vis-a-vis private property seems to have been settled, for the time being at least, in favour of the Court.

Unless the Court uses this opportunity with restraint and imagination, the Constitution and the democratic system would be exposed to needless strain. The impression should not be created that the right to private property guaranteed in the Constitution will come in the way of implementation of socio-economic reforms. Such an impression will only help those who believe that a social order based on justice cannot be created under a democratic Constitution.

The Supreme Court must, of course, step in where the legislature acts arbitrarily or unconstitutionally. Also, the right to private property is an important aspect of the economic and political systems that we have given ourselves. At the same time, the competing demands of social justice must be given adequate attention.

THE conflict between the Supreme Court and Parliament on the extent of judicial control of governmental action *vis-a-vis* private property seems to have been settled, for the time being at least, in favour of the Court. In decisions delivered since 1960, the Court has been making a sustained effort to regain the power of judicial review which the Fourth Amendment had sought to take away. During the earlier years the Court proceeded rather cautiously, being conscious that its decisions could be overturned by a constitutional amendment. After its decision in Golaknath *vs* State of Punjab,[1] in which it held that Parliament cannot amend the Constitution so as to take away or abridge fundamental rights, the Court's decisions assumed a finality which perhaps they never had in the past. In fact the political change that came after the fourth general election and the subsequent split in the Congress party would have achieved the same result even in the absence of the Golaknath decision. It will be quite difficult to muster the required special majority in support of a constitutional amendment. Unless the Court uses this opportunity with restraint and imagination, the Constitution and Indian democracy would be exposed to an enormous strain. An impression should not be created that the right to private property guaranteed by the Constitution will come in the way of the implementation of socio-economic reforms in India. Such an impression will only help those who believe that the new social order based on justice — social, economic and political — will not be created under a democratic Constitution. At the same time the Court cannot play second fiddle to the Legislature. It must step in where the Legislature acts arbitrarily or unconstitutionally. The right to private property is doubtless important for our economic development, but the competing demands of social justice must also be given adequate attention.

Constitutional Position

The right to property is guaranteed by Articles 19(1)(f) and 31 of the Constitution. Article 19(1)(f) guarantees the right to acquire, hold and dispose of property subject to reasonable restrictions that may be imposed by the state in the interests of the general public. The reasonableness of the restrictions is justiciable. Article 31(1) says that "No person shall be deprived of his property save by authority of law". Clause (2) of Article 31 says that private property may be acquired for public purpose by authority of law. Such a law must provide for compensation for the property so acquired. Clause (4) of this article exempted State legislation which was pending at the commencement of the Constitution from the requirement of Clause (2). Such legislation had to obtain the assent of the President before it became effective. This clause was inserted for the purpose of saving the programme of Zamindari abolition and other agrarian reforms from the purview of Article 31(2). Similar protection was given to existing legislation under Clause (5) which exempted State action imposing any tax or penalty, or promoting public health or preventing danger to life or property from the purview of Clause (2).

Before the Fourth Amendment, the Court had held that Clauses (1) and (2) of Article 31 dealt with eminent domain whereas Clause (5) dealt with the restriction of the right to private property in exercise of the police powers of the state. It was held that whenever an individual was substantially deprived of his property, irrespective of whether the property vested in the State or otherwise, compensation had to be paid. The word "deprived" in Clause (1) was read as inclusive of the word "acquisition" in Clause (2).[2] This would have required the state to pay compensation whenever it imposed economic regulation or social control over the use of private property. The Constitution was, therefore, amended in 1955 making it clear that it shall not amount to "acquisition" for the purpose of Clause (2) of Article 31 where the property was not actually transferred to the State or a corporation owned or controlled by the State.

Fourth Amendment

In State of West Bengal *vs* Bela Banerji[3] the Supreme Court held that compensation meant an equivalent of the market value of the property sought to be acquired. In spite of the fact that the debates in the Constituent Assembly make it clear that the Legislature was intended to be the final authority to decide the adequacy of compensation, the Court held that the word "compensation" meant an equivalent of what one was deprived of. The insistence on payment of compensation at the market value of the property would have denied the Legislature the elasticity of approach which the complexity of Indian economic conditions demanded. The Fourth Amendment made adequacy of compensation non-justiciable.

Before the Fourth Amendment the Court had held that Article 31 was a self-contained code and it could not be read in conjunction with Article 19(1)(f). The right given by Article

19(1)(f) subsisted when property was in the hands of a citizen. Any restriction of his right to hold, dispose of or acquire property had to be reasonable in the eyes of the Court. However, if he was deprived of his property altogether he could invoke only Article 31 but not Article 19.[4] After the Fourth Amendment, when Clause (1) was separated from Clause (2), the former dealing with "deprivation" other than "acquisition" and the latter with "acquisition", the right to private property was substantially circumscribed. Because the only ground on which deprivation of property could be assailed was that there was no law authorising it. If the Legislature took care to authorise the deprivation by a law, the individual was helpless. The Supreme Court in Kochuni *vs* State of Madras[5] reconsidered the question. It observed that Clause (2) of Article 31 was a self-contained code dealing with the acquisition of private property by the State. But Clause (1) had to be read along with Article 19(1)(f). Otherwise if the State took away A's property and gave it to B there was no constitutional remedy available to the aggrieved individual. The Court held that a law authorising deprivation of property must satisfy the test of reasonableness under Article 19(5). This was a judicial attempt to reinstitute due process of law insofar as private property was concerned.

Ruling Reversed

The Court, however, refused to extend the application of Article 19(1)(f) to Article 31(2). It was in the Bank Nationalisation case that the Court reversed its earlier rulings and held that even Article 31(2) had to be read subject to Article 19(1)(f). This meant that where a person's property was acquired by the state the following conditions must be satisfied: (i) it should be by authority of law; (ii) it should be for a public purpose; (iii) the law should provide for the payment of compensation; and, (iv) such law should be a reasonable restriction on the person's right to acquire, hold and dispose of property. While the extension of Article 19(1)(f) to Article 31(1) has justification, the extension of Article 19 to Clause (2) of Article 31 is superfluous. A law which authorises acquisition of private property for a public purpose must be presumed to be a restriction in the interest of the general public. Moreover, the Constitution requires that compensation has to be paid when property is acquired. This makes the restriction reasonable. What is the need for reviewing the reasonableness once again under Article 19? Will the Court say that inadequate compensation makes the restriction unreasonable? If it does, it will directly conflict with Clause (2) of Article 31 as amended by the Fourth Amendment. Article 31(2) contains enough safeguards against arbitrary action. It should be noted that it was essentially for avoiding the import of the concept of substantive due process that the Constituent Assembly had rejected the inclusion of the words "due process of Law" in the Constitution. By extending the application of Article 19(1)(f) to Article 31(2) the Court has, in effect, imported the concept of substantive due process.

II

Compensation for the Acquired Property

Although the Fourth Amendment made it clear that adequacy of compensation would not be a justiciable issue, the Supreme Court has been trying to resurrect the Bela Bannerji dicta regarding the compensation. In Vajravelu *vs* Sp Dy Commissioner[6] Chief Justice Subba Rao observed that since the word "compensation" was retained after the Fourth Amendment it must be given the same meaning which it had received in Bela Bannerji's case. He held that it was for the Court to decide whether what had been provided for was an equivalent of what the owner had been deprived of. Although adequacy of compensation was not justiciable the relevance of the principles in accordance with which compensation was payable had to be gone into. The Court would intervene only if the compensation was illusory.

Bank Nationalisation Case

In the Bank Nationalisation case the Court struck down the provisions of the Act on the ground that they did not provide for compensation. It is difficult to agree with the Court that compensation provided under the impugned statute was illusory. The Court struck down the provision on the ground that such components of the acquired undertakings as goodwill, etc. were not counted. If the total compensation provided is fair there is no reason why the Court should see whether separate allocation has been made under each head. Moreover the justness of compensation must be examined in the light of the wider social perspective. Should the Court not take into account the total social benefit that is afforded by the acquisition of a private property? While no injustice should be done to the individual, society as a whole must also be given justice. (It must be said to the credit of the Indian Parliament that the compensation provided by most of the nationalisation laws has been fair.) The Court may either adopt a purely literary approach to constitutional interpretation or it may adopt a wider, socio-economic, interpretation. If it adopts a purely literary interpretation it has no jurisdiction to decide whether compensation is fair or not. If it claims such jurisdiction it cannot bring to bear purely legalistic standards for its determination, because the fairness of compensation must be viewed in the socio-economic context.

The Golaknath decision has made an amendment of the fundamental rights impossible. Mr Nath Pai's Amendment Bill is pending. If the Supreme Court strikes down Nath Pai's Amendment if and when it is passed by Parliament, it will create another deadlock. Calling another Constituent Assembly will be a dangerous step. The new Constituent Assembly may not be as liberal as the old one. It may curtail the right to property much more drastically. Moreover, in the present political climate any move to call a Constituent Assembly will create political instability. The crisis can be averted if the Supreme Court shows greater deference to the judgment of the Legislature on the question of right to property.

There is a mistaken belief that the judicial process is purely mechanical. The judges have the discretion to choose an interpretation out of the many interpretations available. The judges have to make their choice from the standpoint of social policy. This is a responsibility which the Constitutional Court of a democracy cannot refuse to discharge.

Notes

1 AIR 1967 SC 1943.

2 See State of West Bengal *vs* Subodh Gopal, AIR 1954 SC 97; Dwarkadas Srinivas *vs* Sholapur Mills, AIR 1954 SC 119; Sagir Ahmed *vs* State of UP, AIR 1954 SC 728.

3 AIR 1954 SC 170.

4 See State of Bombay *vs* Bhanji Munji (1955) 1 SCR 777.

5 AIR 1960 SC 1080.

6 AIR 1965 SC 1017.

Inter-State Differences in Manufacturing Workers' Earnings

A Study in Money and Real Wages

K Saradamoni

An attempt is made in this paper to study inter-State differences in manufacturing workers' earnings in both money as well as real terms.

Using data published by the Labour Bureau, the author finds that inter-State differences have been widening in both money and real earnings. The differences are somewhat less in the case of real earnings, but they are nevertheless significant.

THE importance of the question of manufacturing workers' earnings can be seen from the fact that the National Commission on Labour devoted six chapters of its report to discussion of wages and allied matters.

The problem of inter-State wage differences dealt with here assumes special importance in the context of the regional minimum wages proposed by the Commission. The Commission pointed out that a "national minimum wage in the sense of a uniform minimum monetary renumeration for the country as a whole is neither feasible nor desirable". The Commission adds that "minimum wage may thus vary from region to region and even within the same region, from time to time, depending on particular situations". In this context any feasible and desirable regional minimum necessitates the constant study of the problems related to inter-State wage differences.

This study is a continuation of an earlier paper ("Inter-State Differences in Manufacturing Workers' Earnings", *Economic and Political Weekly*, May 31, 1969, pp 911-915), where it was seen that inter-State differences in average industrial earnings of workers are mainly caused by differences in the industrial composition in the States. There are industries in which workers' earnings are high and others where they are low. States with a high percentage of the first category of industries have higher industrial earnings per worker and States where the latter type of industries predominate, low earnings per worker prevail. At the same time, States like Bihar where average industrial earnings are high provide very little employment.

But the problem cannot be exposed satisfactorily by studying money wages alone. Hence an attempt is made here to study inter-State differences in manufacturing workers' earnings in both aspects — money as well as real. As there are significant differences in cost of living among the States such a study is highly necessary.

Source of Data

The data for this study are collected from the Indian Labour Statistics published by the Labour Bureau. The Labour Bureau collects separate figures of total earnings of employees covered by the Payment of Wages Act 1936 and the corresponding average daily number of employees. Figures of per capita annual earnings are derived by dividing the former by the latter. The statistics are based on the factories reporting and hence are subject largely to errors of varying non-response from year to year.

To obtain real wages, the index numbers of money wages were calculated and were deflated by the consumer prices indices supplied by the Labour Bureau. These indices have many drawbacks. The various centres for which the indices are available cannot be considered to be fully representative of the whole State. No indices are available for such an important State like Tamil Nadu.

The period of the study is from 1960 to 1967. But for the year 1960, data on employment and money wages are not available for Mysore, Punjab, Rajasthan and Jammu and Kashmir. So in Table 2 where the index numbers of employment and earnings are given and which forms the basis for the analysis of this paper only 9 States are taken into account.

Analysis

An examination of Table 2 shows a general rise in index numbers of employment and money earnings in all States over the years. In 1967, Assam is the only State where the index number of employment remains 100.00. This can be due to non-reporting as explained earlier because even in 1966, the index number there remains high. The highest rise in employment is in Orissa (250.00) followed by Madhya Pradesh (162.22). They are followed by Andhra Pradesh (154.90), UP (137.77) and Bihar (137.60). Delhi, West Bengal and Gujarat are the three States where the percentage of employment rise is smaller than in the other States. But it has to be seen that employment was very low in 1960 in all the States where there was a high percentage rise. In Orissa it was only 16,000 and Madhya Pradesh 45,000 whereas West Bengal had 566,000 and Maharashtra 561,000.

The index numbers of money wages also increased in all States, varying between 181.09 in Orissa and 123.51 in Bihar. In Assam, they went up to 150.76, Madhya Pradesh 175.69, Kerala 173.82 and Andhra Pradesh 163.87. In Gujarat, UP, and West Bengal they reach nearly 160, Delhi 152.90. The only industrially advanced State where they show a relatively small rise is Maharashtra (140.98). But in absolute terms Maharashtra remains one of the States where earnings are the highest. (Rs 2477) coming next only to Gujarat (Rs 2663). In 1960 Orissa was third in the ascending order coming next to Andhra Pradesh and Kerala. Its position remains almost the same in 1967. The only difference is that its earnings are slightly higher than UP also.

In real earnings, only in three States, *viz*, Orissa, Kerala and Andhra Pradesh do we find a rise in index numbers. In Orissa they rise to 107.15, but in the other two States they are not significantly high. The steepest fall is observed in Bihar.

If a year-by-year examination is made, it can be seen that real earnings were fluctuating over the years. In Andhra, they were always above 100, except in 1964. In Assam they have always been below 100. In Bihar a gradual fall is observable since 1961, which is almost true of Gujarat also. Kerala has throughout maintained an index number higher than 100, the high-

TABLE 1 : AVERAGE DAILY EMPLOYMENT AND PER CAPITA ANNUAL MONEY EARNINGS OF WORKERS IN MANUFACTURING INDUSTRIES, 1960-67

STATES	1960		1961		1962		1963		1964		1965		1966		1967	
	Emp	Ear	Emp	Ear	Emp	Ear	Emp	Ear	Emp	Ear	Emp	Ear	Emp	Ear	Emp	Ear
Andhra Pradesh	51	941	54	1,149	63	1,152	62	1,330	74	1,168	63	1,261	79	1,457	79	1,542
Assam	12	1,574	12	1,599	13	1,393	12	1,600	14	1,631	15	1,861	14	2,130	12	2,373
Bihar	125	1,778	130	1,856	143	1,748	147	1,832	163	1,749	166	1,995	169	2,050	172	2,196
Gujarat	264	1,689	279	1,702	283	1,764	286	1,714	300	1,888	299	2,136	297	2,340	280	2,663
Jammu and Kashmir	—	—	—	—	—	—	—	—	4	782	2	751	3	978	3E	978
Kerala	45	978	49	1,152	49	1,208	51	1,228	46	1,256	51	1,402	52	1,700	52E	1,700
Madhya Pradesh	45	1,345	32	1,816	36	1,973	45	1,896	63	2,013	93	1,828	76	2,118	73	2,363
Maharashtra	561	1,757	601	1,775	630	1,869	652	1,920	683	2,031	713	2,242	728	2,477	728E	2,477
Mysore	—	—	81	1,375	67	1,284	108	1,567	109	1,696	127	1,944	106	1,840	141	1,760
Orissa	16	1,105	18	1,180	30	1,336	15	1,377	27	1,786	36	1,881	40	2,001	40E	2,001
Punjab	—	—	85	1,174	93	1,258	105	1,266	117	1,418	131	1,642	66	1,636	75	1,705
Rajasthan	—	—	15	761	24	1,360	37	1,334	29	1,412	26	1,575	35	1,368	21	2,344
Tamil Nadu	223	1,367	224	1,465	243	1,563	246	1,583	278	1,508	315	1,910	311	2,083	309	2,244
Uttar Pradesh	188	1,210	178	1,264	210	1,390	219	1,447	228	1,552	250	1,702	237	1,825	259	1,922
West Bengal	566	1,369	569	1,410	594	1,484	605	1,578	630	1,696	641	1,867	604	2,024	611	2,176
Delhi	57	1,628	61	1,655	65	1,819	68	1,736	47	1,961	57	2,195	70	2,321	62	2,489

Emp = Employment (in '000)
Ear = Earnings (Rs)
E = Estimated

TABLE 2 : INDEX NUMBERS OF AVERAGE DAILY EMPLOYMENT AND PER CAPITA ANNUAL MONEY AND REAL EARNING PER WORKER

(1960 = 100)

States	1961			1962			1963			1964		
	E	M E	R E	E	M E	R E	E	M E	R E	E	M E	R E
Andhra Pradesh	105.88	122.10	116.29	123.53	122.42	112.31	121.57	141.34	125.08	145.10	120.12	96.87
Assam	100.00	101.59	99.60	108.33	88.50	83.49	100.00	101.65	88.39	116.67	103.62	84.24
Bihar	104.00	104.39	102.34	114.40	98.31	94.53	117.60	103.04	94.53	130.40	98.37	79.33
Gujarat	105.68	100.77	103.61	107.20	104.44	100.42	108.33	101.48	95.74	113.64	111.78	93.93
Kerala	108.89	117.79	114.36	108.89	123.52	116.53	113.33	125.56	115.19	102.22	128.43	105.27
Madhya Pradesh	71.11	135.02	127.38	80.00	146.69	132.15	100.00	140.97	123.66	140.00	149.67	116.02
Maharashtra	107.13	101.02	101.02	112.30	106.26	—	116.22	109.28	104.08	121.75	115.59	90.37
Orissa	112.50	106.79	107.87	187.50	120.90	118.53	93.75	124.62	108.37	168.75	161.63	135.82
Uttar Pradesh	94.68	104.46	102.41	111.70	114.88	108.38	116.49	119.59	109.72	121.28	128.26	97.17
West Bengal	100.53	102.99	102.99	104.94	108.40	103.24	106.89	115.27	103.85	111.31	123.89	103.24
Delhi	107.02	101.66	98.70	114.04	111.73	104.42	119.30	106.63	96.06	82.46	120.46	96.37

TABLE 2: *Continued*

(1961 = 100)

States	1965			1966			1967		
	E	M E	R E	E	M E	R E	E	M E	R E
Andhra Pradesh	123.53	134.00	100.00	154.90	154.84	103.23	154.90	163.87	101.15
Assam	125.00	118.23	90.25	116.67	135.32	90.21	100.00	150.76	82.38
Bihar	132.80	112.20	79.57	135.20	115.30	68.63	137.60	123.51	59.96
Gujarat	113.26	126.47	97.28	112.50	138.54	98.26	106.06	157.67	93.30
Kerala	113.33	143.35	105.40	115.56	173.82	115.88	115.56	173.82	102.85
Madhya Pradesh	206.67	135.97	97.78	168.89	154.47	102.25	162.22	175.69	96.01
Maharashtra	126.92	127.60	98.91	129.77	140.98	97.90	129.77	140.98	88.11
Orissa	225.00	170.23	135.10	250.00	181.09	114.61	250.00	181.09	107.15
Uttar Pradesh	132.98	140.66	94.40	126.69	150.83	94.86	137.77	158.84	98.66
West Bengal	113.25	136.88	101.02	106.71	147.85	97.91	107.95	158.94	96.33
Delhi	100.00	134.84	100.63	122.81	142.58	96.99	108.77	152.90	91.01

E = Index of employment; M E = Index of per capita money earnings; R E = Index of per capita real earnings.

est point reached being 116.53 in 1962. In Madhya Pradesh, it was varying, but except in 1965 and 1967, they were always higher than 100. In Maharashtra a steady fall begins with 1964. In Orissa, they were throughout above 100, the highest point, 135, being reached in 1964 and 1965. In UP a fall in real wages started with 1964 whereas the rise continued upto 1965 in West Bengal. In Delhi, with an occasional fluctuation upward, they were on the whole lower than 100.

Generally, the level of money wages do not tend to decline except under severe economic depression. So there is nothing surprising if it has tended to rise in a developing economy like ours. But if the workers are really to benefit out of an increase in cash earnings, these earnings should be linked to the consumer price indices. If there is such a linking, not only would workers benefit, but also inter-State differences would lessen, or disappear, if differences in cost of living is a major factor causing such differences. To examine this, the standard deviation between the States in money earnings and real earnings has been calculated for the two years 1961 and 1967. If money earnings are "x" and real earnings "y", it can be said that in:

1961
σ x=10.66
σ y= 8.46
1967
σ x=15.62
σ y=12.21

Inter-State differences have been widening in both money and real earnings. Even though it can be said that they are less in the case of real earnings, they are quite significant there also. This can mean that money wages are not linked to consumer price indices. They also show that however important cost of living may be, there are other reasons which cause inter-State differences in workers' earnings.

Political Culture of the Coorgs

Some Notes

Duncan B Forrester

N Dilip Uthappa

The Coorgs have, to a most remarkable degree, retained their distinctiveness and corporate identity, and in recent years they have been rapidly politicised. An understanding of the traditional base from which this process started and the factors which determine its direction helps us to appreciate why the political culture of the Coorgs of today is conservative, authoritarian and rather unsympathetic to many democratic and egalitarian values.

The Coorgs have become politicised not in order to use democracy, but to protect themselves against democracy.

[The authors are particularly grateful to C A Ponnappa, M C Subayya and B A Thimayya for criticisms and suggestions while this paper was being prepared.]

THE Coorgs or Kodagas are a small dominant caste[1] whose homeland is an area of hill country in the Western Ghats between Mysore and Mangalore. This caste is quite distinct in a variety of respects from its social milieu: "The Kodaga (or Koraga) population ... is tall, stalwart, broad-headed and comparatively fair-complexioned, and though Hindu, like that of Malabar, has preserved and developed a distinct culture of its own with greater freedom from the restrictions of caste and a long tradition of martial independence and self-reliance which may be compared in some respects with that of Switzerland among the nations of Europe ... The uniform brachycephaly of these mountaineers, in marked contrast to the doliocephaly of most of Madras, indicates Coorg as the southern extremity of a prehistoric penetration down the west coast of India of an intrusive broad-headed element which has retained on this plateau its original character with comparatively little admixture of other racial stocks."[2] In recent years the Coorgs have been the subject of a classical anthropological study by M N Srinivas, "Religion and Society among the Coorgs of South India" (1952). The focus of this important book is somewhat surprising, as even a superficial observer realises that religion is a far less influential factor among the Coorgs than among most other Indian communities; in a sense one can say that they are a secularised group, or at least that they have proved remarkably resistant to efforts to integrate them fully into Brahminic Hinduism. Their customs are quite distinct, and frequently have no religious reference whatsoever. Yet Srinivas's book provides the basic material on Coorg customs, relationships, beliefs, and attitudes to which this paper on the political culture of the caste claims to be no more than an extended footnote.

The origin of the Coorgs is shrouded in mystery, in spite of Hutton's rather confident assertion quoted in the preceding paragraph.[3] We do not even know much about the process by which they came to be accepted as part of Hindu society in spite of their rather unusual customs. Most Coorgs regard themselves as Kshatriyas, although the *Kaveri Purana* calls them Ugras, and their values and many of their activities correspond to the sanskritic Kshatriya pattern: they are a martial, athletic race, owning land, and reverencing the cow. But the Coorgs diverge at other points from the Kshatriya pattern: they perform no Vedic rituals, they neither reverence nor regularly employ Brahmin priests, they eat pork, they do not wear the sacred thread.[4] Probably, as Srinivas suggests, the close ties between the Lingayat Rajas and the Coorg 'lords of the soil' during the seventeenth and eighteenth centuries resulted in their gradual yet partial sanskritisation:[5] "The religion of the Rajas left its mark on the general population, and especially on Coorgs. The latter constituted the aristocracy under the Rajas, and a number of them held important posts at the Rajas' courts. Members of the royal family occasionally married Coorgs. The close contact which Coorgs enjoyed with the Rajas certainly helped in the spread of the culture and religion of the latter."

The confused history of Coorg nevertheless suggests that the Coorgs have for many centuries been the dominant landowning caste in the area, and for much of the time virtually independent of any outside authority. Technically under the suzerainty of one or the other empire, the Coorgs were in fact the barons on whose support depended the power of the various princes who ruled part or all of what is today the district of Coorg.[6] The princes might not themselves be Coorgs, but their ministers, soldiers, and advisers were mostly Coorgs. The Coorgs showed themselves thoroughly adaptable, loyal and responsive to considerate rulers; culturally and religiously they borrowed from their rulers just as the lower castes tended to imitate them. But virtually open war developed between the Coorgs and the Muslim rulers of Mysore in the late eighteenth century, Haider Ali and Tippu Sultan. In 1780 Haider Ali took possession of Coorg and placed a Muslim garrison in Mercara. Two years later the Coorgs rebelled, but Haider Ali was too involved in war with the British to deal with Coorg; this problem was left to his successor, who in 1785 drove some 70,000 Coorgs to Seringapatam where they were forcibly circumcised and confined while their lands were given to Muslim notables. In 1788-9 Vira Raja, the former ruler of Coorg, escaped and the Coorgs rallied around him, allied with the British, and drove Tippu from Coorg.[7] This history — and its mythological developments — is learnt by Coorgs at their mothers' knee and is certainly a significant factor behind modern Coorg attitudes to Muslims.

Firm Friends of British

The liberation from the Muslim yoke made Coorg a "firm friend of the British",[8] although for some time it remained in a state of semi-independence until its formal annexation in 1834. From the beginning Coorgs proved loyal and sympathetic associates of the British: they helped in putting down the 1837 Canara Rebellion and were rewarded with *jagirs*;[9] they remained loyal throughout the Mutiny and consequently were granted the right to carry arms freely, which they enjoy to the present day.[10] The coming of British rule initiated a period of great change in Coorg. A few conciliatory concessions to traditional feeling such as the banning of the slaughter of cattle in 1835 and indirect government were more than offset by innovations: the gifts of *jagirs* to individuals, mentioned above, cut at the basis of the Coorg joint family; the abolition of slavery opened the way for fundamental economic changes; political integration into British India exposed Coorg to a whole variety of modernising influences.[11]

As the plantation industry developed, Coorg was exposed increasingly to direct contact with Europeans. The growth of individual rather than familial landholding and the abolition of slavery paved the way, but it was the discovery that Coorg was excellently adapted to the growing of coffee which changed the whole economic basis of Coorg society. It is thought that coffee was first introduced to Coorg by Moplahs at Nalknad, and from the beginning British administrators encouraged the growing industry so that gradually most Coorgs had at least a small area under coffee. The first European plantation was founded in 1854 and others quickly followed until there were a considerable number of European planters. Coorgs were quick to copy European methods of planting and thus were drawn increasingly into a modern market economy and into social as well as economic and political interaction with Europeans.[12] The British, for their part, found the Coorgs more easy to understand and respect than most Indians — they seemed to fit into the category of landed gentlemen of a rather old-fashioned sort, and as a community they were felt to be more like a Scottish clan than an Indian caste. The *Imperial Gazeteer* (like other European writings on the Coorgs) betrays a quite extraordinary sympathy: "The Kodagas form a distinct highland clan, free from the trammels of caste, and as a rule resent Brahman intervention. Their physical characteristics and bearing, combined with a picturesque dress, have always attracted the attention of Europeans; and scientific investigation has now shown that ethnographically they are a superior race."[13] The European felt such affinity for the Coorgs that he saw himself in them, and the Coorgs for their part adopted many European attitudes and ways of life, or adapted their own tradition to make it more European. The social isolation of the Europeans was not as acute in Coorg as in most other places in India: Europeans and Coorgs found each other in many ways congenial and respected each other far beyond what was normal elsewhere in British India. And, of course, the Europeans to whom the Coorgs were first, and most extensively, exposed were public school educated, upper class, paternalistic, outdoor types: not the sort of people who might be expected to sow seeds of doubts in the legitimacy of colonial rule or the imperial vocation.

Ancestor Worship

The fundamental political attitudes of the Coorgs may be traced back to their religious and social customs. Coorgs are ancestor worshippers, and a large part of their religious ceremonies, even when the old style of family is fragmented, centres around the joint family or *okka* and the family ancestors whose shrine is near the ancestral home. The *okka* is an organic society of fundamental significance in the Coorg world view. As Srinivas puts it: "The *okka* is something very much more than the group of living members in it at any given moment. It is a continuum through time, and the body of living members at any particular moment form only points on it. Coorgs themselves clearly state that the *okka* has a longer life than its members. They are also aware that an individual lives, in a social sense, as long as his *okka*. There is a great desire for the continuance of the *okka* and there is no greater calamity than its extinction.[14] Despite the acids of modernity the *okka* still exists, although in a modified form, in Coorg and the worship of ancestors is carried over in the extreme respect paid to elders by their juniors. When young men or women in Coorg, no matter how educated and emancipated, great their elders, they touch their feet three times while the elder lays his hands in blessing on their heads. Young men will not smoke or drink in the presence of their seniors and although all older Coorgs are entitled to respect the greatest reverence is reserved for one's own parents and other senior relatives. The Coorg family is therefore highly disciplined, paternal authority is very great and seldom challenged, and the individual knows himself to be incorporated into an organic society. These things surely predispose towards acceptance of discipline as the prime political virtue and a nationalism with rather mystical overtones. And together with the traditional Coorg emphasis on valour, athletics, and "manly pursuits" we have here an ideal attitudinal base for a martial race. Furthermore, although Coorgs have adopted many Hindu superstitions such as astrology and inauspicious times, and share the general Hindu reverence for the cow, they have become in recent times to a considerable extent free from the pollution taboos and rigid social regulations which stand in the way of so much social change in India. A

Coorg can become highly Westernised without abandoning any substantial aspect of his own tradition, and even the most Westernised and cosmopolitan of Coorgs remain deeply attached to their traditional roots.

A further aspect of the Coorg tradition to keep in mind is that they have for centuries been socially, economically, and politically dominant within their homeland. They have been accustomed to lower castes trying, by imitating Coorg customs and dress, to identify with the dominant caste, and if they themselves assimilated to some extent the ways of the Lingayat Rajas and of the British it has never involved a rejection of their own tradition or social identity. They have always been landowners and employers of labour, accustomed to authority and expecting obedience. Within Coorg their dominance has hardly been questioned — except by Haider Ali and Tippu Sultan! — and they have developed an autocratic and paternalistic understanding of politics.

The pattern of modernisation among the Coorgs therefore has been a thoroughly aristocratic one. Unlike the Brahmins whose dominance in administration made them the Indian equivalents of the ICS 'Guardians', believing that education and enlightenment were the key to legitimacy, the Coorgs claimed a more Kshatriya form of legitimacy. In the context of modern democratic India the position of the Coorgs is therefore somewhat anomalous. In general democracy means that large castes ambitious for power may win it by shrewd alliances and systematic infiltration of political parties. But the Coorgs could not follow this pattern of politicisation, for their numbers were too small for them to carry much electoral weight, and their attitudes and customs made political alliances with other castes out of the question. The Coorgs are a military squirearchy and it is the argument of this paper that their politicisation has followed a rather different pattern from that of most other social groups in India.

Apart from the distinctive traditional base from which the modernisation of the Coorgs has started, three factors have determined the course and speed of the process. First, in the nineteenth century the Coorgs realised the importance of education and took steps to ensure that the educational level of the community should be speedily raised. Schools were founded in considerable numbers throughout Coorg, and scholarships were made available for Coorg students to study outside the district. It is notable how many of the schools in Coorg were built privately rather than by Government. Even today whereas there is no caste association, there are several well endowed and efficiently administered education funds.[15] Although the Coorgs are not in general a particularly intellectual people, the level of literacy in Coorg district is high — 36.3 per cent in 1961, the highest literacy figure for any district of Mysore, and 11.1 per cent better than the State percentage. The female literacy figures are even more impressive — 27.9 per cent for Coorg as against a State figure of 14.2 per cent. Literacy among the Coorgs themselves is certainly considerably better than the District figures — probably at least 70 per cent.[16] A considerable and increasing number of Coorgs are graduates. Many Coorgs still go out, to Mysore, Bangalore, Mangalore, or Madras for their education. All this enthusiasm for modern education has certainly improved the competitive position of the Coorg community and gone far to broaden its mental horizons and make the Coorgs more open to new ideas.

A second factor in modernisation has been the involvement of a large number of Coorgs in the plantation industry. Not only have they shown themselves highly successful in developing their own estates on sound economic and scientific lines but they are now to be found as plantation managers all over India from Assam to Cape Comorin. The earlier period of interaction with, and imitation of, European planters has now given way to a period in which Coorgs are often taking places formerly occupied by British planters. This process suggests successful Westernisation on the part of the Coorgs, and a singular ability to adapt to a role which has been defined in European terms. But in addition, the Coorg involvement in the plantation industry drew them directly into an all-India, indeed a world-wide economy. A considerable degree of economic sophistication and an awareness of national policies and the state of the world market are necessary for effective operation. Coffee planting is closely controlled by a national organisation, the Coffee Board. The plantation industry, therefore, contributed to drawing the Coorg community out of political localism and making it vitally concerned with national politics and even some international issues. The plantations, in which large numbers of migrant labourers are employed seem also to have confirmed the Coorgs in their belief in the virtue of paternalism and the necessity of firm, if benign, authority.

A third factor is the considerable stake of the Coorgs in the armed forces. Coorgs have not only a martial tradition, but they have today a representation in the armed forces, particularly the officer cadres, out of all proportion to the size of the community. For a short time in the early years of this century there was a regiment of Coorgs, and since Independence an Indian commander-in-chief, General K M Cariappa, and a chief of staff, General K S Thimayya, have been Coorgs.[17] This strong representation in the armed forces has given the Coorgs, like the Sikhs, an influence in national politics, but unlike the Sikhs, the Coorgs have been too small in number and dominant in too small an area for them to be tempted to dilute their nationalism with separatism or localism.

Yet the fact that so many Coorg families today have one or more members in the forces serves to confirm the community's traditional emphasis on discipline and obedience as fundamental virtues; on leadership as a Coorg birthright; and on the indispensability of loyalty. It also helps to make the Coorgs more concerned than most castes and communities with national problems and national politics, and reinforces suspicion of democracy, particularly at the local and State levels, to which their tradition makes them prone. General Cariappa, often an accurate mouthpiece of views common among Coorgs, was alleged in March 1970 to have advocated a period of military rule for India while addressing a rally of the RSS, the militant Hindu organisation. A report of his speech continued: "General Cariappa said a new constitution should be framed under which the present system of adult franchise is replaced by limited franchise confined to literates. All the linguistic States should be scrapped, he said. All the political parties should also be disbanded for the time being, since parties had started sprouting like mushrooms. The new constitution should allow only three or four political parties."[18] Both their tradition and their present place in Indian society make Coorgs liable to right-wing views, and it is no surprise that Swatantra and Jan Sangh have increasing influence among them.[19] In the 1967 General Election the three Assembly constituencies within Coorg went one each to Swatantra, Congress, and Jan Sangh, the last being a reserved constituency. The Jan Sangh had very recently established an organisation within Coorg, and this was its first electoral success. The successful Congressman was a politically influential Coorg, A P Appana, who had strong community support and thus managed to overcome the widespread dislike of Congress among Coorgs. The local MP is another Coorg, C M Poonacha, former Chief Minister of Coorg, and until recently a central minister. Although himself a Coorg, he now draws his main support from the South Canara part of his constituency rather than from Coorg proper.

Coorg remained a distinct political entity right until 1956. Before Independence it was a Chief Commissioner's Province, then a Part C State, before being integrated into Mysore on the recommendation of the States Reorganisation Commission.[20] As long as Coorg was separate, the political dominance of the Coorgs was effectively guaranteed, and there is every indication that Coorgs resented, and still resent, the downgrading of their homeland into a mere district of Mysore State. Coorgs frequently suggest that corruption and inefficient administration have become widespread since 1956, since when many non-Coorgs have been brought in to fill important administrative positions. Such suspicions may well have substance since it is easy to imagine that in separate Coorg, a Coorg-dominated administration was backed up by a variety of traditional sanctions and informal political procedures. Now Coorgs see themselves in a humiliating position as suppliants of a corrupt and alien administration.[21] In Mysore State they are not in a competitive position politically and it is impossible for them to ally with other similar castes because such do not exist. Furthermore, there is little doubt that integration into Mysore has operated to the economic disadvantage of a wealthy area such as Coorg.[22] Coorgs therefore feel alienated from democratic State politics, and indeed to some extent from democracy as such. They look back to a not-so-distant past when their hegemony was unchallenged in Coorg, and upward to the national sphere where the decisions which more directly affect their destiny are now taken. Democracy, particularly of the local variety, has effectively challenged Coorg political dominance in their traditional homeland, and undercut their self-respect in ways they find highly uncongenial. It is not surprising that they tend to be suspicious of democracy, and sympathetic to more authoritarian systems.

The Coorgs have, to a most remarkable degree, retained their distinctiveness and corporate identity, and in recent years they have been rapidly politicised. An understanding of the traditional base from which this process started and the factors which determined its direction helps us to understand why the political culture of the Coorgs of today is conservative, authoritarian, aristocratic, and rather unsympathetic to many democratic and egalitarian values. They have become politicised not in order to use democracy, but to protect themselves against democracy.

Notes

1 *The Imperial Gazeteer of India*, Rev Edn, Oxford, 1908, Vol XI, p 23 reported that there were 36,091 Kodagas (Coorgs) forming 20.5 per cent of the population of Coorg. According to the 1931 Census there were 41,026 Coorgs (cited in M N Srinivas, "Religion and Society among the Coorgs of South India", Bombay, 1952, p 9). B D Ganapathy, "Kodavas (Coorgs): Their Customs and Culture", Mercara, 1967, p 178, says there are about 75,000 Coorgs out of a population of 3,25,000.

2 J H Hutton, "Caste in India", Bombay, 1963, pp 15-16.

3 Ganapathy, *op cit*, pp 2-7.

4 Srinivas, *op cit*, pp 32-4,38; Ganapathy, *op cit*, 20-28.

5 Srinivas, *op cit*, pp 12-18; Ganapathy, *op cit*, p 44.

6 *Imperial Gazeteer of India*, Vol XI (IGI), pp 9-13.

7 Srinivas, *op cit*, pp 13-14; IGI, pp 13-14; Ganapathy, *op cit*, pp 189-192.

8 IGI, p 14.

9 Srinivas, *op cit*, p 18; Ganapathy, *op cit*, pp 191 ff, argues that the Coorgs strongly resisted the British takeover. But his remarkable silence about the period 1834-1947 may be taken as a tacit admission of close association between the British and the Coorgs.

10 IGI p 17.

11 Srinivas, *op cit*, pp 18-23, 33.

12 IGI, p 17; Srinivas, *op cit*, p 19; "Coorg" (Canara Banking Corporation Limited, Mercara Branch Silver Jubilee Souvenir) Mangalore n d, pp 80-84.

13 IGI, p 23.

14 Srinivas, *op cit*, p 125; *cf* Ganapathy, *op cit*, p 9.

15 Ganapathy, *op cit*, pp 198-9.

16 Government of Mysore, Bureau of Economics and Statistics, "Mysore at a Glance, 1968", Bangalore, 1969. Ganapathy, *op cit*, p 179, claims that 50 per cent of the Kodavas speak English.

17 "In the twenty years after the attainment of Independence this small race of 'rude warriors' produced three generals, seven brigadiers, thirty-five colonels, and over two hundred and fifty commissioned officers in the country's defence forces." I M Muthanna, "Race of Rude Warriors", *Hindu*, 18 January, 1970.

18 *Indian Express*, 10 March, 1970; *Hindu*, 19 March, 1970 and 13 March, 1970. It is only fair to add that in the same speech he reaffirmed in general terms his own belief in democracy.

19 Within the last year or so a political organisation called the Kaveri Sena and composed mainly of young Coorgs has come into existence in Mercara. It is strongly anti-Muslim and right-wing. In March 1970, it played a part in breaking up a CP(M) demonstration addressed by E M S Namboodiripad in Mercara.

20 Report of the States Reorganisation Commission, 1955, p 97.

21 Ganapathy, *op cit*, pp 98-7.

22 Ganapathy, *op cit*, p 198.

UNIVERSITIES

Summer Schools

Eunice de Souza

ONE of the problems of higher education in this country is that the syllabus is just not challenging enough and the majority of students get by in examinations with a month or two of study at the most. This sense of a purposeless academic existence becomes even more acute during the summer vacation, which is three months long mainly because the university examination machinery is too cumbersome and unwieldy to be handled in less time. During this time, the Junior BAs have no university examination at all and the Intermediate students finish soon after their end-of-term. There are no part-time or full-time jobs the students can take up and they are unlikely to feel in the vacation the need of a period of sustained study.

For those who think of educational reform in terms of working within the system, the summer would seem to be the time to make provision for the sort of two-culture programme which the normal curricula do not include and to inspire the students to diversify. St Xavier's, an undergraduate college run by the Jesuits and affiliated to the Uni-

versity of Bombay, started a summer school five years ago as an experiment. The idea is to bring together students from various colleges, not just to listen to lectures but to think and formulate their opinions on matters that do not normally come within their curricula. There are two sessions a day consisting of a talk for an hour or so and a discussion in groups or with the lecturer that often runs to two hours and more. The topics range from politics, economics and current problems to the sciences, literature and the fine arts; traditional concepts and new developments in these fields are probed. Sometimes the topics are grouped under a loose connecting theme such as Revolution and Reform or Education in the 1970s. There is no administrative criteria for admission and the fees are nominal — about Rs 20 which cover also the excursions on which the group is taken.

Judging from the response — about eighty students are taking part in this year's session, some of them from outside of Bombay — summer schools would seem to be a worthwhile idea for colleges seriously interested in the problems of their students to take up on their own initiative rather than at the University level, for centralisation brings its own problems. The running of a summer school does not involve vast expense or energy and does provide an opportunity for academic institutions to draw upon whatever there is of talent and expertise in the city. Bombay is fairly well stocked with competent professionals in many fields — young film directors, musicians, poets, well-informed political thinkers, publishers, advertisers, trade union leaders and the like who are generous with what time they have. There could be theatre and art workshops, courses in journalism and music appreciation courses based on the sort of lecture demonstration recently given by Ravi Shankar at the University. All this will change the character of the university and the students and be good for the morale of those who feel, not without cause, that talk about overhauling the education system is likely to remain talk.

COMPANIES

Economy by Retrenchment

Hansavivek

LAKSHMIRATAN ENGINEERING, whose 21st report for the year ended September 1968 appeared some 18 months after the end of that year, contains a long list of observations by auditors, ranging from those on non-submission of periodical returns by branches and non-availability of proper stores and production records at the Kanpur branch to those on non-confirmation of balances from some parties included under "sundry debtors" and "loans and advances" and absence of certified particulars of stocks and other securities pledged or hypothecated with banks. Trading profit slumped from Rs 11 lakhs to a mere Rs 36,601, following decline in sales from Rs 1.94 crores to Rs 1.53 crores. After providing for depreciation and bad debts, there was a net loss of over Rs five lakhs which lifted the accumulated deficit to Rs 32 lakhs. Besides, arrears of preferential dividends exceeded Rs five lakhs. Also, no provision was made for bonus for employees at Bombay. Liability of Rs 7,50,000 due to Toyodo Tusho Kaisha of Japan has been "mutually agreed" to be discharged by issue of 52,500 equity and 2,250 preference shares of Rs 10 and Rs 100 each, respectively, subject to Government approval. The company's present share capital is Rs 52 lakhs.

Describing the year as "one of the worst ever experienced by your company", the directors attribute the poor outcome to slackening demand, low production, rising cost of production and large inventory accumulation. Over 300 workmen were laid off in Bombay factory from mid-June 1968, and 100-125 in Kanpur at frequent intervals. The Kanpur factory was closed from July 1968 and re-started from December 1968. It is stated that the "substantial" retrenchment programmes at the Bombay and Kanpur factories have been almost completed.

CHEMO-PHARMA LABORATORIES, faced with acute shortage of imported raw materials for its fine chemicals, due to the progressive curtailment of import licences, is adopting a new process based completely on indigenous raw materials. Anticipating increased availability of raw materials, manufacturing capacity is being stepped up and the possibility of introducing new products is being explored. Additional production may become available at the factory during the latter half of this year. Meanwhile, production of specialities is under review, both with regard to quality and cost, and marketing arrangements are being further streamlined to achieve a growing volume of sales at comparatively lower costs. Some sections of the fine chemicals division are proposed to be shifted to a new site to avail SICOM's new package scheme of incentive. During 1969, the company's sales expanded by about a half to Rs 107 lakhs and, with margins widened, gross profit by two-thirds to Rs 11 lakhs. Net profit was Rs six lakhs (Rs three lakhs) which covered dividend stepped up four points to 12 per cent 2.6 times. Return on total funds employed came to 9.1 per cent. In view of the growing business, the board's borrowing powers are being enhanced from Rs 50 lakhs to Rs two crores and authorised capital is being raised from Rs 50 lakhs to Rs 75 lakhs. The present paid-up capital is only Rs 20 lakhs.

WIMCO sold some 25,000 more cases of matches in 1969 than in the previous year, but its share of the total market was reduced by one per cent to 42 per cent. Production of paper was stepped up from 5,257 to 6,284 tonnes, of potassium chlorate from 3,862 to 4,182 tonnes, of sodium chlorate from 894 to 998 tonnes, and of packed-out production of salt from 31,059 to 41,124 tonnes. Nearly half of the potassium chlorate production goes to cottage match factories. The matchbox advertising scheme progressed well with back-labelling increasing from 10 to 22 per cent of total production. Output of wax matches rose from 6,938 to 9,434 cases, and manufacture of book-matches was further developed. The year-end gift packs have acquired reputation even abroad. Output of paper, the highest in the 10 years of the mill's operations, is expected to reach the 7,000-tonne mark this year. Akbar Hydari, chairman, says that profitability has increased since removal of price control. Manufacture of semi-chemical pulp is to commence in the middle of this year. WIMCO's total turnover increased from Rs 24.87 crores to Rs 26.54 crores and, with margins widened, gross profit leapt from Rs 1.45 crores to Rs 2.18 crores. Net profit was Rs 79 lakhs (Rs 49 lakhs) to cover dividend raised by a point to 12 per cent nearly 1.6 times. Return on total funds employed came to 10.4 per cent. There is also a proposal to make a free scrip issue on a one-for-five basis.

Hindustan Lever Limited

Speech of the Chairman, Mr V G Rajadhyaksha

Consumer Rights and Aspirations

THE following is the Speech delivered by Mr V G Rajadhyaksha, Chairman, at the Annual General Meeting of Hindustan Lever Limited held at Bombay on Friday, April 24, 1970:

So closely is the philosophy of your Company linked to the recognition of consumers' rights and the fulfilment of consumer aspirations, that I thought I should make these the subject of my speech to you this year.

Let me begin with consumer rights. At a time when the question of fundamental rights is being debated in the country, it is relevant to examine what the fundamental rights are that a consumer should enjoy in a free society, and how these rights can be protected. The consumer, we believe, has the following rights:

(a) The right to choose
(b) The right to be informed
(c) The right to be heard
(d) The right to safety
(e) The right to enjoy the fruits of technological progress.

Any industrial or economic policy which restricts or ignores these rights cannot be in the national interest. How does current policy affect these rights?

The Right to Choose

Perhaps the most basic of all rights that the consumer has is the right to choose. It is a right which healthy competition amongst suppliers protects and which shortages threaten. While legislative measures such as the Monopolies and Restrictive Trade Practices Act, constructively implemented, can, in special circumstances, help to prevent the exploitation of the consumer, there is really no effective answer to the situation that is created when demand regularly exceeds supply. Particularly when the product is an article of mass consumption sold through lakhs of shops and used by millions of consumers, the problems become even more intractable.

The inevitable administrative measures that follow a shortage of such articles, namely, price controls, distribution controls, levies, etc, are not only a poor substitute for the consumer's right to choose, but create problems both for the authorities and the manufacturers. The disincentive to manufacturers to produce more or to invest in research and development, the pressure to cut corners on quality in order to avoid losses, all work against the consumer's interest. When controls become excessively harsh, many forms of malpractices which lower the level of trade and consumer morality come into play. In such a situation, the worst hit sections are the honest manufacturers and the more vulnerable consumers.

The right to choose gives the consumer — and we generally think of the Hindustan Lever consumer as the average housewife — her strongest weapon against unscrupulous manufacturers; she just need not buy again. You cannot deceive a consumer twice and you cannot build a successful business by deceiving her once. Keen competition in a free market keeps a company on its toes, encourages investment in research and development, and makes risk-taking — the core of the entrepreneurial challenge — worthwhile. One has only to look at areas where such competition has been allowed to develop — transistor radios are a good example — to see how the consumer has benefited.

Unfortunately in two of your Company's most important products, soaps and vanaspati, demand is today in excess of supply, and price controls are making it increasingly difficult to give the consumer the choice of products to which she is entitled.

One of the less understood factors which vitally affects the consumer's right to choose is distribution, especially in a large country like India. Unless goods are widely distributed, the range of choice is limited. Here again, undue restraints on prices or production force manufacturers to contract the area of distribution to markets closer to the factory and narrow the choice available to the distant consumer. Your Company is one of the few which tries to ensure that its products are available to potential consumers throughout the length and breadth of India. It has been pushing deeper and deeper into the rural market over the last two decades. There are few villages, even in the less developed parts of India, where your Company's more popular products are not known. It is the right of these customers to choose, which our distribution system helps to protect.

The Right to be Informed

In order to help the consumer to choose, she must be made aware of what the range of choice is. Shopkeepers may not be able to carry or display the goods of every manufacturer. Advertising, through its many media, including soon we hope television, protects this vital right. With thousands of new consumers coming into the market every day, this right is far more important in a country like India than it is perhaps in Europe and the USA where consumer awareness of most products is already at a high level, and the goal of advertising is often just a greater share of the market.

The customer has, equally, the right not to be misinformed, and the importance of a code of ethics in advertising cannot be underestimated. In many countries legislation demands that the claims made for a product have been fully substantiated by scientific tests. You will be reassured to know that your Company takes care to see that its products live up to their advertising claims on the basis of scientific tests. A significant portion of the Research and Development expenditure incurred is spent on devising better and more accurate tests for evaluating products.

The Right to be Heard

Not only has the consumer the right to reject the product she is offered, but she is entitled to criticise it and demand that her criticism be heard. Though we do not come into direct contact with the bulk of the consumers who buy our goods through the two lakhs outlets we serve, they do talk to shopkeepers, who in turn talk to our sales force of over 450 persons. Keeping their ears close to the ground and listening to consumer reactions to our products, new and old, is an important part of the salesman's job. In addition, we frequently make more detailed assessments of consumer reactions by carrying out market research surveys, sometimes even testing the attitudes that consumers would have to a new

product idea long before the product itself is produced and tested.

In spite of all the precautions we take, we cannot avoid making mistakes. We may develop the wrong product, or package it badly, or our quality control systems may let the odd sub-standard unit through. When this happens we welcome consumers writing to us and complaining, not only because this allows us to make amends whenever possible, but also because it alerts us to the product's defects. It was this constant monitoring of consumer attitudes that led us to reformulate our popular Lux Toilet Soap, develop Super Surf, and introduce a new range of talcum powders. In 1969, in response to favourable consumer reaction, we launched in a few selected markets nine new food products and a new synthetic detergent bar.

One of the most effective ways in which consumers can make themselves heard is through consumer associations, already a potent force in many Western countries. In India they are still in their infancy, but they can count on the fullest support of your Company to develop into effective bodies using scientific methods for evaluating consumer products.

The Right to Safety

In a country where adulteration is rampant, safety must loom large in the eyes of the consumer. In safeguarding this right, we believe that the manufacturer himself is the most effective. He alone can build in safety at every stage from procurement of the raw material to the selection of the packaging material. Government, Municipalities, etc, are often able to take remedial action and punish offenders, but only after the damage has been done.

No reputable manufacturer will take the risk of putting on the market a product which is not entirely safe. This may involve, in the case of food products, extensive testing to establish the absence of side effects or, in the case of detergents and toilet preparations, a careful watch for allergies or skin reactions, particularly when new ingredients are used. Here, as in many other areas, the close links your Company has with Unilever's extensive international research and testing facilities make such testing quicker and more thorough.

The manufacturer has to go even further in protecting the consumer by ensuring that unscrupulous parties do not take advantage of public confidence in his product through the sale of spurious goods. Branded products packaged in pilfer-proof containers and backed by the reputation of a trusted company, must be the consumer's main protection against this very serious hazard. Infringements of our trade marks and designs is a serious problem, and our Trade Marks Investigation Department keep a strict eye on such activities. In 1969 they successfully took action in nearly 140 cases all over the country.

The Right to Enjoy the Fruits of Technological Progress

In consumer products, as in every field of industrial activity, the tempo of technological progress is growing. It manifests itself in products which draw closer to the consumer's conscious or latest desires. It could be a vanaspati which is nutritionally better than ghee, has an attractive flavour and texture, but costs only half as much. It could be a dehydrated food which saves the housewife hours of drudgery, or a washing powder which performs just as well in hard water as in soft. If technological progress can provide such products, and this is what your large and well-equipped Research and Development Centre at Andheri is built to do, the customer has a right to enjoy them. She has a right to the best value her money can buy, and respecting this right is one of the foremost objectives of your Company.

It is thus a matter of much concern that in some quarters the notion is gaining ground that consumer products require no research and development, and that they can be uniformly reserved for the small-scale sector. The small-scale sector has a growing and valuable role to play in making a vast variety of products; ancillaries for engineering industries is a good example. Such goods can be produced and sold just as well and just as efficiently by this sector as by any large scale unit. But it would be wrong to assume that all consumer products, merely because they are not as capital intensive as, say, basic chemicals or heavy engineering plants, do not require substantial investments to benefit from the economies of scale, or do not require managerial and scientific sophistication to forge the 'innovation chain' from the birth of the product in our research department to its sale in the shop.

To put a blanket ban therefore on the growth of consumer product industries outside the small-scale sector, without taking into account the greater value for money that only the larger units can provide, must be against the national interest. It does not seem right that vulnerable sections of the population — the lower grades of government and municipal employees, the factory worker and the landless labourer, the small shopkeeper and the domestic servant — should have to suffer for the sake of the small entrepreneur, who although not always affluent is relatively better off. If the consumer's right to the fruits of technological progress is to be preserved, there is a strong case for developing and applying a set of national economic criteria before reserving an industry for the small-scale sector.

Consumer Aspirations

All these rights that the consumer has or should have must reflect the changing world she lives in. And that India is changing in its towns and villages cannot be in dispute. No longer is austerity and asceticism synonymous with goodness. From various platforms come the promises of a better life ahead for the common man; from the universal urge to imitate those we believe to be on a higher social plane comes the pressure to acquire better and more sophisticated goods; through the radio and the cinema, through newspapers and magazines, through hoardings and posters, the consumer is shown how these goods can be bought.

The urge towards material progress, whatever its faults, is today a driving force in the totality of Indian life. Even the faithful now take a bus to Badrinath to meditate in the comforts of electricity and a well-stocked bazaar. Social distinctions are disappearing fast. More austerity no longer automatically commands respect. Cigarettes and cinemas, man-made fibres and transistor radios, processed foods and plastic buckets, have begun to span a wide spectrum of social and economic urban strata. Vegetarianism is on the wane. Even in villages, prosperity has brought in its wake demands for new goods: sewing machines and bicycles, furniture and transistor radios, that twenty years ago were the status symbols of the wealthy few.

The structure within the family is also changing, slowly but inexorably. The days of total deference to the head of the family are past and decisions are often shared — where the next holiday shall be, what make of refrigerator will be bought, and the wife may demand a different toothpaste to that her husband prefers. A large number of wives now work outside the home, the demand for leisure is growing, and servants in the larger towns are getting more and more expensive.

The result of all this is that the consumer has aspirations which the products of yesterday cannot meet. Its impact on your Company's activities, both directly and indirectly, has been profound. The demand for cleaner, brighter-looking clothes, coupled with the national scarcity of oils for making soaps, led us to pioneer the rapid growth of synthetic detergents. A measure of the extent to which now attitudes are sweeping the villages is their insatiable demand for our small tablets of toilet soap. Sinks and basins, tiles and stainless steel utensils — among the first visible signs of prosperity — have led to an ever-growing demand for our scourers, and the day when changing consumer attitudes create a mass market for liquid detergents is perhaps not far away.

Aspirations for leisure and the high cost of servants have led us to create for the housewife foods which reduce drudgery in the kitchen. The trend away from vegetarianism has led to a manifold increase in the demand for eggs and chicken, and our animal feedingstuffs department is busy helping small and large entrepreneurs to go into poultry farming on a scientific basis.

Anticipating these changing aspirations, creating new products to meet them, producing them efficiently, selling them to the right customers when they are fully tested, and keeping close tabs on the market reaction to the product, is a difficult task, but this is what large companies like yours are created and trained to do. If they are to continue to perform this vital task — a task which, if left undone, will hinder the economic and technological progress of the country — they must be allowed to grow. Without steady growth, any company caught between the inexorable pressure of rising costs on the one hand, and price controls on the other, will not merely stand still but begin to wither away.

We believe, however, that this situation will not, in fact, arise; that it cannot be the objective of sound economic policy to discourage large companies which, through their massive investments in research and development, are providing economical, safe and efficient consumer goods for the common man; which through their marketing and distribution organisations are taking these goods to every corner of this vast country; which, in short, because their size and management skills enable them to do so, are helping to protect consumer rights and meet consumer aspirations.

Bombay
24-4-1970.

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

Indian Aluminium Company Limited

Address of the Chairman, Mr H V R Iengar

THE following is the Address of Mr H V R Iengar, Chairman, Indian Aluminium Company Limited, at the Thirty-second Annual General Meeting held on April 27, 1970:

I have pleasure in welcoming you to the thirty-second Annual General Meeting of the Company.

I think you will agree with me that the start-up of our new aluminium smelter at Belgaum marks 1969 as an important year in the Company's history. When all three potrooms are operating they will add over 70 per cent to the company's capacity to produce this important industrial raw material. When the first stage of the West Coast Project is completed with the addition of the sheet mill at Taloja, the Company's Fixed Assets will amount to over Rs 70 crores and will be more than double the Fixed Assets built up prior to the start of this project.

Formal approval for the project was given in 1964, but considerable delay occurred because of the after-effects of the Indo-Pakistan conflict and the devaluation of the rupee. Shareholders will be gratified to learn, however, that insofar as the construction of the Belgaum complex is concerned, we have been right on schedule.

Expansion is nothing new to Indal's shareholders; it might be said to be the Company's normal state. Looking back over the past ten years, shareholders will notice that production in 1969 was over two and a half times the 1960 level. But investment in Fixed Assets to produce this metal went up nearly five times. Whilst this disproportionate increase in Fixed Assets reflects, to some extent, investment in semi-fabricating facilities, which widens the market for our basic production, the major factor has been the increasing cost of installing new capacity.

Frustrating Delays

Over this same ten-year period some Rs 50 crores have been invested in fixed and working capital. About 44 per cent of the funds for these new investments have been provided by the shareholders from new contributions to share capital and retained earnings, about 30 per cent has come from net increase in borrowings and the balance from depreciation. It has meant the concurrence of the shareholders with a restrained policy of dividend distribution; over 55 per cent of after-tax-earnings have been reinvested during this period.

Until India reaches a point of self-sufficiency in aluminium, additional production replaces imports. One of the benefits to the country from our new smelter will, therefore, be an important saving in foreign exchange. Production at the rate of 30,000 tonnes from Belgaum represents an annual saving of nearly Rs 14 crores at present world prices for aluminium. Whilst the net effect on the country's Balance of Trade is a little less than this, since some essential raw materials are not available indigenously in adequate quantities, it does make a significant contribution to India's foreign exchange problem.

Whilst I hope you will share the sense of satisfaction which your directors and management feel at bringing this vast project into production, there is still some way to go before the whole West Coast Project, including the sheet mill, is in operation. Whilst the sheet mill is under way and the hot and cold mills have been on order for some time, we have had many frustrating delays over the issue of the import licence for vital items of equipment. These delays must eventually defer the start-up of the sheet mill, but we still expect to

bring it into production during the course of next year.

But these 30,000 tonnes of additional capacity at Belgaum are only the beginning, and we look forward to the day when the potential of 100,000 tonnes capacity, for which the whole project is designed, is constructed and in operation. Whilst it is impossible to foresee the future with accuracy, we believe this project provides the opportunity for India to become self-sufficient in aluminium. How fast this goal can be achieved depends not only on the market but also on whether the market will pay an adequate price to justify the large investment of funds which new capacity requires.

The present project, as you know, will require the investment of some Rs 43 crores. Before we started this investment the Company's Gross Fixed Assets totalled a little less than Rs 30 crores. This investment of Rs 30 crores represented a primary ingot capacity of about 40,000 tonnes plus semi-fabricating facilities capable of processing about half of this production. In broad terms it indicated a cost per annual tonne of integrated capacity of Rs 7,000. Our West Coast Project, including the Taloja sheet mill, which has a licensed capacity rather less than 50 per cent of the 30,000 tonnes of smelter capacity, involves an equivalent investment of about Rs 14,000 per annual tonne of integrated capacity. This is a very broad comparison but indicates that present day investment in the aluminium industry costs about twice as much as the Company's earlier facilities. The main reason for this is the high degree of inflation over the years.

The West Coast Project is our first major post-devaluation investment and its high cost reflects not only internal inflation but also the 57½ per cent increase in rupee cost of imported items of equipment resulting directly from devaluation. The high degree of inflation means that the real value of assets acquired some years ago is very much greater than the Company's Balance Sheet figures, which reflect historical cost, would suggest. It also means that the replacement cost of these assets in present day rupees will be substantially higher than the cost at which such assets appear in the Balance Sheet.

It follows from this that since depreciation provisions charged against income are based on historical cost, they are not adequate to provide a fund which will replace the assets over their useful life. If depreciation allowances were calculated on replacement value, reported income would be lower than is arrived at by conventional accounting practice which assumes stability in the purchasing power of a currency. If the value of assets is understated in terms of present day rupees, and if income is overstated, it means that the return on capital employed, conventionally arrived at, is considerably overstated. It is important to make this point since in some quarters a much higher rate of return is attributed to the industry than in fact exists. The economics of new investment in the industry bring this home. Unfortunately, tax legislation also assumes that currencies remain stable and industry is not allowed to deduct depreciation based on replacement values before arriving at taxable income. The income on which tax is levied is therefore artificially high and the effective rate of income tax that is levied is in fact higher than the stated rates might indicate.

If the industry is to grow as fast as the economy needs it must earn a return adequate to justify further expansion and contribute towards the costs of such expansion, after paying a fair dividend and providing for debt retirement.

Rise in Costs and Duty

Since we embarked on this project the Company's earnings have been reduced not only by the Excise Duty aluminium producers were required to absorb following the 1967 budget proposals but also by substantial rises in the prices of virtually all raw materials used in the production of aluminium as well as wages and salaries. Apart from affecting the return on investment, all these increases reduced the funds available for expansion. In the light of this situation it was decided, last year, that some increase in prices must be made and Government were informed accordingly. I would here call your attention to the fact that there was no official control over prices, formal or informal, and that all that Government were entitled to ask was that we continued to absorb the agreed proportion of the Excise Duty. This in fact was the case. The submission to Government was originally made in May of last year. I am sorry to say that whilst we were verbally asked to defer implementation of our proposal pending Government's consideration, we had not received any reply, in spite of repeated representations by your management, at the time the 1970-71 budget was presented. As a result of the changes in the Excise Duty in the 1970-71 budget, we felt we were no longer under any obligation to absorb a portion of the new Excise Duty and that the degree of price control implicit in this obligation no longer existed. Your management advised Government that they were accordingly implementing the proposed price increase. As you will no doubt have seen in Press reports, Government's reaction has been to impose statutory price control on the industry and we have been obliged to return to the prices existing prior to the budget, less the Excise Duty then absorbed, pending investigation by a Government committee. I think I should tell you that this price is about Rs 550 per tonne lower than the prevailing International Price.

In spite of this period of frustration we remain anxious to pursue a policy of expansion and we believe that Government is also anxious that the industry should continue to expand. Since at least there is agreement with Government on this, we are confident that the committee will approach the problem with a realistic view of the necessary climate that must exist if the industry is to be economically healthy and continue the pattern of vigorous growth which is essential from a national point of view. Unfortunately, the uncertainty which has prevailed over the past year, and which will continue until Government's attitude to the industry is clear, has prevented your management from making any serious plans for further expansion, and it is certain that the point in time when India will be self-sufficient in the production of aluminium has been deferred. This, from the country's point of view, is a pity.

Whilst this is not a very happy prelude to the new phase of the Company's operations, you will have noted from the Directors' Report that the past year's results have shown an improvement over 1968. This improvement results from a combination of factors. It was the first year for some time when not only was the market strong but when production was free from power shortages and, in fact, free from major interruptions in production of any sort. In this respect it was an exceptional year and I would like to thank the management and employees, on your behalf, for the high level of efficiency achieved in a year when a great deal of time and effort had also to be devoted to bringing the new smelter into production on schedule.

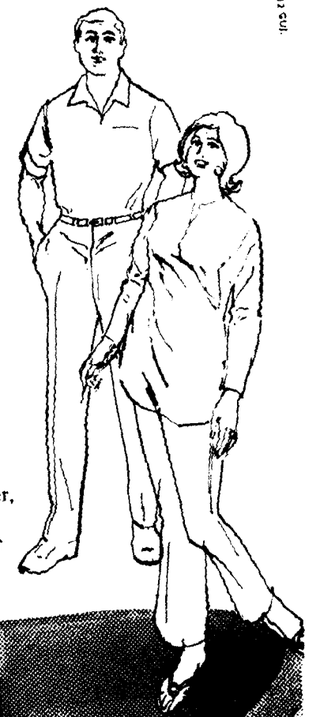
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No matter who wears the pants in your family, make sure they're labelled

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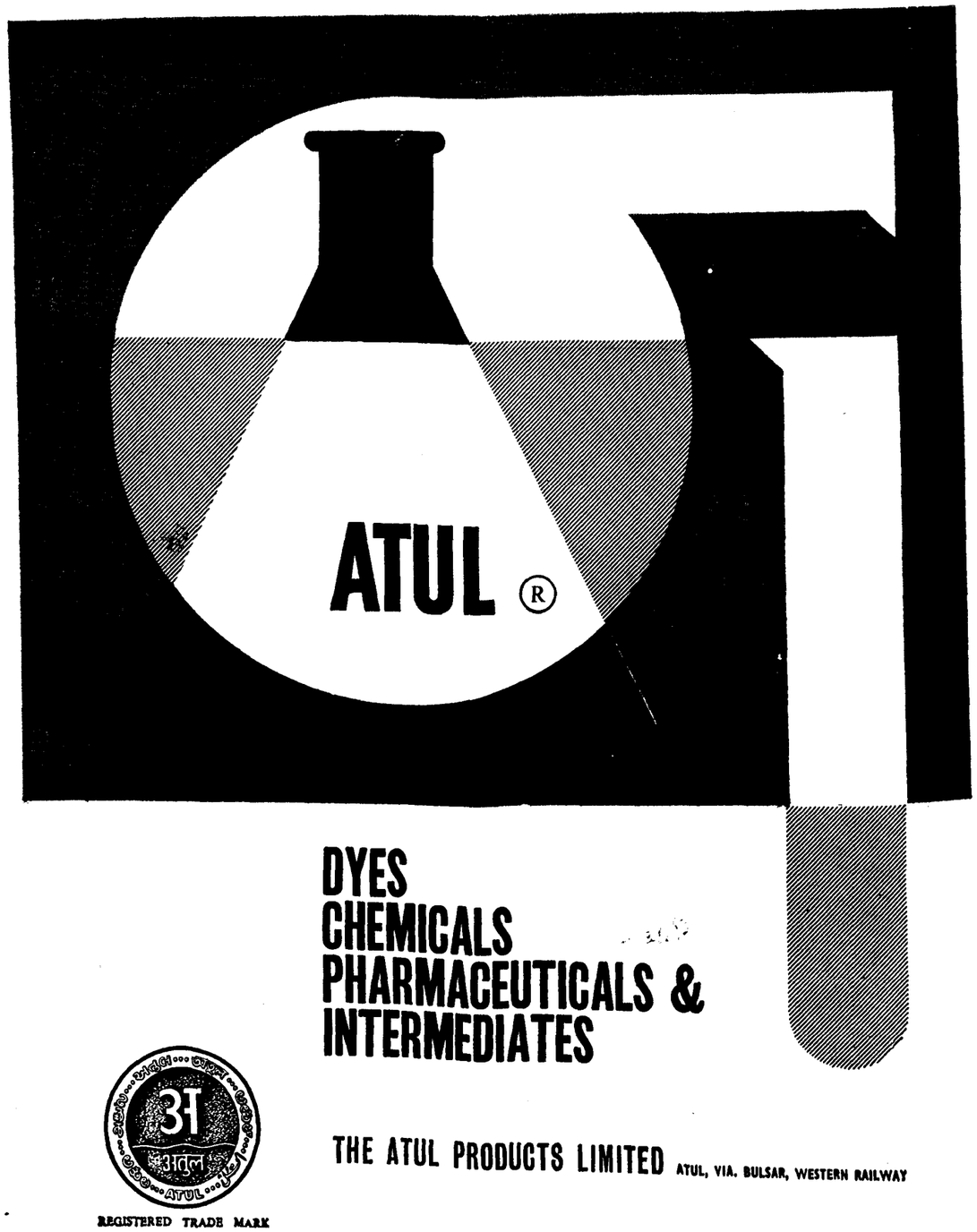


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ARE WE SERIOUS ABOUT AID?

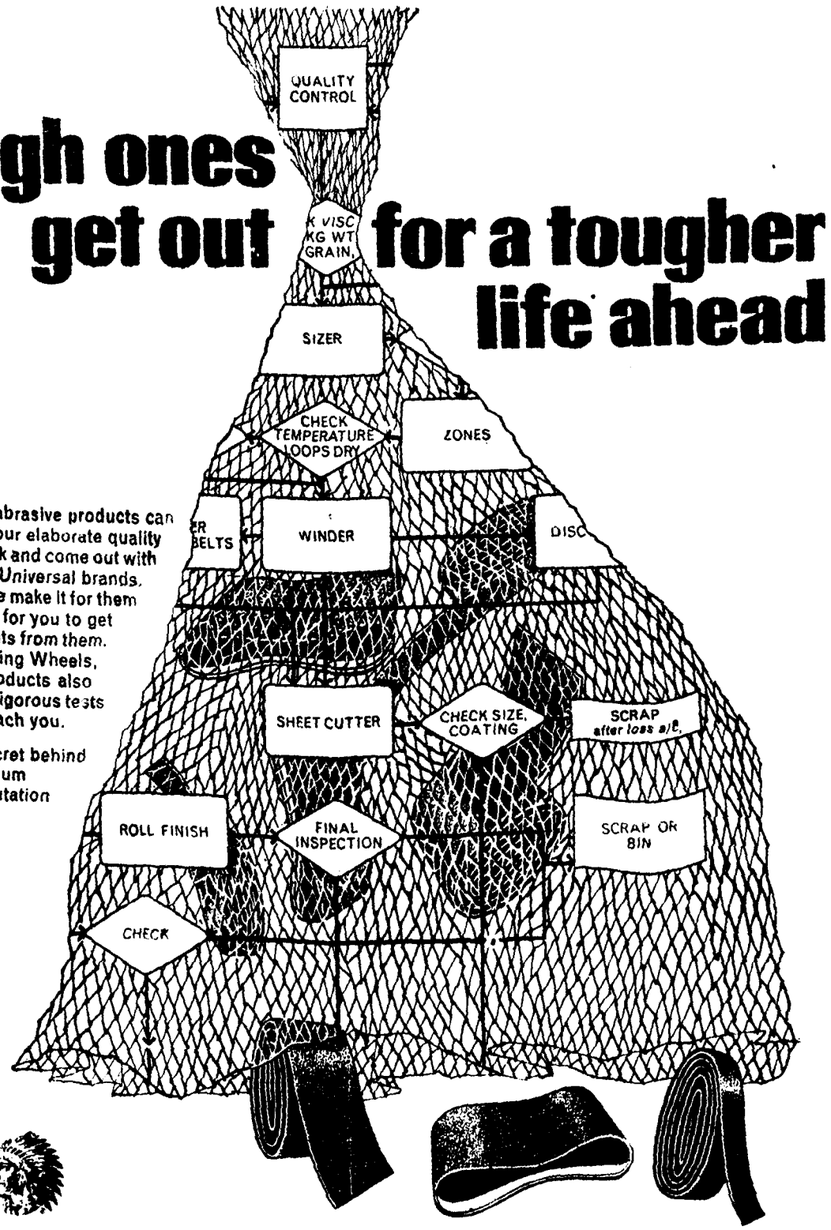
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MAKING THE PLAN IMPLEMENTABLE

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Skylark 284 Frere Road Bombay 1

Phone 26 60 72

Editor

KRISHNA RAJ

Assistant Editor: Rajani X Desai

Business Manager: A Fernandes

Circulation Manager: Shiv Patil

Editorial Staff

Colin de Souza, Haresh M Advani, Shireen Heerjee, Ashok Rao, Ranjeet R Chandi

The Hundred Years' War

THAT they should have been caught by surprise by the American invasion of Cambodia is a measure of the lack of understanding of American objectives in Vietnam among critics of the United States. They have apparently allowed themselves to be persuaded by the rhetoric of successive US Presidents that the US will *voluntarily* give up pursuit of the goal of a total victory in Vietnam. If, however, it is accepted that the US goal in Vietnam has been, and remains, the complete capitulation of the enemy, the massive American attack on Cambodia seems both rational and something which should have been expected.

The invasion of Cambodia was necessary for two reasons: first, to drive out Vietcong and North Vietnamese troops from their entrenched positions in Cambodia and, second, to prop up the Lon Nol regime. The very nature of these objectives impart a permanency to the American intervention, and the consequent extension of the Vietnam war to Cambodia, irrespective of whether or not American troops are withdrawn from Cambodia by the end of June. Even if the present operations are totally successful — indications are that they may be considerably less than that —, the Vietcong will seek to re-establish their positions in Cambodia and this will call for continuing operations by American ground forces or intensive bombing as in Laos, or both. Similarly, given the opposition to it, especially in the countryside, from supporters of Prince Sihanouk, who has now set up a government in exile, the Lon Nol regime cannot survive without a US military prop any more than can those of Thieu in South Vietnam or Souvanna Phouma in Laos. In other words, the coup against Sihanouk — it is immaterial whether the coup itself was US-inspired or not — presented the US with both the opportunity and the necessity to extend the Vietnam war into Cambodia.

Critics of US policy in Vietnam failed to anticipate this course of events because, first, they have convinced themselves that opposition to the war within the US is becoming unbearable for the US Administration, and, second, they have come to believe their own argument that Vietnam is not vital to US interests. Neither of these assumptions is valid.

To take domestic opposition first, while the Vietnam war has provided a major issue for radical opinion in the US to rally around, this kind of opposition has neither the stamina — it had flagged miserably until the Cambodian invasion revived it — nor the political punch to decisively influence the US Government's basic policies. The opposition that Nixon, like his predecessors, has to take more seriously comes from those who do not question the basis of American involvement in Vietnam but who are unhappy about the commitment of American soldiers there in such large numbers and the consequent heavy American casualties. To meet this opposition, what is called for is not withdrawal, but a restructuring of the war through gradual reduction of ground action by American troops. This is what is sought to be achieved through the current policy of 'Vietnamisation'.

Further, while much is heard of opposition to the war in the United States, the pressures in favour of continuation of American involvement in Vietnam do not attract the same attention. Many large US corporations followed the marines into South Vietnam, including two of the biggest US banks and some of the country's largest construction firms. And as American involvement in Vietnam and in South-East Asia has deepened, US business and finance interests have spread out over the entire area from Thailand in the north-west to Australia and New Zealand in the south-east. Further, the 3,000 million dollars that are added to the US military budget as a direct consequence of the Vietnam war provide sustenance for a wide range of industries producing armaments as well as civilian goods. Also, an enormous bureaucracy both in the Pentagon and in civilian government agencies is geared to the war's continuation. For these powerful pressure groups the extension of the war to Cambodia is like manna from heaven.

The stakes of US corporations and military and civil bureaucracies apart, what happens in Vietnam is of vital importance to the US position in the entire Pacific region and to its efforts to extend American domination over the peoples of Asia. In fact, its significance extends even farther. Nixon has justified the invasion of Cambodia with the statement that "if when the chips are down, the US acts like a pitiful, helpless giant, the forces of totalitarianism and anarchy will threaten free nations and free institutions throughout the world". This is not just rhetoric. In a large number of countries of the non-communist world, and especially the developing part of it, the *status quo* is under grave threat from internal forces of change; among the factors that prevent these forces from prevailing, a major one is the known commitment of the United States to the *status quo*. A US withdrawal

from Vietnam will upset this situation both by creating doubts about US intentions among client regimes, causing them to be less steadfast in their loyalty, and by encouraging the forces of change to assert themselves more forcefully. From the point of view of the US Government, therefore, the domino theory has great validity.

To sum up, in spite of all the courage, ingenuity and fortitude displayed by the Vietcong and North Vietnam in this unequal war, the United States is *not* the tired, worn-out giant looking for ways of extricating itself from a profitless adventure that it has been pictured to be. Certainly, the Americans are dismayed at their failure to bring the war to a successful conclusion, but the stakes are too high and the internal pressures for continuing the war too strong for any talk of American withdrawal to be meaningful. The invasion of Cambodia shows once again that the US Government remains committed to the goal of total victory. One may, therefore, well ask what is being, or will ever be, achieved by the Paris 'peace' talks.

Too Late for Conferences

DID Washington take Adam Malik for a ride? Malik's proposal for an Asian and Pacific conference on Cambodia, which may have come a cropper now, was probably less sinister than it was ill-conceived. Peking has described the proposal as an exercise on behalf of American imperialism, but the truth probably is that Malik was let down by his American friends.

Though he made his proposal first at the International Press Institute conference in Manila, there is some evidence to show that it had been informally discussed a few days before among delegates to the ECAFE conference in Bangkok. What apparently impelled Malik to proceed with the conference idea that emerged in Bangkok was private assurances from Washington that America would not intervene in Cambodia. The American ambassador in Jakarta, Francis J Galbraith, is quoted by Malik as having told him that "the United States will not send arms to Cambodia but will support an Asian diplomatic offensive to maintain the neutrality of Cambodia". It was such a 'diplomatic offensive' that Malik had apparently in mind when he made his proposal. But since then Galbraith has quite obviously been overruled by the Pentagon, leaving Malik an orphan on his hands.

However, even if Nixon had held his hand as his ambassador in Indonesia had assured he would, Malik's proposal was doomed to failure. Almost all countries that initially agreed to participate in the conference are either allies of the United States or have defence agreements of one kind or another with America's closest ally, Britain. Australia and New Zealand, two eager supporters of the proposal, have in addition troops in South Vietnam; so has Thailand, while the Philippines has a non-combatant service unit operating there. Japan, another invitee, is a close ally of the United States. The credentials of Malaysia and Singapore are also not the best for they have defence treaties both with Britain and Australia. Since North Vietnam and North Korea had refused to attend (could North Vietnam have done otherwise?) and since China was not even formally invited, this left India, Indonesia and Ceylon to hold the balance. By agreeing "in principle" to provide military aid to the Lon Nol Government, Indonesia had meanwhile compromised its own claims to non-partisan leadership.

There was thus no prospect of a conference of the kind Malik proposed ever making an impression on the Cambodian crisis. India did well in not encouraging it, though if Malik's reported statement to AFP in Jakarta is to be believed New Delhi had at one stage almost agreed to attend the conference. Whether a conference of non-aligned Asian nations, which New Delhi now favours, may be able to play a more useful role is debatable. This was certainly what the Colombo conference of March last, and the close co-operation between Asian nations witnessed later at Dar-es-salaam, indicated. However in the light of massive American intervention in Cambodia, followed by the Soviet decision to help repel this aggression before taking the issue to a conference room, it must be wondered if a non-aligned conference now can help matters much — except probably to affirm solidarity with the victims of aggression in Indo-China.

Misuse of Computers

THE major findings and conclusions of the Maharashtra Government's Work Study Group on Office Automation seem to vindicate on most counts the misgivings of labour towards computerisation. In the Group's own words, ". . . the feasibility studies which preceded the computer installations generally were overwhelmingly techno-commercial in nature rather than socio-economic in character . . .", ". . . the *more usually* [emphasis in original] selected jobs for computerisation are pay roll, financial accounting, production statistics and inventory control. . .", ". . . in general commercial and industrial sector, the decision-oriented applications do not as yet play a prominent role". Stripped of jargon, this means that computers are being used largely for substituting manual work and the considerations behind their adoption are commercial. This gives the lie to the view strenuously urged by industry and managements that computers are a powerful management tool enabling them to do things which would not be possible otherwise and that the use of this tool would bring various kinds of socio-economic benefits like faster growth-rate, better exports and so on.

Further, according to the Group, "A few workers have secured more interesting and better paid jobs; but most have remained at the conventional levels. The hours of work have also remained more or less unchanged". The argument that computerisation will bring substantial benefits to employees themselves thus seems to have little relevance to reality.

On the other hand, of the 741 employees who were displaced in six EDP establishments, "only 6.2 per cent were absorbed in expansion activities, while as many as 71.7 per cent — the largest share — were provided alternate jobs. About 12.5 per cent were retrained and put in the computer section itself, and the remaining 9.6 per cent were absorbed elsewhere in the organisation". Further, "although there have been a few stray cases of increase in the staff associated with the office automation, the situation has not been in any way indicative of a general trend, and wherever such trends were observed, the increase appeared to be of very marginal nature".

This conclusion is significant in view of the facile argument often advanced that while computers eliminate certain jobs, they create new jobs at the same time and raise rather than reduce employment in the long run.

Referring to trade unions' response to computerisation, the Group's findings are that "the most significant aspect of labour's protest and resistance to computerisation lies in their feeling that managements have proceeded with automation without taking them into full confidence and without giving due weight to their viewpoint", and further that ". . . labour has been usually fair in this respect and that they have resisted change only when the managements have given very low priority to the employment aspects of computerisation".

The obvious policy implications of these findings, however, have been watered down by the Group with references to "inevitability" of automation, to "economic compulsions as in export-oriented industries" and to pious cliches like "automation without tears"! The Group further underplays the gravity of the problem by observing that, "there has been little or no indiscriminate resort to computerisation and the situation on the whole is moderate". Such watering down of the main issues in the controversy results in the Group coming up with only vague and well-meaning generalised recommendations which will provide little specific operational guidance to Government, not to speak of industry and labour.

The principal benefits claimed for automation, such as reduced costs, increased efficiency, increased output of commodities and services, higher export competitiveness, superior decision-making, tend to be taken for granted *a priori*. It is often overlooked that each of these benefits needs certain socio-economic background for it to materialise. For instance, reduced costs will result from automation only if wages are above a certain critical level in relation to capital and overhead costs; increased output will result only if available technology is the critical factor in production and other factors and markets for the products are available in abundance. Increased efficiency will result only if the organisation as a whole is geared to and has attained a certain minimum level of efficiency in the conventional way of functioning. The claimed benefits, therefore, need to be tested empirically in Indian socio-economic conditions. This, the Study Group does not appear to have attempted. Had this been done, much valuable data would have become available for the guidance of public policy.

Internal Clean-Up for Jute

AFTER a temporary spurt, jute exports have again begun to slide down, having declined by about two-fifths between 1965 and 1968. One would have expected that the annual meeting of the Calcutta Jute Fabrics Shippers' Association would be an opportunity for some heart-searching by Government and traders, but instead we had a long list of complaints by the traders and the traditional defence by Government.

J P Goenka, Chairman of the Association, attributed the loss of exports to decline in US demand for carpet-backing. Two of his remedies were more hard-hitting competition with Pakistan and removal of export duties. For the rest, he wanted removal of ban on futures trading in jute and of the multi-point sales-tax on jute products — whose relevance to export efforts can be seen only at many removes.

B R Bhagat, Minister for Foreign Trade, had little to offer jute exporters. He harped on the high correlation between total jute goods production and exports and suggested maintenance of production levels by building up buffer stocks of raw jute. He asked for diversification of export markets for jute goods as a means of overcoming inelastic demand and adverse terms of trade. He referred to the speculative consequences of futures trading and suggested that if there was a case against multi-point sales-tax system, it should be discussed with the State Government.

Behind this sparring, it has to be recognised that jute exports face serious problems which need more careful consideration. The competitive weakness of our jute goods *vis-a-vis* synthetic substitutes has to be viewed against the system of trading in jute goods which is highly speculative. The consequent wide fluctuations in prices involve buyers abroad in considerable risk. Carpet manufacturers abroad would prefer to deal with more consistent synthetic (polypropylene) supplies. The jute industry has one of the most archaic systems of trading which leads to fleecing of growers of jute, over-handling of jute supplies between growers and manufacturers and speculation, almost akin to gambling, in jute prices. It is time the industry and Government set about a firm internal operation to deal with this problem.

Jute goods exports, particularly of carpet-backing, suffered last year and this is attributed to the US slow-down, particularly in housing starts. It is in this context that Bhagat's suggestion that the industry diversify its markets is relevant. Uses of jute are at present limited — carpet-backing is a recent innovation — and research needs to be done (for example, on dycing) to diversify them. There is also need for geographical diversification — sales of sacking and hessian to Africa, of carpet-backing to other advanced countries like those of Europe (which market the industry needs to exploit more fully than it has done so far).

The other problem that the industry faces is that of competition with Pakistan. Goenka seeks Government help to fight Pakistan on the export front. However, economic theory teaches us that duopoly can act more effectively to maximise returns, however defined. One is not also sure of the competitive advantages and strength of the Indian jute industry *vis-a-vis* Pakistan's. Finally, it is only in a stagnant market that Goenka's plea has any relevance. India has been co-operating with Ceylon in tea exports and there is scope for co-operation between India and Pakistan — at least in developing markets for jute goods and in stabilising prices. Jute still provides one-sixth of our export earnings and Government needs to give concerted thought to preserving this market.

BUSINESS

Too Many Engines

THE diesel oil engine industry is suddenly confronted with a crisis of over-production and unsold stocks. Even the most liberal estimate had placed demand for all types of diesel engines at 2.30 lakhs by 1970-71. Industry itself had expected that demand would rise by 20 to 30 per cent in 1969 over the preceding year; but, in fact, demand was almost stagnant and the industry failed to make production responsive to these market changes. Instead, it seems to have banked on the fact that bank nationalisation would enable farmers to get quick liberal loans to invest, among other things, in diesel oil engines. The expected boom failed to show up, however, and part at least of the reason for this was that farmers had difficulty in getting loans as easily as was expected, either from the co-operative societies or from the nationalised banks. Good rainfall must also have contributed to the slump in demand for diesel engines, by reducing farmers' dependence on underground water and lift irrigation. Further, farmers have noticeably tended to prefer electric motors to diesel engines — a preference made feasible by the increasing electrification of the rural areas under the Plans.

The industry seems to have overlooked these factors and produced over one lakh engines in 1969 in excess of the home demand. The glut in the diesel engine market is most apparent in Maharashtra, where units of the industry (particularly the large ones) are concentrated, and where, as a result of poor progress in implementation of the State's irrigation projects, demand slumped appreciably.

Continued slump in the demand for diesel engines could do much damage to the industry, however. Over the past few years the industry has grown steadily, with production of stationary

diesel engines increasing from 37,180 in 1960 to 88,000 in 1965 and to 1.20 lakhs in 1968. The number of units in the organised sector engaged in the production of diesel engines rose from 16 at the end of the First Plan to 24 at the end of 1968. In all, however, there are over 600 units in the organised and small-scale sectors together. Total output is valued at about Rs 75 crores per annum. About two-thirds of total production is of high-speed vertical engines and one-third of slow-speed horizontal engines. Of these, three-fourths are in the range of 5-10 HP and one-sixth in the range of 12-20 HP.

What is the industry to do with its idle capacity, given that domestic demand seems unlikely to pick up sufficiently? One solution is to seek overseas markets more actively than hitherto. A good market for diesel engines exists in the African, West Asian and South-East Asian countries as the economies of these countries are basically agricultural. In fact, the export performance of the Indian industry has not been too bad. From 1,836 engines, valued at Rs 25 lakhs in 1960-61, exports increased to 7,089 engines worth Rs 1.16 crores in 1965-66. In 1968-69 exports touched the record value of Rs 2.06 crores which was 70 per cent higher than the previous year's performance.

What may yet come in the way of export promotion is the high cost of production. Shortage of indigenous raw materials and components and the existence of a large number of small units are responsible for the relatively high cost of production. But the present crisis in the industry requires that ways be explored for more economical operation of the units. One way to tide over the present situation might be to leave the small units to take care of the home demand and let the larger units concentrate on exports. The latter, with their better quality performance and organisation, may be better placed to compete in export markets.

Queering the Pitch for Aluminium

INDIAN Aluminium, though the oldest aluminium company in the country, entered the growth stakes late and has been as a result outdistanced by Hindustan Aluminium. It has shown unwillingness to raise capital to finance expansion. Expansion of capacity in aluminium is expensive and, in Indian Aluminium's case, the cost of its West Coast Project (with related sheet mill facilities) works out to Rs 14,000 per ton, against Rs 7,000 per ton for the company's existing facilities. Almost 44 per cent of the cost of this was found from owners' equity (share capital and retained earnings — the latter made possible by budgetary relief).

In this context H V R Iengar's ideas on depreciation and price control, contained in his annual statement to shareholders of Indian Aluminium, deserve attention. Iengar refers to the high cost of replacement of assets, though given the high indigenous content of the expansion programme devaluation of the rupee could not have been a substantial factor in these high costs. The basic cause of high cost of replacement is indigenisation, which affects other industries as much as aluminium. Development rebate and accelerated depreciation are intended to compensate for this factor.

Iengar is understandably unhappy about imposition of price control on the industry. It is unfortunate that Government has reacted woodenly to recent price rises by introducing or reintroducing price control on many commodities, aluminium being one of them. In the case of aluminium, this is a subsidy to State Electricity Boards, which by aluminium conductors, and others users of aluminium. What justification can there be for this subsidy when we need to develop aluminium capacity, where we have a cost advantage, and are trying to become a major exporter of aluminium? Iengar needs to complain about the Government's narrow vision and over-emphasis on import-substitution, as also against discrimination as between aluminium manufacturers involved in freezing prices as on a particular date. Iengar's problems will perhaps become less intractable when the incompetent Bharat Aluminium goes into production and finds itself making losses under the price control. But when will Bharat Aluminium go into production?

Slow Convalescence

JESSOP is a large engineering concern. After Mundhra's manipulations, it fell on bad days, and its efforts at recovery were not helped by the industrial recession. It is only now that the company is gradually picking up but, as A K Chanda says in his annual statement to shareholders, Jessop is only just beginning to get over its problems.

Overall operations have improved, thanks to the lifting of the recession and a concerted attempt to break out of the home market. Jessop is a large exporter of railway wagons and other engineering goods — road rollers to Burma, wagons to Poland and East Africa, potshells and cradles to Brazil, sluice gates and mechanisms to Malaysia, cranes to Sudan, and so on. But being in engineering, the steel shortage — particularly shortage of flats — affected it badly. The increase in engineering workers' wages has also hit the company.

But Jessop's main problem is Railways, its main customer. First, taking advantage of the recession (brought about, so far as Railway suppliers are concerned, by the slowing down of Railway orders), Railways have frozen prices for the last four years. So uncertain are Railways of their ground that they have refused to let prices be reviewed by an independent agency. Second, the slowing down of Railway orders hit particularly the specialised units which had set up wagon-building capacity under pressure from Railways. Third, Railways have also been squeezing suppliers by not supplying some components (the so-called "free supply items") in time, letting the suppliers bear the cost and take the blame for late deliveries.

The overcrowding in trains, including suburban and metre-gauge trains, is well known. The problem can be solved not by publicity-seeking ministers travelling in third-class compartments, but by increasing accommodation. Chanda refers to the fact that Jessop can increase its supplies of metre-gauge coaches and electrical multiple units (EMUs) if Railways co-operate.

Railways' ordering practices have become scandalous, and it is time an independent inquiry was made into them. Essentially, it is necessary to lay down clear requirements and obligations on both sides, with provision for defined penalties for breach. Railways should undertake to place firm orders, to supply components on schedule and to send inspectors and take delivery as required. In return, the suppliers should undertake to make deliveries by the agreed dates. The recession has broken the cosy world of mutual back-scratching and covering up of faults between Railways and their suppliers (who generally employed railway servants on retirement); this system needs to be replaced by a business-like arrangement, supervised by an independent arbitrator.

Chanda also refers to the tardiness in payment by purchasers (again mainly Railways). This has strained the company's finances. IDBI gave Jessop a loan in replacement of a State Bank loan. Thus one Government Department's (Railways') inefficiency is covered up by another (IDBI), in the process enabling some window-dressing by the latter.

India and Cambodia

Romesh Thapar

WITHOUT the least remorse, and as if the whole of South-East Asia belongs to its sphere of influence, the all-powerful US Pentagon moved its adventurer President to order an escalation of the war from Vietnam to Cambodia. Forecasts about the likelihood of peace returning to these ravaged lands have again proved worthless. Indeed, these moves, together with the deterioration of the troubled ceasefire in West Asia, suggest that we are in the midst of World War III without really being conscious of it. This consciousness will be heightened the moment the repercussions crystallise.

Indira Gandhi's India, proud of itself in some strange manner about its peace-maker role, is silent. The wrath and indignation which we witnessed over the tragedy of Czechoslovakia, invaded and occupied by the armies of the Soviet Union and its allies, finds no substantial expression over the very much more sordid happenings in Cambodia, a close friend of India. The mere fact of deposed Prince Sihanouk's presence in Peking seems to have neutralised the non-aligned passions of India. We bite our nails and suck our thumbs while Asia witnesses another imperialist rampage across its soil. Only Mao Tse-tung plays the role of understanding and sympathetic friend! What is the matter with India? An important question, but it is not even asked now in the chancelleries of the world. We are a non-nation.

The Ministry of External Affairs — now allegedly an affair among Singhs of various descriptions — doesn't even know what to say as events unfold. Admittedly it is difficult to pronounce opinions with courage when there is sensitivity to the pressures of both the Super Powers. But Jawaharlal Nehru taught us long ago that the necessary spunk can be found in the company of other pressurised, similar-thinking friends. We continue to spurn every such opportunity to dissolve the paralysis of the non-aligned, leaving the initiative to nations only too willing to be manipulated by one or the other Super Power.

In the midst of our political crises, and our incapacity to perform economically, we have not only allowed ourselves to be demoralised but have trumpeted our impotence to the world. This is not a low posture tactic, *a la Japan*. This is a kind of grovelling which sets in motion all manner of trends which are difficult to halt. The sickness which afflicts us is in fact our wallowing in imaginary sickness.

Too Respectable

This subcontinent has many things wrong with it — and we are undoubtedly the most active publicisers of our ills. However, India is a nation of 550 millions, strategically situated, with a standing army of a million men, and an economic base which is not all that underdeveloped. The leadership of this nation needs to *feel* these facts as it faces the world. Private bravado is of little consequence. We need a display in public. And pretty soon — if others are not to write us off completely.

If India is not going to speak out and tell both Super Powers that this planet is not for division among them, then who in the developing lands already pressurised and blackmailed will? Are we so naive as to believe that Nasser loves the Brezhnev/Kosygin combine or that Sihanouk is a devotee of Mao Tse-tung's coterie or that a number of wobbly, confused governments in South-East Asia and Latin America are infatuated by Nixon's gang? As on a college campus, so in the arena of world politics, someone has got to cock-a-snook at the bully to restore normality. We did a lot of that not so long ago — and whatever our newspapers might say, the dividends were rich for the developing world.

In other words, let's stop being so respectable that we appear afraid to hear our own voice. Too much respectability can prove debilitating.

May 4

LETTERS TO EDITOR

Not Forever Amber

I REFER to the following most interesting passage in ACB's article ("Not Forever Amber in West Bengal", April 18, p 667):

> "Naxalites have particularly entrenched themselves in the lower ranks of the public services including police and revenue officials. So, there is every reason to apprehend that there may be large-scale tampering with ballot boxes by returning officers in favour of these groups. It will, therefore, be desirable that returning officers are deputed from outside, preferably from Delhi and Punjab, and that each of the polling booths is protected by a posse of police, also from other States to ensure freedom of the poll".

There is reason to believe that those whom ACB describes as Naxalites have entrenched themselves not only in the lower ranks of public services, but in the ranks of the workers, peasantry and large sections of the middle class too. In these circumstances, I would suggest that, to ensure freedom of the poll, not only would it be desirable to depute returning officers from outside, preferably from Delhi and Punjab, but the voters too should be brought in from the other States: it is only by doing so that we would be able to further the cause of democracy in West Bengal.

Amrit Ray

Calcutta
April 25

New Delhi's Zamindars

THE Managing Agents have departed at last. The zamindars are a vanishing breed. Big business houses with their controlling families are prohibited from becoming bigger and their 'captive' banks have been taken away from them. The princes have the skids under them and the 'privileged' ICS are supposedly next in line. These egalitarian reforms to move the feudal elements in our social and economic systems should gladden the heart of any radical.

But why have the biggest and most pernicious of our Managing Agency Systems not been abolished? I refer to the controlling Ministers of the GOI and their managed companies in the public sector where approximately Rs 3,500 crores are invested.

This stranglehold of an entrenched group at the centre is, in my opinion, the single largest factor contributing to the inefficiency of public sector industries. The bureaucrats in New Delhi by the very nature of their training and the operation of their Secretarial System are totally unequal to the complex problems of industrial management. Never have so few controlled so much and so badly. Something must be done to take away their "zamindaris" from them. This reform is now considerably overdue.

Bombay KANAI LALL
April 27

FROM OUR CORRESPONDENTS

Are We Serious about Aid?

(From a Special Correspondent)

AFTER the traumatic experience of the devaluation of the rupee which, among other things, strained India's relations with World Bank, gradually an attempt is being made to re-establish rapport between the two. However, so far at any rate, the efforts at rapprochement have come mainly from the World Bank end.

AREAS OF IMPACT

Since McNamara took over, World Bank has changed — and changed in directions which India can hardly complain about. There are two major areas in which McNamara's impact is most clearly felt. First, he has tried to rebuild relations with some countries which had been taboo for various (mainly political) reasons. Yugoslavia is already a member of World Bank and McNamara himself visited Indonesia and the UAR to bring them back into the mainstream of World Bank's operations. India, which has been so politically-motivated in its economic decisions, should not miss the point that, along with itself, all these three countries have been at one time or another prominent members of the neutralist camp.

Second, McNamara does not have the same allergy to public sector industry which some of his predecessors from Wall Street had. The World Bank has financed mostly infrastructure which has been in the public sector. McNamara's own background — essentially technocratic — is neutral to the sector concept and gradually he has been steering World Bank towards a similar position.

India has been one of the largest borrowers from World Bank. In fact, a large part of the foreign exchange cost of our infra-structure projects — in electricity, railways, ports — has been financed by World Bank. Moreover, the Bank has bent over backwards to meet India's changing needs, as in the case of industrial product loans — which, shorn of jugglery, are essentially balance of payments support loans.

Yet, taking up a 'holier-than-thou' attitude, India has not hesitated to pick up quarrels with the Bank — and our bureaucrats have used the Press selectively to that purpose. Thanks, however, to some frank reporting (for example, by Kuldip Nayar), the role of certain politicians and bureaucrats (and academicians) in pushing through devaluation without adequate preparation or even examination of all its implications has been exposed. And given World Bank's earlier attitude to financing of public sector industry, it was not difficult for these people to work up Press opinion against it.

PHILOSOPHICAL APPRECIATION

McNamara explained the new directions of World Bank's policy to Government when he came to India. In his first statement at the annual meeting of World Bank, he spoke of the need to expand rapidly World Bank's operations. At the last annual meeting, he showed a broader philosophical appreciation of the consequences of development in the form of unemployment, over-urbanisation and slums, and urged the need to tackle them simultaneously.

And yet India has hardly been a beneficiary of these new moves — mainly because of the attitudes of our bureaucrats. First, impressed by the recession, the bureaucrats have taken the position that we have largely solved our development problem. Increasingly, India has been harping on the case for maintenance aid in preference to project aid. This is a narrow view of development suggesting that India should undertake investment only within the existing capacity of its capital goods industry. India's capital goods industry is certainly not so large as to solve the problems of poverty. This narrow vision of our bureaucrats is a major factor in our present slow growth.



"If posterity be against this war, we've got to do away with posterity!"

POOR EXPORT RECORD

A second factor hampering India's ability to borrow abroad is its poor export record. As a result, debt-servicing is getting to be an increasing proportion of exports, reducing to that extent our borrowing capacity. By our requests for debt-rescheduling, we have brought home this point forcefully to the lending countries. At the World Bank end, by advertising our bankruptcy we have been able to borrow the maximum on IDA terms — which, whatever the bureaucrats may say, is not a matter for pride.

India's poor export performance is also a consequence of its inefficient industrialisation effort and this has been a point of argument between India and World Bank. India is a large country with a large effective demand for many products. Many of the factories set up in India are of sizes comparable to those in advanced countries, and purely on *a priori* grounds there is no reason why Indian industry should be uncompetitive in these products. While India has won some orders[2] in international markets and has been increasing its exports of non-traditional goods, overall Indian industry remains non-competitive — a position which was used to justify the 1966 devaluation.

This argument about non-competitiveness arises in an obverse form in World Bank financing decisions. World Bank has certain norms of financing and the way the public sector units (excluding State Bank and State Trading Corporation which, by the nature of their functions, are not eligible for World Bank financing) are run by their bureaucrat managers, none of them would qualify for a World Bank loan. After all, World Bank is not interested in setting up more units like IDPL in India. Our bureaucrats have tried to fuzz the issue by reference to other arguments.

One of these is about the rate of preference to be given to local industry in international tenders. India has asked for a preference of 27½ per cent (against World Bank's 15 per cent) that being the rate of our import duty. In these matters, World Bank has to judge by standards commonly acceptable and cannot have different standards for different countries (would India be able to export at all if other countries asked for similar high preferences for their local industry?) In any case, only seven years back the import duty on capital goods was only 15 per cent and if the import duty were to be the criterion, India can upset any rate accepted by the Bank by simply raising the duty.

So also the argument about local consultancy. There are many areas (road-building, water-supply schemes) where India does not have adequate consultancy experience and our bureaucrats, if only they believed themselves to be less omniscient, could learn much from outside experience. Other countries, including Nepal, have got over this problem by insisting on association of local personnel with foreign consultants appointed by foreign lending agencies. It is not very convincing when our bureaucrats, who have so mismanaged public sector enterprises, insisted on accepting a Czech design against a locally-designed tractor and handed over Bokaro Steel on a platter to Russian consultants, seek to make an issue of local consultancy.

NARROW VISION

This again reflects the narrow vision of our bureaucrats — their belief that there is not enough scope for investment in India to absorb local fabricating and consulting capacity. If the economy were growing fast and straining at the leash of local resources, the flimsiness of the bureaucrats' arguments would become apparent. If we have all the fertiliser and steel projects that we can set up with local fabrication and consultancy services, foreign aid comes into its own as supplementing local resources, increasing the rate of total investment and hastening the pace of development.

GUJARAT

No Time to Govern

AT the time of the split in Congress, many had doubted Hitendra Desai's ability to hold on against the pro-Indira faction in the State. It was then believed that most Gujarat Congress leaders being, in political thinking, not very different from their erstwhile colleagues in the pro-PM faction, they would soon be persuaded to join the pro-PM bandwagon — Morarji Desai's pretensions as Gujarat's elder statesman notwithstanding. These expectations were, however, belied and only a handful of Congressmen opted for Congress (R) and these failed to sway the rank and file of the party to any significant extent. Thus Congress (R) failed to get an organisational foothold in the State.

FAVOURABLE FACTORS

Moreover, the main opposition in the State, Swatantra, being in alliance with Congress (O) at the Centre, was undecided then on what attitude to take towards the Hitendra Desai Government. Because of these favourable factors, even the communal riots in Ahmedabad did not pose any threat to the Government. Contrary to feeling outside Gujarat, Government's alleged failure to protect life and property did not diminish its popularity within the State. In fact, Jan Sangh and those who share its attitude to communal matters, applauded the State Government for its conduct during the riots.

The situation began to change when the State unit of Swatantra party, led by C C Desai and Jaideepsinh Baria, took the position that as the principal opposition its role was to seize power, however like-minded the ruling party may be. Simultaneously, discontented groups in Congress (O) began to raise their heads. This development could perhaps have been avoided but for Morarji's autocratic ways of riding roughshod over the rank and file. As it happened, however, dissensions within Congress (O) created the right atmosphere in the party for Swatantra, in combination with Congress (R), to induce defections. The first defections took place in the budget session of the Assembly. The Government reacted to this in panic and adjourned the Assembly for fear of finding itself in a minority. (Fortunately for Government, the Opposition's move challenging in the High Court the constitutional validity of the adjournment of the Assembly has failed and Government has been saved yet another blow to its prestige.) Having got the Assembly adjourned, Government resorted to all sorts of farcical moves to save its supporters from being exposed to the blandishments of the opposition — e g, keeping round-the-

clock watch over the movements of party MLAs who were all summoned to the capital or virtually imprisoning them through all-night dinner parties at ministers' residences. These obvious signs of lack of confidence on the part of Government strengthened the Opposition's resolve to topple it.

There are three main discontented groups in the ruling party. MLAs representing scheduled castes and tribes, mainly from south Gujarat, have long been clamouring for a seat in the cabinet. They have also been complaining of neglect of the backward communities in the development plans which, again, they attribute to the fact that they have no voice in Government. And when initially no candidate belonging to these communities was selected by Congress (O) for the recent Rajya Sabha elections, the grievances acquired a new edge. Ultimately Congress (O) did put up a Harijan candidate, but only as a third choice after Manubhai Shah and Vasavada. Since the Party did not have enough votes to secure the election of all three candidates, the Harijan nominee was defeated. Swatantra party in contrast sponsored a young Harijan MLA who got elected. This deepened resentment against Congress (O) leadership among scheduled castes.

Deliberate Neglect

The second rebellious group in Congress (O) belongs to north Gujarat. They have been pressing their demand that the proposed big thermal power station be set up in their area instead of at Ukai as decided by Government. Government has repeatedly conceded that north Gujarat's power needs have vastly increased and that power supply will fall far short of the region's demand. The decision to locate the project at Ukai in spite of this appears as an instance of deliberate neglect of their area to Congressmen from north Gujarat.

Finally, there is the Saurashtra group which has, ever since the formation of Gujarat, maintained its separate identity. This group has always suspected that given the composition of the leadership of the ruling party, Gujarat's needs will be given precedence over those of Saurashtra. The Saurashtra group has never accepted the leadership of Morarji; it has merely tolerated him. Government's decision to impose a groundnut oil levy has further alienated this group. Besides, senior partymen from Banaskantha are sore that their leader G G Mehta was not put up for a Rajya Sabha seat though he had been given a promise to secure his withdrawal in favour of S K Patil as the Congress candidate in the Lok Sabha by-election.

The Swatantra party's decision to expel C C Desai from the party has, however, given a breather to Hitendra Desai. The Gujarat unit of Swatantra has for the time being avoided a split on this issue, but it is not certain that all party MLAs will rally round C C Desai against the national leadership.

But, while this development has confused the anti-Government forces, the further defection of six more MLAs from the ruling party has reduced the Government's majority to only three. Government's answer to this has been to spread the scare of a mid-term poll. Now, it is a fact that none of the opposition parties with the exception perhaps of Jan Sangh wants to face a mid-term election. Congress (R) certainly does not have the organisational base. Even Swatantra is not confident that it will retain its strength, much less improve upon it, in the event of a fresh election. In Sabarkanta, which is its main stronghold, it has been losing ground to Jan Sangh which has been very active building up its organisation in the State.

Whatever the outcome the scramble for power, the people of Gujarat are sure to be the losers. Already, politics has touched very low levels: money and not principles moves MLAs and everyone is so absorbed in the toppling game that no one has time to govern, though it is for the right to govern that everyone is fighting.

KATHMANDU

Beyond the Hills

UNDER a huge oil painting of Vladimir Ilyich Lenin, the Soviet embassy here entertained its guests to vodka, champagne and Scotch at a colourful reception last week. This itself was nothing new. Since Nepal opened its doors to the outside world after the end of the *ancien regime* of the Ranas some two decades ago, Kathmandu has become a centre of international intrigue and Kathmanduites have got used to this sort of embassy gatherings. But at the Soviet embassy that evening in the midst of Nepalese gentry dressed in three-piece suits and Banarsi and Bangalore saries, one saw shy terai villagers in dirty dhotis and pyjamas. This is what marked out this reception from other embassy functions. Besides inviting the youth of Kathmandu, Russian diplomats are said to have brought these shy villagers from far off places for the occasion, paying their fares and arranging for their stay in the capital.

This was not a casual gesture. The Russians have realised that the terai, the thickly populated and hitherto neglected region of Nepal, will play a far more important role in shaping the future of the country than the sparsely populated hills. They know that if a section of Nepalese youth have become vocal devotees of Mao's thoughts it is because the Chinese have concentrated their efforts in the terai since 1962. Taking their cue from the Chinese, the Russians are now busy opening libraries and cultural centres in all important towns instead of pouring all their aid into Kathmandu which is what other countries normally do.

The terai has played an important part in Nepal's economic life for centuries. Today the Nepalese government derives the largest share of its revenues from this region which is also the major contributor to Nepal's gross national product. Yet in terms of fresh developmental effort, the terai is the most neglected part of the country.

Settlement of the Terai

The terai is the northern edge of the Gangetic plain. It extends nearly 500 miles in length and varies from 10 to 30 miles in width. Nepal's 18 southernmost districts are situated in the terai. These districts account for 17 per cent of Nepal's area, but as much as 31 per cent of its population. The terai looks much like the rest of the Gangetic plain — a broad, flat expanse of paddy-fields, green during the monsoon and gradually turning brown and dusty as the tropical sun burns down on them. There are some 6,000-odd mud-and-thatch villages in the terai, huddled under the protective shade of giant *pipal*, *pakad* and *bargad* trees. There are in all a dozen towns of commercial importance. The terai was once covered by forest, but the forests have been gradually cut down.

Prithvi Narain Shah, founder of the present ruling dynasty and unifier of modern Nepal, had turned his attention to eastern Nepal after his conquest of Kathmandu valley. He was particularly interested in controlling eastern terai and is said to have written to his generals in the field that there was little value in securing control of the low revenue yielding hill region without also appropriating the far richer terai. He was right. Revenue earned from eastern terai became a major source of income for government. Nepalese expansion along the Himalayas in the late 18th and early 19th centuries paralleled the expansion of British power on the Gangetic plains and inevitably there was conflict between the two powers in the terai where their administrators and soldiers came face to face. The struggle for control of Butwal and Shivaraj in mid-western terai ultimately led to the Anglo-Nepal war of 1814-16. When, after a valiant struggle by the Nepalese, the British finally established their superiority, they confiscated the entire terai under the treaty of Sugauli in 1819. However, a year later a part of the terai from the Mechi to the western Rapti was returned to Nepal and in 1858, after the Nepalese aided the British during the first war of Indian independence, western terai was also restored.

During the Rana period between 1846 and 1951, *birta* or tax free grants of terai land were given liberally to royal family members and loyal retainers. For the largest *birta* holders income from these lands accumulated into fortunes. The Rana government, in order to increase land revenue, encouraged Indian zamindars and tenant cultivators to clear land and settle in non-*birta* terai areas. Mid-western terai was settled largely in this manner during the 1920s and 30s. Till the last few decades, the pressure of population on available cultivatable land in the hills was not critical and government could not persuade hill people to accept land-holdings in the hot and dusty terai. Besides, malaria was endemic in the terai until recently, and only the landless plains people were willing to face this risk. Thus over the years the terai has been settled largely by plains people speaking Maithili, Bhojpuri, Hindi, Bengali and Urdu. By the 1960s the terai had become the economic backbone of the country.

Certificate of Citizenship

Despite their economic contribution, however, the Terai people are treated with contempt in Nepal and face discrimination in Government services. There is no room for them in the royal army and, whatever their qualification, they cannot reach the higher rungs of the civil service. And though they may have been in the region for four or five generations, they are not treated as citizens of the kingdom. Only recently several hundreds of terai people are reported to have been turned out of their jobs because they could not produce certificates of citizenship, which are not easy to acquire. Under the slogan of *"ek hi bhasha, ek hi vish; ek hi desh, ek naresh"* ("one language, one dress, one country and one king") they are required to wear *surwal* and the Nepalese cap, giving up their age-old *dhoti* and *kurta*, if they want to be considered for citizenship. These people are treated as neither Nepalese nor Indians and face the prospect of being turned into refugees in their own country in the not-too-distant future.

It is because of this pervasive sense of frustration and discontentment among the people of the region that terai is bound to play an important part in Nepal's politics. All interested powers, with the exception of India, appear to have realised this in varying degrees. It is ironical that while far off countries have taken note of the explosive potential of the terai, India remains as indifferent as ever.

MANAGEMENT

Many Faces of Modern Management

J M Kaul

THE technological revolution that has given industry and commerce throughout the world a new thrust and brought unprecedented affluence in certain regions has a number of facets. One that has perhaps received less attention in the Press than it deserves is the impressive growth in management technology without which it would perhaps have not been possible to weave together in one harmonious pattern the various strands of modern industry. Indeed management has been the success story *par excellence* of the last fifty years — more so even than science.

The fifteenth CIOS* International Management Congress held recently in Japan provided an excellent opportunity not only for reviewing the progress of the movement but also for bringing out the various approaches to the question of scientific management in different regions. Attended by about a thousand delegates from nearly 50 countries, it had a number of interesting features. One was that it was held for the first time in Asia and appropriately enough the host was Japan. The second feature was that the USSR and other East European countries such as Czechoslovakia, Yugoslavia and Rumania were present, indicating that the Communist world is beginning to appreciate the importance of modern management principles in promoting economic growth. The third feature was the presence in fairly large numbers of representatives from the developing countries in Asia and South America. The fourth feature, which follows from the above, was the difference in approach to the problems of management reflected in the contributions of each group of countries. These may broadly be classified into four groups, namely, the developing countries, the free market economies amongst the developed countries, the Communist countries and Japan, which is really a category by itself. The integrated theme of the Congress was "The New Role of Management-Innovation, Integration and Internationalisation".

Managerial Gap

Understandably enough, papers presented from the developing countries revealed concern for the technological gap between the developed and the developing areas of the world and discussed various aspects of the problem of bridging this gulf. Gustavo de Silva (Brazil), for instance, emphasised how to meet the challenge set by the "managerial gap". It was suggested that a world system of management including research, education and documentation in management should be set up and an

* CIOS (*Conseil International pour l'Organisation Scientifique*), a non-political, non-profit, international organisation with headquarters in Geneva, was founded in 1924 by proponents of the modernisation of management techniques.

international centre, probably under the UN, organised to stimulate flow of management information among nations.

In a paper on "Problems in Application of Modern Management Techniques in Developing Countries", N Wagle (India) sought to identify the basic forces which generate the changing management constraints in developing countries. In this connection he discussed the influence of family attachments and family security which in most developing countries expresses itself in a hierarchical social structure. He referred to other constraints too and pointed out that they were frequently moulded by political expediency and influenced every facet of the management function. Despite these constraints he affirmed that experience in India had shown that it was possible given time and patience to adapt modern management techniques to a developing country.

The only other speaker from India, A K Sen, discussed the "Problems of Joint International Business Ventures with Particular Reference to Developing Countries". After pointing out that such ventures represented the response of international business to the end of the colonial era, he referred to the peculiar environment in which joint international ventures functioned in developing countries and said that a paradoxical situation existed because, on the one hand, there was a great hunger for foreign capital to speed up the pace of development and on the other, there was a legacy of suspicion and even hostility towards foreign capital. Sen referred to the role of joint international business ventures as catalysts of technological and economic growth and as pace-setters but warned that they could continue to play their role only if they were able to identify themselves with the aspirations of the host nations.

Communist Dilemma

The approach of the Communist countries was reflected in an interesting paper from the USSR by S Kamenitser of the National Economic Institute of Planned Management in USSR industry. While revealing that the managers in the Communist countries were groping towards a system which would ensure higher productivity and more efficient utilisation of resources through incentives to workers and by use of the profit system in accounting, there was a tendency to cling to dogmatic philosophy. The paper attempted to deduce the modern management conception of the USSR from the tenets of Lenin. It is difficult to appreciate how an exercise of this nature could prove rewarding. The paper, however, reflected the actual dilemma facing Soviet thinkers in many fields — the need to adjust themselves to the fast-changing reality of the modern world and the pressures upon them to remain within the rigid dogmas of an earlier age.

As might have been expected, papers from the developed countries — USA, Germany, etc — were concerned with problems related to the more sophisticated management techniques. In a paper on "The Impact of the Computer on Management", Herbert A Simon (USA) stated that upto now the computer had not made any vital difference in the functions of the higher level of management. The job of the manager had been effected far more deeply by the trans-oceanic airline and long-distance telephone than it had been by the computer. This was because the computer was still young and its full potentialities had not been realised. Simon asserted, however, that the computer was an instance of the revolution in information processing technology which would rank in human history with the introduction of agriculture and the shift from human to mechanical power. Michael J Kami (USA) dealt with the systems approach in planning and control. This was also the subject of another paper from the USA by Stanford L Optner. Other papers from the USA and Germany also dealt with management systems and management information systems and problems of long-range planning.

The famous management expert, Peter F Drucker, declared in his paper that the major assumptions on which the theory and practice of management had been based in the past 50 years were rapidly becoming inappropriate and suggested a number of new premises on which management theory and practice should henceforth be based. Drucker pointed out that every major task of developed society was being carried out in and through an organised and managed institution. Business enterprise was only the first of those and, therefore, became the prototype by historical accident. For instance, measurement of results in economic terms, that is in terms of profitability was now emerging as something that all institutions needed: an objective outside measurement of the allocation of resources and of the rationality of managerial decisions.

Appropriately enough, it was left to Japan, which while retaining all the characteristics of the oriental culture and outlook on life has achieved a high degree of sophistication in technology including the science of management, to raise certain basic and fundamental issues pertaining to the question of reconciliation between the modern machinery revolution and human society. Kikawada, who delivered the keynote address at the Congress, referred to the success of the Apollo 11 mission as a great expression of man's creative power and a brilliant result of modern scientific and technological civilisation. But this success he felt had underlined the importance of solving various human problems. He pointed out that there was a serious imbalance between technological civilisation and human society everywhere in the world. Progress of modern technological civilisation had given rise, he stated, to a tendency to regard man as a mere means, thus creating the phenomenon of human alienation. The new science of economic development in modern times should, he felt, adjust economic progress to the higher aim of harmonious development of human society, by systematically grasping technological innovation from the social point of view and on the basis of human values. From this point of view it was necessary that business enterprises should have multiple aims that would be appropriate from economic, social, political and other points of view. The various problems that had arisen from the violent development of modern civilisation and were currently menacing the welfare of mankind were, he considered, a historic challenge to mankind. Failure to meet this challenge could lead to ruin. Other papers from Japan struck a similar note.

Glimpse of Changes

The different approaches to management notwithstanding, the Tokyo Congress of the CIOS provided a glimpse of the vast changes that modern management techniques have succeeded in introducing in the world of industry and the tremendous potential latent in scientific management for increasing the wealth and prosperity of the world. Developing countries like India need particularly to maintain the closest contact with the international management movement because the science of management holds the key to future prosperity, as the example of Japan has already proved.

Lenin with Profit

Nireekshak

PANKAJ SHARMA's tragic death, in Bhutan, adds a sombre footnote to an otherwise successful Press coverage of the President's tour of the Himalayan kingdom. It is not often that newspapermen from India have opportunities of observing and reporting on life in the landlocked regions to our north. Sikkim, particularly, has been something of a closed book for journalists. Few newspapers have shown the enterprise to send their own correspondents to these areas to ferret out information. But the Press alone is not to blame for the singular lack of communication.

For reasons best known to itself, New Delhi too has discouraged newspapermen from visiting these kingdoms. While there might have been some justification for such a policy in the immediate aftermath of the Chinese invasion, none existed after the Emergency ended. It is true that, lately, there has been a change for the better; the Press Trust of India and two or three newspapers now maintain correspondents of their own in this important area. But most of them are in Nepal; Bhutan and Sikkim continue to be ill served. In such a context a Presidential tour is a great attraction for newsmen. State visits of this kind have their own limitations from the point of view of reporting but, as Giri's tour of Bhutan has shown, even such fleeting opportunities are not without advantage.

One aspect of such state visits which impinges on Press facilities needs to be noted, however. There seem to be no norms for enlisting correspondents in Press parties accompanying high dignitaries on their tours abroad on state visits. Such conventions as exist put a premium on a particular newspaper's or an individual newsman's 'contacts' in New Delhi and ability to muscle itself or himself into the Press party. This often leaves a number of newspapers, outside the charmed circle of officialdom, at a disadvantage. Of course, not everyone who may wish to join the Press party on such occasions can be accommodated, for there has necessarily to be a limit to the size of the Press party. But a rational system of selection based, for example, on a draw of lots in cases where newsmen are expected to pay their own expenses or on regional representation, in case the tour is expense-free, will go a long way in eliminating the arbitrariness, not to say discrimination, inherent in the present method.

Pankaj Sharma's death has meanwhile focused attention not only on some of the hazards of the journalist's profession but also on a sadly neglected aspect of social welfare. Sharma's family is the recipient of a handsome distress donation from the King of Bhutan and, because of the special circumstances of his death, it may be assumed that his employers too will make a contribution to his family's financial security. Not every journalist, however, meets death in the presence of kings and presidents; and when he dies, whether with his professional boots on or in obscurity at the end of a long career of public service, there are no state officials present to arrange for his funeral or other willing hands ready to assist his family.

This should be a matter of concern for the profession as well as the public. The Press Association of Delhi has suggested that newspapers and news agencies institute a system of insurance for correspondents, so that in the event of unforeseen eventualities their families may be provided for. Insurance cover should in fact be provided for all journalists, if necessary by an amendment of the Working Journalists Act as the Delhi Union of Journalists has asked for. However, apart from this, journalists themselves have an obligation to ensure that no member of the profession or his family is exposed to social insecurity. Professional organisations ought to devise measures of social welfare of their own for members, by means of levy or other methods, so that the collective resources thus acquired may be utilised to mitigate the lot of the most needy among them. It has been done in some other countries, and it is time a beginning was made here too.

Generous Patronage

Talking of resources one finds that the Lenin centenary has been a source of some profit for newspapers. A number of newspapers have had special supplements to mark the occasion and they have been well patronised by advertisers. One noticed, particularly, that Hindustan Steel went out to "salute Lenin, an outstanding humanist and inspirer of a great awakening" in large advertisements. Not all newspapers which published Lenin supplements carried this advertisement, however, and there may be a point there to ponder about the mode of disbursement of advertisements from public funds. The occasion seems also to have given an opportunity to editorial writers to take off on the theme of world revolution.

Barring probably *Indian Express*, which thought fit to highlight the negative aspects of Leninism, contrasting it with Gandhism, all newspapers concentrated attention on the man himself and his achievements. "The infallibility which communists attach to Marxism as the gospel according to Marx and after him Lenin, with Stalin and Mao following, has been undermined within a hundred years of Marx's death", *Express* wrote. "Lenin had envisaged a progression from cut-throat, competitive capitalism to monopoly capitalism, to imperialism. And from there to decaying capitalism which the proletariat could crush in a revolt leading to socialist dictatorship. There Lenin proved to be wrong . . . If nothing else Lenin's centenary could usefully wake them ["our Government 'thinkers' and 'planners'"] up to realities."

Amrita Bazar Patrika did not seem to share this view. "All over the world", it said on April 23, "the communists acclaim Lenin as their hero, but in India he is adored as a great liberator of man whose message transcends the artificial barriers of party, geography and race. . . Let us try to capture the true spirit of Lenin's teaching and apply it to our own problems for the benefit of the common man. That is the correct way of making Leninism a part of our political heritage."

In *Tribune's* view, "Lenin was the first to realise that the socialisation of the nation must have as its natural corollary the nationalisation of socialism. For him the Russian Revolution came first, the export of revolution afterwards. But for the work of this one man, all of us might have been living in a different world. Probably worse. Probably better. Who can say?" *Tribune* added, however, that in viewing the prospect of revolution "Trotsky was more precient. He prophesised that the final revolution in the world would consist of a series of small and violent upheavals going on everywhere, and lasting perhaps for generations — and this is exactly what seems to be happening today everywhere".

Even *Mail*, no friend of communism,

saluted Lenin in these words: "The credit should go to Lenin . . . for giving to the world ideas which incubated and hatched many social changes the world over, and which still holds sway over the minds of millions of people. . . The Great October Revolution had deep international roots and features. To this day it is regarded by many as a manifestation of the logic of historic progress. That is the greatest tribute to the genius of Lenin."

A very enthusiastic participation, indeed, by the Press in the Lenin centenary.

PERSPECTIVES

Making the Plan Implementable

From a Special Correspondent

PLANNING for economic development at any level — national, State, district or local — is based on the premise that a plan once formulated can be implemented. To be good for implementation, a plan has to be internally consistent. Inconsistencies can arise in various ways. For instance, planned investment may not equal the sum of domestic saving and foreign aid, or the targets of output of a non-importable service, such as power, may not balance with the targets for the consuming activities. More generally, inconsistencies arise if planned magnitudes of the availability of any good or service do not match with the requirements for the same. The projected requirements themselves may be much too high or much too low, and not well related to each other in magnitudes and time phasings. A Five-Year Plan could run into still other difficulties in its implementation because of insufficient attention paid to its annual phasing. For example, demand for a commodity may be created ahead of the commissioning of plants to produce it. Even if a plan is internally consistent and its time phasing is worked out in detail, the uncertainties associated with agricultural output, export performance and foreign aid can still plague its implementation. Our planning has to deal with a mixed economy consisting of public and private sectors and operates in a federal framework. These add to the difficulties in formulating and implementing a plan, though of course there are compensating advantages as well.

Data Gaps

Indian planning has had its share of difficulties in implementation. In the early years, a substantial part could be ascribed to the fact that plans had to be formulated in the absence of adequate, accurate and timely data on the performance of the economy, its resource availabilities, and the structural and behavioural relationships characterising it. In these years when a stagnant economy was first put on a growing path, this lack of data was indeed inevitable. What, however, was more important was that the then existing data on the structure of the economy, as well as the demand and supply relationship, began to lose its relevance as the economy became more diversified, and a great variety of new products came to be produced and as the interrelationship between different sectors of the economy became more complicated. It must, of course, be admitted that the data problem was detected early in our planning history. Each successive plan is based on a fuller and more up-to-date picture of the economy. The National Sample Survey, the annual survey of industries, and the output of our scientific research institutions have increased our understanding of the Indian economy. Further, we are in a much better position today to avoid gross inconsistencies in plan targets for different sectors than we were fifteen years ago. In fact, the Fourth Plan targets of important industries have been subjected to a consistency check through the use of the techniques of input-output analysis and material balancing. But the point remains that in a rapidly growing economy the data base always tends to fall behind the requirements of the planning base.

It must be admitted however that there are still other important gaps in our knowledge of the Indian economy, particularly in areas that are of vital importance from the point of view of short-term economic policy. To mention only two, reliable data are not yet available on employment created by the plans, and on savings and investment in the aggregate and in each sector of the economy. A large number of vital economic decisions are taken by those in charge of controls such as investment licensing and import licensing. If these controls have to serve their social purpose, the operators of such controls have to be equipped with timely and accurate information to enable them to take rational decisions. A number of steps have of course been taken to secure timely and comprehensive data, particularly through the use of electronic data processing machinery. However, the quality of the information so processed will improve even as the data-gathering agency is more and more involved in the decision-making process. Otherwise data collection becomes a chore to which the least qualified personnel are assigned. Much remains to be done in this area.

Operational Character of Annual Plans

The importance of a proper time phasing of each Five-Year Plan has also been recognised and annual plans now have increasingly begun to acquire an effective operational character. Even though the number of plan projects based on adequate pre-investment survey and detailed project reports with full time phasings has been rising, it will still be correct to say that a fair number of public sector projects get included in the Plan without adequate preparatory work. The picture worsens in the case of private sector projects. The industrial licensing machinery is in principle supposed to examine each proposed private sector project in detail. But in practice, the private investor is not obliged to submit a feasibility study when he applies for a licence. Then again, a project cleared promptly enough at the licensing stage may still get delayed at the turn of capital goods licensing or at some other subsequent stage. At the far end of the scale, information on investment plans of small producers not covered by the licensing regulations is so small as to be virtually non-existent. To add to all this, little systematic follow-up is routinely made of the state of implementation of investment licences already issued. This keeps the planners guessing as to when and to what extent capacity already licensed will materialise. The computerised data bank to be developed at the DGTD may be able to fill up these strategic gaps.

It needs hardly to be emphasised that having the requisite information is only a necessary first step: acting on the information promptly and rationally is the vital second step. The degree of success achieved at the second stage will depend largely on the decision makers; whether they are sufficiently imbued with social purpose, competent enough to understand and analyse the implications of their data inputs and decision outputs, investments and end-products, and the extent to which their decisions relating to interdependent activities are co-ordinated.

Uncertainties

The problem of uncertainty that any realistic plan has to face is broadly of two types. The first relates to difficulties of time phasing and adequate data flow such as has been briefly noted above, which, in the case of a large range of production, is also complicated by natural phenomena like the uncertainties of the weather. But even in the latter contingency, whereas the actual monsoon rainfall in any given year cannot be predicted, the fluctuations around 'normal' monsoon rainfall can be estimated fairly well where adequate data is available. A plan can be insulated to a considerable extent from this type of uncertainty by building up adequate buffer stocks. The Fourth Plan does provide for building up buffer stocks of foodgrains and some other agricultural commodities related to our exports.

The second type of uncertainty relates to factors such as external assistance, foreign demand for our exports or supply of our imports and unforeseen shifts in domestic demand and/or output of major commodities. To some extent, adequate foreign exchange reserves and buffer stocks could absorb such fluctuations. The problem will still remain, however, of determining whether an observed departure from expectation should be absorbed through drawing on or adding to reserves or should it call for change in the plan itself. It is in this area that contingency planning becomes important. A contingency plan will, for instance, specify which set of import and investment activities should be pruned or augmented according to the actual availability of external resources through exports and aid turnout to be considerably smaller or larger than expected. But this is an area where in the absence of adequate and up-to-date information, it is difficult to be armed with a shelf of well researched projects as alternatives to those that are to be pruned or axed at short notice or put in as reinforcement should additional resources be available, although it is most desirable to have such alternatives ready.

Co-ordination of State and Centre Plans

The problem of co-ordinating the decisions of public and private sectors, as well as Central and State Governments, is of great importance in plan implementation. First, both private and public sectors draw upon the same aggregate pool of investable resources. Secondly, in sectors where both operate to a significant extent or the operation of one is dependent on that of the other, co-ordination of decisions through exchange of information is necessary. A market that functions reasonably well can serve this purpose provided both sectors base their decisions on market intelligence. In our economy where market imperfections are pronounced and licensing or other controls affect decisions, there must be other ways of co-ordinating decisions than through the market. The projected data banks at DGTD and nationalised credit institutions may be made to discharge this role to some extent.

The importance of the nature of Centre-State relations to planning and plan implementation can hardly be overemphasised. Whether it be in decisions relating to project location, to sharing of Central assistance, to river basin development or to Central and State tax policies, a balance has to be struck between socio-political benefits and purely economic costs. A beginning in this direction has been made by the agreement on the basis of which Central assistance is to be divided among States. Similar efforts are needed in other areas of potential divergence of interests.

REVIEW

Relevance of Soviet Model

A K Bagchi

The Soviet Model and Underdeveloped Countries by Charles K Wilber, University of North Carolina Press, 1969; pp xiv + 242; $ 7.50.

THIS book is a depressing example of the platitude that good intentions and energy do not ensure the writing of a good book. Charles Wilber wants to make the eminently sensible case that underdeveloped countries of today have an immense amount to learn from Soviet experience; and that compared with that heritage, the experience of advanced capitalist countries has little to offer to an underdeveloped economy which wants to get out of the morass of underdevelopment. It is a sad comment on the "free world" of American academia that Wilber has to be so strident and so apologetic at the same time in making his case.

Wilber wants to study the application of the Soviet 'model' of economic development. He summarises the characteristics of this model in the following way: "The preconditions of the model include severance of any existing colonial bond with capitalist countries, elimination of economic domination by foreign capitalists and redistribution of political and economic power. In sum this will usually mean a social revolution which, at least nominally, redistributes political and economic power to the workers and peasants.

"The institutions characteristic of the model include collectivised agriculture, publicly owned enterprises, comprehensive central planning, centralised distribution of essential materials and capital goods, and a system of administrative controls and pressures on enterprises, in addition to incentives, to ensure compliance with the plan.

"The strategy of development in the model encompasses high rates of capital formation; priority of basic capital goods industries; bias in favour of modern, capital-intensive technologies in key-processes combined with labour-intensive techniques in auxiliary operations; an import substitution policy in international trade; utilisation of underemployed agricultural labour for capital formation; and heavy investment in human capital" (p 13).

Why are we supposed to regard this combination of characteristics as a 'model'? Do they hang together in the sense that omitting or changing one of the characteristics will change any or all of the other features as well? Even without insisting on a mathematically articulated framework, one can legitimately demand that the logical interconnections of the putative model should be laid bare. Wilber never attempts this task; naturally, therefore, there is no strong thread of analysis binding the whole book together. In

place of analysis, he offers authorities: the book is full of quotations on very disparate subjects — ranging from Georgescu-Roegen's comments on the methodology of economics to Brezezinski's conclusions about the politics of underdevelopment. Wilber sadly fails to produce the only authority which would convince — *viz*, the authority of sustained analysis within a well-defined theoretical framework.

When Wilber comes to consider the application of the 'model' to the economy and society of Soviet Central Asia — a decidedly interesting case — the weaknesses springing from the lack of a well-defined analytical framework become even more obvious. The revolution in the society of Soviet Central Asia was imposed from above. Did it redistribute political power to the peasants and workers of Central Asia, or was it not still exercised by the Communist Party of the Soviet Union, dominated by the Russians of Europe? If a socialist revolution imposed from above is still considered better than a capitalist or pre-capitalist state nominally free from foreign domination, the case has to be argued and not just taken as proved. Again, the development of agriculture in Soviet Central Asia is not an example of industrialisation through import substitution, but of the exploitation of the 'comparative advantage' of Central Asia. That this pattern of development has created its own problems has not been at all made clear by Wilber. The proportion of Russians in the Central Asian population has increased; and Central Asia remains much less industrialised than European Russia. This has created a *feeling of resentment* among many Central Asians which is akin to old-fashioned 'nationalism' in reaction against imperial rule. The Russian pattern of political domination is probably much less exploitative and confers much more real benefits on the indigenous population than is the case with capitalist imperialism. But again, the question merits a thoroughness of investigation which is totally absent from Wilber's casual survey.

Wilber's book is best regarded as a compendium of facts about the Soviet Union, and more particularly about Soviet Central Asia, derived from a variety of sources. The discerning reader will have to use his own judgment regarding the use of these facts.

Communalism and the Writing of Indian History

Romila Thapar
Harbans Mukhia
Bipan Chandra

IT is not usual for the authors of a book to comment at length upon a review of their writing. We have however decided to do this because Sudhir Chandra ("A Counterpoint of Preconceptions", December 27, 1969, pp 1981-83) has seriously distorted our views. In the process of doing so he has also reflected his own views which appear to us to conform to the kind of communal approach to Indian history which we set out to criticise. At the very outset, like a true apologist, he accuses as of being obsessed with the "dirty connotation" of the term communal, implying that it is those who criticise the communal approach to history and politics who are somehow at fault, and not those who have by their communal outlook compelled us to take note of this outlook.

Perhaps Sudhir Chandra is the best illustration of our view that the communal approach has vitiated much of our historical writing. It does not even occur to him that when he says that "Hindus and Muslims could not but look to different pasts for inspiration" he is raising to the status of a self-evident truth a generalisation emanating from a communal bias. He does not see that it was as a result of the communal writing and teaching of history, that it came to be that, "Historically warranted or not, to these people the Hindu past existed. It could be a myth, but it is real". It is precisely the task of historians to question such myths. A historian must realise that there is nothing natural or inevitable in an Indian refusing to acknowledge his ancient past or his mediaeval past. But then, Sudhir Chandra gives away his own bias when he adds, "To say this, is not to lament the fact".

Mill's periodisation took the form it did not because he was a communalist. His understanding of the evolution of Indian history was influenced by current theories on European historiography. But his periodisation was exploited by those who later wished to project a communal interpretation. The notion of a Hindu period *per se, glorious or inglorious, did not exist in Indian historical writing before the periodisation of Mill.*

In a short sentence, of whose full implication he appears to be unaware, Sudhir Chandra writes: "The Hindu past exists in the Hindu mind". One would like to know what is meant by this Hindu past (or Muslim past or whatever religious sectarian past one chooses) in terms of historical reality? Obviously the Hindu past exists in the mind of the Hindu nurtured on communal beliefs, but the point that is made in the article is that this particular notion of the Hindu past is a creation of the last two centuries: and in which creation the periodisation of Mill and subsequent interpretations of the Hindu past play a significant role. It is not suggested that the historian should attempt to remove the past if it exists as a historical reality, but that the historian analyses the concept of the past. Surely Sudhir Chandra is not suggesting that historians of India should not attempt to analyse the notions which go into the making of the Hindu mind and the psychology of Hindus? As for the large targets which make shooting easy, perhaps Sudhir Chandra failed to comprehend the passage which introduces this section of the discussion (p 11): "There are many assumptions in relation to early Indian history which although not directly communal do get easily absorbed into a communal viewpoint since these assumptions are rarely placed in the correct historical context. . . ." It is in this context that discussion was focused on the prevailing myths about Aryan culture, the spiritual superiority of Indian culture, the Golden Age of the Guptas, etc. As regards the Hindu ruler of Kashmir, Harsha, who appointed an officer for despoiling temples, this example was quoted as an individual example to indicate the difference between the description of Mahmud of Ghazni as an iconoclast and an avoidance of any reference in these terms to his close contemporary, king Harsha of Kashmir. This is quite clear from the paragraph concerned (p 14). To suggest that there was intended any generalisation that Hindus and Muslims both plundered temples is to misinterpret the facts as stated and to insert a dubious generalisation where it is not only absent but clearly not intended.

Sudhir Chandra's charge that Thapar and Mukhia were trying to ensure secularism by denying the existence of communalism (presumably in ancient and mediaeval India respectively) is a misstatement. We have stated quite clearly that communalism is a modern phenomenon and has influenced some modern historians in their reading into the past. Communal tensions in their present-day form obviously did not exist in pre-modern Indian society. We have tried to analyse the intellectual approach which sees earlier history from the standpoint of modern communalism. It is Sudhir Chandra who, if one were to apply his own argument to his view, interpolates communalism (in the modern sense) into mediaeval Indian history in order to negate secularism today.

Mukhia, however, has not denied the existence of religious prejudice and persecution in mediaeval India as in all pre-modern societies. This is clear from the following passages:

". . . while the communalist historians ignored or deliberately set aside evidence to the contrary", the nationalists "did the same although for contrary and certainly better objectives" (p 26). A footnote clarifies that by "nationalist" historians is meant "those who believe that mediaeval Indian history was not a picture of unmitigated communal conflict but of a glorious communal harmony".

". . . to eulogise Akbar as a 'secular' and a 'national' ruler is firstly unhistorical, for the mediaeval Indian state (or any other mediaeval state for that matter) could not by its very nature be secular, for the very concept of the secular state is a very modern concept . . ." (p 27).

It would seem that similar to the historians of the 1920s, 1930s and 1940s Sudhir Chandra is familiar with only two approaches to mediaeval Indian history: the communalist and the nationalist. Between these two, he throws himself into one camp and Mukhia into the other and proceeds to lash out at him on grounds partly imagined and largely distorted. However Mukhia's basic point is that both the communal conflict and harmony in mediaeval India that have been studied so far are related to the ruling class, the various constituents of which (including the Hindu zamindars) often resorted to communal and various other forms of conflict as well as compromise. In the absence of much attention being paid to mediaeval Indian society as a totality, the evidence pertaining to the ruling class was extended to include the whole of society. Secondly, far too much emphasis was placed on the personal disposition or volition of a ruler as the decisive factor in the causation of historical events. As a result even the secular nationalist historians had logically to surrender the ground to the communalists at a later stage of the debate. This is not to deny the enormous contribution made by the nationalist historians to the growth of secularism in India in general and a secular interpretation of mediaeval Indian history in particular. It is only to point out some weaknesses in their approach which had arisen from, ***inter alia*, the stage of** development in history-writing itself.

No Condemnation

When Sudhir Chandra comments that "what Thapar and Mukhia criticise is not the communal approach but what modern historians feel was a defective way of writing history", he is ignoring the fact that this comment is irrelevant because the two often overlap as has been pointed out in both articles (pp 9-10, 25-27). Furthermore, it is a part of the historian's business to indicate the weaknesses in the interpretations of earlier historians. This does not imply condemnation of these historians, but on the contrary it emphasises the relevance of seeing the historian himself as a part of the historical process. Communal history *is* poor quality history but the communal bias was not reflected in all historical writing on India in the last two centuries. There have been notable exceptions. Thus Sudhir Chandra's accusation that Thapar was attempting an equation of poor historians = communal historians = nationalist historians, is not viable. What is, however, historically significant and open to investigation by contemporary historians is that most *standard* histories tended to reflect a communal bias and the three articles reviewed were primarily concerned with examining this bias in *standard* works — as has been stated more than once in the booklet.

The basic point made by Mukhia with regard to the imposition of *jazia* and the demolition of temples is that these could not have been the instrument of converting masses of Hindus into Muslims. It is nowhere suggested by him that these measures were the manifestation of secularism in mediaeval India or that they were to the liking of the Hindus. Nor have the *jazia* and the *zakat* been equated. The *zakat* has been brought in only to counter the argument of the communalist that the *imposition* of *jazia* as a financial *burden* was intended to convert people. Incidentally when Sudhir Chandra says, "agreed that *jazia* was a financial and not a religious measure. . .!" with whom is he agreeing? And why should Sudhir Chandra attribute to Mukhia arguments such as, "in his view the measure being financial, no rancour should have arisen on this account", and then add a sermon on the ethics of being a historian? If such an argument had followed from Mukhia's set of hypotheses, he could as well have advanced it himself. But then Sudhir Chandra mercifully concedes the basic point that the *jazia* could not have been used for conversion.

Sudhir Chandra's diatribe against Mukhia on the point concerning the demolition of temples would have been equally unnecessary had he not been so anxious to advise Mukhia to make a point, which point Mukhia has already made. Mukhia was only emphasising that the demolition of temples could not, once again, have brought hordes of Hindus into the fold of Islam. The demolition of temples is not the way to do it since it can only result in hatred as Mukhia has pointed out (p 31).

Sudhir Chandra accepts as self-proven historical and sociological realities, views which are the products of the communal approach of the nineteenth century and later. This is revealed by another of his statements: "Psychologically, however, it should be nearly impossible for the majority of Hindus to equate Islam or Christianity with Buddhism, which is to them an outgrowth of their own religion." (This, in relation to conversion.) But this psychology in assessing the historical role of proselytisation has its genesis again in a communal bias. Indian historians imbued with an analytical consciousness today should have little difficulty in viewing the fact of changes in religious loyalties not in the context of emotional values, but in the historical context of their social role. Those who have no other interest in mediaeval Indian history except discovering conversions and incidents of temple destruction and such-like, are not opposed to conversion as such but to conversion to Islam.

Sudhir Chandra has accused two of us of an attempt to "explain away the

part played by religion in history". But he has missed the point. Our attempt has not been to deny that religion and religious sentiments and prejudices played a role in history but to try and place this role in its historical setting and to study the social, economic and political roots of this role. He criticises Thapar for the attempt "to offer rational explanations for events that have been seen in the context of religion by many others". But the delineation of the historical totality is precisely the task of the historian. One of the major weaknesses in the past has been the tendency to see events almost entirely in the context of religion while they should have been seen in the total historical setting. To suggest that a rational understanding of the Indian past would necessitate the bias of an atheist is to show a total unfamiliarity with the discipline of history.

At least one of us, Bipan Chandra, might have felt flattered by some of Sudhir Chandra's remarks but for two facts; that his views too have been severely distorted and what is more, his basic critique of modern communalism as a historically invalid point of view has been frontally contested. It is suggested that in Bipan Chandra's view there are no communal historians nor a communal approach to history, but only what "seems to us communal" today. But in fact he has repeatedly mentioned communal historians and the the communal approach to history. His theory of vicarious nationalism is offered not to justify communalism or to deny its existence but to explain the genesis of the communal approach to history. Moreover he has clearly described the tendency to glorify the past as "unscientific and unhistorical" and "a distortion in Indian historiography and politics".

Ideology and Reality

Sudhir Chandra has disagreed with Bipan Chandra's view that nationalism was a correct reflection of the objective reality of the historical process of the last hundred years and communalism was its false consciousness. He suggests that communalism "also was the correct representative of objective reality". He asks the question: what does "correct" mean? Clearly, what it means is that the notion of the Indian people as a whole having common economic and political interests against imperialism had its basis in the concrete historical situation or reality. On the other hand the communal view that the Hindus of India as followers of Hinduism (or the Muslims of India as followers of Islam) had common interests especially in contradistinction to those of the Muslims, was not based on reality. No such interests existed objectively outside the ideology of the communalists. Sudhir Chandra repeatedly ignores the difference between ideology and reality which is crucial in demarcating the difference between the communal view and the analytical view. That ideology sometimes lags behind reality and sometimes falsifies it, is known. This in fact makes the historian's craft that much more complex as well as necessary and socially useful.

To revert to one of Sudhir Chandra's rhetorical questions, it should be obvious that because Syed Ahmed Khan and Badruddin Tyabji responded in two different ways, it does not and cannot mean that there were two realities, unless we talk of the existence of "two nations". Clearly one of them had the correct perception of the reality (in our view it was Tyabji). It is precisely the task of the historian to show that Muslim communalism was not "in response to the needs of the community" for no such needs existed in the overall political and economic plane. It seems obvious to us that the reality of the last hundred years as also of today could not be dual. It could not be that Hindus, Muslims, Sikhs and Christians were one nation as well as being separate nations according to their religions. For that reason both nationalism and communalism could not be equally valid or correct representations of the objective reality. This does not mean of course, that social and economic tensions did not prevail among the people or that these divisions did not find reflection in politics. But it does mean that communalism was neither a valid reflection of the Indian struggle against imperialism nor of the social and economic tensions of Indian society. It was and is a red herring thrown across the analytical understanding of the politics of Indian nationalism and, from a more limited point of view, of analytical history.

Reply

Sudhir Chandra

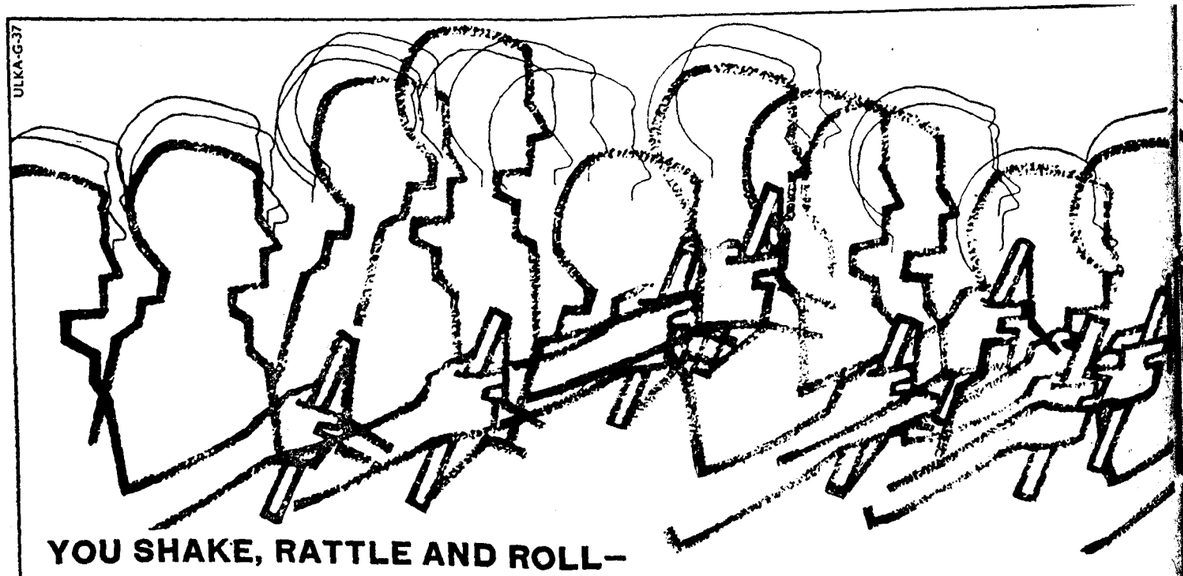
A LITTLE dispassionate intelligence would show that my review does not repudiate the basic theme taken up by Thapar, Mukhia and Bipan Chandra. My starting point is that Thapar "begins on a sound note when she points out that modern communalism seeks its intellectual justification in the historical past". Obviously I accept the connection between the writing of Indian history and communalism. What I cannot appreciate is the magnification of this link because it distorts the perspective, and blurs the distinction, on the one hand, between cause and effect, and, on the other, between motive and effect. My review, in its essence, is an essay in this differentiation.

It is revealing that while ignoring positive evidence to the effect that I do subscribe to the existence of communalism and to its causal relation with the writing of Indian history, the three authors should have discerned in my reference to the dirty connotation of the word communal a decisive proof of my association with the communal approach to Indian history. A poor historian and a poorer psychoanalyst would have dared the conclusion in the face of evidence to the contrary. I cannot be sure whether in the present case this is the upshot of misunderstanding or of intellectual intolerance.

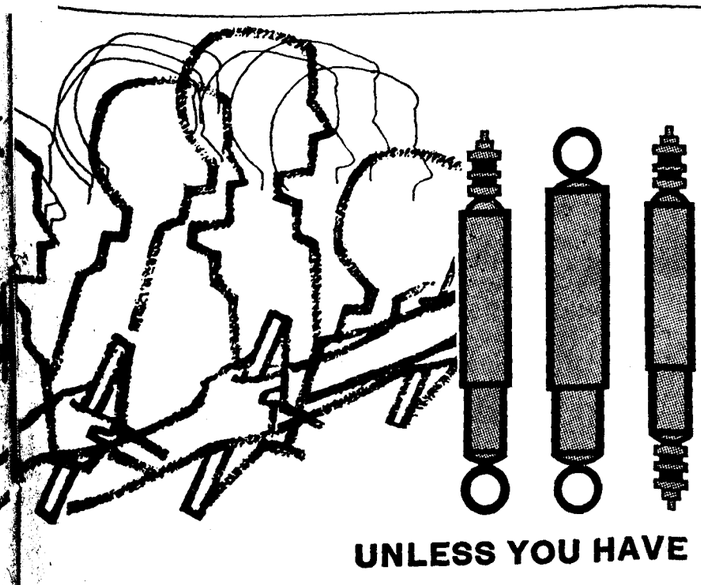
Glorious Past

My submission — borne out by but independent of Bipan Chandra's paper — is that glorification of the "Hindu" past was not necessarily the outcome of communalism. I further maintain that this was independent of Mill's periodisation, a fact admitted by the authors when they say that the notion of a Hindu past is a creation of the past two centuries. Romanticisation of the past has been a universal source of succour and inspiration — a sort of defence mechanism — for every subject people. Indians also felt the need of a glorious past, and the Hindus, being the most vocal and the majority community, chose their pre-Muslim past not because they had developed "a communal bias" "as a result of the communal writing and teaching of history"; they did so because certain features of the "Muslim" rule in India had made them

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incapable of romanticising this period of their history. I use the expression romanticise expressly because it emphasises the element of imagination at the expense of analysis in the understanding of history; and also because the past that came to be believed as real did not conform substantially to a historical reality.

To avoid putting the cart before the horse, it was the acommunal glorification of the pre-Muslim past — call it Hindu or ancient — that later on provided handy material to the communal historian and demagogue. James Mill helped the process without causing it. Given the sort of mediaeval rulers India had, and the psychological need imposed by the British rule of a glorious past, the process could hardly have been different, Mill or no Mill. It may be noted in this connection that the acceptance by the English educated Indians of the British rule as a divine dispensation also necessitated a criticism of the political systems, no matter Hindu or Muslim, that had preceded it. Lest I should be misunderstood, I am talking of the early phase of the British rule in India. Why this rule was viewed as a providential boon is a complex problem of modern Indian social history. This is not the occasion to inquire into it. But communalism, may it be noted, was not one of the factors responsible for the initial criticism of the mediaeval Indian polity.

What is germane to the present discussion is why the Hindus could not glorify the mediaeval past. The answer lies in the effect of aspects of Muslim rule such as conversion and demolition of temples. Now that Mukhia denies having implied that no rancour existed among the Hindus as a result of these measures, there is no reason to stress that to expect the Hindus to romanticise this phase of their history would be to do violence to human psychology. To say this is not to justify such unhistorical romanticisation. It is to insist that in a discussion like this where the sequence of interaction between communalism and the writing of history is significant, Mukhia cannot confine himself to merely an analysis of the motives behind actions like desecration of temples; more so as he underlines the need of moving away from princes to people in the study of history. After all, Mukhia cannot dictate his own terms of reference, and refuse to discuss issues flowing logically therefrom. No discussion of *jazia* can be meaningful without an understanding of the reactions of contemporary Hindus to it. It is a fine way to keep quiet about this aspect, and say, when somebody intrudes with it, that the author never implied the absence of rancour as a result of the tax.

My argument against Mukhia is that he relies on logic as a substitute for historical evidence. Instead of answering the point that without crediting the Muslim rulership with his own intelligence and rationality, he should have attempted an anatomy of fanaticism, the authors have repeated the assertion that demolition of temples could have produced not conversion to but hatred for Islam. I believe the meaning of my suggestion is not so abstruse as to escape the attention of an average mind.

Atheistic Historian

I say this because my subsequent observation about an atheistic historian has been torn — I hope not deliberately — out of its context. It was as an extraneous counter to Mukhia's point that I had employed an obvious piece of *logicum ad absurdum*. Will the reader permit me to reproduce my comment because it makes plain the absurdity of the conclusion drawn by the three authors. I wrote: "It should not surprise Mukhia if an atheistic historian contends that the demolition of temples would have made no impression on the popular mind." Could it, by any stretch of imagination, be construed to mean — as Thapar, Mukhia and Bipan Chandra say it does — "that a rational understanding of the Indian past would necessitate the bias of an atheist"? Fortunately, Thapar and Mukhia and Bipan Chandra's scholarship prevents me from suspecting that such incomprehension betrayed a total inaptitute for the discipline of history.

Nowhere in my review do I object to a rational explanation of history. But I do not support the writing off of religion as a factor in individual or group motivation. Since the authors disclaim having done so, there should be no disagreement, on this account, between us.

Of Bipan Chandra's two complaints, one is non-existent. I have nowhere suggested that for him communal historians and a communal approach do not exist. I simply said that he could see the development of modern Indian historiography in historical perspective by recognising that what became grist to the communal historian was not always the result of a communal approach. How could something become grist to the communal historian if the communal historian did not exist? Perhaps some of the misunderstanding in the present case has resulted from my approach to book reviewing. Russell believed that intelligent dissent implied greater agreement than unquestioning acceptance. Instead of roaming too long in areas of agreement, I refer to their existence and quickly move away to join issues if I can hope to produce a fruitful discussion. This may not be flattering to the authors; but the readers welcome this, and I find it useful and satisfying.

As for the other complaint of Bipan Chandra's regarding nationalism being the correct manifestation of objective reality, I can only say that it is not possible for me to accept the many premises on which his judgment is based. Nationalism, like most group identities, is to my mind a myth which could or could not be the correct manifestation of an objective reality. Its mere existence at a particular point of time is necessarily a test neither of its correctness nor of its being the reality itself. The concept of reality in history is linked with movement. What exists today may, for all the appearances to the contrary, be in defiance of the subterranean historical forces. When it gives way, yielding place to something conforming to the "actual" reality, no one can say today. The historian of today, not endowed with omniscience, may describe what exists as the objective reality or its correct representation. But the historian of the future would pass a different verdict. In concrete terms, the justification for Bipan Chandra's judgment is provided by a twin faith that Indian nationalism is the genuine product of a historical reality, and that Pakistan exists in defiance thereof. Since I cannot be sure whether Indian nationalism even today is a natural, viable product, or whether Pakistan symbolises a militant communalism or genuine nationalism, I prefer to be sceptical about the correctness or otherwise of a particular manifestation. If Bipan Chandra knows the objective reality well enough to be able to recognise which manifestation is wrong and which is correct, I can only apologise for my inability to believe what seems to me incredible.

Since I believe that scholars should strive for understanding, I should prefer to end on a note of self-criticism. I really misunderstood the implication of the case of Harsha quoted by Thapar and regret having made remarks that were uncalled for.

Population Growth in Rajasthan

An Econometric Analysis

B C Mehta

People resist compulsion in the sphere of birth control; and voluntary restriction of the size of family depends upon certain motivational factors which in turn depend upon socio-economic conditions. It is, therefore, pertinent to study the effects of various socio-economic conditions on the different elements of population growth.

This paper is a preliminary attempt in this direction. It analyses the effects of some socio-economic variables on population growth in Rajasthan during the inter-Census period, 1951-61.

The author finds that no significant relationship can be established between the rate of population growth and the four socio-economic variables selected for study: the rate of urbanisation, literacy, density of population and per capita income.

POPULATION explosion poses one of the most important problems of economic development in India. The family planning programme has been undertaken on an emergency basis. Though there has been much talk about reducing fertility rates by adopting various methods of family planning — such as legalisation of abortion, compulsory sterilisation after the third child, disincentive taxation, withdrawal of maternity leave and medical facilities, etc — few searching studies have been conducted to test the feasibility and efficacy of these different methods.

People, whatever their ideologies, resist compulsion in the sphere of birth control. And voluntary restriction upon the size of family depends upon certain motivational factors, which in turn depend upon many socio-economic conditions. It is, therefore, pertinent to study the effects of various socio-economic conditions on the various elements of population growth.

The present paper is a preliminary attempt in this direction. This study is restricted to an analysis of the effects of some socio-economic variables on population growth in Rajasthan during the inter-Census period, 1951-61. Since time series for these variables are not available for this State, which was formed only after Independence, and since even if they were available they would not show significant variability over such a short period, the investigator used the cross-section approach. The relevant data for the 26 districts of Rajasthan were collected for this purpose.

Irma Adelman[1] had calculated the least square estimates for the regression equations for fertility and mortality rates for some important developed and underdeveloped countries. She used a multivariate logarithmic equation for fertility analysis and a linear regression model for the mortality analysis. In the fertility analysis she took the following independent variables:

(1) Per cent labour force employed outside agriculture,
(2) Index of education — a compound variable of literacy rate and the circulation of newspapers,
(3) Per capita income,
(4) Density of population.

In the mortality analysis the variables used were:

(1) Per capita income,
(2) The rate of growth of per capita income,
(3) Per cent of population outside agriculture,
(4) Index of health factor — number of doctors per 10,000 of population.

The parameters were estimated separately for the different age-groups.

For the State of Rajasthan, neither the data regarding age-specific birth rates and mortality rates nor the reliable figures for the aggregate crude birth and death rates are available for all the districts. The investigator has, therefore, combined the fertility and mortality analysis for this preliminary study and taken the rate of growth of population during 1951-61 as the dependent variable.

In taking population growth rate as the independent variable in lieu of, or as proxy to, fertility-mortality combine, it is implied that migration is not a significant phenomenon in Rajasthan. Three assumptions follow:

(1) Inter-district migration does not affect use of population growth rate as proxy to the fertility-mortality combination.
(2) Migrants from Rajasthan to other States are drawn evenly from all districts of the State.
(3) Migrants into Rajasthan from other States are evenly dispersed over all the districts of the State.

The Hypotheses

In this study it is proposed to investigate the significance of the hypotheses generally advanced in population studies. On the basis of studies conducted by Adelman and others the following independent variables have been taken:

(1) Urban population as percentage of total population.
(2) Literacy rates.
(3) Per capita income.
(4) Density of population.

The data about the other variables used by Adelman were not available. Moreover, she found no significant relationship between the rate of growth of per capita income and the mortality rates.

Hypothesis I: Higher the density of population higher is the expected rate of growth of population. On *a priori* reasoning, a very high density of population is expected to cause the rate of growth of population to fall. It usually leads to acute congestion which may cause increased mortality due to overcrowding and the attendant deterioration of civic amenities. The increased inconveniences associated with such a situation may also lead to increased willingness to restrict the size of family. Since no district in Rajasthan is so densely populated, this effect may not be

taken to be significant. On the contrary, higher density may indicate, in the conditions of Rajasthan, greater ease of livelihood. It is, therefore, likely to induce influx of population, thereby stepping up the rate of population growth. Hence the hypothesis.

Hypothesis II: Urbanisation reduces the rate of population growth. Increased urbanisation is associated with (i) competition, (ii) individualism, (iii) liberalism, and (iv) increased cost of child-rearing. Hence, on *a priori* reasoning and according to conclusions of previous studies the hypothesis is advanced that increased urbanisation reduces birth rate and so the rate of population growth.

Hypothesis III: Increased literacy reduces the rate of growth of population. Literacy and education increase the awareness and willingness to understand the basic problems affecting the individual and his family in a rational way, which may, other things remaining the same, increase the need and willingness to restrict family-size. This will reduce population growth.

Hypothesis IV: Rate of population growth increases with increase in per capita income. At very high levels of income, it has been found that the birth rate falls, but at lower levels of income all the effects are perhaps concentrated upon the death rate. In the initial period of development, increase in income is reflected in improved feeding and hence reduced infant and general mortality rates. Still higher levels of income will facilitate the adoption of public health and sanitation measures and extension of medical facilities, thereby reducing the mortality rates still further.

Leibenstein[2] discusses the effects of increase in income on the fertility rates on the basis of cost and utility analysis of children. According to him, as income increases, the total and marginal utility of children as a source of security and as a production agent decreases, while the direct and indirect costs of rearing an additional child increase. Hence economic development would motivate fertility reduction.

But decreased mortality will also have, what he terms the 'survival effect' on both the utility and cost of children. Initially there is the infant mortality hump — the infant mortality rates are much higher than the general average mortality rates. The initial survival effect is a considerable increase in the number of children who conquer the high infant mortality hurdle. The economic cost of children declines as a higher proportion reaches the productive age-groups. Hence, while initially this may increase population and may even motivate people to have more children, later, the survival effect will be outweighed by the increased cost and decreased utility of more children.

Perhaps Rajasthan is still striving to overcome the infant mortality hump. The highest per capita income in the State (Ganganagar) is not sufficiently high to warrant a decline in fertility. Even Adelman has found a positive correlation between per capita income and fertility rates among some age-groups in developed and underdeveloped countries. The investigator has, therefore, advanced the hypothesis that districts with higher per capita income are also experiencing a higher rate of growth of population.

TABLE 1: POPULATION AND SOME SOCIO-ECONOMIC VARIABLES IN DISTRICTS OF RAJASTHAN

District	Per Cent Increase in 1951-61	Density of Population 1951	Urban Population 1951	Per Capita Income 1955
	Y	Z_1	Z_2	Z_3
Region-I : Ajmer - Jaipur Plains				
Jaipur	24.4	263	28.5	269
Ajmer	18.2	247	40.2	261
Tonk	24.1	112	17.2	253
Sawaimadhopur	23.3	182	12.5	252
Bharatpur	26.7	290	16.5	205
Alwar	26.4	266	11.5	223
Jhunjhunu	22.3	255	23.5	187
Sikar	21.2	230	19.0	191
Bhilwara	18.9	156	9.2	191
Total	205.8	2001	178.4	2032
Region-II : Bikaner - Jodhpur Desert				
Bikaner	30.0	39.0	43.6	243
Churu	25.9	80.0	35.4	190
Ganganagar	64.6	77.0	14.4	304
Jodhpur	31.9	73.0	33.2	233
Barmer	36.1	43.0	06.9	158
Jalore	29.2	93.0	06.6	225
Pali	21.9	139.0	13.6	256
Nagaur	22.4	111.0	13.1	208
Jaisalmer	25.9	06.0	11.7	291
Total	287.9	661.0	178.5	2110
Region-III : Udaipur - Kotah Hilly				
Udaipur	19.8	171	12.4	210
Dungarpur	32.0	210	7.1	180
Banswara	33.3	182	5.6	236
Sirohi	21.6	142	15.1	153
Kotah	26.6	160	16.7	279
Bundi	20.5	131	17.1	271
Jhalawar	21.4	162	21.1	229
Chittorgarh	27.4	183	10.7	233
Total	202.6	1341	96.8	1891
Grand Total	696.3	4003	453.7	6033
Average	26.78	153.96	17.45	232.04

Sources : Y—Basic Statistics (Rajasthan Government) 1963
Z_1—Basic Statistics, 1961
Z_2—Basic Statistics, 1961
Z_3—A note circulated by R N Tewari, Reader, Vidhya Bhawan Rural Institute, Udaipur.

References :

1 Irma Adelman - 'An Econometric Analysis of Population Growth', *American Economic Review*, June 1963.
2 Leibenstein H - "Economic Backwardness and Economic Growth". pp 59-60.
3 Thorner, Daniel and Alice, "Land and Labour in India", pp 42-47.
4 Rao V K R V - 'Economic Growth and Rural-Urban Income Distribution', *The Economic Weekly*, February 20, 1965, p 373.

The Model

The regression equation estimated was :

$$Y = a_0 + a_1Z_1 + a_2Z_2 + a_3Z_3 + a_4Z_4 + U$$

Where,

Y = Matrix of percentage increase of population during 1951-61.
Z_1 = Density of population matrix for the year 1951.
Z_2 = Matrix of index of urbanisation — urban population as per cent of total population.
Z_3 = Matrix of per capita income in 1955.
Z_4 = Matrix of literacy rates.
U = Matrix of the error terms u_i
It is assumed that u_i are independent of the other variables in the model, and $u_i = 0$ and

$$u_i u_r = 0 \text{ for } i \neq r$$
$$= \sigma^2 \text{ for } i = r$$

N = 26 (= the number of districts in Rajasthan)
a's are the parameters of the equation to be estimated.

The data are presented in Table 2.

The Results

Multivariate linear regression analysis was used to estimate the parameters. On preliminary analysis it was found that literacy and urbanisation were highly correlated ($R^2 = 0.8$). Hence one of these variables — literacy — was dropped to avoid multi-collinearity.

The functional relationship comes out to be:

$$Y = 23.46 - \underset{(0.232)}{0.0357Z_1} - \underset{(1.7)}{0.1338Z_2} + \underset{(0.49)}{0.048Z_3}$$

Quantities in parentheses are the standard errors of the respective regression co-efficients.

Carrying out the analysis of variance, it has been found that the value of 'F' is 1.46 for 3 and 22 degrees of freedom. The obtained value of F is not significant at both 1 per cent and 5 per cent levels. Hence no significant association exists between the three variables considered here and the rate of growth of population.

Applying the 't' test to the regression co-efficients and testing the null hypothesis, we find that no co-efficient is significant at the 5 per cent level of significance. Thus quite a surprising result was obtained. The socio-economic variables generally associated with population growth were found to be ineffective in Rajasthan. But the variance of population growth was significant.

Effect of Geographical Factor

Daniel and Alice Thorner[3] have classified all the districts of India into homogeneous agricultural regions. Rajasthan has been divided into three regions: (1) the Jodhpur-Bikaner desert, (2) the Jaipur-Ajmer plains, and (3) the Mewar-Kotah hilly region. It may be pertinent to study the effects of natural and geographical factors on the rate of population growth. For this purpose the investigator carried out analysis of variance of the data on population growth in 26 districts of Rajasthan grouped into three homogeneous groups.

The value of F obtained (=2.854) was found not significant at the 1 per cent and 5 per cent levels of significance for 2 and 23 degrees of freedom. We can thus conclude that, there is no significant difference in the rate of population growth during 1951-61 among the three regions of Rajasthan. As far as the rate of population growth is concerned, all of Rajasthan can thus be taken as a homogeneous unit.

Comments

The following comments are advanced as tentative explanation of this surprising result:

(i) *Errors in variables selected*: The variables selected may be inaccurately and incorrectly defined and collected.

(a) Density of population: The density of population in Barmer, Jaisalmer and Bikaner districts of the State is 43, 6, and 39, respectively, per square mile. But it is well known that vast areas of these districts are not habitable. The population is, in fact, concentrated in certain regions for their easy accessibility and the availability there of drinking water. Hence, though the density of population in the district as a whole is very low, density at these points may be substantially high. This point is corroborated by the data reproduced in Table 2.

It is thus clear that, though the area of the three desert districts is more than three times the area of the two densely populated districts, yet the number of inhabited units is smaller.

The same point is clear from the data about another variable — the extent of urbanisation. Though the density of population is very low in Bikaner district, the percentage of urban population to total population is as high as 43.6 — the highest in the State. Thus it can be inferred that the population is not scattered in tiny villages all over the district but is concentrated in a few larger areas. It is, therefore, quite possible that, even when the entire district is sparsely populated, these habitable points are densely populated, and may even be overcrowded.

TABLE 2: INHABITED UNITS IN SOME DISTRICTS

District	Area in Square Miles	Number of Towns, Cities and Villages	Density
Ajmer	3323	984	248
Alwar	3199	1949	266
Bikaner	9719	660	39
Barmer	10333	847	43
Jaisalmer	16062	493	6

Source: Basic Statistics (Government of Rajasthan).

Hence for our analysis it will be more appropriate if density of population is calculated on the basis of habitable area instead of total area.

(b) Urban population: The data of urban population pertain to the year 1951 and are based on the 1951 Census. The definition of urban area as having population of more than 5000 people may also cover areas which have no traces of urban civilisation. The 1961 Census adopted a more rational approach. An urban area is now defined as an area having a population of not less than 5000, a density of population of at least 1000 per square mile, and with at least 75 per cent of its working population engaged in pursuits other than agriculture. The urban population of India in 1951 was 17.0 per cent, and in 1961 it was 17.8 per cent of the total population. After reclassification of the data for 1951 in terms of the 1961 definition, however, the urban population of India turns out to have been only 15.6 per cent in 1951.[4]

Urban population figures for the different districts for 1951 will have to be scaled down, but the relevant data are not available. Moreover, it is not urbanisation alone but urbanisation with industrialisation which is associated with the factors causing decline in fertility rate after a certain stage of development of the economy. A compound unit representing urbanisation should, therefore, be taken:

Index of urbanisation
= per cent of population, living in urban areas, + per cent of district income originating in manufacturing + per cent of towns, villages and cities electrified.

(ii) *Errors in the equation*: Errors might also arise because of inclusion of some variables in our model. Since the variance of the dependent variable is statistically significant and the association between it and the independent variables included in our model has not been established, there ought to be some other variables causing differences in the rate of growth of population in the different districts of Rajasthan. Some such variables are discussed below.

(a) Health indicator: At lower levels of income, improved health and sanitation facilities cause a sharp decline in the mortality rate. A usual indicator of development of health facilities is the number of doctors per 10,000 population. In the term 'doctors' we should also include private practitioners as well as practitioners in oriental systems of medicine. But in the initial stages of development the public health and sanitation indicator is often more important than the number of doctors. Public health and sanitation programmes help limit and eliminate the spread and intensity of epidemics. Per capita expenditure by the State on public health and medicines can be taken as an appropriate index of this factor. Therefore,

Compound health indicator
= Index number of medical practitioners per 10,000 of population (State level = 100) + per capita expenditure on health and sanitation (State level = 100).

(b) Education indicator: In our model, literacy rate has been taken as an indicator of the educational level. But statistics of literacy are often misleading; a literate person may actually know nothing more than how to write his initials and that too, illegibly. Education has been included in our model in order to signify the fact that education broadens horizons and breaks the barriers against the willingness to restrict family size. Keeping this in mind the education variable can be redefined as:

Compound Education Index
= percentage of population having any level of schooling + circulation of newspapers per 10,000 of population (State = 100) + number of radio receivers per 10,000 of population (State level = 100).

(c) Indicator of economic development: The usual indicator of economic development is the rate of growth of per capita income. Since the pattern of the rate of growth of per capita income has not stabilised as yet, a substitute should be found, specially keeping in view the problem of accounting for inter-district migration of population. The best indicator from this point of view may be the per capita Plan expenditure, both in public and private sectors.

(d) Index of climate and natural conditions: From time to time Rajasthan has to face severe drought and famine conditions, which cause sharp rise in mortality and migration rates. An Index of Variations (or Deviations) from normal climatic conditions should, therefore, be introduced. For Rajasthan, such an index can be defined in terms of the percentage shortfall of rains from the normal rainfall in each year of the inter-Census period.

(e) Migration factor: The hypothesis that migration does not affect inter-district differences in population growth in Rajasthan, as implied in our model, may not be valid. In fact, in one or two districts, such as Kotah and Ganganagar, migration is a significant phenomenon. It has already been suggested that, in order to account for the migration factor, the index of economic development (per capita Plan expenditure) and the index of climatic and natural conditions, should be introduced in our model. If the migration factor is significant, then the rate of population growth cannot be taken as proxy for the birth-death rate combination. In that case, to be useful for family planning studies and programmes, birth rate will have to be taken as the dependent variable.

Conclusions

The investigator has found that no significant relationship can be established between the rate of population growth and the four socio-economic variables — *viz*, the rate of urbanisation, literacy, density of population, and per capita income as usually defined in economic and demographic literature.

One important reason for the non-significance of regression co-efficients may be that Rajasthan, being economically backward, even its relatively advanced areas may not depict that advanced stage of economic prosperity which makes the relationship of population growth with the four variables significant. If one or two districts are of this type, their effect may be masked by the general economic backwardness of the other districts.

Still, since the variance of the rate of population growth is significant, this needs explanation. The investigator has drawn attention to the drawbacks of the definitions of variables included in the model, and has suggested improvements and substitutes. In addition four new variables have been suggested as important in explaining population growth in Rajasthan. The investigator is presently engaged in testing the significance of these new hypotheses and the redefined variables.

Notes

1 Irma Adelman: 'An Econometric Analysis of Population Growth'; *American Economic Review;* June 1963.
2 Leibenstein H: "Economic Backwardness and Economic Growth", pp 159-60.
3 Thorner, Daniel and Alice: "Land and Labour in India", pp 42-47.
4 Rao V K R V: 'Economic Growth and Rural-Urban Income Distribution', *The Economic Weekly*, February 20, 1965, p 373.

Changing Contours of Right to Compensation—I

Mohammed Imam

A sizeable and influential section of opinion in the country has held that the Supreme Court's judgment invalidating the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1969, is a major obstacle to implementation of socialistic measures. The wisdom of the Constitution-makers in trusting Supreme Court to review state action to ensure enforcement of fundamental rights is questioned by this section of opinion which believes that the legislature has a better title to interpret the Constitution than the judiciary.

This article attempts to analyse the implications of the Supreme Court's judgment in bank nationalisation case against the background of the discussions in the Constituent Assembly on the right to compensation and the Court's earlier decisions touching on this question.

The author argues that it is possible to lighten the burden of the compensation guarantee and yet comply with the basic requirements of the Constitution. Provided the principles of compensation are rationally devised, a balance can be struck between the social interest and the interest of the individual and it should not be difficult to persuade the Court that the requirements of the compensation guarantee under Article 31 (2) of the Constitution are satisfied.

THE decision of the Supreme Court of February 10, 1970, invalidating the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1969, has evoked mixed reactions. There has been talk of the need to broaden the social vision of the judges, of removing the right to property from the fundamental rights' Chapter of the Constitution, of rushing through the Nath Pai Bill for asserting Parliament's power to amend the provisions of the Constitution dealing with fundamental rights, and of recalling the events culminating in the conflict between the executive and the judiciary during the tenure of President Roosevelt in the United States obviously suggesting that it is high time Government pack the Supreme Court with judges disposed to think the way Government does. In substance, the decision of the Supreme Court in the bank nationalisation case is considered a great obstacle to implementation of socialistic measures. In some quarters, therefore, the wisdom of the Constitution-makers in trusting the Supreme Court to review state action to ensure enforcement of fundamental rights is seriously contested and the legislature is said to have a better title to interpret the Constitution than the Supreme Court.

It is true that the amount of compensation to be paid for the acquisition of property by the state as a result of this judgment of the Court would be relatively more than was contemplated by Government as payable in its view of Article 31(2) of the Constitution as amended by the Constitution (Fourth Amendment) Act, 1955. Yet a constitutional Government is under a duty to attain the objectives of the Constitution by acting within the limitations prescribed by the Constitution. I do not contemplate our sense of constitutionalism taking defeat under pressure of the stresses supposed to have been unleashed by this decision of the Supreme Court. It is not impossible to lighten the burden of the compensation guarantee and yet comply with the basic requirements of the Constitution. All that is required is restraint in action, and foresight and imagination in devising principles of compensation, which rationally determine that portion of the value of the property acquired which is created in a given period of time by activities of society and provide for appropriating a legitimate part of it by society, leaving the rest to the property owners. Such rationally devised principles of compensation will strike a much desired balance between the social interest and the individual interest in the property acquired, and it may not then be difficult to persuade the court that the requirements of compensation guarantee under Article 31(2) of the Constitution are satisfied.

In fact some such principles of compensation have been upheld by the Supreme Court in Vajravelu *vs* Spl Deputy Collector[1] and by the MP High Court in Satish Kumar *vs* State of MP.[2] It is only the principles of compensation arbitrarily devised and totally ignoring the interest of the property owners in the socially created values of properties acquired that were struck down by the Supreme Court.[3] Far from comprehending the implications of these decisions the legislature reacted against them and cut down the scope of the compensation guarantee by amending the Constitution itself. The reaction against the Court's decision in the bank nationalisation case is a continued manifestation of the same attitude.

In the attitude towards, and in the content of, the right to compensation are at stake the concepts of fundamental rights and the directive principles of state policy. Without the right to property and compensation none of the other fundamental rights can be fully enjoyed by the individual. For a poor man many of the fundamental rights have simply no meaning. Similarly if the scope of right to property and compensation is stretched too wide it may be difficult to transform the objectives contemplated by the directive principles into reality within a reasonable period of time.

In this article, therefore, an attempt is made to explain the powers and functions of the Supreme Court under the Constitution and to analyse the implications of the bank nationalisation judgment against the background of the Supreme Court's earlier decisions in respect of the compensation guarantee.

In India, it is the Constitution which is supreme and every authority, legislative, executive, or judiciary, exercises its powers as derived from and circumscribed by the Constitution. None is above the Constitution, and the Constitution means what the Supreme Court says it means. The Supreme Court may have occasion to interpret the Constitution in the exercise of original jurisdiction in a dispute between parties to the federation (Article 131), in acting as the final court of appeal in constitutional matters (Article 132), in rendering opinions to the President (Article 143), and in invalidating laws which are in its judgment inconsistent with the fundamental rights (Article 32 read with Article 13). The power to interpret the Constitution implies the power to invalidate state action. This choice was deliberately made by the Constitution-makers. As correctly stated by M C Setalvad, "The debates in the Constituent Assembly . . . show how acute was the controversy over the wisdom of permitting the legislative will to be questioned by the judiciary. The makers

of the Indian Constitution eventually chose to subject the decisions of the legislature in certain matters to a close and an impartial scrutiny by the judiciary in the fullest confidence that the judiciary would, in making their determination, be guided solely by the interests of the nation".[4]

Therefore, in a situation where the interest of society as incorporated in legislative enactment or executive action is pitted against the constitutionally guaranteed fundamental rights of the individual, the Supreme Court sits in arbitration and holds the balance between the interest of society, on the one hand, and that of the individual on the other. This is a none too easy task, often requiring considerations of Constitutional policy and objectives. It is undertaken by the courts, as observed by Chief Justice P Sastri (for the Court),[5] "not out of any desire to tilt at legislative authority in a crusader's spirit but in discharge of a duty plainly laid upon them by the Constitution. This is especially true as regards the fundamental rights, as to which this court has been assigned the role of a sentinel on the *quivive*. While the court naturally attaches great weight to the legislative judgments, it cannot desert its own duty to determine finally the constitutionality of an impugned statute".

The vesting of such an enormous power in the Supreme Court — of invalidating state action and of substituting the Court's own judgment and policy for that of legislatures elected on popular vote — may appear undemocratic, but it should not be forgotten that constitutional law is much higher than the law of the legislature. The rationale for conferring such a power can best be described in the words of Bryce: "The Supreme Court is the living voice of the Constitution — that is, of the will of the people expressed in the fundamental law they have enacted. It is therefore... the conscience of the people, who have resolved to restrain themselves from hasty or unjust action by placing their representatives under the restriction of a permanent law. It is the guarantee of the minority, who, when they are threatened by the impatient vehemence of a majority, can appeal to this permanent law, finding the interpreter and enforcer thereof in a court set high above the assaults of faction."[6]

The assumption of Bryce that in a democracy it is the majority which governs may not always be true. Although democracy is proverbially described as government by majority, an analysis of the legislative decision-making process adopted in this country would show that, in fact, it is the minority which rules the country. For instance, let us take the representative character of the present Lok Sabha. Out of over 500 million people in the country only 249 million were entitled to vote during the 1967 general elections. Of these 249 million votes roughly only 146 million votes were polled validly for the 515 Lok Sabha seats.[7] Therefore, the Lok Sabha has the mandate of only 58 per cent of the total electorate and 29 per cent of the total population. Any decision taken by the Lok Sabha by a majority of the 515 members (assuming all of them to be present at the time) may have at the least a mandate of 29 per cent of the total electorate and 14.6 per cent of the total population. This fact reaffirms the wisdom of the Constitution-makers in confiding in the courts the power to revive legislative and executive actions, particularly in matters of fundamental rights which are the zealous possession of every citizen of this country.

Having had before them the example of the role the US Supreme Court played in the development of the US Constitution, our Constitution-makers showed apprehension of judicial omnipotency and, wherever thought necessary, they restricted the scope of judicial policy-making.[8] They were fully aware of the nature of the judicial process and of the fact that the power to interpret the Constitution is inherently creative. What Bishop Headley said, may not be acceptable to all, viz, that "whoever has an absolute authority to interpret any written or spoken laws, it is he who is truly the law giver to all intents and purposes, and not the person who first wrote or spoke of them".[9] But in a limited and qualified sense the power to interpret the Constitution carries with it the power to ascribe particular meaning to the words and concepts, to fill the gaps, and to bring about unified concepts and principles by harmonising and synthesising various apparently conflicting texts of the Constitution.

Constituent Assembly on Compensation

The Congress Party in the Constituent Assembly was sharply divided on the scope of the compensation guarantee. One group led by Nehru and Pant, wanted the principles and the amount of compensation as prescribed by the legislature to be non-justiciable; the other group, led by Sardar Patel, wanted that the compensation should be the full and fair equivalent of the property acquired and that it should be justiciable. B N Rau, who was a constitutional adviser, pointed out in a note that the word 'compensation' meant 'just compensation' and, in a draft of the Article prepared for G B Pant, he even proposed that no law providing for compensation should be questioned in a court on the ground that the compensation was inadequate or unjust. There was considerable discussion behind the scenes and, ultimately, both groups agreed to compromise and amend the draft Article more or less on the pattern of Section 299 of the Government of India Act, 1935.[10] The amended Article provided that the law providing for acquisition, etc, must provide for compensation and either fix the amount of compensation or specify the principles on which and the manner in which, the compensation is to be determined. B N Rau's amendment, prepared for G B Pant, providing for non-justiciability of the adequacy of compensation was dropped. The Patel group had in this amendment everything it wanted. The Nehru group was partly satisfied as it was found that under the amendment it would be open for the legislature to acquire zamindari lands on a principle different from other kinds of acquisitions. This is amply reflected in Nehru's speech made while moving the amended Article in the Constituent Assembly.

Nehru, who proposed the amended Article in the Constituent Assembly, stated it "is the result of a great deal of consultation, is the result in fact of the attempt to bring together and compromise various approaches to this question . . . It may not meet the wishes of every individual who may like to emphasise one part of it more than the other. But I think it is a just compromise and it does justice and equity not only to the individual but to the Community".[11] He went on to assert that "there is no question of any expropriation without compensation so far as this Constitution is concerned". At the same time, he made a distinction between the acquisition of small or relatively large bits of property and large-scale acquisition for major schemes of social reform and social engineering. As for the former, he said the law was clear — by which he meant that compensation was payable at the market value of the property acquired.[12] In respect of the latter he observed:

> "If we have to take the property . . . we have to see that fair and equitable compensation is given, because we proceed on the basis of fair and equitable compensation. But when we consider the equity of it we have always to remember that the equity does not apply only to the individual but to the community."

But in his observations on the scope of the compensation guarantee and its justiciability he drew no such distinction. He understood the clause to mean that, once the law provides for compensation and either fixes the amount of compensation or specifies the principles under which and the manner in which the compensation is to be determined, the judiciary does not come in and that such law cannot be challenged in a court except for one reason, *viz*, where it is thought that there has been a gross abuse of the law, and where in fact there has been a fraud on the Constitution.[13] Here Nehru did not seem to realise the extent to which the judiciary can interfere with legislative determination on the ground that it is a fraud on the Constitution. Secondly, he did not seem to realise that if he wanted the legislature's determination of compensation to be non-justiciable, then it was a misnomer to call the compensation guarantee as a fundamental right. Adverting to this anomaly M A Baig pointed out that "this question of a legislature being sovereign, overriding fundamental rights is not correct at all. Either you declare under Article 24 [present Article 31] fundamental rights or not at all. It would have been better if Article 24 had not been enacted at all and had not been proposed at all; I could understand that . . . It is a misnomer to say, it is incorrect, it is misleading to say that we are under Article 24 declaring rights in property."[14]

The true comport of the amended draft Article was misunderstood by the Nehru group. The Patel group on the other hand rested assured that the amended draft Article incorporated their view point. This is evident from Sardar Patel's silence during the debate and Munshi's reply to the delegates on behalf of Nehru. One would notice a marked difference between what Nehru said and what Munshi said on the scope of the compensation guarantee. Of the 59 amendments proposed to the draft Article, 40 were negatived, 6 were withdrawn, and 5 were adopted. Of the negatived amendments notable mention may be made of K T Shah's amendment which provided that the property may be acquired on payment of compensation "as may be determined by the principles laid down in the law for calculating the compensation", of H V Kamath's amendment which provided that the principles of compensation or the manner of determination of compensation "shall not be called in question in any court", and of Renuka Ray's amendment which provided that 'No law-making provision as aforesaid shall be called in question in any court either on the ground that the compensation provided for is inadequate or that the principles and the manner of compensation specified is fraudulent and inequitous". There were other amendments too which wanted the clause to provide specifically for payment of just, fair and equitable compensation and although they were negatived, much of their substance found echoes in the concluding speech of Munshi. Alladi Krishnaswami Ayyar referred to the two points of view urged at that time, *i e*, market value, on the one hand, and discretion vested in the legislature in specifying the principles on which and the manner in which compensation was to be paid, on the other, and pointed out that the language used in Article 31 was not in *pari materia* with that of the US and Australian Constitutions. He observed that, under the clause, the legislature may act wisely or unwisely in laying down the principles of compensation and the court should not sit in judgment over such acts of the legislature. But at the same time he made it clear that "if the legislation is a colourable device, a contrivance to outstep the limits of the legislative power or . . . is a fraudulent exercise of the power", the court may pronounce the legislation to be invalid or *ultra vires*.[15] Earlier, in the Conference of the Drafting Committee with the Premiers of the Provinces, etc, the UP Premier had proposed an amendment to the Article that "No law-making provision as aforesaid shall be called in question in any court". Alladi Krishnaswamy Ayyar pointed out that, if this amendment was accepted, then Article 24 might as well be omitted from the list of fundamental rights.[16]

Therefore, in our effort to find the intention of the Constitution-makers with regard to the compensation guarantee and its justiciability, we have to revert to the formula of the Sardar Patel group which emerged out of the Congress Party in the Assembly. As the discussion on this formula took place behind the scenes, no definite conclusion can be reached as to its scope and one may feel inclined to find it in the concluding speech of Munshi, who was in the Patel group and was asked by Nehru to reply to the debates in the Assembly on this clause. The following points may be deduced from Munshi's reply:[17]

(1) The controversy on the question of justiciability was unnecessary as "in a civilised country every article of the written constitution, if there is one, and every law made by Parliament is justiciable in the sense that the courts can examine each of them to decide that the law-making authority acted within the ambit of its powers and to ascertain the meaning and effect of its provisions".

(2) It is wrong to assume that "if a law laying down principles of compensation goes to court, the court will invariably apply the market value standard . . . . In America . . . where the words in the constitution are 'just compensation' . . . it has never been so held.

(3) If the principles of compensation provided by law "yield compensation that is an equivalent recompense, no court will go behind the policy of the measure . . . . In fairness, we cannot omit this kind of clause from our Constitution. It is necessary that the right of the legislature in matters relating to acquisition of property should be properly defined. It is equally necessary that judicial review should be permitted where there is a wrongful deprivation of the fundamental right to own property contained in our Constitution; where the legislature has seized property by acting outside its powers or without fixing the amount of compensation or the principles on which to determine such compensation or where there is expropriation under the guise of acquisition, where the principles laid down are illusory or where the principles or the manner or the form of compensations are not calculated to yield a fair equivalent; or where the whole thing amounts . . . to a fraud on the Constitution."

Clause (2) of Article 31 (draft Article 24) as passed by the Constituent Assembly reads thus:

> "No property, movable or immovable, including any interest in, or in any company owning, any commercial or industrial undertaking, shall be taken possession of or acquired for public purposes under any law authorising the taking of such possession or such acquisition, unless the law provides for compensation for the property taken possession of or acquired and either fixes the amount of the compensation, or specifies the principles on which, and the manner in which the compensation is to be determined and given."

(To be concluded)

A Management Problem in Co-operative Farms

S H Deshpande

A distinguishing feature of the co-operative (joint) farm is that in it, along with land, labour is also 'pooled'. In literature on co-operative farming, this particular attribute of the co-operative farm has generally remained ignored and consequently some of the vital problems affecting its working have received inadequate appreciation.

[The author is grateful to V M Rao for his comments.]

THEORETICALLY, to any group of farmers desiring to pool their lands for joint cultivation, two options are open. One, they might transfer the rights of management of their lands to the co-operative and stop at that. In this case the co-operative will run its farming enterprise on the pooled land in the manner of a private capitalist firm and hire its workers, as and when it needs them, on the open market. Some, or all, of the farmers who pooled their lands in the co-operative society's farm may offer themselves for employment in competition with other workers who are not the members of the co-operative and the Society's farm manager, if he is guided purely by efficiency considerations (as he really ought to be), will not make the worker's being or not being a member of the co-operative a criterion of his choice. In other words, if this system (i e, the system of 'co-operatively owned enterprise' as it is called in co-operative terminology) is adopted the fact of being a member of the co-operative does not necessarily guarantee the availability of employment on the co-operative's farm.

Obligation to Use Labour

In practice few farmers would be willing to opt for a 'co-operatively owned farming enterprise'. The reason should be obvious. By agreeing to take their chance along with non-member workers for employment, they would be losing the certainty of earning an income from their labour. In fact, they would be hardly distinguishable from landless labourers — except for the fact that they would be earning an ownership dividend or rent from the co-operative society to which they handed over their lands. Therefore they would, as they invariably do, hand over their labour resources also to the society. This means that the society would be under obligation to use the labour of the members along with their land. This is in fact the meaning of 'pooling' of labour.

It is easy to see that the co-operative joint farming society, which pools the labour of the members differs from other types of co-operative organisations such as credit or marketing societies which are not required to provide jobs to the members. It is, of course, obvious that the joint farming society differs from other types of business organisations, such as joint stock companies which also have a free choice insofar as their labour recruitment policies are concerned. (A co-operatively owned enterprise, as shown earlier, will be analogous to a joint stock company in this particular respect.)

Downward Adjustment Impossible

This feature reflects itself in the fact that the supply of labour to a co-operative farm is *given*. However, the demand for labour within a co-operative would be variable from time to time. When there is, for example, less work on the farm, the co-operative would need to employ less labour but it cannot do this because the available number of member workers must be given work. In other words, the supply of labour cannot be adjusted *downwards*. (It can be adjusted *upwards* when there is need for more labour than is supplied by the members. For, the co-operative can always hire non-member labour from outside, except when there is universal co-operativisation of farming as in, say, Soviet Russia, or an ideological opposition to engagement of hired labour as in the Israeli Kibbutzim.) This inelasticity in the downward adjustment of the supply of labour creates problems in respect of payment to various categories of labour and throws out of gear the whole incentive system. It also tends to make the allocation of resources within the co-operative farm less than optimal. This author has extensively treated these problems elsewhere[1] and that discussion need not be repeated here.

To be noticed here is a problem concerning management which arises as a result of the requirement that members of the co-operative also *work* in the co-operative enterprise as wage-earners.

Questions with which the management of a co-operative farm are concerned are varied. One of the functions with which it shall be concerned is the allocation of work and its supervision. The position of the person (let us call him the Work Manager) who performs the work-assignment and supervision functions *vis-a-vis* the members of the co-operative farm is rather peculiar. If the Work Manager is not a member of the co-operative and is a salaried employee he stands in a double relationship with the members. On the one hand he is an *employee* of the members in their collective capacity as owners of the co-operative enterprise; on the other hand he is their *superior* who must expect from them undeviating obedience to his instructions in the smooth discharge of the duties assigned by him. This is an uncomfortable position to be in, both for the Work Manager as well as for the members. The Manager, if he is to continue doing his job, will be extra cautious in allocation of work, particularly in relation to the more influential members such as the office-bearers. A certain uneasy equilibrium might develop in the relationship between the Manager and the members and between members *inter se*, with obvious effects on discipline and work efficiency.

The problem takes on a slightly different complexion when the Manager is not an outsider hired for work but a member elected to his post by fellow-members. In this case, on the one hand, he is the members' *equal*; on the other, again, their *superior* on the field. The problem in this instance is less ticklish than in the earlier case, but a problem nonetheless. In the one case the Manager combines in himself the contradictory roles of a hired hand and a boss; in the other the only somewhat less contradictory roles of an equal and a boss.

Rotation Not Possible

In the latter case, it might be thought, the relationship would be easy and more acceptable to members because of the elective nature of the Manager's post. It might be urged, for instance, that each one of the other members has an opportunity of becoming the Manager and therefore any particular Manager's functional superiority in the field may not cause especial heart-burning. But in practice functions tend to get specialised and this tendency rather needs to be encouraged than otherwise, in the interests of efficiency. The device of rotating all members in the Manager's post has to be rejected on the same count.

Possible Solution

It is possible to suppose that the problem outlined above does not make itself sharply felt in most co-operative farms in India. The reason is the relative rarity of what are called 'genuine' co-operative farms. Many times absentee land-owners form a co-operative and pool their lands for some extraneous purpose such as the evasion of tenancy or ceiling legislation. They do not participate in the work which they get accomplished through hired workers of former tenants. It is, invariably, *they* who constitute the Managing Committee. Since they do not take part in the cultivation work on the farm they do not have to play at any time a role subordinate to that of the Work Manager. Thus a more or less clear-cut hierarchy of statuses emerges with a single line of command. (It will be observed that such non-genuine co-operative farms strikingly resemble 'co-operatively owned enterprises'.)

It is with genuine co-operatives in which all members participate in the physical tasks of husbandry that topsy-turvy manager-worker relations are likely to develop most.

One possible solution is that the Chairman of the co-operative, the highest office-bearer in the Society, should be the man responsible for organisation and supervision of work.[2] But this may not be always practicable.

How serious the difficulty would be in actual practice would depend on the reasonableness and understanding on the part of the members and tact and delicacy on the part of the Manager. Such qualities are really the only salve for this and many other problems of co-operative farming societies. Where they exist in good measure the co-operative will run in a reasonably frictionless manner. It is, therefore, not the intention to suggest that the management problem in co-operative farms is *insuperable*. The intention is merely to make a plea for recognising that the management problem in co-operative farming societies of the 'genuine' variety is of a special nature not shared by other forms of co-operation or business organisation.

Notes

1 S H Deshpande: "Labour-Pooling in Co-operative Joint Farms: Problems of Incentives and Allocation", *Indian Journal of Agricultural Economics*, Vol XVIII, No 2, April-June 1963.

2 This seems to be the case in Soviet *Kolkhozes*. In addition, the *Kolkhoz* chairman, if he is, *de facto*, nominated to that post by the Party, as averred by the critics of the Soviet agricultural economy, his authority must be greater. However, this creates other problems.

MARKETS

On the Retreat

Nishtar

THE tide has turned. Stock markets are on the retreat and this is their first major setback since they set their sights high some two months ago. It is not that they have been scared by the slump on Wall Street and most European stock markets which has left most observers guessing about the possible shape of things to come. While they could not have possibly turned a blind eye to developments in world stock markets, they have their own good reasons for climbing down. They had moved too fast and too far and come extremely close to their last year's top — the highest level reached in more than a decade. It was, therefore, necessary that they should take a pause, look for a safer place to rest their weary limbs, do some introspection and work out a new strategy for the next big assault. If one were to explain the market's behaviour in purely technical terms, one could say that when, in a rising market, too much pressure has been generated on the upside, a technical correction occurs in much the same manner as the safety valve of a steam boiler pops and relieves the pressure before the factor of safety of the boiler has been exceeded.

With the change in the mood of the market, the corporate news, which continued to be encouraging, did not receive the attention it had done until recently. Not only were investors reluctant to extend their commitments but they preferred to conserve their funds for investment in new attractive issues which are to be on offer shortly and are currently quoted unofficially at a premium. With buyers holding off, even small selling by individual and institutional investors depressed equity prices quite considerably. Losses have been widespread and heavy.

Adverse Factors

But this is not about all. Stock markets have also had to put up with a number of adverse factors. Prices of essential drugs have been reduced by about 30 per cent on the average. This is bound to tell on the fortunes of the pharmaceutical industry whose shares have been quite a rage with investors. Tariff Commission's final report on rayon yarn prices is not favourable to the industry. The Reserve Bank's directive raising the minimum rate of interest on advances against cotton, oilseeds and vegetable oils is one more pointer in the direction of dearer money policy. Since bonus issues have been an important driving force behind the boom in equities, the new guidelines on the issue of bonus shares have been viewed with considerable concern. Henceforth, a company will be allowed only two bonus issues over a period of five years and there will have to be a a time lag of 18 months between the two bonus issue announcements. Bonus issues are not to be permitted in lieu of dividend. Further, a bonus issue would be justified if 38 per cent of the average amount of pre-tax profit of the company during the preceding three years yielded a return of 8 per cent on the expanded capital of the company or the average rate of dividend declared in the three preceding years, whichever is lower. Stock markets are also not happy with the guidelines for the conversion into equity of loans granted by the public sector financial institutions. Nor have they taken kindly to the LIC chairman's defence of Government's right to interfere in the affairs of those companies in which the Corporation is an important shareholder. Not all is well on the export front. Official circles have begun to express grave doubts about the possibility of achieving the seven per cent annual growth rate in exports.

Political developments have been no less disturbing. Madhu Limaye's Bill seeking to end the privileges of ICS

officers has fallen through despite the support of the ruling party. Indira Gandhi has hinted at a minor revolt in her party. She has also complained that in the present set-up it is becoming "extremely difficult" to implement socialist policy decisions. The Naxalite menace has continued to grow. International tensions which had been mounting for quite some time seem to have acquired a new dimension following US military action in Cambodia. Implications of the escalation of the war in Indo-China can be very serious.

The reactionary trend which is now under way is likely to continue for quite some time. This will do the market considerable good. It is necessary that the stock market should consolidate its position before undertaking the hazards of a journey on the higher altitudes.

Credit Curbs

IN view of the persistent rise in prices of oilseeds, vegetable oils and indigenous cotton, the Reserve Bank has further tightened its credit screw. Besides raising the minimum rate of interest on advances against these commodities from 10 to 12 per cent in respect of all borrowers, the minimum margin on advances against cotton and kapas to parties other than cotton mills has also been raised from 60 to 75 per cent. Credit control in respect of specified categories of mills run/managed/owned by Government has, however, been relaxed.

Reserve Bank's concern over soaring prices of cotton, oilseeds and oils will be readily shared by all except those who are apt to criticise every action aimed at curbing prices of agricultural commodities on the plea (motivated essentially by political considerations) that it will hurt growers and adversely affect agricultural production. Measures designed to restrict the supply of credit and raise the cost of borrowing in order to contain inflationary trends are to be welcomed. But the efficacy of these measures will be limited by the extent to which bank credit has been utilised for hoarding stocks. Unfortunately, the Reserve Bank notifications are discreetly silent on this important point. That the credit curbs enforced on January 21 should have failed to produce any noticeable impact on the market makes one wonder whether there has been an excessive use of bank credit for building up large inventories at any level. Inquiries with informed market men indicate that stocks have been held mainly at the producers' end — by big farmers and co-operative marketing societies, which is why the pace of arrivals has not been in keeping with the size of the crop. Since farmers and co-operative marketing societies have easy access to credit, restrictions on advances to trade and industry by scheduled commercial banks can have only a limited impact on the market. If the authorities mean business they should make credit restrictions applicable to big farmers and co-operative societies as well. It would perhaps be too much to expect that the Reserve Bank can muster courage to resort to measures which are bound to prove politically unpleasant. But then where is the sense in expressing concern over high prices if the authorities cannot get over political inhibitions while evolving appropriate measures to deal with the situation.

The vice-president of East India Cotton Association, Manubhai N Amersey has described the new credit restrictions on cotton as "hostile discrimination against the trade" and has threatened that the business community "would be compelled to seek legal redress" for this injustice. While one can leave legal technicalities alone, the point needs to be emphasised that credit control measures, howsoever desirable, are likely to evoke ridicule if they do not help in the least in achieving the desired objective.

One does not, of course, expect credit curbs to produce any miracles. Banks are by no means the only source of credit — not even a major source perhaps. Nor need credit be obtained against the security of the commodity concerned. In Indian conditions where speculators rely much more on sources other than bank credit, measures other than credit control are needed to contain inflationary pressures under check.

Take the case of cotton. Its prices have continued to soar despite the credit curbs and stock limits. The overall supply — indigenous production plus anticipated imports — is not less than in the 1968-69 season but the position remains far from satisfactory, especially when viewed against the background of improved cloth offtake. Cotton prices would not have behaved the way they have if the Textile Commissioner had enforced stricter discipline on the market and imposed deterrent penalties on mills found guilty of carrying stocks in excess of the prescribed limits. If supply was found to be far short of the industry's requirements and imports could not be arranged expeditiously then supply could have been rationed to avoid undue pressure on cotton prices. The responsibility for keeping cotton prices under check rests mainly with the Textile Commissioner.

Erratic Behaviour

OILSEEDS prices continue to rule very near their season's highest levels but they have been fluctuating rather erratically for some time, indicating the mood of indecision. Right when the market appeared to be developing a somewhat soft tone on ideas of improved availability of soyabean oil and mutton tallow, fear of worldwide confrontation following the US military intervention in Cambodia injected fresh bullish fervour into the market. Nervous short covering and renewed bull support caused a sudden spurt in prices. Castor June and linseed July which had closed at Rs 125.62 and Rs 160.50 (per quintal) respectively on April 30 were marked up to Rs 132.25 and Rs 167.25 on May 4. Oil prices hardened by about Rs 50 a tonne.

With trading sentiment guided mainly by developments in Cambodia, it is difficult to say how the market will behave in the immediate future. Prices can be expected to develop a soft tendency if the Cambodian crisis does not deepen further. Arrivals of summer crop groundnut in the south are being maintained at a satisfactory level. Government has released over 11,600 tonnes of soyabean oil and about 24,000 tonnes of mutton tallow at the previous issue prices. The State Trading Corporation has purchased 43,500 tonnes of mutton tallow for May/June shipments under US AID agreement and fresh authorisation for another 40,000 tonnes for July/August shipments is expected to be issued shortly. Efforts are also being made to procure about 60,000 tonnes of soyabean oil in advance of the new PL 480 agreement for 1970-71. Anticipated imports of mutton tallow and soyabean oil should go a long way in easing the pressure on vegetable oils. Prices could be expected to register a moderate decline from the current high levels if Government does not allow an increase in vanaspati prices — increase in groundnut oil prices being offset by increased allocation of low-priced soyabean oil — and speculative elements are kept under check. If Government is seriously concerned over oilseeds prices it would be well advised to urge the Food Corporation to avoid open market purchases of mustardseed.

Export by Technical Excellence

Hansavivek

KAMANI ENGINEERING has completed the first US order for 6,000 tonnes involving a "high degree of sophistication and engineering technology" and has won approbation of reputed international consulting engineers in the power generation and transmission field. This will stand the company in good stead, since the US holds the biggest potential for export in this line. The Rs six-crore Sudan turn-key project of supply and construction of transmission line towers is expected to be completed early next year. During the year to September 1969, the company's export realisation almost doubled at Rs 1.81 crores to lift the five-year total to around Rs 5.2 crores and helped it gain recognition as an export house. Having acquired the specialised skill of stringing on a 'hot' line, regarded as a hazardous task, the company earned a bonus for completing such type of work in Kerala well ahead of time. It has geared itself to meet all requirements for the 400 kV projects that are to be launched soon in the country. Work on railway electrification between Baroda and Ahmedabad has started. The tower testing unit at Jaipur drew praise from the Iranian power authorities for the series of tower tests conducted for them. The Jaipur factory, which began production only two years ago, is now capable of producing 18,000 tonnes per annum. The latest type of galvanising bath with fully automatic controls has been installed and commissioned without assistance of foreign engineers. The company has diversified into heavy civil engineering and machinery erection. Moreover, prototype models of several new items are being tested for marketing. The research and development division has enabled the company to save on raw materials.

The aftermath of the recessionary trends, rising costs, keen competition at home and abroad, a 16-day strike at the Jaipur works, and failure of one of the galvanising baths combined together to slash KEC's margins during 1968-69. Besides, floods in Ukai river not only obstructed work during the season but entailed heavy loss on account of silting. While sales slipped from Rs 8.81 crores to Rs 7.77 crores, the outcome was a trading deficit of Rs 11 lakhs against a surplus of Rs 51 lakhs previously. After depreciation, the deficit rose to Rs 24 lakhs which, however, was converted into a surplus of Rs 13 lakhs by taking into account Rs 37 lakhs found surplus following change in the method of computation of depreciation. The usual distribution on preference capital and equity dividend halved to six per cent will together require less than Rs seven lakhs. In addition, it is proposed to make a free-scrip issue on a one-for-ten basis by capitalising over Rs eight lakhs from the general reserve, which reflects the board's confidence in the company's future.

Orders on hand for supply and erection of transmission line towers and allied structures at the year-end amounted to Rs 12.28 crores. The order position in respect of domestic market continues to cause concern, as requirements have not yet been finalised even in the power schemes already sanctioned by government. P R Kamani, chairman, sees new hope in the revival of the Fourth Plan and feels that industrial growth can be steadied only with speedy implementation of various power projects. On termination of managing agency, the company has not appointed any managing director. Instead, it has been decided to appoint committees of directors to conduct its affairs.

SOUTH BEHAR SUGAR incurred a bigger trading deficit of Rs 27 lakhs in its 37th year ended October 1969, against Rs 6 lakhs in the previous year even though quantity of cane crushed amounted to 8.29 lakh quintals (3.09 lakh quintals) and sales fetched Rs 92 lakhs (Rs 64 lakhs). This outcome was attributed mainly to low recovery of sugar and decline in prices of free-sale sugar. By taking into account the profit on sale of agricultural land, the deficit was reduced to Rs 18 lakhs (Rs four lakhs) but accumulated deficit mounted up to Rs 94 lakhs to stand against share capital of less than Rs 19 lakhs. Arrears of preferential dividends exceeded Rs nine lakhs. The auditors pointed out that no depreciation had been charged in the accounts after 1942-43 and that only three board meetings were held during 1968-69. A suit was filed by a party against the company for a declaration that a certain portion of land did not form part of the company's farm land and claiming *inter alia* the mesne profits of the said portion of the land. The court had given judgment in the plaintiff's favour over the disputed land and had also ordered that the plaintiff would realise the mesne profits from the company from June 26, 1946, up to the date of recovery of possession and that the amount of such mesne profits would be determined in a subsequent proceeding. The company filed an appeal and it was decided in its favour. The plaintiff has preferred an appeal against this judgment.

KHANDELWAL FERRO ALLOYS has preferred various claims for over Rs 71 lakhs against Maharashtra State Electricity Board for loss of production, damage to furnaces, unproductive overhead charges, etc, arising out of power shedding imposed in the past years. The State Government has taken an interest in this long-standing matter with a view to exploring ways and means of reaching a settlement. The company hopes that a satisfactory settlement will emerge at an early date as the Government and the Board have now "come to grips" with the problem. Faced with declining offtake of ferro manganese by public sector steel plants in 1969, the company doubled exports to Rs 2.5 crores and was thus able to dispose of not only all of the year's production but also a substantial portion of unsold stocks carried from the preceding year. Ore mining activity was also organised on a modest scale. The steel tube mill, which commenced production in 1968, could utilise only a third of its capacity for want of skelp and strips. Total turnover expanded from Rs 4.23 crores to Rs 8.07 crores and gross profit from Rs 42 lakhs to Rs 71 lakhs. With no tax liability as before, net profit was Rs 54 lakhs (Rs 25 lakhs). Equity dividend stepped up 4 points to 12 per cent was covered 3.6 times. Return on total funds employed worked out at 9.8 per cent.

FROM THE CHAIR

Goodyear India Limited

Managing Director, Mr R E O Carey's Address to the Shareholders

THE following is the full text of Mr R E O Carey's address to the Shareholders at the 9th Annual General Meeting of the Company held in Calcutta on 6th May 1970.

Ladies and Gentlemen:

If I may begin on a personal note, I would like to mention that this is the Ninth year that I have appeared before you as Chairman of Goodyear-India's Annual General Meeting, and since I shall be retiring early next year, this will be the last Meeting at which I shall have the privilege of addressing you.

Unfortunately, we only have an opportunity to meet with our shareholders as a group once in a year, but the interest of our shareholders in enhancing their investment in the company is our interest and our first objective. This is one of the reasons why I would like to start off today by reviewing Goodyear-India's progress during the sixties.

Largest Plant in Asia

We have travelled a long way since our first tyre plant was commissioned at Ballabgarh. Although Goodyear has been in India since 1922, we started manufacturing automotive tyres at our Ballabgarh plant in 1961 with a modest manufacturing capacity of 2,10,000 p a out of the total Industry capacity of 1.5 million tyres. Today, our licenced capacity is 6,00,000 automotive tyres and tubes. In terms of tonnage, we have increased our production from 655 metric tonnes in 1961 (after start up in August) to 13,856 metric tonnes in 1969. To give you another example of the growth of your Company, the total assets of Goodyear-India have increased from Rs 6.99 crores in 1961 to Rs 14.08 crores in 1969. Sales in 1961 were Rs 8,27,23,736 as compared to Rs 28,72,95,063 achieved in 1969. Profits before tax in 1969 were Rs 2,89,72,547 while profits for the year 1961 totalled Rs 28,06,383. When our current substantial expansion project is completed later this year, our plants at Ballabgarh will be the largest Goodyear manufacturing facility in Asia.

I would also like to call your attention to a survey made by the *Economic Times* in which your company ranked tenth of all public limited companies in India on the basis of its 1968 performance in terms of gross return on total capital employed.

Greater Growth in '70s

The company is looking forward to even greater growth in the seventies which should enable us to increase our share of the expanding market in tyres and tubes and other rubber products. As you are aware, we are presently engaged in constructing two new plants at Ballabgarh — Plant II for the manufacture of 2 million bicycle tyres and tubes and Plant III for the manufacture of automotive, tractor and earthmover tyres and tubes. Production from these two installations is scheduled to go on stream towards the end of this year. We also decided, last month, to build another plant for the manufacture of airplane tyres and tubes.

As the Directors' Report and the Audited Accounts have now been with you for some time, I would like, with your permission, to consider them as read.

I am pleased to advise you that your Directors are recommending an increase in the dividend from 15 to 17½ per cent for 1969. The decision for the amount of the proposed dividend has been taken after giving careful consideration to the major capital expenditures and high working capital requirements anticipated for implementation of our expansion projects.

In February this year, the Association of Rubber Manufacturers in India conducted a Rubber Seminar in Delhi where representatives of Rubber Product manufacturers, Raw Material suppliers and Government discussed various aspects pertaining to requirements necessary for the future growth of the rubber industry. The seminar was inaugurated by the Honorable Mr Fakhruddin Ali Ahmed, Minister for Industrial Development, Internal Trade and Company Affairs. Your Managing Director, in his capacity as Chairman of the Association of Rubber Manufacturers in India, particularly stressed the importance of Government raising the licenced capacity of the tyre industry from 5.6 million tyres to 7 million Automotive tyres to meet the Fourth Plan requirements for the substantial growth expected in the transport industry and India's ambitious export goals. We believe the tyre industry will play a very important role in the development of the Agricultural and Transportation sectors in the seventies.

Fourth Plan Target

Although the target of 7 million tyres for the Fourth Plan is expected to be adequate, it is my opinion that a safer figure would be 8 million tyres by 1974. This higher target would take care of strikes, go-slows and similar afflictions and also provide cushion against delays in the implementation of some of the licences. A higher capacity would also generate a greater export effort.

Government have plans to issue new manufacturing licences up to 1.5 million automotive tyres and tubes and these licences, it is reported, will be exclusively for new units. For the remaining 1 million tyre capacity to reach the target of 8 million, I would urge the Government to consider expansion licences for existing factories. The financial resources, land, power, transport, technical know-how and trained personnel already available with the existing tyre companies will ensure a speedy implementation of the expansion and thereby avoid a recurrence of the shortage our country experienced during the last two years.

Another very important point discussed at the rubber seminar was the future availability of major raw materials. The basic raw materials required by the Industry for the manufacture of tyres and tubes are natural and synthetic rubber and rayon and nylon tyre fabric. It is also essential that substantial improvements be made in the yield of our natural rubber plantations. In recognition of this fact, and the additional natural rubber production will be required in future, Government is taking active steps to establish new plantations and to assist plantation owners in replanting with higher yielding clones. It is also proposed by Government to set up a new synthetic rubber plant at Koyali, in Gujarat, keeping in view the substantial increase anticipated in tyre and tube production requirements for the country's needs in the coming years. The present plans are, however, unlikely to satisfy all of the additional natural and synthetic rubber requirements.

The next important raw material in which a shortage in supply is currently anticipated is rayon fabric, due to the existing conversion capacity of rayon yarn being totally inadequate. Steps should also be taken immediately by Government to ensure that adequate manufacturing facilities for nylon tyre yarn and, its conversion are available for the Industry's current and future domestic and export requirements.

High Consumer Acceptance

I am pleased to report that your company's products continue to enjoy high consumer acceptance. The consumer preference for our products was once again established at the All India Car Rally early this year. Out of a total of 12 winners from all classes of cars, six participants won their awards on our G8 Super-Cushion passenger car tyres. We believe this excellent consumer acceptance is attributable to our high technological proficiency, as well as to the high quality of our products. To maintain and, where possible, improve upon our consumer acceptance, we have plans to manufacture even more sophisticated tyres which will continue to be most suitable for Indian road conditions and which will enable us to compete in the international export market. However, in order for us to achieve these two objectives of better serving our domestic consumers and to be able to compete on equal terms in the highly competitive export markets, it will be necessary that the flow of improved technological information from our collaborators, The Goodyear Tire and Rubber Company, continues in the future without any interruption. Tyre sizes, types and designs have to keep in step with the changing technology in vehicle, highway and transportation development not only in India but in our growing export markets. For your information, the latest type of tyres, the bias belted and radial ply tyres are now growing in preference in most overseas markets over conventional bias angled tyres such as are now being produced in India. Fortunately, we do have a collaboration arrangement with the world's largest tyre manufacturers, namely The Goodyear Tire and Rubber Company of USA. This Company maintains a pool of information at an annual cost in excess of Rs 82.5 crores ($ 110 million) which covers research and development. More than 4000 Goodyear scientists and specialists work solely in Research and Development at the Company's massive technical centres in the United States and Europe and in manufacturing installations throughout the world. (Even if Goodyear-India were to attempt to develop its own technology to compete with other international tyre companies, it would cost us more than all our resources). Our present collaboration agreement will be expiring in 1971 and we are sure that Government will recognise the need for renewal of this agreement to enable us to continue to improve upon our products in the years to come.

As mentioned in the Directors' Report, our exports were affected adversely during 1969 by the sharp cutback in export duty drawback rates imposed in February of 1968. The Government did, however, reintroduce this subsidy in September 1969 and, fortunately, we were able successfully to re-enter certain export markets previously lost to other foreign suppliers and obtain substantial export orders for delivery during 1970. We are hopeful that our 1970 exports will substantially exceed the Rs 42 lakhs exported in 1969.

The training of our personnel has been, and still is, of prime importance to your Company. Training courses have been set up for the benefit of all employees. We have also sent a number of our senior management personnel abroad to subsidiaries and our parent Company for training and study of our methods of operation used by other Goodyear organisations. Personnel of Goodyear-India are also well represented at various management development seminars being conducted around this country. It is our intention to give even more emphasis in the coming years to management training, as we are a company that has been dedicated over the years to the principle that "People are our most important asset."

I now have come to a sad part of my address. Mr B Chaudhury, who served us with distinction as our Sales Manager for Industrial and Special Products, passed away in January of this year at the early age of 48 years. Mr Chaudhury made a very significant contribution to the progress of your Company. He worked in close co-operation with me and I must express a very personal sense of loss in his sad and untimely death.

I would like to take this opportunity to express my warmest thanks to our employees, dealers and shareholders, without whose close co-operation it would have been impossible to achieve the continuous progress of your Company since its formation.

As mentioned earlier, I will be retiring from the Company early in 1971 and this will be my last opportunity to address you in the capacity of Managing Director. It has been my privilege to steer the course of your Company during the last ten years and I would again like to express my personal thanks for the very generous support you have given me in carrying out this task.

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

Tungabhadra Steel

TUNGABHADRA Steel Products (a joint undertaking of Government of India and Mysore and Andhra Pradesh Governments) witnessed during its ninth year ended March 1969 a substantial decline in traditional lines of activities, namely, design, fabrication and erection of hydraulic gates, hoists and penstock pipes for river valley and other projects. It had, therefore, to enter the field of building and heavy structurals where, as a result of the recession, competition had been "fierce" and profit margins "extremely low". While quantum of production expanded from 1,050 to 2,305 tonnes, the rise in terms of value was meagre — Rs 73 lakhs (Rs 65 lakhs). Gross profit fell from Rs 18 lakhs to Rs 13 lakhs, but owing to saving in taxation net profit was only a shade lower at Rs 7 lakhs. Dividend halved to 4 per cent was covered 1.7 times. Return on total funds employed worked out at 4.8 per cent. R V Raman, Chairman, says that because of demand conditions and prices prevailing during the period in many cases the company had to quote and accept orders at unremunerative rates to keep "our shops adequately occupied, and secure a reasonable share in important orders". He, however, hopes that with the commencement of the Fourth Plan there would be a change for the better.

Sankey Wheels Limited

Speech of the Chairman, Mr K C Maitra

THE following is the speech delivered by the Chairman, Mr K C Maitra, on the occasion of the Seventh Annual General Meeting of Sankey Wheels Limited held in Durgapur on 5th May, 1970.

I welcome you to this, the Seventh Annual General Meeting of your Company. The Directors' Report and Statement of Accounts have already been circulated and with your permission I will take them as read.

The year 1969 despite earlier indications to the contrary has again been a difficult one for your Company. Although the turnover increased from Rs 217.6 lakhs to Rs 229.5 lakhs resulting in a modest profit of Rs 5.6 lakhs compared with the previous year's figure of Rs 2.4 lakhs, the rate of progress which we had anticipated has, I am afraid, not taken place.

This set-back has been caused by two main factors — the debilitating industrial atmosphere that prevailed in 1969 in Durgapur and shortages of raw material.

Dismally Different

Durgapur in the vision of the late Dr B C Roy was to have been a modern and progressive heavy industrial centre in the heart of the "Ruhr" of India. In reality the picture has turned out to be dismally different. Despite the planned infrastructure and the capital which has been poured into Durgapur, the political turmoil and industrial unrest that grip this area have created conditions which are certainly not conducive to industrial growth and productivity. To attract and retain the right type of talent in Durgapur has become increasingly difficult. We have not been faced with any serious labour unrest as such, but obviously no man or industry can be an island. Consequently the sustained efforts of your Management to create a profit oriented productivity in your Works have been largely frustrated and the future still remains clouded with too many imponderables.

Manufacture of road wheels for cars, trucks, tractors and other vehicles requires a wide variety of steel plates, sheets, skelp, rim bars and a host of other steel sections. During 1969, not only was there a world wide shortage of steel but the scarcity of these flat products was perhaps the most acute we have so far experienced in our country. Moreover the quality of indigenous steel by and large has been far from satisfactory.

Labour Efficiencies

Faced with these difficulties, we continue nevertheless to make every effort in our manufacturing processes and techniques to improve labour efficiencies. Our Company has recently concluded a long-term wage agreement with the Union giving effect to the statewide engineering award and in settlement of various demands which have been under negotiation with the Union from time to time. Greater emphasis is being placed on training programmes for employees at various levels. All these steps we hope will lead to an improvement in productivity and on this rests our hope of better results in the current year particularly now that the raw material shortage has been largely corrected with the import licences and increased indigenous quotas granted to us by Government.

Our country is presently manufacturing about 43,000 cars and jeeps, 35,000 commercial vehicles and 16,000 tractors per year. The Fourth Plan targets for these vehicles forecast substantial increases: production of cars, jeeps and commercial vehicles should be more than double and those of tractor should increase fourfold. Should, therefore, the country's economy keep making progress at the planned rate and its performance for the last year or two has so far been encouraging, the demand for our products will no doubt continue to rise. The existing capacity in India for manufacture of automobile wheels, which is already in excess of the country's present requirements, can easily keep pace with the increasing demand by the addition of minor balancing plant as and when necessary. Such additions would be consistent with Government's policy of conserving scarce foreign exchange.

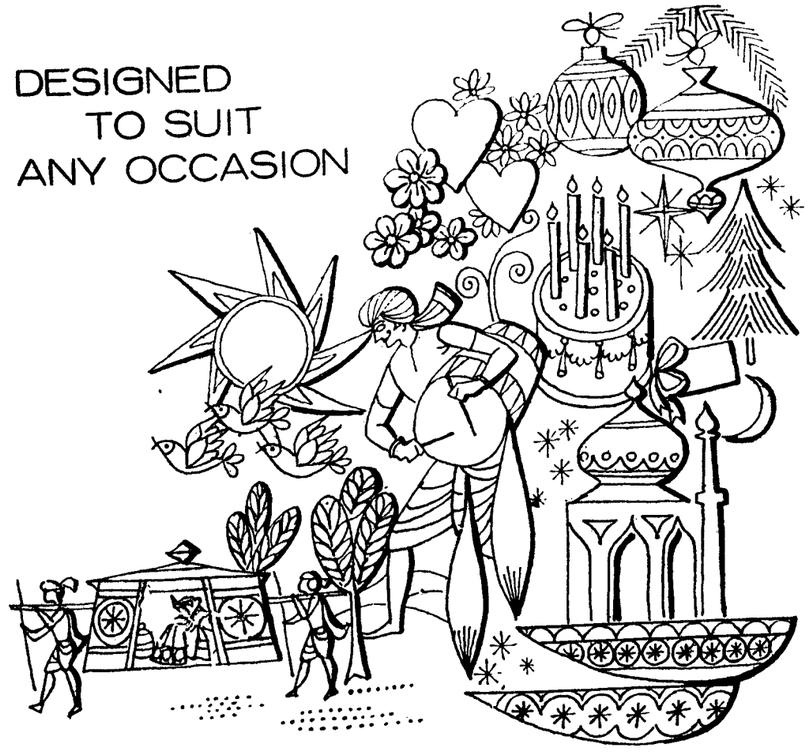
Thanks

Our technical consultants during 1969 continued to give their full support and extremely valuable advice for which we are thankful. I must also on your behalf, as on my own, thank your management, staff and workmen who despite the difficult conditions obtaining in Durgapur continued to give of their best to your Company.

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

Atul Products

ATUL products various plants worked at a high level of capacity utilisation in 1969 in spite of occasional shortages of imported raw materials. Sales increased from Rs 9.60 crores to Rs 11.54 crores and gross profit from Rs 1.52 crores to Rs 1.97 crores, although prices of raw materials were significantly higher. Net profit was Rs 94 lakhs (Rs 35 lakhs) to cover dividend increased by two points to 14 per cent nearly 1.7 times. Return on total funds employed worked out at 5.6 per cent. The naphthalene intermediates expansion is expected to be completed by July or August next. The fast colour bases plant is now producing the full range of bases. Four additional cells were installed in the caustic-chlorine plant in January last. The phosgene plant, which was ready by August 1969, could not be put into operation for want of empty cylinders. A licence for import of these cylinders is expected shortly. Atic Industries' expansion is almost complete, and most of the plants have gone into production. The anthraquinone plant will go on stream in next June or July. Cibatul's urea formaldehyde plant could produce less because of shortage of formaldehyde. The company has not been permitted to put up a plant for the manufacture of formaldehyde which could have made it independent in respect of supplies of this raw material. The sulphadrug intermediates plant is expected to achieve full capacity this year. An IDR licence for the manufacture of pyrazole base, which is a raw material for manufacture of one of the sulphadrugs, has been issued to the company.



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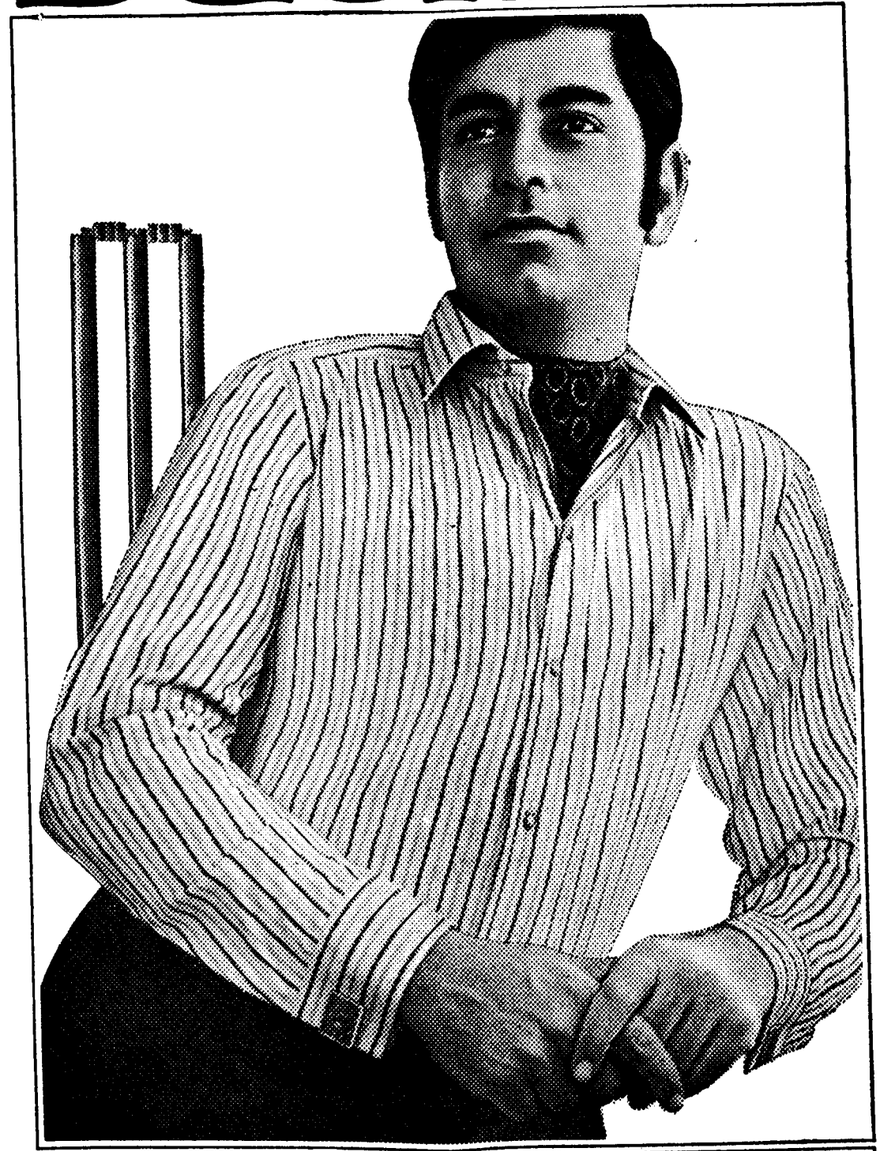
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Skylark 284 Frere Road Bombay 1

Phone 26 60 72

Editor

KRISHNA RAJ

Assistant Editor: Rajani X Desai

Business Manager: A Fernandes

Circulation Manager: Shiv Patil

Editorial Staff

Colin de Souza, Haresh M Advani, Shireen Heerjee, Ashok Rao, Ranjeet R Chandi

Fading Will

THE debate in Lok Sabha on Thursday on the communal riots in Maharashtra had to be abandoned for want of a quorum. No doubt this accurately reflected the extent of the legislators' interest in the subject under discussion. In her spirited rejoinder to the speech by the Jan Sangh leader, A B Vajpayee, the Prime Minister did declare that "we will fight it [communalism] with all the strength at our command". All evidence suggests, however, that in the last few years as communal riots have become more frequent and more depredatory, the political will to fight the menace has weakened. Even that woolly-headed institution, the National Integration Council, appears to have faded away.

At the purely administrative level, in spite of repeated exhortations for stringent action to maintain law and order, Bhiwandi and Jalgaon followed the pattern of Ahmedabad and other places that have been recently the scenes of communal violence. From all accounts, tension had been building up in Bhiwandi for many weeks during which public meetings had been organised in the town by Jan Sangh and Shiv Sena, with the inevitable reaction among a section of the Muslims. Yet when the rioting broke out, effective intervention by police did not come before a heavy toll of life and limb had been taken. This pattern has repeated itself so often that it seems reasonable to conclude that it does not result from some routine administrative failure but is a reflection of the lack of will among the political leadership to grasp the nettle of communalism.

Take the very question of celebrating the birth anniversary of Shivaji, the proximate cause of the Bhiwandi riots. For the celebrations in Bombay on May 7, the President of the ruling Congress had, it will be recalled, especially come from New Delhi to garland statues and unveil busts at some half-a-dozen places in the city. In his speech at the main function Jagjiwan Ram spoke to an enthusiastic audience eulogising Shivaji, and Prithviraj and Rana Pratap, as 'national heroes'. Now, Jagjiwan Ram may well say, as he did on that occasion, that memories of Shivaji should "inspire people to wage a relentless war on poverty", but the common Hindu — or the common Muslim — who vaguely knows that Shivaji spent a lifetime fighting the Muslim power in Delhi, may be pardoned if he does not see the Maratha leader in quite the same light.

The Maharashtra Government has set up numerous committees and spent large sums of money to dot the entire State with statues and busts of Shivaji. This may be understandable in terms of political imperatives, but then it should be recognised that in a plural society all this Government-sponsored activity, through the impact it has on the mass of Hindus and Muslims, contributes to the building up of an atmosphere which the avowedly communal elements in both communities find easy to ignite.

Take, again, the Shiv Sena. It has been repeatedly alleged in Parliament and in the Maharashtra Assembly that it has flourished through the support of the State Government. Even if these allegations are discounted, there is the evidence of the Government's behaviour when in March the Shiv Sena organised a Bombay 'bandh' in support of Maharashtra's claim to Belgaum. It is an incontrovertible fact that on that occasion the Government virtually surrendered the administration of the city to the Sena which for a day decided who would go to work, which offices and shops would be allowed to be kept open and which of the city's normal activities would be permitted to be carried on. Perhaps this was necessary to demonstrate the "strength of feeling" in the State on the Belgaum issue, but it is also relevant to recall that in the debate on the 'bandh' in the State Assembly two MLAs had warned Government that encouraged by this kind of official patronage the Shiv Sena was preparing to turn on the Muslims in Bombay and in the interior areas of the State.

So long as cant and double-think dominate the attitude of almost every one of the supposedly secular parties, Vajpayee and his colleagues can afford to ignore the Prime Minister's rhetoric.

Seed without Grain

GOVERNMENT of Maharashtra is known to be holding surplus stocks of hybrid jowar seed valued at Rs 12 crores. It is interesting to follow the chain of events and policies which have landed it in this predicament.

Hybrid jowar (Co-ordinated Sorghum Hybrid-1) was released for general cultivation by the Co-ordinated Programme (Rockefeller and Indian Council of Agricultural Research) in the fall of 1965. Immediately, Government of Maharashtra, under advice of a high-powered committee of its own advisers and against the advice of the then Director of Agriculture, decided to grow CSH-1 seed. Extremely remunerative prices were offered for growing what was then considered a very risky crop, and farmers produced fairly large quantities of the seed. With this seed a crash programme was launched for growing a commercial crop of hybrid jowar. This was a disastrous failure.

The reason for this failure had been indicated in advance by the warning, issued by the scientists and officials concerned at the time of the release of the variety, that CSH-1 was not meant to be a rabi crop as it was very susceptible to attack of shoot-fly which occurs during this season. Most of the jowar growing areas of Maharashtra are rabi jowar areas; hence the crop failure. Massive spraying can sometimes control shoot-fly but no insecticide has yet been discovered which guarantees protection against this pest. A few areas in the State which grow jowar in the late kharif season showed good results with CSH-1.

Instead of stopping to reconsider its policy at this point, Government of Maharashtra forged ahead, set certain targets, calculated the amount of seed required to plant the target acreages, got the National Seeds Corporation to import foundation seed from the United States as the stocks it had were not considered adequate, and launched a massive programme of seed production in 1967. As an additional incentive and protection to the seed grower, a risk fund was started. The sale price of seed was raised by 50 paise per kg and this amount was put into the risk fund to be paid to farmers who had seed crop failures. No specific method was laid down for such payment, and no account has been given of the fund thus collected.

By this time Zilla Parishad politicians, seeing the lucrative prices being paid for seed, wanted to jump on the bandwagon. In 1967 some 15,000 acres were put under CSH-1 seed production. The seed production programme was very successful but it was then discovered that the targets set for grain production were unrealistically high, while the extension work which might have coaxed more acreage from farmers had been very half-hearted. This resulted in a large carry-over stock of CSH-1 with the Zilla Parishads. The Zilla Parishads did not have sufficient funds to pay for all the seed and a lot of pressure was brought to bear on Government to purchase the seed. Government instructed the Maharashtra State Co-operative Marketing Federation to purchase the seed against a guarantee of ultimate purchase by Government. The Federation was also paid fancy storage charges for storage facilities which would be considered inadequate even for ordinary grain.

By the time the 1968 sowing season came farmers, especially affluent farmers with political pull, and many ministers had decided that seed growing was too good a thing to give up. Again, against the specific advice of the Department of Agriculture, 30,000 acres were put under seed production. With a couple of years of experience behind them, farmers got phenomenal yields (a very conservative estimate of average seed yield is 4 quintals per acre), and all this seed went to swell the seed stocks already held by Government. A lot of the seed will be wasted due to bad storage; much will simply have to be discarded as the life of the seed is only 2 to 3 years; and much more money will have to be spent to revalidate the rest of the seed, as the National Seed Corporation's certification is valid for only eight months. And, finally, in order to escape the necessity of accounting for the losses, Government will give away the seed free to farmers.

One of the undesirable and ironical side-effects of this whole episode has been that farmers have learned to expect very high prices for seed. The prices offered to them for seed were so much higher than grain prices that they have little interest left in grain production which after all is the ultimate purpose of seed production. Actually, the experience of the seed industry has shown us that the farmer should be given a rate for seed which is only 10 to 15 per cent higher than that of grain, and the remaining margin must be kept for the processor, storer and seller of seed (in this case Government) who takes a far larger risk than the farmer.

There are two conclusions to be drawn from the CSH-1 disaster : one, that agricultural policy-making and target-setting is done at high governmental levels without much reference to reality and without consultation with the officials of the Department of Agriculture whose business it is to know the reality; and the other, that if reasonably high minimum prices and a purchase guarantee are given for any agricultural commodity, self-sufficiency in that commodity should be an easily attainable aim.

Recovery by Inaction?

THE Report of the Ministry of Industrial Development, Internal Trade and Company Affairs, for 1969-70, reflects the painfully slow recovery industry is making from the recession. Overall industrial production increased by 7 per cent during 1969 over the previous year. Yet this increase camouflages the broad areas in which there is vast underutilisation of capacity — such as machine-tools, railway wagons, commercial vehicles, wire ropes, cast iron spun pipes, steel tubes, castings and so on. It also camouflages areas where shortages were visible — primarily synthetic fibres, scooters and cars and, shortly, paper too. The Ministry, however, has yet to make up its mind on how to increase production to cope with this demand.

The Report presents, despite itself, some very cogent evidence of an economy at a standstill. Of 369 products on which the Report gives data of the number of units and capacity, in 284 products the number of units and capacity were the same as, or lower than, in 1968; in a large number of the other cases, while capacity had increased, the number of units had remained the same. Of capital goods clearances totalling Rs 39.66 crores, the three largest clearances were for non-cotton textiles (Rs 11.37 crores), rubber (Rs 8.02 crores), and chemicals (Rs 7.02) crores). Company formations and capital issues have both declined, confirming a slow-down in investment.

The Ministry is also concerned with licensing, foreign collaboration and price control. On all these, one has noticed a turnround in trends and policies since the beginning of 1970. While there has been some easing on consumer goods like cotton textiles, sugar and cement, there are hardening trends visible in commodities such as cotton, oilseeds and metals. Government's reaction to such hardening in prices has been to return to control, negating thus the experience and argument by which control had been scrapped. Gradually decisions are being taken on the Dutt Committee's recommendations on licensing and on conversion of loans. However, the more important decisions on expansion of capacity in specific industries like scooters, on management of public sector enterprises, and on the broad policy of resuming the investment process, seem to be moving at the same slow pace as the economy.

The Report refers to various actions taken under company law, particularly on managing agency abolition and managerial remuneration. But there is no indication that the Department has taken into account the consequential action needed to make the decision on abolition of managing agency effective. It has turned a Nelson's eye to the start-up of fake functional agencies (consultants, etc) that take up the managing agents' functions. There is no inkling yet of legislation to prevent this circumvention of law.

Edging Out of CENTO

WHAT unites Pakistan with Iran and Turkey in CENTO is ideologically less intangible than the bonds that supposedly bind it to Thailand and Philippines in SEATO. While Pakistan's entry into Western-sponsored military alliances was designed primarily to bolster its bargaining strength against India, as the history of the Kashmir issue, if nothing else, clearly illustrates, the incidental alliances with the 'Islamic States' which membership of CENTO offered represented a thrust also towards another important national objective — the search for cultural identity which Partition had made imperative. The disenchantment with military alliances which has grown in Pakistan in the wake of its unsuccessful efforts to annex Kashmir has in no way diminished the need for cultural identity; on the contrary, it has become more urgent. For, this very membership of military alliances has been causing Pakistan grave political embarrassment with some of its potential Islamic allies, particularly the more radical Arab states.

Whether Pakistan has now given up its effort to eat the cake and have it, in doing which it very nearly succeeded, is arguable. But as a result of the ties it has successfully forged with China and Soviet Union, while still retaining its original Anglo-American moorings, Rawalpindi is now in a much stronger position than before to opt out of CENTO and SEATO without much material damage. It would in all probability have avoided exercising this option if its concerted efforts to gain entry into the non-aligned fold, with all its present alliances intact, had succeeded. However, Dar-es-Salaam having put paid to all such hopes, Pakistan finds itself on the horns of a new dilemma. It is not unlikely that it may seek to resolve this dilemma by withdrawing from CENTO, while yet retaining membership of SEATO. Whether such an exercise will satisfy Pakistani opinion, which has been stridently advocating withdrawal from all military pacts after the results of the Dar-es-Salaam meeting became known, remains to be seen. But this seems to be what Yahya Khan has in mind.

At last week's tripartite summit meeting in Ismir, convened under CENTO auspices, Yahya Khan is known to have proposed the formal dissolution of CENTO. This was predictably turned down by his counterparts, the Shah of Iran and the President of Turkey, as neither Iran nor Turkey, unlike Pakistan, has any problems of cultural rootlessness. They have, in addition, their own well defined political differences with the Arab world to contend with, which makes CENTO an attractive prop to lean on. For Pakistan, Ismir would seem to be an odd place to announce withdrawal from military pacts if that had been the intention. Quite obviously Rawalpindi's intention is more limited, namely to strike down the barriers to greater understanding with the Arab countries by pronouncing the death of CENTO, while at the same time retaining what advantages it may from continued membership of CENTO's offshoot, the Organisation of Regional Co-operation for Development. Since this also has apparently misfired. Rawalpindi must now make its choice more openly.

Red Paper on Public Undertakings

THE Bureau of Public Sector Enterprises' Report for 1968-69 on public sector undertakings, belated as its appearance is, makes sorry reading because of both the matter to be conveyed and the manner of conveying it. The Report covers 85 undertakings with a total investment of Rs 3,902 crores (Rs 1,824 crores in equity and Rs 2,078 crores in loans). Of these, 61 units were in operation among whom Hindustan Steel had a net operating loss of Rs 39.42 crores in 1968-69 — a little larger than in 1967-68. Of the rest, 35 concerns made a net profit of Rs 61.36 crores and 25 suffered losses of Rs 52.31 crores. Taking all units, the net loss in 1968-69 was Rs 26.88 crores.

This loss is sought to be explained away by various excuses and explanations, some of them novel to accounting. It is now traditional to show township expenditure and social services separately, much as if these were a unique feature of the public sector. This expenditure was Rs 17.3 crores in 1968-69. It is difficult to understand why this amount should be excluded. The depreciation provided was Rs 80 crores and interest paid amounted to only Rs 35.6 crores, revealing the element of subsidy in the form of low rates of interest. There is some window dressing, too, through references to employment provided (598,000 persons) and export earnings (Rs 70 crores). Despite all this, barring IOC and STC (both in naturally privileged positions, dealing in oil and in imports), other public sector units have little to be proud of.

Nor is the outlook for the future particularly bright. HSL and other public sector units as a whole would show a loss in 1969-70 and hope to break even in 1970-71; profits are still a dream to be realised.

It is high time that Government takes up serious consideration of the management problems and responsibilities of public sector units. Their inefficiency is not merely a drain on the exchequer and national resources — though that is bad enough; it is also the worst advertisement against expansion of the public sector. And should it take a year to integrate accounts of just 85 companies? Why cannot the figures be ready, at the outside, by September of the year-ending period?

Maiden at Five?

Ottuketkal writes :

COMMENDING the Rs 6.71 crores public issue (Rs 2.58 crores in ordinary and Rs 4.12 crores in preference shares) of Zuari Agro Chemicals, the chairman of the company, K K Birla, confidently informed the Press that the company would pay a maiden dividend in the second or third year after its plant is commissioned. Since the plant is slated to be commissioned in July 1972, this would mean that shareholders can reasonably expect a maiden dividend for 1975. Subscribers to the issue, have thus to wait for just five or six years, a prospect that has contributed to the as-yet-unissued ordinary shares being unofficially quoted at a premium of Rs 3.10 in Bombay.

The company's prospectus carries no indication of a dividend within five or six years, however. All it says on the subject is that "on the basis of existing fertiliser prices, raw material costs and prevailing rates of taxation and in the absence of any unforeseen circumstances, the directors are of the opinion that the profits to be earned by the company should be sufficient to enable the payment of reasonable dividends on the equity share capital [Rs 2.58 crores to the public plus Rs 4.29 crores issued mainly to foreign institutional investors plus Rs 4.17 crores issued to US Steel and Birlas] after paying dividends on redeemable cumulative preference shares [9.5 per cent on Rs 4.12 crores], providing for interest [at 8.5 to 9.5 per cent] on and amortisation [commencing April 1974] of loan capital [Rs 40 crores including Rs 26 crores in foreign exchange] employed in the project, and meeting other obligations placed on the company under the terms of the loan agreements". But nowhere does the prospectus commit or hint at the date of the maiden dividend. Incidentally, in assessing interest and amortisation burdens on the company, note should be taken of the borrowing arrangements to cover the cost of 'overrun'. e g, $ 900,000 from US Steel, $ 600,000 from International Finance Corporation and Rs 75 lakhs from Pilani Investment Corporation. The absence of any commitment on maiden dividend in the prospectus is entirely understandable. The liabilities of Zuari — its turnover, according to K K Birla, will touch Rs 35 crores a year when in full production — are formidable.

What has caught the imagination of the market is the fact that Zuari besides producing 220,000 tonnes of ammonia and 340,000 tonnes of urea, will "manufacture" "on the advice of US Steel Corporation" 150,000 tonnes of compound fertilisers. For such "manufacture", the prospectus informs potential investors, Zuari has been allowed by Government to import phosphoric acid for five to seven years — the precise date from which such imports will commence is not mentioned — and the source of import is under negotiation with Government. Naturally, Zuari has indicated its preference for importing phosphoric acid from US Steel's agro-chemicals division on the ground that its supply price "was found to be the most competitive". The proposal that Zuari should take over its surplus phosphoric acid and market diammonium phosphate at a substantial profit in India suits US Steel — which would hold 27 per cent of the total equity of Rs 16.55 crores — very well, but how much would there be in the arrangement for the non-Birla Indian investor ?

BHEL's Wonderland Accounting

THE annual report of Bharat Heavy Electricals for 1968-69 makes strange reading. Income (from sales, internal work, job work) increased from Rs 10.66 crores in 1967-68 to Rs 25.87 crores in 1968-69. The company earned a gross profit of Rs 6.54 crores as against a loss of Rs 15.70 lakhs in 1967-68. However, after meeting expenses and making provisions, the net loss was Rs 3.37 crores against Rs 5.57 crores in 1967-68.

These figures contain an element of window dressing. First, depreciation is charged on straight-line method in 1968-69, thus halving the provision; if it had been charged on the same basis as in 1967-68, the loss in 1968-69 would have been about Rs 3.72 crores higher, at Rs 7.09 crores. Second, though New Delhi tries to give the impression of being highly selective in permitting import of components by private sector units, BHEL was allowed import of components ranging from 65 per cent to 90 per cent in different plants. The average came to 80 per cent — Rs 16.15 crores of imports out of total procurement of Rs 20.61 crores. The loss, when related to self-manufacture, is thus proportionately larger, given the fact that raw materials and components are obtained at international prices. Similarly, BHEL had 187 foreign employees on its staff, when Government quibbles about allowing even one or two foreign technicians for private sector units.

The accounting concepts of BHEL are, to say the least, hilarious. Apparently, to the official mind expenditure is expenditure, and it makes little difference whether it is on capital account or revenue account. BHEL's bureaucrat-managers add up the two to get at a figure of total expenditure during the year (and solemnly repeat this exercise five times on pages 12, 18, 21, 24 and 27 of the annual report, for each unit). So also, gross profit is shown *before* administrative expenditure — a practice for which it is difficult to find precedents. Given this level of comprehension of accounting concepts, it is hardly necessary to look any farther for reasons why public sector units are so ill-managed.

Private industrialists generally like to borrow to the maximum to get the gearing (and profit-advantage) which loans give. Not so our bureaucrat-managers who look upon interest as cost (rather than look upon borrowed capital as yielding the differential between the profit earned through use of such capital and the interest paid on it). They want interest-free capital since they do not apparently feel under any obligation to earn a return on share capital. Hence we have BHEL representing to Government to reduce loan capital and increase share capital despite the cheap loans (at 5½ to 6 per cent) it gets. Incidentally, even if BHEL, given its performance, is deemed to be credit worthy, are its bankers (State Bank and associated State Bank of Hyderabad) justified in charging it a rate of interest of no more than 7½ per cent ? Why this subsidisation of inefficient units ?

BHEL's record is poor, as is evident from its annual report; but its future appears more dismal. Already BHEL is complaining of cuts in power programme which would affect demand for its products; being in the public sector, it does not have the same problems as wagon-suppliers have with the Railways. Apparently BHEL expects Government to make good the deficiency in demand; it shows little inclination to search out export markets in time.

Waste is evident even in the format of the Director's Report. The 32-page Report could have been condensed to one-third its size without losing any detail. The Directors solemnly report on BHEL as a whole and its constituent units (each under six separate heads: Operating Results, Finances, Construction, Material Procurement, Production and Personnel and Training — including, with typical bureaucratic obsession with method and absence of intelligence, composite figures of capital and revenue expenditure !) when everything could have been covered in one table and six explanatory paragraphs.

Charter of Rights

THE speech of the Chairman of Hindustan Lever at this year's annual general meeting marks a departure from past practice. While Rajadhyaksha has picked a subject on which his company has something to say, the speech is oriented towards making points on behalf of the company instead of, as in the past, educating the general public on management practices within Lever.

Rajadhyaksha talks of five fundamental rights of the consumer in a 'free' society. The most basic is the right to choose which can be exercised only when supply keeps pace with demand. For Lever, in two of its "most important products, soaps and vanaspati, demand is today in excess of supply and price controls are making it increasingly difficult to give the consumer the choice of products to which he is entitled". But vanaspati has had some form of price control for the last 7 to 8 years and, if in fact price controls were such an inhibiting factor, one wonders how Lever has stayed in vanaspati and yet shown the sales and profit growth that it has over the period. Perhaps the large quantities of tallow that the company was able to accumulate some years ago enabled it to use its soap business to subsidise its vanaspati business. Or is it that, all said and done, vanaspati continues to be an inherently profitable line?

The right to be informed and, equally, the right not to be misinformed is the next fundamental right Rajadhyaksha talks of. He makes a case for a code of ethics in advertising. Unfortunately, there is no impartial body in this country to review advertising and to pull up manufacturers for advertisements which make false claims. One may also ask how the consumer is to be protected when a large manufacturer is able to afford substantial funds to promote a product otherwise not in any way superior to those made by smaller and financially weaker units (e g, vanaspati).

The consumer's third right is that to be heard and Rajadhyaksha claims that his company keeps itself aware of consumer reactions through market research and through the trade. The problem here is that many times the consumer is not aware of his need for a product because it is not known if such a product can be created. Rajadhyaksha also briefly touches on the subject of consumer associations and the need to encourage them. The only successful consumer movement in this country was some years ago when a coffee house was established in Connaught Place in Delhi in protest against a steep rise in the price of coffee and snacks. This example was not emulated even in the worst days of inflation.

The consumer's fourth right is that to safety. Rajadhyaksha refers in this connection to the benefits derived from his company's close links with Unilever. International companies have an edge in quality control, though this is not to say that many Indian companies do not have good quality control systems — there are some which are as good as, if not better than, some of the international ones. The other advantage of international collaboration for a company like Lever is the availability of long established and accepted trade marks, designs and patents. At one time Government was against allowing international brand names in industries where there were Indian manufacturers. But this policy appears to have been relaxed subsequently even though, when it was in effect, it seems to have benefited the country, judging by the many examples of local products which have established themselves well and have since been able to stand up to international competition, good examples among consumer products being 'Lakme' and razor blades. On the other hand, 'Amul' baby food established itself despite strong competition from established and internationally known brand names.

Lastly, Rajadhyaksha talks of the consumers' fundamental right to enjoy the fruits of technological progress. He expresses concern over "the notion that is gaining ground that consumer products require no research and development and can be uniformly reserved for the small-scale sector". It does not seem right to him that vulnerable sections of population like factory labour, clerical workers, etc, have to suffer for the sake of the small entreprenuer. The position is not so bleak, however. In some consumer goods industries the small entrepreneur has been able to offer the consumer good quality and competitive price. If, however, the point Rajadhyaksha wants to make is that the small entreprenuer is not always capable of producing good quality, this is well taken. But this is where the national research laboratories ought to come in by providing technical assistance to small units to enable them to bring their quality upto acceptable standards and by developing new products.

Rajadhyaksha concludes his charter of the consumer's rights with an analysis of the changing consumer in India and the change in consumer habits that has taken place in the last two decades. The changing aspirations of the consumers, he says, require new products to meet them and companies have to produce these products efficiently, sell them to the right customers, and check market reaction. This, according to Rajadhyaksha, is a difficult task which large companies like Lever are created and trained to do. If they are to perform this function, the argument runs, they must be allowed to grow and not be stifled by price controls and the like. The trouble, of course, is that many Indian manufacturers have grown up in the shortage economy of the 50s and 60s when the consumer was willing to pay almost any price irrespective of quality. The growth of competition which, for companies like Lever is consumer products, comes mainly from much smaller companies, has caught them somewhat unawares. Resting on past laurels of good quality and good products and high overheads built up in those good times, they have not been able to adapt quickly enough to the new competitive environment and this has caused them some problems. There is no doubt that in essential commodities like vanaspati, there has to be some way of protecting the consumer. This seems to be the trend all over the world and even in North America there are some restrictions on prices of consumer goods. While manufacturers there also protest, this has not resulted in the "withering away" of any large company. There will always be considerable opportunities for the aggressive entrepreneur in a large and rapidly growing market as in India.

Fiddle, Fiddle, Fiddle...

Romesh Thapar

FOR some time now, and particularly after the recent spate of violence all over the subcontinent, the feeling has been gaining ground that a number of trends are at work to reduce the country to chaos before the 1972 elections. This is not a reference to the Naxalite activity in various pockets in the East and the South which is, after all, a reflection of the violent nihilism born of many political and economic frustrations. I am more concerned with the less perceptible trends which have the blessings of various "sons-in-law of the nation".

Laws Not to Blame

The bureaucracy and the police have been party to a practice which holds every Indian city to ransom. What are called "bad characters" are given the freedom of our streets, and are only rounded up for "questioning" when a massive flare-up takes place. Yet, the records make clear that violence is only engineered through these minor and major goondas, acting very often in close collaboration with the politician. Much of the violence and tension in our small and medium-sized towns is directly attributable to these "bad characters".

In this context, when the Central and State Governments are prodded into asking embarrassing questions of their bureaucracy and police, invariably the reply is that the law does not permit detention without trial. Why should it? Surely there is enough power under various enactments to take care of the bad characters — that is, if the bureaucracy and the police have the gumption to act against the interests of the local political fixer. It is time that the Home Ministry conducted a self-educating seminar to emphasise these possibilities under the normal laws of the land! Then, perhaps, we would start getting somewhere.

Take a different problem. The rise of bodies like the Shiv Sena is only possible through the manipulations of wealthy patrons and corrupt ministers. What we are now witnessing in Bombay city is the rise of a parallel authority. The reluctance to nip these 'sena' manifestations in the budding season creates the kind of communal slaughter which we have now witnessed in a number of towns in Maharashtra. Communal-minded MPs talk of stone throwing as the cause. They had better stop deluding themselves — and Home Minister Chavan had better enlighten them in no uncertain terms on his return from tour.

The studied refusal to educate the public about the ramifications of 'sena' politics — and this includes the sinister rise of the RSS, the militant wing of the Jan Sangh, and the shock troopers of the communists — has the effect of blunting public sensibility. Politically, there has been a failure to call a spade a spade. And this is because all manner of opportunist and unprincipled alliances are sought within the political jungle. Agitation in the streets has been respectablised by the ruling party.

Only the other day, the two factions of the Akalis fought a minor skirmish with spears, kirpans and lathis outside a hotel in the Capital. No one thought it odd that the police were spectators. After all, every day some crank or the other hoists a tent in front of a minister's house and begins a demonstration. This nonsense is tolerated daily outside the Prime Minister's residence. Someone somewhere has absolutely crazy ideas about democratic activity and its weapons.

Threat to Discipline

Even now reports are circulating in the Capital that "outsiders" with all manner of sordid ambitions are busy organising unions of officers of public sector undertakings. The activity is called 'socialist' and the impression is sought to be created that these moves have the blessings of Government. This is false. It is generally understood that unionisation of officers will mark a decisive breakdown of discipline where it is most needed today, but we have still to hear a public denunciation of this.

The GOI is, however, beginning to realise that it can no longer be a mere spectator, that measures will have to be taken to re-assert codes of behaviour and to impose deterrent penalties on those who are out to wreck the possibility of ordered and disciplined activity. The exercise being conducted in Calcutta at the moment, where many of these problems have crystallised, may throw up some answers. Clearly, we can no longer fiddle, fiddle, fiddle...

May 11



"...and we have our silent minorities"

NEW DELHI

Much Talk, Little Action

INDIAN spokesmen at various international forums keep talking endlessly about trade development and liberalisation as the hard core of any integrated strategy for economic co-operation in a region or in the world at large. The recent declaration by ECAFE, at the conclusion of its 26th session on April 27, has been hailed in New Delhi. For the first time, it was pointed out, the Commission had committed itself to "adoption of practical programmes by ECAFE to further regional, multinational and sub-regional co-operation". But looking at developments within the country, one wonders whether India is really prepared for regional economic co-operation on any large scale.

In this context, it is pertinent to look at the state of India's economic relations with its immediate neighbours. There is a trade deadlock with Pakistan. There is as yet no immediate prospect of resuming negotiations with Nepal to renew the trade and transit treaty. There was talk sometime ago about providing "limited entry" into the Indian market for some Ceylonese goods and also of a joint consortium for marketing packaged tea abroad. Both these remain desirable objectives yet to be achieved.

No Exportable Surpluses

Of course not all the blame for the present state of trade relations with Nepal, Pakistan and Ceylon can be put on India. But if one turns to another neighbouring country, the problem takes a different turn. According to the protocol recently signed with Iran, India agreed to take one million tonnes of liquid ammonia, $ 54,000 worth of phosphoric acid and large quantities of surphur. In return, the only Indian item mentioned for export to Iran was 492 railway wagons. It is, however, understood that the Iranian delegation had brought with it a long shopping list. It had inquired whether India could sell Iran more billets, among other things. India should have normally jumped at the offer, but because of limitations at home, the Indian delegation was non-committal.

Regional economic co-operation presumes that countries in the area would buy whatever items possible within the region. Supposing Burma and Thailand offer to sell India more rice in future, will India be in a position to buy it with free foreign exchange? Assuming rice from Burma and Thailand could be arranged on a barter basis, even then India would have to consider the issue *vis-a-vis* its PL 480 imports of foodgrains.

Guidelines Still Not Ready

Apart from these difficulties, the main question Government has to consider is whether India is in a position to increase exports of selected items on a continuous basis in the interests of regional economic co-operation. If one is to judge from past experience, the answer cannot be very optimistic. Last year, India exported about 17,000 tonnes of aluminium worth Rs 8 crores. But this year it is going to be a net importer of aluminium. In September last year, the Ministry of Mines and Metals was thinking even of phasing out some aluminium projects "so as to obviate any surpluses during the early years of the Fifth Plan". Eight months after this official assessment of possible "surpluses", the country is already facing a shortage of aluminium. Even in such a situation Government is sitting tight on expansion proposals of aluminium units. Hindalco's second stage expansion has been effectively blocked, though an industrial licence was issued in December 1966. Take, again, steel. Shortages have developed forcing scaling down of export targets. And because of the steel shortage, engineering industries were asked last year not to book further export orders.

Last year the Ministry of Foreign Trade had identified 40 industrial units which, it thought, should be allowed to expand so as to increase exports. What the outcome of this exercise has been no one knows. Similarly, when the new industrial licensing policy was announced early this year, it was stated that the policy would be given "adequate orientation" so as to step up the export effort. It was announced then that "guidelines in this regard will be prepared by the Ministry of Industrial Development in consultation with the Ministry of Foreign Trade and will be announced thereafter". Today, almost three months later, these guidelines are still to see the light of day.

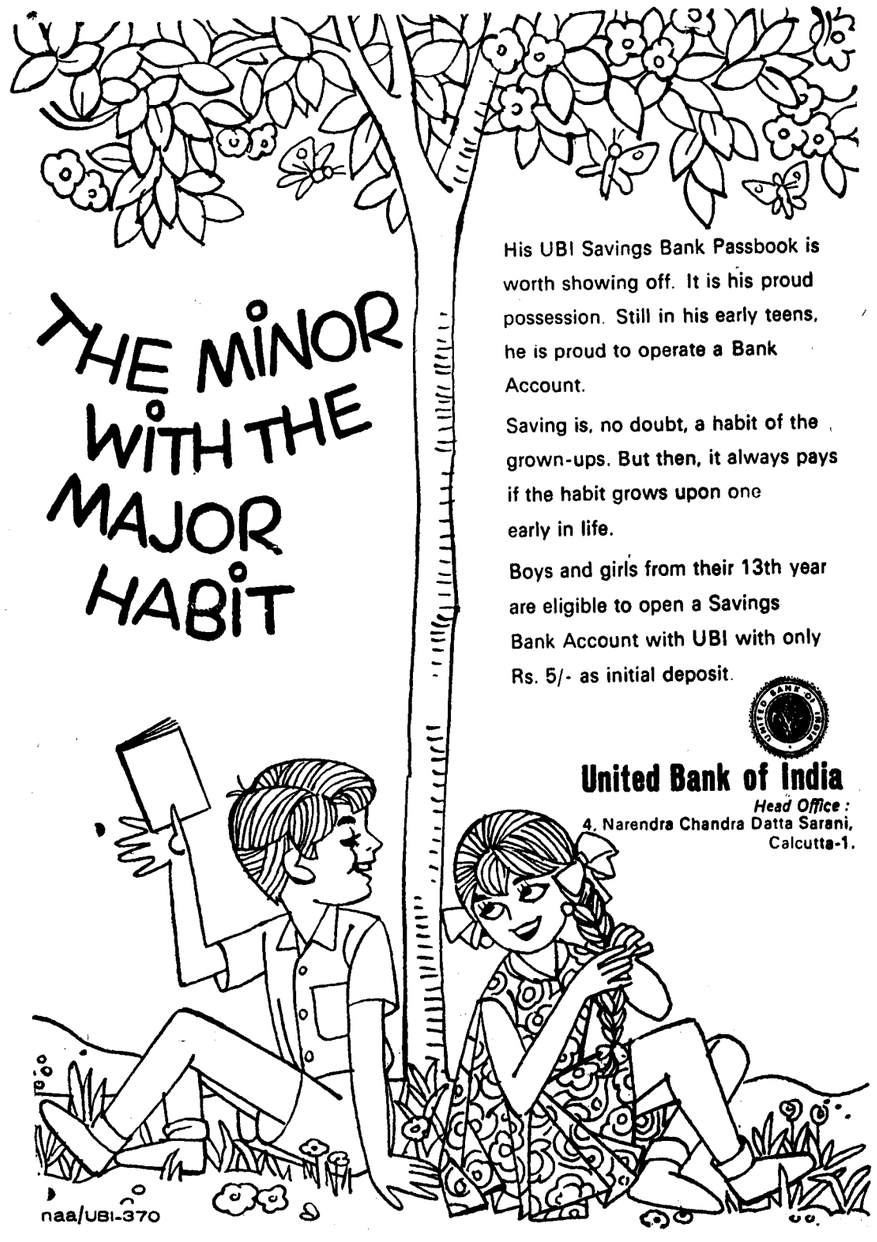
What a frank assessment of recent experience indicates is that there are several constraints against India taking a sudden big leap forward in regional economic co-operation. First, India is a big market by itself and it will be a long time before export surpluses are created after meeting domestic requirements. Second, the present political situation is such that Government cannot afford to starve the domestic market in order to export. Third, it has to be accepted that an industrial licensing policy tailored to meeting certain social objectives can handicap the country's export effort.

Government Commitment

There was talk, some years ago, of framing an export policy resolution. Even if it does not come out with a resolution, it is time Government attempted to identify selected items whose export should be encouraged at all costs. There should be a Government commitment to creating export surpluses in these items as quickly as possible. Otherwise, even the little work being done by India's foreign missions in the commercial field would be a waste and could at times lead to embarrassing situations wherein after creating a favourable image in some foreign markets the country might find itself unable to deliver the goods.

Food Specialities

FOOD Specialities has benefited from continued growth of agricultural production and pays special attention to extension services with a view to improving dairy farming. Milk intake at its Moga factory increased by over 27 per cent during 1969. While total sales rose by 9.5 per cent to Rs 7.78 crores, gross profit was up 26 per cent at Rs 1.82 crores, pointing to improved margins. Net profit was Rs 68 lakhs (Rs 46 lakhs) which covered dividend stepped up 2 points to 20 per cent 1.9 times. Production of soluble tea continues on an experimental basis, and future prospects for this line are rated as "encouraging". Visualising increased financial requirements due to the expanding operations of the company, the board's borrowing powers are proposed to be doubled to Rs 4 crores.



OUR BRANCHES IN MAHARASHTRA

BOMBAY: 1) 25, Sir Pheroz Shah Mehta Road, Bombay-1; 2) 307-309, Kalbadevi Road, Bombay-2; 3) 13, Pedder Road, Bombay-26; POONA: 1) 16, Connaught Road, Poona-1.

OUR BRANCHES IN GUJARAT

AHMEDABAD: 1) 13, Relief Road; 2) 4142-4149, Maneck Chawk; 3) Imperial Restaurant Building, Lal Darwaja; 4) Hirabai Market Building, Dewan Ballubhai Road.

SOUTH

Kerala's Changing Politics

Mohit Sen

KERALA has had two serious political encounters between the ruling United Front and the CPI(M) in the Kottarakara and Nilambur by-elections. In a few days' time yet another political contest would have been decided at Madai. Whatever may be the outcome of the third contest, the results of the first two convey important lessons.

Whatever jugglery with statistics might be attempted (and has been by E M S Namboodiripad), one plain fact can scarcely be overlooked. The plain fact is that the CPI(M) has lost both the by-elections — Nilambur, it should be remembered, was won by the CPI(M) in 1965 as well as in 1967. This defeat is all the more significant because of the tall claims made by the CPI(M) leadership that the ruling United Front had no mass base worth mentioning and that the Ministry had discredited itself in the eyes of the people at an even swifter pace than had the Congress. Both these assessments and assertions have been found to be totally without foundation. This is of crucial importance because the entire line of the CPI(M) in Kerala — of course, not only in Kerala — is based on this assessment which has now been belied.

Internal Demoralisation

It is quite obvious that these two defeats would begin a process of rethinking among far wider sections of the cadres and members of the CPI(M) than has hitherto taken place. Not that there will be any instant change of loyalty or any massive exodus in the near future. What will happen will be a quite considerable loss of morale, of elan and of belief in the future. And, certainly, no party, especially a revolutionary party, can exist for long in an atmosphere of internal demoralisation.

It is being claimed that the 18,000 votes won by the CPI(M) in Kottarakara is of enormous importance since that party never had much of a base in that constituency previously. Of course, what is overlooked is the 26,000 margin by which the Chief Minister won! However, there is no gainsaying the fact that the large vote polled by the CPI(M) candidate needs going into. Much of the advance that this party has undoubtedly made in this constituency is because of the tremendous political campaign that it mounted there for months together. It was able to make an impression on voters who would have either not voted or would have cast their ballot in favour of the Congress (R) or the Kerala Congress. But an equally important factor was the polarisation in the election contest.

Conglomerate Character

It would be agreed by any understanding reviewer of election results that in the case of a clear polarisation the votes polled on either side is of a conglomerate character. The ruling United Front, being quite clearly and openly of a composite character, its candidate received what can be called a composite vote. But this does not mean that the CPI(M) vote was a homogeneous one. It was not even composite. It was conglomerate. This becomes all the clearer when it is realised that the Syndicate did a last minute switch and asked its voters to give their support to the CPI(M) candidate. It is also a fact that all those who have been hit by the series of progressive measures undertaken by the Achuta Menon Ministry rallied in strength behind the CPI(M). From the landlords, contractors, bus-owners, wholesale foodgrain dealers to the Transport Corporation ex-employees who had got in through graft, all combined to try to make a dent in the tremendous prestige that the new Chief Minister has so quickly acquired.

Whatever may have been the advance that the CPI(M) made in Kottarakara, it made no such progress at Nilambur. Its vote remained absolutely stationary. And this despite the fact that the candidate supported by the ruling United Front, though an Independent who had pledged his support to the Ministry, was a member of the Congress (R). In a way, this gave the CPI(M) all the propaganda advantage in that it could claim that the CPI had gone over to Indira Gandhi, and the like. And yet the propaganda did not click except with those who had cast their lot with the CPI(M) over the past many years.

And herein lies an important fact of the present situation in the State. There is no doubt, and nobody in the ruling United Front has doubted it, that the CPI(M) has a massive following in the State. It is, of course, the most powerful organised political force in Kerala. But its sectarianism and arrogance not only prevents its expansion but serves to unite a broad cross-section against it. All the top leaders of the CPI(M) in Kerala were also at the top of the United CPI in 1955. They would remember the fate that overtook the CPI in the Andhra districts in that year. They need scarcely be reminded, either of what happened in their own State in the mid-term elections of 1960.

Change in Outlook

Another important political lesson is the change in the political outlook of the most conscious electorate in the entire country. Even some three years ago it would have been suicidal for any Left party to have had any open understanding with the Congress in Kerala. But now, especially after the split, many things have changed. What can be called a programme-orientation has gripped large sections of the masses. They would exercise their choice against the background of what parties offer and what their record has been. Tactical lines will have notoriously short lives in the present transitional phase in Indian politics.

Madai may carry this process a stage further. A CPI(M) victory in this constituency would be only too natural to expect. It has been rightly regarded, hitherto, as one of its impregnable bastions. But a defeat for it here could well constitute a turning point for Kerala. And Kerala is still very much the pace-setter for India.

LUCKNOW

Lenin with Song and Dance

IN 1938 on Lenin Day, in a message written in Hindi, Pandit Jawaharlal Nehru said: ". . . for the crores of poor people of the world he [Lenin] has become the star that lights their way towards freedom . . . Lenin was born in Russia. But he belongs to the whole world, and we too seek our path in that light. It is but proper that we remember this great man and strengthen ourselves with his memory".

Thirtytwo years after these words were written, the UNESCO decided to observe the Lenin Centenary on a global scale. In India a National Committee has been formed with the Union Education Minister as Chairman. It is only appropriate then that the UP Lenin Centenary Committee is headed by the State Governor. Among all the States UP has the largest number of cities. The so-called KAVAL towns (Kanpur, Agra, Varanasi, Allahabad and Lucknow) have strong trade union bases (of both white and blue collar workers) and a large number of educational and research institutions. It was expected that at least in these cities, if not in the countryside, the UP Lenin Centenary Committee would organise functions in a manner as would ensure wide dissemination of the ideas of Lenin.

But the industrialists, traders, caterers and the like, who dominate it, have virtually converted the State Committee into a Lucknow Committee. It was left to Governor Reddi to tell the Committee that trade union representatives should also be associated with the centenary functions. That the Committee had to be so reminded appears all the more ironical when one notes that the Secretariat of the Committee includes a member of the State CPI Secretariat as well as representatives of other Left establishments. At one stage the highlight of the programme chalked out by the Committee was distribution of Lenin Awards among film stars.

Though mercifully this function had to be postponed, the Centenary celebrations have been nevertheless mainly confined to dance and drama, performed before near-empty halls in spite of the presence of a "Delightful Dance Troupe, from Tadzhkistan" as reports in the local press put it. The organisers proved to be neither efficient businessmen in selling tickets nor good mobilisers in distributing passes among functionaries of mass organisations, etc. What was worse was the 'privatisation' of the performances of guest artistes from the land of socialism in the palaces of some members of the Committee. Naturally, this has been strongly resented. An AITUC functionary remarked: "Czars could not imprison Lenin, but the UP Lenin Centenary Committee has tried to keep his memories within the four walls of palaces".

A poor adjunct of the dances and dramas were two seminars on 'Gandhi and Lenin' and 'Indo-Soviet Economic and Scientific Co-operation'. The organisers had pinned their faith on exogenous participants for the 'success' of these seminars. Ultimately they had to depend on available local talent. A comparative study of Gandhi and Lenin, by a Gandhian and a Marxist, led to the conclusion that violence was not a creed with Lenin nor was Gandhi a slave of non-violence if that meant national humiliation and de-humanisation of humanity: one sought to serve 'Daridra Narayana', the other the Proletariat. The differences were more semantic than substantial.

The highlight of the discussions on Indo-Soviet Economic and Scientific Co-operation was the appreciation all round of the strategic value of such co-operation for India's economic development. At the same time it was felt that the time had come to emphasise the working efficiency of Soviet-aided projects. In this connection the crises brewing in some of the projects — the Suratgarh mechanised farm, the drugs plant at Rishikesh and the surgical instruments factory in Madras — were mentioned and it was suggested that their working should be probed. The Soviet representative was appreciative of this approach as the criticisms came from friends.

For the seminar, once again, the hall was far from full — thanks to the organisers. Invitation cards were still in the press on the day the seminar was to be held. Moreover, the seminar coincided with the expansion of the State cabinet and at least some of the managers of the celebrations were very excited about it. One of them kept repeating, while apologising for the poor attendance, that "spectacular political changes" were taking place in the State and the city.

What spectacular changes? The very day after the expansion of the Cabinet Congress (R) started grumbling about the allocation of portfolios and the result was successive reshuffles for several days. The Agriculture Minister (BKD) is pressing the Union Government for a ten-year moratorium on prices of farm inputs, irrespective of the level of agricultural prices. The proposed amendment to the Rent Control and Tenancy Acts are aimed at helping house and landowners the cost of urban and rural tenants. There is no hope of nationalisation of sugar industry or a lower ceiling on land holdings.

THE FOURTH ESTATE

Low Voices

Nireekshak

REFLEXES in editorial sanctums are not always as springy as might be imagined. Though news of the American intervention in Cambodia had been splashed on the front pages on Thursday, April 30, morning, and the text of Richard Nixon's television address of the same day was available in newspaper offices by the next afternoon, not all newspapers had editorial comment to offer on Saturday. *Times of India* and *Hindu* were the most notable among the laggards. It was not until Monday that these two newspapers found their voice.

A gap between event and comment may be justifiable on occasions, especially when details of the event are lacking. But in this particular case no such excuse could be advanced as the Cambodian crisis had been in the news for several days already and the American intervention itself was fully reported by the agencies, as well as by the United States Information Service. There is obviously no unwillingness to react, as subsequent comments amply demonstrate; but a valid doubt nonetheless arises whether the delayed reflexes are the result of only editorial fatigue or something worse. One assumes fatigue is the real culprit; if so, there would seem to be a case for rejuvenation of tired minds in exalted places. One of the hazards of daily journalism is the constant effort to catch up with facts; this may sometimes make for incomplete, and even inadequate, editorial comment. But an equally unavoidable concomitant of daily journalism is the necessity to comment on events promptly and knowledgeably; better to say something on available facts than retreat into silence and exasperate readers, awaiting facts or other signals to spur thought.

Coming to the comments themselves, *Times of India* argued, somewhat disingenuously, I thought, that the "tragic developments" following Sihanouk's ouster "could probably have been avoided if Hanoi had taken a calm view of the prince's personal misfortune and had not called off talks with the new regime and suddenly withdrawn its mission from Pnom Penh". The fact of the matter, of course, is that the withdrawal of the mission was far from a voluntary act on the part of Hanoi. Probably because of the writer's fixation about Hanoi's culpability, he avoided any direct criticism of the American action. He sought instead to fix attention on its possible consequences. "President Nixon will have achieved precious little even in strictly military terms", the paper said, if the Viet Cong and North Vietnamese forces in the area "disappear into the jungles or retreat into neighbouring Laos only to appear again when the US withdraws". In the paper's view "the key question is whether America's desperate action can ensure the survival of the Lon Nol regime in Pnom Penh and enable it to assert its authority". It came nearest to direct criticism of the American action in the heading ('Drift to Disaster') and in the conclusion: "the fact remains that he [Nixon] has landed himself and his country in a quagmire". Altogether a confused and almost incoherent comment!

Elusive Middle Path

The paper's foreign affairs commentator, Girilal Jain, only compounded this lack of editorial clarity when later, on May 6, he blandly asserted "it is impossible for anyone to be wholly objective about the tragic developments in Indo-China". One is either "inclined to have a sneaking sympathy with the American effort and dilemma" or one "cannot but denounce Washington's policy and actions". For, "there can be no true middle ground in this case". As though objectivity was synonymous with taking the "middle ground"! Some thousand words later, Jain ended up by "hoping" that Washington and Hanoi would find some way of continuing the Paris talks.

Hindu was more forthright. "The American military intervention in Cambodia is to be regretted for what it implies in terms of widening the conflict in the Indo-Chinese theatre" it said. "But Washington's reasons for this intervention will be hard to reject." Arguing that Washington would not have taken this "extreme step" if the North Vietnamese and Viet Cong troops had not "launched their massive offensive against Pnom Penh", the paper suggested that "a Geneva-type conference would seem to offer a sensible way for finding a solution" to the "Cambodian problem".

Chorus of Condemnation

National Herald, however, minced no words while saying (May 3) that "in both West Asia and South-East Asia, the Nixon Administration has taken wrong steps and on the wrong side, and in South-East Asia it amounts to aggression". Titled "Nixon's War", the editorial said: "Mr Nixon's foolhardy adventure, which has been condemned over most of the world and which is already extremely unpopular among the American people and is greeted with a chorus of condemnation from the youth, recalls Truman's dramatic intervention in Korea in the name of the United Nations . . . The US Government through Mr Nixon has proclaimed that it reserves the right to intervene anywhere, whatever the consequences. No country is to be free from this threat. All countries must fight it."

Free Press Journal, though it was quick enough to offer comment on the American intervention, was guilty of a lapse in reporting which makes the flabbiness of its two distinguished contemporaries mentioned earlier look respectable by comparison. On Wednesday, May 6, this paper came out without a word of news about anti-war demonstrations in America! While others reported prominently the death of four American students in these demonstrations, *Free Press* was apparently quite unaware of the incidents! Instead it carried on the front page an item about "backing for Nixon decision" in the United States! It must be wondered if this exhibition was the result of editorial or news-editorial fatigue or something else. In sharp contrast, *Tribune* and *Patriot* distinguished themselves by giving reports of anti-war demonstrations in America lead-prominence on their front pages.

Although events in Cambodia overshadowed much else, there has been an animated discussion in the Press on the Government's new drug policy. While the entry of American forces into Cambodia may not directly affect Indian lives, the availability or otherwise of cheap drugs is an issue that concerns everyone very closely. So *Hitavada* devoted nearly two columns of editorial space to a discussion of what it called a "bold drug policy" (May 2). Detailing various aspects of the Tariff Commission's recommendations, the paper made its main point as follows: "It is true that the manufacturers should not be allowed to suffer losses but at the same time it is also true that ailing persons should not be made to suffer because of exorbitant prices of the life sustaining drugs. A golden mean will have to be found to convince the people that the Government is neither partial to the manufacturers nor to the consumers . . . Before issuing the final control order on drugs the Government should strengthen its machinery to assure the implementation of the control order. Otherwise the Government's good intention may do more harm to the people than the intended good."

Who Wants Cheap Drugs!

Financial Express, on the other hand, saw in Government's policy an attempt to support the "inefficient" public sector in drugs at the cost of the efficient private sector. "While conceding the demand for a reduction in drug prices, its impact on the long-term growth of the industry cannot be overlooked", the paper said. "The Government has used its power to manipulate the prices of drugs in respect of which it has acquired a vested interest as manufacturer . . . Plainly stated, the ailing consumer has been obliged to finance the luxury of having to support the inefficient public sector units without any social or economic benefits." All of which leads the paper to conclude that while Government may "please Parliament" by its new policy, "at least one generation will have to buy costly medicines for the folly of the Government". One had imagined that the decision of the Government was to cut drug prices!

Mail, like most others, welcomed the new policy. "Price control of essential drugs is an important step in the promotion of public health", it said. "There is indeed immense scope for linking it to a system of medical attendance for the poor and even the supply of some drugs free of cost to the indigent sections of the population. But the beginning now made is a matter of gratification."

Estimates of Saving and Capital Formation

K L Deshpande

National Income Statistics, Estimates of Capital Formation in India, 1960-61 to 1965-66
National Income Statistics, Estimates of Saving in India, 1960-61 to 1965-66.
Central Statistical Organisation, Department of Statistics, Government of India, 1969.

BY releasing the official estimates of capital formation and saving in India for the period 1960-61 to 1965-66 the CSO has filled in one of the important gaps in the system of national accounts. These preliminary estimates, it has been stated, are the product of efforts spread over a number of years and take into account discussions and comments at meetings of the Working Group on Saving and Capital Formation constituted by the CSO and at the Udaipur Seminar held in April 1969 under the auspices of the Indian Association for Research in National Income and Wealth. Earlier systematic attempts at estimation of saving and investment in India by other organisations like the RBI and the NCAER must have materially helped the CSO in building up these estimates.

The considerable time-lag in the availability of these estimates — the 1965-66 estimates having become known in 1970 — should not belittle the value of the data. A beginning has been made, and it would not be too optimistic to expect that the time-lag would be reduced at least to the same as that in respect of national income estimates. Reference to the non-availability of data, in some cases even for 1964-65, would indicate the task which the CSO would have to face, if this modest objective is to be achieved, since already there is a gap of about 18 months in the availability of detailed national income tables.

Two Approaches

The estimates of saving and investment have been built up through two approaches, though in some cases the two overlap. Estimates of domestic net fixed capital formation have been worked out through the commodity flow and expenditure approach. These, together with estimates of changes in stocks based on diverse information, provide estimates of domestic capital formation in India. Deduction therefrom of "inflow of foreign resources", primarily based on balance of payments data, give domestic saving. According to the other method, estimates of sectoral saving are made directly, and these together with "inflow of foreign resources" would correspond to investment in the economy. Saving of the public sector and the private corporate sector are estimated mainly from their income accounts. The institutional approach* is adopted to work out a good portion of financial saving of the household sector. Households' saving in the form of deposits and insurance funds are culled from various surveys and balance-sheets of commercial banks, co-operatives, the LIC, etc. Households' direct investment in fixed assets like housing, agriculture, non-corporate business, etc, is treated as a residual by deducting from estimates of net fixed capital formation referred to above, estimates of net fixed capital formation in respect of public sector and private corporate sector. Changes in stocks with households are again built up from a variety of sources.

It would have been a coincidence if the estimates according to the two methods had turned out to be the same. From these two sets of estimates, a single series of domestic saving and investment has been evolved by adjusting inventories in the estimates of direct capital formation. This implies that the direct saving estimates and investment figures emerging therefrom are the real official estimates. This is understandable, as estimates of saving of public sector, private corporate sector and household sector in the form of financial assets are decidedly more firm than those derived from capital formation etimates. While this procedure of equating the two estimates by adjusting inventory estimates in capital formation facilitates neat distribution of sectoral aggregate investment, and its composition — fixed assets and inventories —, it arbitrarily reduces the relative importance of inventories in aggregate capital formation. In the process, inventories were reduced in 1961-62 by nearly three-fifths and in 1964-65 by over one-third. This gives, in some years, quite odd estimates of inventories in the private corporate sector, inventory changes in respect of sample companies whose data have been published in the RBI *Bulletin* being higher than those for the entire sector.

Vaguely Relevant Ratios

The reliability of estimates of capital formation through the commodity flow approach would depend on the quality and coverage of data pertaining to production, stocks, imports, exports and their uses in various activities. Again, the valuation of these products at the aggregate level, and in the accounts of the public sector and the private corporate sector, would determine the error component in fixed investment by households, which is a residual figure. As these estimates for households form part of official series of saving estimates, they embody the weaknesses inherent in this method of estimation. In some cases, estimates of inputs for capital formation are tenderly linked with some vaguely relevant ratios observed for one year. For instance, the value of "other building materials" is assumed to form 35 per cent of the value of products used for construction on the basis of the RBI Survey of Building Activity for three cities — Bombay, Calcutta and Madras (RBI *Bulletin*, April 1960). To what extent this proportion observed for these big cities in the Survey year for building activity could be appropriate for estimation of such inputs in the entire construction activity including rural and non-building construction is a debatable point. All this would suggest that there is vast scope for further improvement in estimating these magnitudes through the commodity flow approach.

So far as estimates of sectoral saving (other than household saving in physical assets) are concerned, there is a broad uniformity in methodology of estimation adopted by the CSO, the RBI and the NCAER. The CSO esti-

* Total issue of a financial asset, e g, currency, shares, debentures, etc, less holdings thereof by sectors other than households which are estimated from balance sheets of these sectors would give households' holdings of these assets.

Table: Sectoral (Net) Saving, Investment and Draft on other Sectors
1960-61 to 1965-66

(Rs crores)

	1960-1	1961-2	1962-3	1963-4	1964-5	1965-6
(A) *Public Sector*						
(1) Net domestic capital formation	1028	1014	1285	1509	1739	2034
(a)	7.7	7.2	8.6	8.7	8.6	9.8
(b)	61.7	60.0	66.9	64.1	64.9	66.6
(2) Net saving	316	371	412	544	609	570
(a)	2.4	2.6	2.8	3.2	3.0	2.8
(b)	26.7	27.6	27.8	28.6	29.3	22.9
(3) Net draft on other sectors' saving (2-3)	712	643	873	965	1130	1464
(B) *Private Corporate Sector*						
(4) Net domestic capital formation	343	329	195	384	314	165
(a)	2.5	2.3	1.3	2.2	1.6	0.8
(b)	20.6	19.5	10.2	16.3	11.7	5.4
(5) Net saving	117	135	141	148	108	105
(a)	0.9	1.0	0.9	0.8	0.5	0.5
(b)	9.9	10.0	9.5	7.8	5.2	4.2
(6) Net draft on other sectors' saving (4-5)	226	194	54	236	206	60
(C) *Household Sector*						
(7) Net domestic capital formation	294	346	440	460	628	857
(a)	2.2	2.4	2.9	2.7	3.1	4.1
(b)	17.7	20.5	22.9	19.6	23.4	28.0
(8) Net saving	751	838	927	1211	1364	1811
(a)	5.6	5.9	6.2	7.0	6.8	8.7
(b)	63.4	62.4	62.7	63.6	65.5	72.9
(9) Net transfer to other sectors — financial saving of households (8-7)	457	492	487	751	736	954
(D) Inflow of foreign resources	481	345	440	450	600	570
(a)	3.5	2.4	2.9	2.6	3.0	2.7
(E) Domestic capital formation (A1+B4+C7)	1665	1689	1920	2353	2681	3056
(a)	12.4	11.9	12.8	13.6	13.3	14.7
(F) Domestic saving (A2+B5+C8 or E — D)	1184	1344	1480	1903	2081	2486
(a)	8.9	9.5	9.9	11.0	10.3	12.0

(a) Proportion per cent to net domestic product.
(b) Proportion per cent to (net) domestic capital formation saving.

mates of public sector saving would be probably more reliable as they have got ready access to the reports and accounts of various public sector units. Wide fluctuations in households' annual investment in shares of private corporate business between Rs 85 crores in 1963-64 and disinvestment of Rs 28 crores in 1965-66 appears to be primarily due to fluctuations in amounts of capital raised which are taken from the Company Law Board (CLB). Granting that these would be more complete than those given out by the Controller of Capital Issues (CCI), it is wondered whether the wide divergences, in some years, between the primary data complied by the two offices could be solely attributed to the fact that unlike the CCI, the CLB data allow for shares of companies in liquidation and capital raised by companies who need not report to the CCI. One is not convinced that it is due to that alone. This might mean that from the point of view of collection of primary data, there is a good case for making it obligatory on all companies to furnish data as to capital raised by them during a year which would prove as a cross-check on CLB data.

Continuous disinvestment in Government securities which amounted to around Rs 190 crores in the last three years (1963-64 — 1965-66) raises a doubt whether the investment pattern of provident funds for which no definite information is available, conforms to the assumed proportion of 80:20 between Government securities and small savings. Perhaps they might be investing much less in Government securities, in which case disinvestment in Government securities by households would be less. It is, however, true that this would not affect household saving in the form of claims on Government.

What about the overall estimates as such? Sectoral investment, saving and inflow/outflow of resources as are available or derived from CSO publications are presented in the accompanying Table. Domestic saving-income (Net Domestic Product) and investment-income ratios steadily increased during the Third Plan period (except in 1964-65), and reached their peaks of 12.0 per

cent and 14.7 per cent, respectively, in 1965-66. Almost the entire improvement in saving-income ratio during the Third Plan of over 3 percentage points, or by over one-third, was due to rise in household saving, the decline in private corporate saving being compensated by increase in public sector's saving. Of the household saving, it is the saving in physical assets which showed marked rise from 2.2 per cent to 4.1 per cent. As the estimates of physical saving are relatively less firm, any conclusions based on these data would have to be carefully weighed.

The relative share of public sector's saving was a little over one-quarter almost throughout the period. The contribution of private corporate sector steadily declined from around 10 per cent at the beginning of the Plan to somewhat higher than 4 per cent in 1965-66. The share of the household sector which was less than two-thirds during the first five years, shot up to nearly 73 per cent in 1965-66, particularly due to step up in its direct investment (saving in the form of physical assets) from Rs 460 crores in 1963-64 to Rs 857 crores in 1965-66.

Whatever improvement there has been in financial saving of households in relation to national income has been particularly due to sharp rise in saving through currency and net deposits. Saving in the form of life insurance and provident funds steadily increased in absolute terms but broadly only maintained their relative position in financial saving. Households' investment in shares and debentures and their net claims on Government on the whole seem to have declined in importance.

Increase in Capital Formation

Of the aggregate domestic investment, public sector accounted for over 60 per cent throughout the period, and nearly two-thirds during the last four years of the Third Plan. Net domestic capital formation in the household sector steadily increased in absolute terms. It is only investment in private corporate sector that sharply declined in a couple of years and in 1965-66 accounted for barely 5 per cent of domestic investment. This poor showing of the private corporate sector, to some extent, might be due to adjustments made in inventory estimates.

Broadly speaking, the public sector and the private corporate sector (except in 1962-63 and 1965-66) — the net borrowing sectors — depended for roughly two-thirds of their investment on saving of other sectors. In addition to the bulk of the inflow of foreign resources which seems to have been absorbed by the public sector, the public sector's net draft on household saving too has increased substantially. This is reflected in the pattern of financial saving of the net lending sector (the household sector) through which the resources are made available to the other sectors. If the estimated investment of households in shares and debentures of corporate sector, net commercial bank credit to the corporate sector and 20 per cent of household saving in the form of life insurance funds is taken as resources transferred from the household sector to the private corporate sector, then, in some years, this sum exceeds substantially the gap in investment and own saving of the private corporate sector, raising doubts about the consistency of sectoral saving/investment estimates and the pattern of household saving.

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AIYARS. S. 91

A Little Ferment

Christopher Collingwood

American Power and the New Mandarins by Noam Chomsky; Chatto and Windus, 1969; pp 319; 42s.

THE relatively quiescent campus years of the fifties, as I recall so vividly within Central Europe, stand juxtaposed to that almost miraculous upsurge and contestation of the sixties. Earlier we had been taught that ideology was dead, and that as young professionals we should embrace the technocratism of the market mechanisms and the moral imperatives endorsed by Keynes that "fair is foul and foul is fair, for foul is useful and fair is not". And after all, there was some logic in this view since the Russians and their Liebermann were preaching much of the same stuff. The artifacts of the impoverished liberal establishment were all there to be seen in the fifties, but the movement of contestation was yet to develop. The acorn had not yet become the oak.

Out of Liberal Cage

The upsurge against the Vietnam War found its crystallisation in the USA in the person of Noam Chomsky, and tens of thousands of men and women like him. Rising above the severe limitations of his class background and transcending it, one may also say vindictively, he has succeeded in breaking out of the entrapments of the liberal iron cage. In a way, it may be said that the Chomskys the world over are the sum total not only of their immediate milieu, but of Vietnam, of Guatemala, of the Congo. In short, it is above all the agony and almost superhuman powers of resistance of the Vietnamese people that shaped Chomsky. Undoubtedly he would still be one of the world's leading linguistic theorists — but as an individual he would be infinitely poorer without the Vietnamese peasant guerillas that stood behind him and who continue to expend their blood at a rate unparalleled in human history. The reading of these essays makes this clear. But that is only one side of the coin. The other was Chomsky's ability to respond to their *cri de coeur* as against the blunted sensitivities of many, if not most, American intellectuals, or for that matter the demoralised intellectuals of the Indian subcontinent. To read Chomsky's ten essays in this collection is to be singularly struck not merely by the analytical vigour with which he marshals his facts and the eloquence of presentation (not necessarily virtues in a writer). It is to be inspired by the abnegation and compassion of the anti-Vietnam War movement which, naturally, has had social reverberations beyond that movement.

No greater homage to the peace movement could have been rendered than that of Ho Chi Minh who shortly before his death referred to the radical mass demonstrations and their inspirers in the USA as "a source of colossal pride to the peoples of Vietnam". Ho was never given to hyperbole, but he could have taken pride in the simple truth that the liberation struggle that has endured for several decades was itself the generator of that movement. It was the American negro rebel Nat Turner who once defined a slave as anyone who accepts his condition; but he ceases to be a slave from the moment he repudiates slavery and fights it. In Turner's case the price to be paid for such repudiation was his execution, and recalls the poignancy of Marx's utterance: "The civilisation and justice of bourgeois order comes out in its lurid light whenever the slaves and drudges of that order rise against their masters; then this civilisation and justice stand forth as undisguised savagery and lawless revenge." Yet when any attempt has been made to modify the horrendous realities of life the full force of counter-revolutionary violence is used on them.

Life in a Neo-Colony

Such was the case of the American nation that is Guatemala whose reformist policies under Arbenz were scuppered by the US power oligarchy. What is the reality of life in this neo-colony today? In the words of Marcel Niedergang: "According to Senor Antonio Palacios, of the Bank of Guatemala, 'two-thirds of the population live in a primitive manner; the infant mortality rate is frightful'. Seventy per cent of those under 20 have never been to school; the average life expectancy is scarcely more than 40 years; hunger and lack of hygiene are a veritable scourge; innumerable clandestine distilleries produce a fiery brandy called 'guaro', maintaining a destructive alcoholism; 80 per cent of doctors practise in the capital; outside begins the rule of the 'sorcerer' and the incantations which combine Christianity and the Mayan tradition. Finally, there is 83 per cent illiteracy, one of the highest in all of Latin America."

What the Governor should equally have mentioned was that 2 per cent of all cultivators own 75 per cent of the arable area — and the biggest of them all is the United Fruit Company. Relentlessly these grotesque and fundamental truths are coming to the fore with the help of the New Left and the growing army of awakened, social scientists. The demand for a revamping and a drastic restructuring and humanisation of the social sciences is irreversible. And here again, I believe that one of the formative influences that have been at work has been the struggle in Vietnam, the advent of revolutionary Cuba, the upsurge in Tanzania (to a far lesser extent) and the crisis that is now erupting within the heartland of American imperialism itself.

Relic of the Past

The comfortable, cushy academic world of the pipe-smoking Oxford don is a relic of the past. In this respect the New Left has enhanced our level of awareness, and in so doing has scrubbed our conscience. Gone forever are the days when a Rajani Palme Dutt could pontificate on the beauties of Stalin's order or those of his successors. Like market economics, Russia today is simply irrelevant. This is so because of neo-czarism's sustained sellouts, its blatant repudiation of internationalism, and its desire for accommodation with American imperialism, not to speak of the unabashed racialism now rearing its head in all its ugliness against the non-Russian minorities.

Chomsky may not consider himself a professional historian, but his chapter on "objectivity and liberal scholarship" in delineating anew the various strands of the Spanish Civil War and, more specifically, the Anarchist role has made a singular contribution to the historiography of that period. This is all the more justified because of systematic falsification of the historical record by Stalinists and liberals. It is to be hoped that Chomsky and a narrow circle of his friends will invest some of their resources in the re-writing of the Spanish Civil War since it must now be obvious to all that Thomas's work is a shallow enterprise. Such a work is all the more urgent in order to dramatise Russia's betrayal of Republican Spain. The historical parallels with In-

Announcement regarding the issue of 2,80,000 equity shares of Rs. 100 each at par and 1,00,000 9.3 per cent cumulative redeemable preference shares of Rs. 100 each at par.

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

Persons interested in full details may obtain copies of the prospectus and application forms from the brokers and bankers mentioned below. The subscription list will open at commencement of banking hours on Tuesday, 19th May 1970 and close at the close of banking hours on Saturday, 30th May 1970 or earlier, at the discretion of the Directors but not before the close of banking hours on Friday, 22nd May 1970.

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		Rs. lacs
Proceeds of the present issue		
equity	280	
preference	100	380
Term Loans		539
Bank Overdraft		250
		1169

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1,00,000 9.3% cumulative redeemable preference shares of Rs. 100 each at par	Rs 1,00,00,000
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Out of the present issue

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National and Grindlays Bank Limited	25,00,000	—
The Investment Corporation of India Limited	10,00,000	10,00,000
Rasiklal Maneklal & Co. ...	15,00,000	15,00,000
Harkisondass Lukhmidass ...	12,08,000	—
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(Continued overleaf)

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SPECIAL ARTICLES

Investment in Agriculture

A Cost-Benefit Analysis

Samuel Paul

In a recent article in the Reserve Bank of India Bulletin (January, 1970), V M Jakhade and M V Gadgil have furnished some valuable data on costs and returns relating to farm investments in five districts selected from four States. The purpose of their study was to examine, from the viewpoint of commercial banks which are expected to finance this activity, the economic feasibility of investments in wells, pumps and tractors and the repayment capacity of the farmers undertaking these investments.

The cost-benefit analysis done by Jakhade and Gadgil would lead one to the conclusion that in a surprisingly large number of cases, investments in wells, pumps and tractors were not economically worthwhile in the districts surveyed. If banks were asked to finance these investments, they would tend to reject many of these projects on economic grounds. Yet we know that there has been a boom in these investments. Are the farmers irrational? Or is the Reserve Bank study in error?

It is argued below that it is the Reserve Bank study which is at fault, both in terms of its objectives and approach, and that if banks are asked to follow the criterion of project feasibility proposed in the study, the interests of neither private nor social welfare will be served.

A SIGNIFICANT feature of the recent industrial recession was the consistent growth in the production of investment goods required in the agricultural sector such as pumps, tractors and diesel engines in the midst of a general decline in the production of many industries. This was regarded as an indication of the growing tendency among farmers to invest in modernising agriculture. Observers concluded from this evidence that farmers must have found the new investments to be highly profitable.

While many hypotheses are bandied about on the investment trends, profitability, and incomes in the agricultural sector, hard data and analysis pertaining to these subjects have been conspicuous by their absence. In a recent article titled "Production and Repayment Capacity Oriented Lending for Farm Investment" in the Reserve Bank of India *Bulletin* (January 1970), V M Jakhade and M V Gadgil have filled this gap to some extent by furnishing some valuable data on costs and returns relating to farm investments in five districts selected from four States.[1] The purpose of their study which we shall refer to hereafter as the "RBI Study" was to examine the economic feasibility of investments in wells, pumps and tractors and the repayment capacity of the farmers undertaking these investments, both from the viewpoint of commercial banks which are expected to finance this activity.

The findings of the RBI study are contrary to what one would have expected. The authors found, after attempting an extensive cost-benefit analysis, that investments in wells and pumps pass their test of economic feasibility only in two out of five districts.[2] Investment in tractors was analysed only in one district and there it was found that the criterion of economic feasibility was not satisfied. Broadly similar findings were obtained in regard to the repayment capacity of farmers also, but we shall ignore them for the present since our primary interest is in the economic feasibility study.

Basically, the economic feasibility analysis of the RBI study consisted of three steps. In the first place, the average investment cost of a well/pump/tractor per farmer was worked out for the concerned districts and an annual capital charge including interest charges at 9 per cent on the loan required for the investment was derived from this data, assuming a repayment period usually adopted by banks. Secondly, the annual incremental income net of incremental costs per farmer due to the investment in a well/pump/tractor was estimated. An allowance for uncertainty was also built into the analysis. If the annual incremental income fell short of the capital charge, the investment was considered infeasible, or in the language of cost-benefit analysis, the net present value of the project was regarded as negative.[3]

The cost-benefit analysis done by the RBI study would lead one to the conclusion that in a surprisingly large number of cases, investments in wells, pumps and tractors were not economically worthwhile in the districts surveyed. If banks were asked to finance these investments, they would tend to reject many of these projects on economic grounds. Yet we know that there has been a boom in these investments. Are the farmers irrational? Or is the RBI study in error? We shall argue below that it is the RBI study which is at fault, both in terms of its objectives and approach, and that if banks are asked to follow the criterion of economic feasibility proposed in the study, the interests of neither private nor social welfare will be served.

TABLE 1: INVESTMENT IN WELLS AND PUMPS: SELECTED DISTRICTS

Sr No	Costs and Returns	Rajkot (Gujarat) 1	Chitoor (AP) 2	Ahmednagar (Maharashtra) 3	Sholapur (Maharashtra) 4	Kolar (Mysore) 5
(1)	Investment per farmer (Rs)	7,600	4,200	11,500	6,600	10,600
(2)	Net annual returns per farmer (Rs)	4,667	1,943	3,307	1,444	1,534
	Rates of Return (Per Cent)					
(1)	Assuming constant ($B_t - C_t$) for 10 years	60	42	26	18	8
(2)	Assuming cyclical fluctuations in ($B_t - C_t$)	56	40	22	14	4
(3)	Assuming 50 per cent increase in ($B_t - C_t$) due to sale of water for (2 districts)					
	(i) Constant ($B_t - C_t$) for 10 years	—	—	—	30	18
	(ii) Cyclical fluctuations in ($B_t - C_t$)	—	—	—	26	14

Notes: Investment costs are obtained by combining the costs of wells and pumps as given in the RBI stucy Table 2. Net returns are the incremental incomes per farmer resulting from the investment in both wells and pumps as given in the same Table. Rates of return have been rounded off. I am thankful to Gopa Basu for statistical assistance.

Cost-benefit analysis may be undertaken either from a private or a social point of view. In both cases, the usual approach is to estimate the total costs and benefits relevant to the particular point of view adopted and to work out the net present value of the investment or its internal rate of return. While the RBI Study recognises the need for such an approach, it feels that in the case of banks which finance modest schemes of investment on farms, such a comprehensive analysis is neither necessary nor practicable. The reasons given are, "Firstly, the lending banks' primary concern would be with the impact of an investment on the borrower's own farm rather than on the economy as a whole. Secondly, taken individually, the effect of investments financed by banks may not spread outside of the benefiting farms to an appreciable extent. Thirdly, as banks cannot normally provide loans for a period exceeding ten years,* the analysis of feasibility in respect of certain permanent investments like construction of wells, which have a serviceable life far in excess of ten years, cannot be related to the full expected life of the assets. In short, various constraints make it necessary for the banks to adopt a viewpoint narrower than that of a comprehensive analysis of economic feasibility".[4] The RBI study thus takes neither the private nor the social point of view, but what we shall call a "truncated approach".

The methodology adopted by the RBI study flows directly from the objectives the authors set for themselves. The main features of their approach which are of interest to us are the following:

(1) The benefits of an investment should not include the receipts which farmers in some areas realise by sale of water, hire of tractors, etc, to others. The analysis should be concerned only with the increase in the farm income of the investor as a result of the investment.

(2) For purposes of the economic feasibility study, the cost of reduction or saving made possible by the new investment is irrelevant. Actually, the authors are of two minds on this. At one place, it is said that cost savings are relevant in benefit estimation and yet the benefits estimated for the tractor feasibility study does not seem to take this factor into account.

(3) Costs and returns are considered relevant for the feasibility analysis only if they are generated within the repayment period regarded as appropriate in the banking business. By implication a part of the total benefits which would have been generated by an investment over its life time is ignored in the study.

What should a bank's objective be in financing an agricultural investment scheme? Is it in the private or public interest for a bank to measure benefits solely in terms of the difference which the investment may make to the investor's own farm business? Even a private banker would have gone beyond this and assessed all "monetary benefits" accruing to the investor as a result of this project, irrespective of whether they were generated on his farm or outside. One would have thought that a nationalised bank would go even further and look for benefits which may not have accrued to the investor, but resulted in economic gains for the surrounding area. Now, even if a bank does not take such a broad view of the matter, it should at least take the customary private approach to the analysis of economic feasibility for several reasons.

DISCRIMINATION AGAINST SMALL FARMERS

(1) The primary concern of the bank should be to identify and support economically viable investments. Its lending policy should be such that fuller utilisation of capacities are encouraged and per unit costs of inputs are reduced. In judging the viability of a project, it does not make sense at all to ignore part of the legitimate benefits and then claim that the investment is not feasible. This approach goes against all sound notions of feasibility analysis. To take an analogy from industry, in appraising an engineering unit which produces castings, part of which is sold directly and the remainder is processed further in the plant and then sold, should the financing institution ignore the potential profits arising out of the direct sale of castings?

(2) There are special reasons why in the Indian context, sale of water, hire of tractors, etc, should be included under benefits. There are indivisibilities in many of these investments. One has to be a large-scale farmer to undertake a viable investment without having to sell services to the neighbouring farmers. On the other hand, if sell-

* This constraint on the period of lending stems from the maturity period of banks' borrowed resour-

ing water or hiring tractors are considered in estimating benefits, even a small farmer could hope to start a viable project and serve his area also. In fact, under these conditions, it might be possible for him to install a larger pump, than he would otherwise have done, and as a result generate greater economies of sale. The exclusion of sales of services to outside one's own farm has the direct effect of denying worthwhile investment opportunities to the smaller farmers. This indeed is a strange brand of socialism.

(3) Given the fragmentation of land in India, it is naive to expect even the larger farmers to set up pumps or maintain tractors near all their holdings. In many cases it would be uneconomic for farmers to make these investments just for their own use. They would much rather hire these services in times of need. There is thus an economic need which deserves to be filled, and buying the inputs of water or tractor service from someone who has idle capacity available with him is the most economic way of meeting this need.

There is a view that in such instances, farmers should be encouraged to join together and invest in a common project. This is fine if co-operation is forthcoming. But surely, this does not mean that those who can undertake a viable project by selling water or hiring tractors should be deprived of that opportunity.

Cost Savings as Benefits

In the RBI study, it was found that a tractor is not an economically feasible investment even if the repayment period is five years. Part of the reason is that the investor's income in terms of hire charges received is ignored. The other reason for this unusual finding is that the cost savings made possible by the investment are excluded from the analysis. If adjustments are made for these two factors, it is found that a tractor owner can recover his full investment in a period of two years. Yet the RBI study claims that investment in tractors becomes feasible only if the loan period is extended to ten years!

Details of cost savings are given only for the tractor analysis. Whether installation of pumps is also followed by cost reduction is not clear. If the answer is yes, cost savings need to be added to the benefits estimated for pumps also.

The arbitrary choice of a repayment period also detracts from the value of the RBI feasibility analysis. When the period of analysis is limited to five years even though the productive life of the asset is ten years, in effect, the productivity of the investment is being understated. The discrimination is particularly severe against long-term projects which may in fact be quite productive. The appropriate approach would have been to work out costs and returns of the project considering its full productive life so that its viability is properly evaluated. Then, if banks are constrained by short repayment periods, one could at least consider alternative means of financing such investments. By arbitrarily confining the analysis to a short period to begin with, the RBI study has denied itself the opportunity to assess economic feasibility in its proper perspective. What the authors have analysed is not economic feasibility, but whether the investor will generate enough net cash flows during the repayment period appropriate for a bank to repay the loan in full.

TABLE 2 : INVESTMENT IN TRACTORS

Costs and Returns	Ahmednagar (Maharashtra)
Investment (I) per tractor (Rs)	38,000
Net annual returns ($B_t - C_t$) per tractor (Rs)	
(i) According to RBI Study	7,800
(ii) Our Estimates	19,500
Rates of Return (Per Cent)	
(1) Assuming Constant ($B_t - C_t$)	
(i) Based on RBI net returns	16
(ii) Based on our estimated net returns	50
(2) Assuming Cyclical Fluctations in ($B_t - C_t$)	
(i) Based on RBI net returns	12
(ii) Based on our estimated net returns	45

Further Analysis of RBI Data

Actually, the RBI study has furnished most of the data required for working out rates of return on the different investments they have considered. Rates of return (whether private or social) are the best index of the viability or economic feasibility of an investment. We have computed discounted rates of return rather than the traditional accounting rates since the former are more meaningful for inter-project comparison and economic analysis in general. We present below the private rates of return on the investments considered in the RBI study and the method used in the analysis.

The internal rate of return on an investment is that discount rate which when applied to both its investment (I) and the net benefit stream ($B_t - C_t$ yields a zero net present value. Symbolically,

$$\sum_{t}^{n} \frac{(B_t - C_t)}{(1+r)_t} = I$$

Where B_t = Gross benefits in the 't'th year
C = Operating costs in the same period
I = Initial investment
t = Year 1, 2, ... n
r = Internal rate of return

Given the values of B_t, C_t, I and n the equation can be solved for r. Alternatively, the net present value of an investment can be estimated, given a discount rate such as the 9 per cent interest used in the RBI study.

Since the RBI study has computed incremental income ($B_t - C_t$) only for one year, we have made projections under three different assumptions assuming a life of 10 years for pumps, tractors and wells. For the first two items, a ten-year life is a reasonable assumption while for the wells, it is highly conservative. Projections of ($B_t - C_t$) have been made assuming (1) the same level of annual incremental income as given in the RBI study for 10 years, and (2) cyclical fluctuation in ($B_t - C_t$). Every third year, the incremental income was assumed to be only 50 per cent of the preceding year to allow for possible output declines due to bad weather.

In order to see how rates of return will be affected if we take account of incomes generated by the sale of water, we added 50 per cent to the incremental incomes reported against the two least viable districts assuming that such sale of water leads to a 50 per cent increase in net benefits. This upward adjustment has no precise factual basis. However, studies conducted at the Indian Institute of Management, Ahmedabad, have shown that farmers in Gujarat (selected districts) sell as much as 73 per cent of their water to other farmers.[5] Our assumption of a 50 per cent net increase in incomes as a result of sales of services may not be completely off the mark. Other assumptions on the behaviour of returns are equally plausible, but we shall confine our attention to the three given above.

The results of the analysis presented in Table 1 reveal that even if we assume the restricted definition of incremental incomes used in the RBI study, four out of five districts show rates of return higher than 9 per cent for wells and pumps combined. Only one district, Kolar, shows a rate (under alternative assumptions) between 4 and 8 per cent which is below the lending rate of 9 per cent. There is very wide divergence in the returns between districts, Rajkot and Chittoor having rates of return as high as 60 per cent and 42 per cent respectively.

There may be several reasons for the marginally low rate of return in one district. It may be that the productivity of investment is genuinely low in this area. There may well have been considerable underreporting of returns. It is difficult to imagine that investment in an electric pump set would give a farmer an annual incremental income of only Rs 128 or Rs 39.[6] There is also the possibility that pump sets were installed in wells which could not assure the steady supply of water required by power-driven pumps. Yet another factor may be that farmers are selling water and this is excluded from their incremental incomes.

We could not possibly have explored all these alternatives to ascertain their relevance and relative importance in explaining the low returns shown against Kolar. We have, however, estimated rates of return assuming a 50 per cent increase in incremental incomes contributed by the sale of water. The results show that Kolar will clearly pass the 9 per cent test. Even if there are cyclical fluctuations in income, Kolar's rate of return could be between 14 and 18 per cent. Given the high rates of return in all the other districts, one is tempted to believe that underreporting or poor planning at the farm level may have been at the root of the low rate shown against Kolar.

The analysis of the tractor data for Ahmednagar (see Table 2) is most revealing. While the rate of return assuming the incremental income given in the RBI study is 12-16 per cent, the rate that takes into account hire charges and cost savings is as high as 50 per cent. Even when cyclical fluctuations in returns are assumed, the rate of return on tractors does not fall below 45 per cent. If one compares these rates with the rates of return in manufacturing industries, one can easily see how much more profitable investment in agriculture has been. That there was a boom in the demand for investment goods in the agricultural sector in the midst of the recession is no longer so surprising.

Conclusions

We have shown above that the truncated approach implicit in the RBI study tends to understate the real rates of return on investment in agriculture and therefore might lead to wrong conclusions about the economic feasibility of such projects. The major findings of our analysis may be summarised as follows:

(1) The guidelines for analysing economic feasibility of investment schemes in agriculture proposed in the RBI study will tend to discriminate against the small farmer. The definition of benefits in terms of the incremental income generated by the project on the investor's own farm will favour the larger farmers, work against fuller and more efficient utilisation of investment facilities and act as a constraint on farmer's efforts to achieve economies of scale. In other words, the proposal will result in a flagrant violation of the principles of both equity and efficiency. The lending power of banks should be used to foster economic and efficient operations in the rural areas rather than to promote the outmoded ideal of self-sufficiency for each and every farmer.

A similar criticism may be made also against the RBI study's measure of repayment capacity of which a major determinant is the farmer's total income. However, since repayment capacity is not the subject of this paper, we shall merely note here that discrimination in favour of the large farmer is built into this aspect of the RBI study also.

(2) The test of economic feasibility proposed in the RBI study has a built-in bias against longer term investments and schemes the returns from which may grow over time. If repayment capacity is the point in question, the proper approach will be to estimate the net cash flows arising from the project during the proposed repayment period. But this should in no case be confused with tests of economic feasibility which should measure the productivity of the investment.

(3) We have suggested that in judging the economic feasibility of an investment, the criterion of the discounted rate of return should be used. Even if the nationalised banks cannot be expected to take a social point of view, they must at least take a total private view in evaluating the investment schemes in agriculture. Arbitrary decisions to exclude parts of the incremental gains attributable to an investment and to keep the time horizon of the investment too short will definitely result in an understatement of the true rates of return and the economic feasibility of such projects. Problems of data still remain to be sorted out. But the first step should be to ensure that we have the right approach and methodology for testing the economic feasibility of farm investments.

(4) Our cost-benefit analysis shows that private rates of return on investment in wells, pumps and tractors are quite high in practically all the districts covered in the RBI study and substantially exceed the lending rate of 9 per cent. The only exception is Kolar district where the low rate may have been caused by underreporting or poor planning at the farm level. Even here, an adjustment for sale of water converts a low rate of 8 per cent to an attractive 18 per cent. The high private rates of return experienced by farmers in Gujarat, Maharashtra, and Andhra reinforce the view that those who plan their farm investments well and utilise them properly find these projects extremely profitable. While it is heartening to learn that investment in agriculture is on the whole highly profitable, our findings do suggest the need for a new look at the rationale for subsidising these investments and exempting this class of investors from direct taxation.

Notes

1 For further details on the samples, concepts and methods used, see the RBI *Bulletin*, January 1970. The four States included in the study are Gujarat, Maharashtra, Mysore and Andhra. The data pertain to the year 1967-68.
2 If investment in wells and pumps are taken together, three out of five districts will pass the test of feasibility.
3 The RBI study does not use this jargon. But the authors have implicitly assumed the underlying concepts.
4 RBI *Bulletin*, January 1970, p 57.
5 See S M Patel and K V Patel, "Studies on Economics of Rural Electrification and Lift Irrigation", Indian Institute of Management, Ahmedabad, 1969, p 140.
6 RBI *Bulletin*, January 1970, p 66.

Changing Contours of Right to Compensation—II

Mohammed Imam

A sizeable and influential section of opinion in the country has held that the Supreme Court's judgment invalidating the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1969, is a major obstacle to implementation of socialistic measures. The wisdom of the Constitution-makers in trusting Supreme Court to review state action to ensure enforcement of fundamental rights is questioned by this section of opinion which believes that the legislature has a better title to interpret the Constitution than the judiciary.

This article attempts to analyse the implications of the Supreme Court's judgment in bank nationalisation case against the background of the discussions in the Constituent Assembly on the right to compensation and the Court's earlier decisions touching on this question.

The author argues that it is possible to lighten the burden of the compensation guarantee and yet comply with the basic requirements of the Constitution. Provided the principles of compensation are rationally devised, a balance can be struck between the social interest and the interest of the individual and it should not be difficult to persuade the Court that the requirements of the compensation guarantee under Article 31(2) of the Constitution are satisfied.

In the first part of the article, which appeared last week, the author reviewed the discussions in the Constituent Assembly on the scope of the compensation guarantee. In this, the second and final part, he discusses different views on compensation as reflected in Supreme Court judgments.

Supreme Court's Reading of 'Compensation Right'

AGAINST this legislative background, the Supreme Court had to construe the meaning of the word 'compensation' occurring in Article 31(2) of the Constitution. The courts normally try to ascertain the intention of the legislature from the word itself and in case of ambiguity of, or contradictions between, the two provisions reference is made to other sources, one of which is legislative history.

In State of West Bengal *vs* Bela Banerjee, the first case on the point, the Supreme Court held

> "While it is true that the legislature is given the discretionary power of laying down the principles which should govern the determination of the amount to be given to the owner for the property appropriated, such principles must ensure that what is determined as payable must be compensation, that is, a just equivalent of what the owner has been deprived of. Within the limits of this basic requirement of full indemnification of the expropriated owner, the Constitution allows free play to the legislative judgment as to what principles should guide the determination of the amount payable. Whether such principles take into account all the elements which make up the true value of the property appropriated and exclude matters which are to be neglected, is a justiciable issue to be adjudicated."[18]

In this case, the West Bengal Land Development and Planning Act, 1948, had provided for acquisition of land under it on payment of market value as on December 31, 1946. The Court held that the fixation of compensation without reference to the value of the land at the time of the acquisition is arbitrary and violates Article 31(2). Although the Court observed that the fixation of an anterior date for the ascertainment of value may not, in certain circumstances, violate Article 31(2), it was made clear that any principle for determining compensation which denies to the owner the increment in value that might accrue as a result of war or increase in the pace of industrialisation cannot result in the ascertainment of the true equivalent of the land appropriated.

Here it may be pointed out that the Court did not say how it arrived at the conclusion that the word 'compensation' means "just equivalent of what the owner has been deprived of". The dictionary meaning of the word 'compensation' is "to counter balance, make up for, make amends for, to make equal return to",[19] and of the word 'just' is "exactly, precisely, actually, accurately".[20] Neither the dictionary meaning nor the legislative history was referred to by the Court. One would read in it Munshi's statement referred to above and the US Supreme Court's analogous interpretation of the words 'just compensation' occurring in the Fifth Amendment of the US Constitution. This confirms B N Rau's view stated in his note, referred to earlier, that the word 'compensation' in fact means 'just compensation'. For the US Supreme Court the words 'just compensation' meant "full and perfect equivalent in money of the property taken", but the Court did not reduce the concept to a general formula; instead, it measured the owner's indemnity in various ways depending upon the circumstances of each case. In an endeavour to find working rules that will do substantial justice that Court has adopted practical standards, such as that of market value; at the same time, it has refused to make a fetish even of market value, since it may not be the best measure of value in some cases.[20]

Constitution (Fourth Amendment) Act, 1955

As a sequel to the Supreme Court's decision in the Bela Banerjee case, Clause (2) of Article 31 was amended in 1955, by adding the words:

> "and no such law shall be called in question in any court on the ground that compensation provided by that law is not adequate."

The amendment seems to have incorporated the words used by B N Rau in his draft Article prepared for Mr Pant. Sardar Patel, who could have been a formidable force in opposing such an amendment, which was meant to undo what the Constituent Assembly had done, had passed away by this time.

The dictionary meaning of the word 'adequate' is "equal in magnitude or extent; commensurate; neither more nor less; commensurate in fitness, equal or amounting to what is required; fully sufficient, suitable or fitting."[22] If 'compensation' means "exact equivalent in money" and 'adequate' also means 'equal' it would mean that, as a result of this amendment, 'compensation' as such cannot be questioned in any court. If this was the intention of the Fourth Amendment, the compensation right has ceased to be a fundamental right[23] and, instead of saying that inadequacy of compensation cannot be questioned in any court, it should have been said in clear terms, on the lines of H V Kamath's amendment (and also of the UP Premier's amendment) which

was negatived by the Constituent Assembly,[24] that no such law providing for compensation shall be called in question in any court. However, as this right finds its place as fundamental right even after the Fourth Amendment, certain aspects of the compensation right which are not covered by the Amendment may be justiciable and in that respect legislative determination may not be final. Therefore, the question: to what extent was the judicial review of compensation intended to be excluded?

Neither the statement of objects and reasons nor the report of the Joint Committee of Parliament on this Amendment could indicate in unmistakable terms the extent to which justiciability of compensation was intended to be excluded by this Amendment. Nehru, who introduced this Bill was far from clear when he said that, by this Amendment, we were not denying compensation or saying that there should be expropriation;[25] that compensation should be determined by the state or by rules laid down by the state;[25] that the object of this Bill was not to give in the normal cases any illusory or unjust compensation;[26] and that in cases of large schemes the compensation may have to be calculated in a special way, but even there it would not be unjust.[26]

Supreme Court on the Fourth Amendment

The Supreme Court considered the extent to which the Fourth Amendment had excluded the courts' jurisdiction in respect of compensation under Article 31(2) in Vajravelu Mudaliar *vs* Spl Deputy Collector[27] on the one hand, and in State of Gujarat *vs* Shantilal Mangaldas[28] and R C Cooper *vs* Union of India (the bank nationalisation case)[29] on the other. The basis on which the Court found jurisdiction in this respect in the first case is different from that in the other two cases.

In Vajravelu Mudaliar's case the Court found jurisdiction under the doctrine of fraud on power or colourable legislation. In the view of the Court, the word 'compensation' in Article 31(2) continues to mean 'just equivalent' but after the Fourth Amendment "neither the principles prescribing the 'just equivalent' nor the 'just equivalent' can be questioned by the Court on the ground of the inadequacy of the compensation fixed or arrived at by the working of the principles". This is because the word 'compensation' still exists in Article 31(2) and the clause which has excluded the jurisdiction of the courts uses the word 'compensation' indicating thereby that what is excluded from the courts' jurisdiction is the adequacy of the compensation. Then the Court went on to illustrate the matters which pertain to questioning the adequacy of compensation and laid down that, where different principles of compensation are applicable and if one principle gives higher value than the other and the legislature selects the one which gives lesser value, it is not for the court to say that the law should have selected the principle which gives the higher value, for it relates only to the question of adequacy. From these illustrations the Court deduced the following general propositions:

> "If the legislature makes a law for acquiring a property by providing for an illusory compensation or by indicating the principles for ascertaining the compensation which do not relate to the property acquired or to the value of such property at or within a reasonable proximity of the date of acquisition or the principles are so designed and arbitrary that they do not provide for compensation at all, one can easily hold that the legislature made the law in fraud of its powers . . . . If the question pertains to the adequacy, it is not justiciable; if the compensation fixed or the principles evolved for fixing it disclose that the legislature made the law in fraud of powers in the sense we have explained, the question is within the jurisdiction of the court."

On the facts of this case the Court held that the principle which provided for determining compensation on the basis of five years' average market value, excluding potential value and giving solatium at 5 per cent of the market value rather than 15 per cent as in the Land Acquisition Act, if questioned, would relate to adequacy of compensation which is excluded by the Fourth Amendment.

In the bank nationalisation case (which is a culmination of the theory propounded by the Court in the Shantilal Mangaldas case) the Court for finding jurisdiction made a distinction between 'just equivalent' and 'equivalent', and argued that, keeping in view the reasons for enacting the Fourth Amendment, the exclusion of 'adequacy' of compensation from the courts' jurisdiction only means that it is not open for the court to enquire whether the compensation provided by law is 'just or fair equivalent' of the property acquired, and that the basic 'compensation' guarantee under Article 31(2), *i e*, an equivalent in money of the property acquired, was not intended to be curtailed or restricted by the Fourth Amendment. Therefore, the Court said that, after the Fourth Amendment, the Court has jurisdiction to consider whether or not the law taking property has provided for 'compensation' — an equivalent in money of the property acquired. Then the Court went on to explain, as follows, how 'compensation' or an equivalent in money of the property taken is to be determined

> The broad object underlying the principle of valuation is to award to the owner the equivalent of his property with its existing advantages and its potentialities. Where there is an established market for the property acquired, the problem of valuation presents little difficulty. Where there is no established market for the property, the object of the principle of valuation must be to pay to the owner for what he has lost, including the benefit of advantages present as well as future, without taking into account the urgency of acquisition, the disinclination of the owner to part with the property, and the benefit which the acquirer is likely to obtain by the acquisition. Under the Land Acquisition Acts, compensation paid is the value to the owner together with all its potentialities and its special adaptability if the land is peculiarly suitable for a particular use, if it gives an enhanced value at the date of acquisition.
>
> The important methods of determination of compensation are: (i) market value determined from sales of comparable properties, proximate in time to the date of acquisition, similarly situate, and possessing the same or similar advantages and subject to the same or similar disadvantages. Market value is the price the property may fetch in the open market if sold by a willing seller unaffected by the special needs of a particular purchaser; (ii) capitalisation of the net annual profit out of the property at gilt-edged securities. Ordinarily value of the property may be determined by capitalising the net annual value obtainable in the market at the date of the notice of acquisition; (iii) where the property is a house, expenditure likely to be incurred for constructing a similar house, and reduced by the depreciation for the number of years since it was constructed; (iv) principles of reinstatement, where it is satisfactorily established that reinstatement in some other place is *bona fide* intended, there being no general market for the property for the purpose for which it is devoted (the purpose being a public purpose) and would have continued to be devoted, but for compulsory acquisition. Here compensation will be assessed on the basis of reasonable cost of reinstatement; (v) when the property has outgrown its utility and it is reasonably incapable of economic use, it may be valued as land plus the break-up value of the structure. But

the fact that the acquirer does not intend to use the property for which it is used at the time of acquisition and desires to demolish it or use it for other purpose is irrelevant; and (vi) the property to be acquired has ordinarily to be valued as a unit. Normally, an aggregate of the value of different components will not be the value of the unit. These are, however, not the only methods.

In this case the Court has not conceded to the legislature free play in adopting one or the other of the above methods for determination of compensation for the particular property acquired. In considering which of the principles is relevant for valuing a particular property, the Court insisted on the adoption of a method which would yield greater compensation. For instance, capitalisation of rental value of lands with buildings was held irrelevant because "value of immovable property has spiralled during the last few years and the rental which is mostly controlled does not bear any reasonable relation to the economic return from the property". The Court insisted that such a property should have been valued on the basis of the market value of comparable premises at, or about, the time of acquisition. This is no different from what was held by the Court in the Metal Corporation's[30] case which was overruled in the Shantilal case. Further, the Court held that the valuation of each and every property of the undertaking separately is not a relevant principle for determining the compensation for the entire undertaking acquired, and insisted that in such a case valuation should be made of the entire undertaking including its 'goodwill'.

The full force given to the 'equivalent' doctrine had also the effect of curtailing the power of the legislature to specify the manner in which compensation is to be given. Although the Court conceded that compensation may be either in the form of money or bond, it maintained that in judging whether the law provides for compensation, the money value at the date of expropriation of what is given as compensation must be considered and if the rate of interest compared with the ruling commercial rate is low, it will reduce the present value of the bond and thus impair the guarantee of compensation.

Assessment of Court's View of the Fourth Amendment

Taking first the bank nationalisation case, it may be said that the distinction between 'just equivalent' and 'equivalent' which the Court made is not convincing. In Bela Banerjee's case the Court had not used the term 'just equivalent' to mean 'fair equivalent'. It was to mean 'full or perfect or exact equivalent' — the meaning which the US Supreme Court ascribed to the words 'just compensation' occurring in the US Constitution. As the US Constitution does not contain any definite standard for determining 'full and perfect equivalent' the US Supreme Court[31] adopted the standards of market value and all those that have been outlined by our Supreme Court in the bank nationalisation case for determining 'equivalent' of the property acquired. This means, in substance, that there is no distinction between 'just, full or perfect equivalent' and 'equivalent'. Secondly, even if it is assumed that the term 'just equivalent' in the Bela Banerjee case was to mean 'fair equivalent', the word 'fair' hardly adds anything to the word 'equivalent', for it is in determining 'equivalent' fairness comes in and this has been done by the Court in the bank nationalisation case. The Court insisted on adopting those principles of compensation which it considered fair to the owners. In this sense also it means, in substance, that the connotation of the term 'equivalent' is no different from that of 'just equivalent'.[32]

Secondly, the Court, instead of ascertaining the meaning of the word 'adequate', adopted the reasoning that the Fourth Amendment intended to exclude enquiry into 'just equivalent' by the courts — suggesting, thereby, that the word 'adequate' in the context of the legislative history of the Fourth Amendment meant 'just or fair equivalent'. In other words, it is to say that the 'justness or fairness' of 'equivalent' is excluded from the courts' jurisdiction and not the 'equivalent' (compensation) as such. As pointed out in the above para, the terms 'just or fair equivalent', 'full, perfect or exact equivalent' and 'equivalent' have come to bear one and the same connotation in practice. The dictionaries also ascribe to the word 'adequate' the meaning 'equal or sufficient'. Therefore, it may be said that in questioning the 'equivalent' of the property acquired the Court, in the bank nationalisation case, has in fact questioned the 'adequacy' of compensation which was precluded by the Fourth Amendment.

Let us now take the Vajravelu Mudaliar case. There, the Court said after the Fourth Amendment that compensation — meaning thereby 'just equivalent' of the property acquired — cannot be questioned on the ground that it is not adequate. That is to say 'just equivalent' is different from 'adequate', and the aspects of compensation which are in between these two concepts are open to judicial review. The Court located such aspects of compensation by applying the doctrine of fraud on power or colourable legislation, and formulated certain general grounds on which they can be questioned. This construction is more logical than the one placed by the Court in the bank nationalisation case. But the doctrine of fraud on power or colourable legislation gives much latitude for the Court to say whether or not a particular matter pertains to questioning the adequacy of compensation. The doctrine of fraud on power can properly be applied only when there is no dispute over the scope of legislative competence and it is doubtful whether this doctrine can be invoked to determine the scope of legislative competence as such.

A Possible View of Reasonable Compensation

It is possible to take a third view. The Fourth Amendment has provided that "no such law shall be called in question in any court on the ground that the compensation provided by that law is not adequate". The word 'compensation' means "an equivalent in money of the property acquired" and the word 'adequate' also means 'equival'. If the literal meaning of both the words is adopted, it would mean that compensation cannot be questioned in any court. We have seen earlier that this was not the intention either of the Constitution-makers or of the Fourth Amendment, and this is also clear from the use of the words 'compensation' and 'adequate' in the same clause which was adopted by the Fourth Amendment.

Two different views have come to be expressed by the Court — one in the Vajravelu Mudaliar case and the other in the Bank Nationalisation case. A third view could be as follows. Since the word 'adequate' means 'equal', the Fourth Amendment clause may be construed to mean that "the compensation provided by law cannot be called in question in any court on the ground that it is not 'equivalent' of the property acquired". This would give rise to an obvious question: on what other grounds can the compensation be questioned in the court? If the answer is to be found in Article 31(2) itself, this

reading would make the legislature sovereign in providing for compensation to any extent less than 'equivalent' because there is nothing in Article 31(2) which would control legislature's power to provide for compensation. The Court may apply the doctrine of fraud on power or colourable legislation and lay down the grounds on which compensation may be questioned, as it did in the Vajravelu Mudaliar case. But resort to these doctrines for this purpose may be apposite only when there is no other provision in the Constitution which would determine the limits of this legislative power under Article 31(2). The answer may possibly be found by relating Article 31(2) to Article 19(1)(f) & (5),[33] and when it is so related the compensation for the property acquired may be questioned in the court on the ground that it is not reasonable. A reasonable compensation need not be equivalent of the property taken. In determining the reasonableness of compensation, the Court may have to take into account not only the interest of the owner whose property is acquired, but also of the society at large; and all those principles of compensation which aim at appropriating a substantial part (leaving the rest to the owner) of the value of the property increased not only by the particular community and Government activities but also by the overall economic and social activities of the community and Government, may claim to be upheld as yielding reasonable compensation. The effect of such principles would be to deprive the owners of the acquired property a substantial portion of the social value increases, while the owners of the properties not acquired would continue to enjoy and appropriate such social value increases. For removing this disparity, the Government may have to devise new taxation measures in respect of properties not acquired. One such fiscal measure may be the betterment levy in its wider sense as levied in England under Britain's Land Commission Act, 1967.

In many of the statutes dealing with urban and project development passed since 1950, the compensation principles have been devised in a way which deprives the owners of properties acquired a substantial part of the value increases between the dates of declaration of a particular development project and the date of acquisition of the property. The decision of the Supreme Court in the bank nationalisation case has made the constitutional validity of such statutes doubtful. They may be upheld if the 'reasonable compensation' view is adopted by the Court.

Although the Supreme Court's interpretation of the right to compensation, as an equivalent in money of the property taken, is no deviation from the intention of the Constitution-makers it may have nullified the effects of the Fourth Amendment which excluded enquiry into adequacy of compensation by the courts. But the deterring features of this right no longer exist in their full form today as the area of its operation has already been reduced considerably. The reach of this, by various amendments of the Constitution, has been withdrawn from those kinds of deprivations of property wherein the right to ownership or possession is not vested in the state or in a corporation owned or controlled by the state. All agrarian reform legislations have been taken out of its purview. If whatever remained of it is not liked, the sense of respect for the fundamental rights of the people demands taking this issue to the people who have a right to know the irreducible minimum right to property, and to compensation when the property is taken by the state. An amendment of Article 31(2) by Parliament to curtail the scope of this right or to delete the right altogether from the fundamental rights' chapter of the Constitution is barred by the Supreme Court decision in Golak Nath vs State of Punjab.[34] So long as the Golak Nath case is not overruled, the only feasible way to amend or delete Article 31(2) would be to convene a special Constituent Assembly or hold a referendum as suggested by the Court in the Golak Nath case itself.

Equity of Compensation Principles

A mere discussion of the controversy over the interpretation of the right to property and compensation may not be enough for an appreciation of attitude of the Supreme Court and the legislatures towards this right. Therefore, it may be trite to refer to the principles of compensation laid down by the legislatures in various statutes which have been upheld or struck down by the Supreme Court as complying with or infringing, as the case may be, the right to compensation under Article 31(2) of the Constitution. We have said earlier that it is those principles of compensation, devised arbitrarily and totally ignoring the interest of the property owners in the socially created values of the properties acquired, that were struck down by the Supreme Court as infringing the right to compensation. This would be evident from the following analysis.

Principles Struck Down by the Supreme Court

The following principles of compensation have been held as infringing Article 31(2):

(1) The West Bengal Land Development and Planning Act, 1948, (Section 8) which provided for assessing compensation on the basis of market value on the date of acquisition notification or on December 31, 1946, whichever is less, was struck down on the ground that the Act being 'permanent enactment lands may be acquired under it many years after and the fixation of the market value on December 31, 1946, as ceiling without reference to the value of the land at the time of the acquisition was arbitrary.[35]

(2) The Madras Lignite (Acquisition of Lands) Act, 1953 (Sections 2 and 3) which had provided for assessing compensation on the basis of the value of the land on April 28, 1947, together with the value of any agricultural improvements made thereon after that date and before the acquisition notification was struck down on the ground that the value of the land was frozen on some date anterior to the acquisition — on the assumption that all appreciation in its value since the date of discovery of lignite in that area, *i.e*, April 28, 1947, was attributable to purposes for which the State may use the land at some future date.[36]

(3) The Requisitioning and Acquisition of Immovable Property Act, 1952, [Section 8(3)] — which provided for assessing compensation on the basis of the price which requisitioned property would have fetched in the open market if it had been sold on the date of acquisition, or twice the price which such property would have fetched on the date of requisition, whichever is less — was struck down on the ground that it had frozen the value of such property for acquisition at the minimum of twice its value on the date of requisition when it is common knowledge that all over India there has been spiralling of land prices after the war.[37]

(4) The Assam Acquisition of Land for Flood Control and Prevention of Erosion Act, 1955 (Section 6) which had provided for assessing compensation at the rate not exceeding 40 times the annual land revenue was struck down on the ground that the assessment of land revenue in Assam was done many years ago and the market

value of lands has increased by leaps and bounds as such the compensation based on the multiple of such land revenue has no relation to the market value of the land on the date of acquisition. Another provision of this Act which had provided for assessing compensation of building or structure equivalent to the sale proceeds of its materials plus 15 per cent was struck down on the ground that the sale proceeds of the materials cannot be the just equivalent of the value of the building at the time of acquisition.[38]

(5) The Land Acquisition (Bombay Amendment) Act, 1948, which had provided for assessing compensation on the basis of the value of the land as on January 1, 1948, (and not on the basis of its value on the date of acquisition notification) was struck down on the ground that in the absence of any relevant circumstances requiring the fixation of an anterior date, ascertainment of compensation on the above basis was arbitrary.[39]

(6) The MP Abolition of Cash Grants Act, 1963, which had provided for compensation for the cash grants abolished at the rate of 50 paise or less for every rupee acquired was struck down on the ground that it patently denied just equivalent of the property acquired.[40]

(7) The Displaced Persons (Compensation and Rehabilitation) Act, 1954 [Section 20B(1)(a) and (b)] had provided for (a) transferring another property as nearly as may be of the same value of the property to be restored, or (b) paying compensation for the property to be restored as Government, having regard to the value of the property, may deem fit. The first was struck down on the ground that it did not prescribe the point of time at which the value was to be ascertained, and the second was struck down on the ground that it did not say about paying cash equivalent to the value of the property and that Government might, having regard to the value of the property, decide that cash to the extent of 50 per cent of its value should be paid.[41]

(8) The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1969, had provided various principles for assessing compensation. It provided for valuing (a) each and every property of the banks acquired separately and not for valuing the undertakings as such, with the result there was no provision for paying compensation for 'goodwill' of these banks; (b) a proportionate of the premium paid in respect of all leasehold properties to the unexpired duration of the leases; (c) lands with buildings on the basis of market value or an amount equivalent to 12 times the amount of the annual rent less certain deductions for maintenance, repairs, etc, whichever is less; and (d) liabilities by including therein all debts due and to become due.

The Court held invalid the first method on the ground that it excluded compensation for 'goodwill' the second method on the ground that there was no provision for payment of compensation for the unexpired portion of the leases particularly having regard to the present day condition with rent control on leases operating, the unexpired period of leases has also a substantial value; the third method on the ground that the capitalisation of annual rental at 12 times the amount of rent cannot be regarded as compensation having regard to the conditions prevailing in the money market, that the value of immovable property has spiralled during the last few years and the rental which is mostly controlled does not bear any reasonable relation to the economic return from property, and that the compensation for vacant land with building can be ascertained by finding out the market value of the comparable land and not by capitalising the rental, as vacant premises have larger value than business premises; and the fourth method on the ground that the present value of the contingent liabilities at the date of the acquisition and not the total contingent liabilities may on rational system of accounting be debited against the aggregate value of the assets.[42]

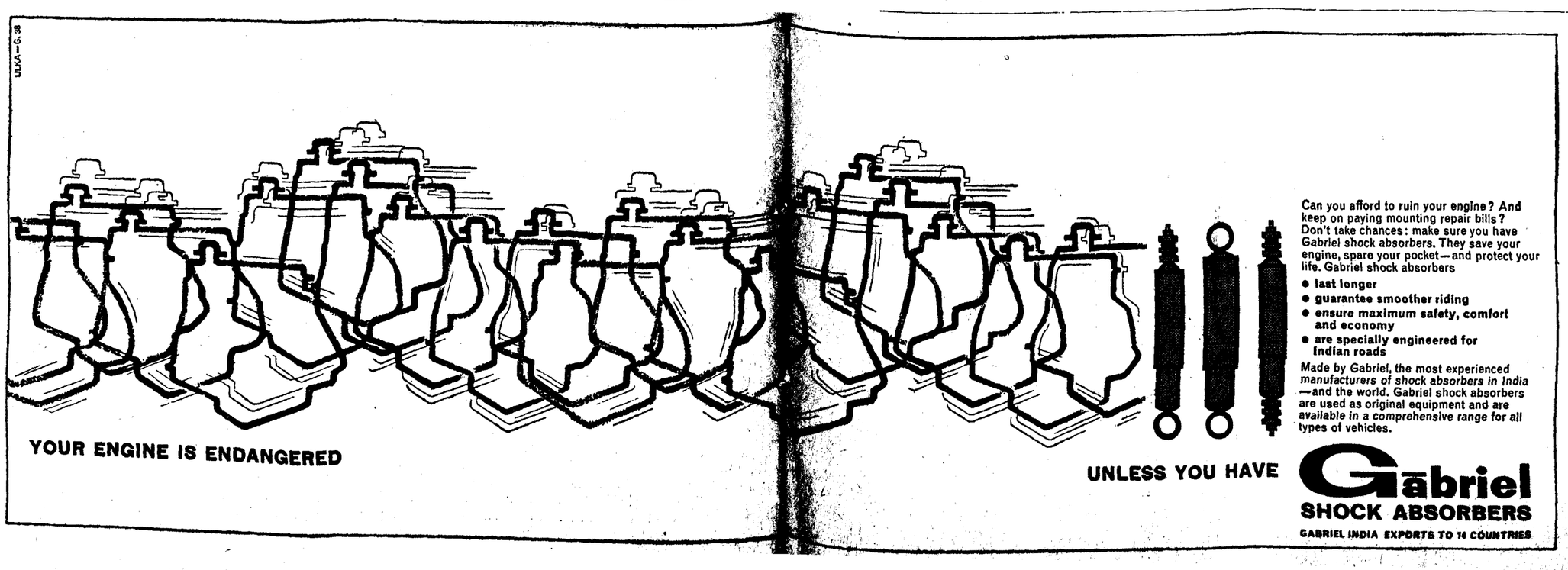
Principles Upheld by the Supreme Court

The following principles of compensation have been upheld under Article 31(2):

(1) The Land Acquisition (Madras Amendment) Act, 1961, had provided for assessing compensation on the basis of market value on the date of acquisition or an amount equal to the average market value during the preceding five years, whichever is less, and by excluding potential value of the land. These principles were upheld on the ground that, in the context of a continuous rise in land prices from year to year depending upon abnormal circumstances, the fixation of average price over five years is a principle for ascertaining the price of the land on or about the date of acquisition and that the exclusion of potential value related to adequacy of compensation.[43] In the bank nationalisation case, also, the Court did not object to fixation of compensation for the open land on the basis of the preceding three years' average market value.

(2) The Metal Corporation of India (Acquisition of Undertaking) Act, 1965, which had provided for assessing compensation for the unused machinery in good condition at the cost price and for the used machinery at a written down value as understood in the Income Tax law was first struck down on the ground that there has been an upward spiral in prices of the machinery in recent years and that the cost price of a machinery purchased about 10 years ago is a consideration not relevant for fixing compensation for its acquisition in 1965; that the doctrine of written down value accepted in the Income Tax law cannot afford any guide for ascertaining the compensation for the used machinery acquired under the Act.[44] But, in a later judgment, this principle of compensation has been upheld on the ground that they were not irrelevant to the determination of compensation and that the compensation was not illusory.[45] The correctness of this later view is not free from doubt, particularly in view of the Court's interpretation of compensation right in the bank nationalisation case.

(3) The Bombay Town Planning Act, 1955, (Section 67) had provided for assessing compensation on the basis of the value of the land on the date of the declaration of intention to make a town planning scheme and not on the date of extinction of interest of the owner. The declaration to make a scheme was made in 1927 and the final scheme was published in 1957, with the result that the compensation for the land acquired in 1957 was paid on the basis of the value of the land in 1927. But the Court upheld this principle on the ground that it is perhaps right to say that compensation cases should not be allowed to drag on for a long time because then the compensation paid has no relation to the exact point of time when the title becomes extinct, but the validity of an Act cannot be judged in the light of the facts in a given case and that the principle was neither irrelevant nor could the compensation thus determined be regarded as illusory. The first part of this view was expressed after holding that reasonableness of compensation cannot be judged under Article 19(1)(f). But now in the bank nationalisation case, the Court has held that that Article 31(2) and Article 19 are not mutually exclu-



sive, it is therefore questionable as to whether such a principle could be upheld by the Court now.[46]

(4) The Land Acquisition (MP Amendment Act, 1959, had provided for assessing compensation for lands in Bhopal area on the basis of market value as on October 1, 1955, plus a sum not exceeding 25 per cent of the market value as the court may award in consideration of the appreciation in the prices of the land by reason of the location of the capital at Bhopal. The MP High Court upheld this principle on the ground that the legislature is competent to fix a date other than the date of acquisition for determining market value if it considers it expedient for some reasons; also that, where due to the prospect of acquisition of land by Government or for industrial projects, etc, speculative rise in prices of land takes place, it is not unreasonable or improper to compute market value excluding the speculative price rise.[47]

Notes

1 (1965) 1 SCR 614. See also *infra* p 31.
2 AIR 1961 MP 280. See also *infra* p 32.
3 State of West Bengal *vs* Bela Banerjee, 1954 SCR 558 and other cases, see *infra* pp 27-30.
4 The Common Law in India, p 187.
5 State of Madras *vs* V G Row, AIR, 1952, SC 196 (199).
6 The American Commonwealth, 1913, p 273.
7 See Election Commission's Report on the Fourth General Elections in India, 1967, Volume II.
8 See M Imam, The Indian Supreme Court and the Constitution, 1968, pp 19-27.
9 Quoted by Frankfurter in 'Essays on Jurisprudence' from *Columbia Law Review*, 1963, pp 49-51.
10 For the manner in which and stages by which this compromising process worked see Austin, The Indian Constitution, 1968, pp 96-97; and the *Hindustan Times*, dated 5, 6 and 10 August 1949, and September 1, 1949.
11 Constituent Assembly Debates, Volume IX, p 1193.
12 *Ibid*, p 1192.
13 *Ibid*, p 1193.
14 *Ibid*, p 1258.
15 *Ibid*, pp 1271-72.
16 B Shiva Rao, "Framing of India s Constitution", Volume IV, p 697.
17 Constituent Assembly Debates, Volume IX, pp 1300-1301.
18 (1954) SCR 558 (563-64).
19 Shorter Oxford Dictionary.
20 Oxford English Dictionary.
21 See US *vs* Miller, 317 US 369 (373-374) and US *vs* Cors, 337 US 325 (332) and cases cited therein.
22 Oxford English Dictionary.
23 When the UP Premier proposed in the Conference of the Drafting Committee with Premiers of Provinces, etc, in July 1949 that no law providing for compensation shall be called in question in any court, Alladi Krishnaswami Ayyar pointed out that if this amendment was accepted, then Article 24 (which is now Article 31) might as well be omitted from the list of fundamental rights. See B Shiva Rao, Framing of India's Constitution, Volume IV, p 697.
24 See *supra* p 11.
25 Lok Sabha Debates, 1955, Volume II, c 1956.
26 Lok Sabha Debates, April 12, 1955, c 5124.
27 (1965) 1 SCR 614.
28 AIR, 1969, SC 624.
29 Writ Petition Number 222 of 1969 decided on February 10, 1970, by a majority of 10:1.
30 (1967) 1 SCR 255.
31 US *vs* Miller, 317 US 369-382 and US *vs* Cors, 337 US 325 (332).
32 See the Note of B N Rau on the Amendment of the Ministry of Industry to the draft Article 24 (present Article 31) in B Shiva Rao, Framing of India's Constitution, Volume IV, p 48, and of Alladi Krishnaswami Ayyar in B Shiva Rao, Framing of India's Constitution — A Study, p 285.
33 In this bank nationalisation case the Court has held that Article 31(2) and Article 19 are not mutually exclusive and that payment of compensation by bonds to be matured after 10 years violated Article 19(1)(g) as it imposed in effect an unreasonable restriction on the right to carry on non-banking business by the 14 named banks. The Court in Ranajirao Shinde's case, (1968) 3 SCR 489 (495) has opined that the validity of Article 31(2) may be judged in the light of Article 19(1)(f).
34 AIR 1967 SC 1643.
35 State of West Bengal *vs* Bela Banerjee, 1954 SCR 558.
36 State of Madras *vs* D Namasivayya Mudaliar, 1964, 6 SCR 936.
37 Union of India *vs* Kamlabai H Parekh, AIR 1968, SC 377.
38 Deputy Commissioner *vs* Durga Nath Sharma, 1968, 1 SCR 561.
39 N B Jeejeebhoy *vs* Assistant Collector 1965, 1 SCR 636.
40 State of MP *vs* Ranajirao Shinde, 1968, 3 SCR 489.
41 Lachman Dass *vs* Municipal Committee, Jalalabad, AIR, 1969, SC 1126.
42 R C Cooper *vs* Union of India, W P Number 222 of 1969 decided on February 10, 1970.
43 Vajravelu Mudaliar *vs* Spl Deputy Collector, 1965, 1 SCR 614.
44 Union of India *vs* Metal Corporation of India, AIR, 1967, SC 637.
45 State of Gujarat *vs* Shantilal Mangaldas, AIR, 1969, SC 634.
46 *Ibid.*
47 Satish Kumar vs State of MP, AIR, 1961, MP 280.

Fishery Development

FISHERY development requires urgent action to promote education and training in developing countries, particularly among subsistence fishermen who comprise 80 per cent of the entire industry. This was among the recommendations of the 34-nation Committee on Fisheries of the Food and Agriculture Organisation, which held a six-day review of world fishery problems in Rome last month. The need to train fishermen in developing countries in new industrial techniques was highlighted at the session, which was preceded by a three-day review of education and training problems. The Committee agreed that efforts to develop modern fishery industries in developing countries must recognise the plight of subsistence fishermen who literally live off what they catch. Emphasis was laid on the need for simplified teaching manuals, increased training and use of extension workers, and manpower surveys. The entire problem of education and training will be discussed and acted upon by a technical conference to be summoned by FAO in 1972.

The Committee also approved plans for the FAO Technical Conference on Marine Pollution to be held in Rome in December. Action was called for to combat pollution in general and to prevent its spread to the still-uncontaminated inland waters of Africa and other areas. Fresh water fisheries were particularly vulnerable to pollution, it was said. Studies were urged into the spreading threat to coral reefs and other tropical marine life. Peru warned against contamination resulting from any installation of nuclear military devices on the seabed and ocean floor.

The Committee endorsed a proposal to create a regional fishery body for the international inland waters of Africa. Brazil urged that greater attention be paid to the development of inland fisheries in South America.

The Committee stressed the importance of developing fishery stocks which are underexploited or not exploited at all and of developing the culture of fish and other organisms in fresh and brackish waters. The exploitation of so-called unconventional stocks required new technology which was not yet available.

Indian Sociologists' Changing Concerns

Brij Raj Chauhan

SOCIOLOGISTS and social anthropologists have in recent years been criticised in rather strange ways. They have been praised for their meticulous procedures in solving or reporting on minor and irrelevant questions. They have been charged with spending more and more time on minor matters. The micro-studies carried out in depth by them have been questioned for their representative character. Their concern with tribe, family and kin, village and caste has been held up as an indictment of their capacity to understand modern institutions.

There are three possible responses on the part of the impeached. First, they may assert that come what may, they will continue to study things they have been used to studying, leaving their studies to show their own worth, the question of their relevance to the times being of secondary importance. The second type of response can be to recognise that the techniques in which sociologists and social anthropologists have gained competence have a relevance beyond the microcosms studied thus far and can be applied with great profit to studies of the urban and emerging phenomena. This could, incidentally, meet the charge that sociologists are conservative in their choice of subjects. The third type of response would be to take recourse to new techniques for attacking new type of questions.

Micro or Macro?

A micro-sized group in Simla evoked all these responses in what was originally styled as a Workshop on Macro-Sociology for India organised at the Institute of Advanced Studies in the last week of April.

The workshop was concerned with the type of distinction sought to be highlighted through the dichotomy implied in the use of the terms 'micro' and 'macro'. It was pointed out that the words could not signify the size of the units under study — a family could be a micro unit in a village study whereas a nation could be a micro unit in an international study. At this stage it was suggested that some limit could be placed, and quick came the retort 'on what principles?' and the only answer could be 'on *ad hoc* basis' — a response that did not register with people who wanted to go on some surer basis.

The other way of looking at the question was to see what had been done in micro level studies. The studies appeared to be treating life in a holistic sense in small communities. They were strong in description, but left little scope for generalisation. These could then qualify as ethnography or sociography but not as sociology. From this point of view 'micro' had no existence at an autonomous level; its existence was as a unit in a hierarchical relationship with the 'macro'. This would then deny the autonomous positions of the two and the next logical position would be that generalisations and explanations were possible only at the macro level. Sociology as a discipline concerned with explanation and generalisation existed only at the macro level. If this were so the qualifying phrase 'macro' was redundant.

Whether because it yielded this clarity or in spite of it, the Workshop thought that the discussion on the dichotomy had been useful *per se*, and that the final publication need not bear the 'macro' title. At least one of the major approaches in sociology and social anthropology, *viz*, the functional approach, does not bother much about questions of Origin, and it did not disturb the Workshop too much to provide an alternative symbol to the actual behaviour of the participants.

It was also clarified that by adding together a number of micro studies, one could not get a macro picture, and that two distinct orders of reality were represented by the two concepts. It is in accordance with this approach that the papers presented at the Workshop are being reviewed here. This means that the individual papers will not be discussed and an effort will be made to conform to the 'First Draft: Not to be Quoted' directive. The review will aim more at catching the spirit of the discussions. The perspective is that of the reviewer and some degree of personal choice in highlighting a few points is inherent in this venture.

Major Shift

One could notice a major shift in the concerns felt by social scientists in the choice of subjects for their papers. The village was not absent but its links with the town and an intermediary centre were brought into focus. Interest was not on marriage or kinship but on political participation in a series of events connected with a national election. Even when castes were mentioned, they were sought to be related to mobility in terms of occupation, education and politics in the setting of an industrialising township. There was a visible effort to comprehend the reality of social relations of a limited, specific nature in towns among doctors and patients. Even university teachers were subjected to inquiry regarding their commitment and motivation. There was sufficient evidence of getting concerned with new types of problems.

Other Challenges

Sociologists are becoming increasingly aware of the challenges from other disciplines. Are the types of problems raised by sociologists relevant to the society in which they live? The historians present at the workshop raised the question whether significant problems could even be thought of without taking note of the broad social and historical perspective within which events occurred at certain places of inquiry. Sociologists seemed to concede the point to the historian; they further agreed with him that understanding required skills different from those of description. But even when they were pressed hard by the historian to consider whether social phenomena were not unique, not admitting of generalisation, sociologists did not abandon their goal of arriving at general explanations. At that stage the historian brought in historical evidence suggesting that types of generalisations of people like Spengler and others had been given up and it had become nearly axiomatic that history never repeated itself. While sociologists too tried to bring forward evidence of the type of generalisations made by Berelson and his associates, others did not accept them as convincing examples, and notwithstanding the historian's abandonment of generalisation, thought they would continue to try on their own.

The relationship of history and sociology forms the subject matter of a full panel discussion at the forthcoming Tenth All-India Sociological Conference later this year, and one can expect more discussion on the theme only if the historians are admitted full access to the deliberations and they respond to the challenges posed. Some of the participants in the Simla Workshop, however, wondered whether the histo-

rians present did not differ on the question.

The other discipline that made its invisible intrusions was economics. Members of that discipline were not physically present in a discernible fashion, but people on whom they had directed concentrated volleys were present. So we got an impression of the sociologists' response to the idea generally shared by a campus community that the economist was sure of his data and tools of analysis and had a greater relevance to the administrator than a sociologist. Some questions were raised on this point. Is it that their data were more easily quantifiable? Do they cover a large area over which political decisions are also undertaken? Are things like imports, exports and annual budgets not easier to handle and does not their occurrence follow the calendar with regularity?

Challenge from Economics

Here, again, as one went beyond the generalised picture, one could distinguish among economists those who were favoured by certain regimes and boycotted by others. One could point out how a study of family budgets and calculation of index numbers, begun *per se*, could get linked up with policies connecting dearness allowance with cost of living index. Perhaps thought more carefully, it could be asked whether economic facts were qualitatively of such a different order as to permit easier manipulation or be amenable to establishment of better relations with administration. In this respect, again, the difference may not lie between the disciplines but between two sets of people within each discipline.

Then came the question as to how sociologists would identify their role with respect to planning. Here views differed sharply. One extreme view was that sociologists should give up their diffidence on this count and go headlong into the planning process. The opposite view was that sociologists should exercise caution and not go beyond providing insights to planners — 'we cannot write the plans'; our role should be of that evaluation of plans; we are likely to commit errors of such a magnitude that our recommendations and pronouncements on certain issues could go contrary to our life's work (instances were produced in this connection).

How could sociologists encompass social reality? Here one thing was clear. All the papers were based upon empirical investigations. If the facts of the situation could be grasped better with the aid of some concepts, the concepts were welcome. The situation to be grasped was Indian and processes in operation in the Indian villages and towns were under scrutiny. Concepts had by and large come from the West. Did these concepts have the same efficacy for grasping the Indian situation? Did the strength of the papers lie in their capacity to describe the situation through the concepts used or independent of them?

Concepts and Techniques

Every paper writer made use of concepts. It is the personal assessment of this reviewer that in these cases the concepts were redundant to the situation described, that they ran counter to the nature of reality sought to be encompassed, and that they had little value in linking the facts of the particular situation to the generalised body of knowledge. This comment relates to the papers presented and not to the generalised relationship among facts, concepts and theories which is discussed in several good textbooks. Whether conceptualising is being overdone, even to the point of doing violence to the idea or facts, is a legitimate question that can be raised on the basic first drafts of papers presented to the Workshop.

In terms of the use of techniques for collecting information relevant for the problems under review, mention may be made of the extension of the techniques of observation and open-ended interviews to the town situation. Some of the case material presented to the Workshop was illuminating. Obviously, the use of these techniques required the presence of the authors on the field, and insofar as this requirement was met, the result displayed the traditional depth associated with field anthropologists. There was a willingness to consult historical sources and some effort at relating on-going processes to their antecedents. Use of self-administered questionnaires appeared to be on the increase, and here problems of non-response created doubts among some of the participants regarding the advisability of attempting any further analysis of the data. To some extent the questionnaires represented factual data and offered no problem. In another sense, they represented verbal responses to a set of questions relating to attitudes. One could take the view that a study of verbal responses is significant *per se*. One could also question their significance for understanding the behaviour of people.

There was increasing awareness of the use of content analysis and panel studies. There were efforts at making use of statistical refinements represented by measures of probability, correlation, chi square tests and factorial analysis, but the studies reported at the Workshop were particularly conspicuous for avoiding sampling and studying the entire universe minus, of course, the non-responses. Either by design or accident these studies did not include female respondents and the lapse was not considered fair by some of the participants.

Responsive Nature

The deliberations at the Simla Workshop thus brought to the fore the responsive nature of sociology and social anthropology in India. The papers were written on themes with which the paper writers had long been concerned and little effort was made to tailor them to the needs of the Workshop. Two discussants for each of the papers had gone through the first drafts and led an informed attack on the papers. From the sidelines historians and occasionally practitioners of political science and specialists in philosophy of sciences raised issues about the relevance and generality of the studies. A few technicians raised problems about the use of emerging techniques. Only one paper was discussed in one session.

Such arrangements provided the framework within which there was an activity that gave sufficient evidence of the emergent properties of sociology and social anthropology in India, *viz*, the willingness to raise new problems and to be questioned on basic formulations, procedural matters, and inferences. Though the comforts of a former Viceregal establishment were available to members at the Institute of Advanced Studies, it was not without significance that within two days of their stay the participants had become aware of the workers, the carpenters of Ramgarhia fame, whose manual skill had shaped those types of buildings in Simla, and whose economic mobility had been highlighted in one of the papers coming from the organiser of the Workshop.

Sky Is the Limit

Nishtar

THE oilseeds market is virtually aflame. Prices simply soared last week. Between May 6 and 12, linseed futures rose from Rs 165.50 to Rs 176.50 and castor futures from Rs 129.75 to Rs 137.25 (per quintal). Very rarely have prices recorded such a steep rise in a single week. Linseed futures had been quoted above the second marginal line for long and now castor too have crossed the second marginal line at Rs 135. In the spot section, the price of groundnut oil in Bombay rose last week from Rs 4,950 to Rs 5,150 (per tonne) and other oils hardened by Rs 75 to Rs 125 (per tonne). Never before have oilseeds and oil prices ruled so very high at this time of the year. The upward trend has acquired a new momentum recently and there is no knowing how far the prices might rise. Perhaps, sky is the limit.

Prices have risen despite credit curbs and penal margins in futures — Rs 10,000 and Rs 7,500 per unit of trading (10 tonnnes) in respect of linseed and castor, respectively. Even the recent release of substantial quantities of imported soyabean oil and mutton tallow at the old cheap prices has not had any noticeable impact on the market. Bulls are in a defiant mood and they are no ordinary operators. It is the leading vanaspati and soap manufacturers who are dominating the scene. They have seized the initiative from professional speculators and they have all the resources to buy anything that might be on offer.

Last week's aggressive offensive by bulls seems to have been inspired by the firm belief in a very substantial hike in vanaspati prices beginning from May 23 when the next price revision falls due. Reports are that the Food Ministry is simply waiting for Parliament to adjourn in order to implement its commitments under the 'package deal'. Arrears of price rise due to the vanaspati industry are said to be of the order of Rs 530 and Rs 810 per tonne, depending on the zone. There can be little doubt that the increase in vanaspati prices will lead to a further rise in the prices of groundnut oil and other vegetable oils.

Government's plans to keep edible oil prices under check have completely misfired. These plans had not been properly conceived, nor have they been effectively implemented. Bullish sentiment is spreading fast. Only timely rains can extinguish these flames. But the lean period is still ahead. Unless Government is able to arrange substantial imports of soyabean oil and mutton tallow, it will not find it possible to maintain the present flow of supplies to the vanaspati and soap industry. God save the poor consumer.

Cotton Conference

THE cotton trade is making preparations for holding a conference in New Delhi about the middle of next month to protest against Government's policies regarding cotton. On current indications, about 1,200 representatives from nearly 110 cotton districts are expected to participate in the conference which will deal mainly with the threatened takeover of domestic cotton trade, canalisation of imports, continued absence of hedge facilities and discriminatory treatment meted out to the trade in the matter of credit dispensation. The conference is essentially in the nature of a rally organised with the sole purpose of focusing Government's attention on how its policies will ruin the trade without achieving doubtful social and economic objectives.

The trade could not have chosen a more inappropriate time for holding a conference in New Delhi. That it should have decided to hold a meeting in the hottest month might be an indication of its deep concern about its bleak future. But the purpose would have been better served if the conference had been arranged when Parliament was also in session. The subjects to be discussed at the conference are all too familiar. Umpteen representations are known to have already been made to the authorities on the question of hedge trading and canalisation. But to no avail. While Government has already made known its decision to canalise imports from the new season (1970-71) beginning with September, it is said to have an open mind in regard to the question of hedge trading. Whether hedge trading serves any useful economic function is a debatable issue. But the absurdity of allowing forward trading in 'kapas' (unginned cotton) and cottonseed and denying the same facility in respect of cotton is too obvious to escape attention. Cotton is among the few commodities which are ideally suited for hedge trading. The trade's concern about the threatened takeover of wholesale procurement of cotton by the public sector is understandable. But it seems unlikely that Government will venture into this extremely hazardous business in the foreseeable future. Even the efficient handling of imports which is a relatively simple affair is likely to prove a difficult job.

Nearly all the difficulties facing the cotton trade have arisen because of the ever widening gap between indigenous production of cotton and textile industry's expanding requirements. Prices have continued to rise year after year. Various disciplinary measures have had to be devised to contain prices within reasonable limits. But it is extremely difficult to reconcile various conflicting interests when supply is far short of demand. Increased production alone can ensure smooth working of the trade and markets.

Marketwise, there is very little to report this week. Turnover remains restricted due mainly to poor offerings. Prices continue to rule around the highest levels. Credit curbs have failed to produce any impact on prices.

Steadier Look

STOCK markets have had a rather quiet time last week but they presented a distinctly steadier look. Not only they did not beat any further retreat but, instead, they recovered a good part of the ground lost in the preceding week. Steadiness returned as offerings dried up at lower levels and selective support, induced partly by technical considerations and partly by encouraging corporate news, enabled the market to stage a good rally. However, with investors' interest focused mainly on the new attractive issues which are to be on offer very shortly, turnover was restricted.

The week's news brought some cheer to the stock market bulls. Reports from New Delhi indicated that the plans to nationalise general insurance had been shelved indefinitely. Indira Gandhi stated that improved tax collections had reduced the scope for increased deficit financing. The Supreme Court recommended the appointment of a three-member commis-

sion for fixing fair prices for cars. India and Japan have reached an accord on trade and economic co-operation which augurs well for the future. The Reserve Bank's decision to restore the refinance facility to the scheduled commercial banks for food procurement advances and the withdrawal of the control on bank advances against trade stocks of sugar are indications that credit control is being administered with flexibility to meet the requirements of the emerging situation.

But last week's rally could well turn out to be in the nature of a small correction of the preceding sharp decline. In any case, odds are that the stock market will take quite some time to prepare itself for the next major assault. Political weather is getting increasingly rough. Last week's ugly communal disturbances in Maharashtra are yet another pointer to the deteriorating law and order situation in the country. Political uncertainties apart, an important factor that the market will have to reckon with is that most of the surplus funds with investors are likely to get locked up for some time in the new issues. But thanks to the continuing ban on "short" sales, bulls remain the masters of the situation.

According to a newspaper report the governing board of the Ahmedabad Stock Exchange is said to have informally decided to defy the 11-month-old ban on forward trading. A meeting of the board is scheduled for May 16 to take a formal decision to resume forward trading. It is hard to believe that the stock exchange authorities in Ahmedabad can behave so irresponsibly. For, the consequences of such a step can be very serious.

COMPANIES

IOC Moves into Polyester Fibre

Hansavivek

INDIAN ORGANIC CHEMICALS is setting up a polyester fibre plant at Manali, near Madras, with a capacity of 6,100 tonnes per annum, in technical collaboration with Chemtex group of US, a renowned designer of such plant with experience of erecting man-made fibre plants in many parts of the world. The estimated project cost of Rs 11.69 crores is proposed to be financed from the proceeds of a Rs 3.80 crore issue, terms loans of Rs 5.39 crores from financial institutions and banks and bank overdrafts of Rs 2.50 crores. Construction of the plant is expected to be completed by mid-1972, with production equal to 60 per cent of licensed capacity in 1972-73, 90 per cent in 1973-74 and 100 per cent in 1974-75. Of the two main raw materials, ethylene glycol is manufactured in the country and its supplies should be adequate to meet the expected increase in demand from the new polyester fibre plants now being licensed. DMT (dimethyl terephalate) is at present wholly imported but is expected to be produced indigenously from 1972 at the aromatics plant of the petrochemical complex being set up in the public sector at Koyali, near Baroda.

Incorporated in 1960, IOC commenced manufacturing operations in 1963 at its plant at Khopoli, near Bombay. It now manufactures heavy organic chemicals such as acetic acid, ester solvents, benzyl products and plasticisers used by the chemical, pharmaceutical, textile and paint industries and in the manufacture of PVC products. During the 5 years ended March 1969, IOC's sales rose from Rs 48 lakhs to Rs 132 lakhs and profits before tax from Rs 7 lakhs to Rs 43 lakhs. Beginning with 8 per cent for 1965-66, equity distribution was stepped up by two points in each of the two subsequent years. The 12 per cent dividend was maintained for 1968-69. Sales in 1969-70 reached Rs 2.3 crores and profits are said to be "substantially higher" than in the previous year. The company has also issued bonus shares on a two-for-five basis. Production of all the existing items is expected to be substantially increased by 1973-74 and this expansion, which will be either within the present licensed capacity or within the recently de-licensed category of products, is proposed to be financed from the resources of the company. It is stated that profits from the existing organic chemical operations would be adequate to pay dividend on the 9.3 per cent cumulative redeemable preference shares now being issued as well as to maintain the dividend policy in respect of the existing equity shares for the period upto March 1972. After that date, the new equity shares will also become entitled to participate in dividends.

From 1972-73 onwards the benefits of polyester fibre production, known to be a highly profitable line, should be reflected in IOC's profits. At present Chemicals and Fibres of India (CAFI) is the only manufacturer of polyester fibre in the country with a licensed capacity of 4,500 tonnes per annum. CAFI holds a letter of intent for raising its capacity to 6,100 tonnes. Two other companies also hold letters of intent for production of 6,100 tonnes of polyester fibre per annum.

Of its Rs 3.8 crore issue comprising 2,80,000 equity and 1,00,000 preference shares IOC has reserved 19,275 equity shares for Chemtex in part payment for the machinery and equipment being supplied by it; 70,000 equity shares have been offered to existing shareholders as "rights" on a one-for-one basis; and 6,645 equity shares have been reserved for directors and employees. The remaining 1,84,080 equity shares and one lakh preference shares are being offered for public subscription at par. The whole of the public issue is underwritten by financial institutions and stock brokers.

SIMON-CARVES INDIA obtained during 1969 contracts worth Rs 5.87 crores, of which Rs 5.52 crores were for design engineering and construction work and the remainder for construction work only. A number of jobs were satisfactorily executed, some of them ahead of schedule. But due to operating difficulties, expenditure on the pyrites burning sulphuric acid plant at Sindri increased considerably resulting in losses. A self-sufficient design and engineering organisation is being established in Bombay because of potential business in the Western region. There were several labour disturbances and disputes during the year which led to "intimidation" of the company's officers. Accounts show that completed contracts rose from Rs 2.62 crores to Rs 4.21 crores, but gross profit was only a shade better at Rs 15 lakhs. Net profit was slightly lower at Rs 9 lakhs but still covered dividend increased by a point to eight per cent 1.8 times. Return on total funds employed amounted to 14.3 per cent.

The Andhra Bank Limited

Statement of the Chairman, Mr K Gopal Rao

THE following are extracts from the Statement of the Chairman Mr K Gopala Rao at the 46th Annual General Meeting of the Bank held on April 30, 1970:

Nationalisation

The most significant event of the year was the nationalisation of 14 major banks on July 19, 1969. With this, 85 per cent of the total bank deposits and business has gone to the nationalised sector and only 15 per cent remains in the non-nationalised sector which includes the Foreign Banks with deposits amounting to 11 per cent of the total bank deposits. We are now the first among the Indian Commercial Banks in the non-nationalised sector. Since the ushering in of the policy of social control in June 1968, commercial banks in the country were cast into the new role of financing, on a priority basis, agriculture, small-scale industries and exports. Their security oriented outlook was transformed into a need oriented outlook. Many people and many sectors could be more productive and more creative if adequate and timely credit facilities were extended to them. Our Bank has to keep this new philosophy of lending constantly before it in the conduct of its business.

Rural Banking

The focal point of our economic activity in the seventies will be the village and we have to reorient our approach, methods of operation and banking concepts in conformity with this new trend. Banks will be going to villages not merely as gatherers of savings but as pioneers of development, to help greater production of crops, to generate more income for the farmers, to create opportunities for investment in new small scale industries in the rural sector and to attract enterprise, talent, and technology into the country side.

The following figures give an idea of the spread of our advances and deposits on the basis of population:

(In Crores of Rupees)
As on December 31, 1969

Population	Advances	Deposits
Below 10,000 (Rural)	4.57	3.03
10,000 to 50,000 ...	9.04	13.14
50,000 and above ...	21.84	36.14
Total ...	35.45	52.31

It may be noted here that the advances in rural areas are higher than the deposits in those areas. This means that funds have to be raised from urban areas for advances in rural areas at least for the first few years. Opening of rural branches is, therefore, a challenging job for any bank. The approach to rural banking itself is entirely different. Recovery of advances will have to be linked to the harvests. In dealing with the new type of clients, not used to banking, a flexible and pragmatic approach within the framework of rules and safety of bank's funds will have to adopted.

In my address last year, I made an appeal to the State Government to place commercial banks engaged in agricultural finance on a par with co-operative banks in the matter of stamp duty and registration on documents. I also suggest that every municipality in the State should be notified as approved for creation of mortgages by deposit of title deeds. It is a matter of immense gratification that the Government of Andhra Pradesh has promptly reduced to a specific duty of Rs 2.30 per instrument the *ad valorem* stamp duty on documents of hypothecation and pledge. About 15 new places in Andhra Pradesh in addition to all District Headquarters towns have been approved for creation of mortgages by deposit of title deeds. I suggest that considering the size of our State and the population more centres be notified for mortgages by deposit of title deeds under Section 58 (*f*) of the Transfer of Property Act. I further suggest that the stamp duty and registration on documents executed by at least the small farmers should be entirely abolished. The beneficiary being the same, *viz*, the farmer, there does not appear to be any justification for distinction in such matters hereafter between commercial banks and co-operative institutions.

There is much to be said in favour of removing all legal impediments in the way of commercial banks financing the farmers. A working group appointed by the Reserve Bank of India is presently engaged in studying this problem in all its aspects and it is to be hoped that its recommendations will receive prompt consideration of the Central and State Governments.

Branch Expansion

At the beginning of the year we had 121 branches. We opened 34 branches last year. Of these, 17 were opened in places where our bank was the only bank. Out of the 155 branches as at December 31, 1969, 131 branches are in Andhra Pradesh itself. Since the beginning of this year 12 more branches have been opened upto March 31, 1970, taking the total number of branches to 167.

The following table gives the spread of our branches on the basis of population:

Number of Branches:

Population	1968	1969	Upto March 1970
Below 10,000	18	33	38
10,000 to 50,000	52	54	57
50,000 to 1 lakh	11	12	13
Above 1 lakh	40	56	59
Total	121	155	167

It will be seen that 64 per cent of our branches are presently located in places with population below one lakh. The number of branches where Andhra Bank was the only bank at the time of opening has gone up from 21 in 1968 to 42 by the end of March 1970.

We have started operating special type of branches known as 'Cluster Branches' or 'Satellite Branches'. 28 villages in Andhra Pradesh divided into three groups are to be so covered. I am happy that it has been possible for our Bank to be the pioneer in starting such rural branches, an idea which was advocated by me quite sometime ago.

Competition

The problem of viability of rural branches becomes more acute if branches of more than one bank are permitted to be opened at small places which do not have any real need for more than one banking office. Such a policy leads to unhealthy and wasteful competition among banks and causes a frittering of energies and resources which could be better utilised for opening branches in more unbanked centres. I must confess I feel greatly concerned over this, as we are a regional bank and our viability can be seriously

impaired by the bigger banks rushing into small rural centres after we have developed them as pioneers at considerable sacrifice.

There is an urgent need for a rapid expansion of banking to rural areas but this can only be achieved if such rural branches can earn a profit within a reasonable time. A more realistic wage structure for the staff of the rural branches is an urgent necessity if rural banking is to progress fast and prove a success. I especially commend to State Governments that they should exempt banks from certain provisions of the local Shops and Establishments Acts where they are in conflict with the agreements between banks and their workmen (at the All-India level), the Industrial Disputes Act and the various Awards.

Lead Bank

We have been designated as the 'Lead Bank' in 4 districts — East and West Godavari and Srikakulam in Andhra Pradesh and Ganjam district in Orissa. We are also joint 'Lead Bank' with the Indian Bank in the districts of Krishna and Guntur. Though the scheme of financing Primary Agricultural Societies is entirely within the scope of nationalised banks, our Bank has voluntarily agreed to join the scheme.

Staff Orientation

Banks now serve an increasing number of customers and the average size of each deposit and advance tends to be smaller. To service such increasing numbers, effective delegation of powers at various levels and adoption of latest management techniques is absolutely necessary. We have to ensure that the junior-most officer of today does not merely implement decisions taken at the higher level but gets trained in making decisions on his own.

Observing that there is a serious shortage today of adequately trained personnel, the Chairman said, "our Bank's management is seized of this problem and we are engaged in working out projections of the Bank's business during the next five years, its requirement of human resources and the streamlining of its recruitment methods and promotion policies. We are exposing our officers to various training programmes for the development of special skills and to every aspect of managerial development. The success of the Bank depends upon the extent to which we are able to re-orient the attitude of our staff at all levels and instil into them a strong sense of 'belonging' to the institutions they serve and a sense of involvement in its developmental programmes."

Bank's Progress

During the year under review our deposits increased by 11.41 crores from Rs 40.90 crores to Rs 52.31 crores, *i e*, an increase of 27.9 per cent over the preceding year as against the average of 14.5 per cent for the banking system as a whole. The *per capita* deposit in Andhra Pradesh, it must be remembered, is as low as Rs 33.8 as against the all-India figure of Rs 77. The number of our depositors has gone up by 59,000 to 3,32,000 in 1969 as against an increase of 29,000 in 1968.

Advances

There was a rise of Rs 9.98 crores in our total advances which increased from Rs 25.47 crores to Rs 35.45 crores, a rise of 39.6 per cent over the preceding year. Out of the increase of Rs 9.98 crores, priority sectors accounted for Rs 8.22 crores — *i e*, for 82.37 per cent of the increase during the year. Our advances to Priority Sectors during the year 1969 increased by 174.5 per cent over the preceding year and work out to 68.3 per cent of deposit accretion during 1969.

Priority Sectors

Our advances to the Priority Sectors amounted to Rs 12.93 Crores or 36.47 per cent of the Bank's total advances.

Agriculture. As on December 31, 1969 our advances to agriculture were spread over 31,000 agriculturists many of whom are small farmers including tenant farmers and in a number of cases the amount advanced was as low as Rs 100. The following figures will give an idea of the break-up of advances to agriculture :

(In lakhs of rupees)

	As on 31-12-68	As on 31-12-69	As on 28-2-70
Limits Sanctioned :			
Direct ...	225	468	475
Indirect ...	nil	525	565
Total	225	993	1040
Outstanding :			
Direct ...	145	416	429
Indirect ...	nil	276	244
Total	145	692	673

The number of farmers financed increased to 34,305 as at February 28, 1970. A sum of Rs 64 lakhs was advanced to retail traders.

Small-Scale Industries. Our advances to small-scale industries increased from Rs 1.8 crores to Rs 3.69 crores which includes Rs 18 lakhs to transport operators and the number of units from 265 to 628. Since January 1970, there has been a further increase by Rs 2.24 crores. As on December 31, 1969 the limits sanctioned were Rs 12.11 crores which has increased to Rs 12.96 crores as on February 28, 1970. We have created a technical cell at the Head Office where the entrepreneurs intending to start industries will be assisted in choosing the industries, preparation of schemes, selection of machinery, etc. Our Technical Officer visits the units and suggests steps to achieve economies, to improve productivity, etc. I am also happy to say that we have made a good beginning in our scheme for Technocrats.

Conclusion

While, in the matter of implementation of the new policies, the nationalised and non-nationalised banks in the country are marching hand in hand, and in some respects our bank has taken on itself voluntarily certain functions meant only for nationalised banks, one often comes across instances of unjustified discrimination operating to the detriment of banks in the private sector. I submit that in the matter of the deposit of funds of Government and quasi-Government institutions, Universities, Local Self-Government Bodies, etc, there should be no distinction between the two classes of banks.

Banking of the 70's is a new concept; an instrument for social service, a guide and helper of the small man, the small trader, the artisan, the small industrialist and the self-employed. It is our desire to be the small man's bank, to promote him in every way we can, to play our part in the economic development of the country and especially of Andhra Pradesh. I feel an exaltation when I look into the future of this industry.

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

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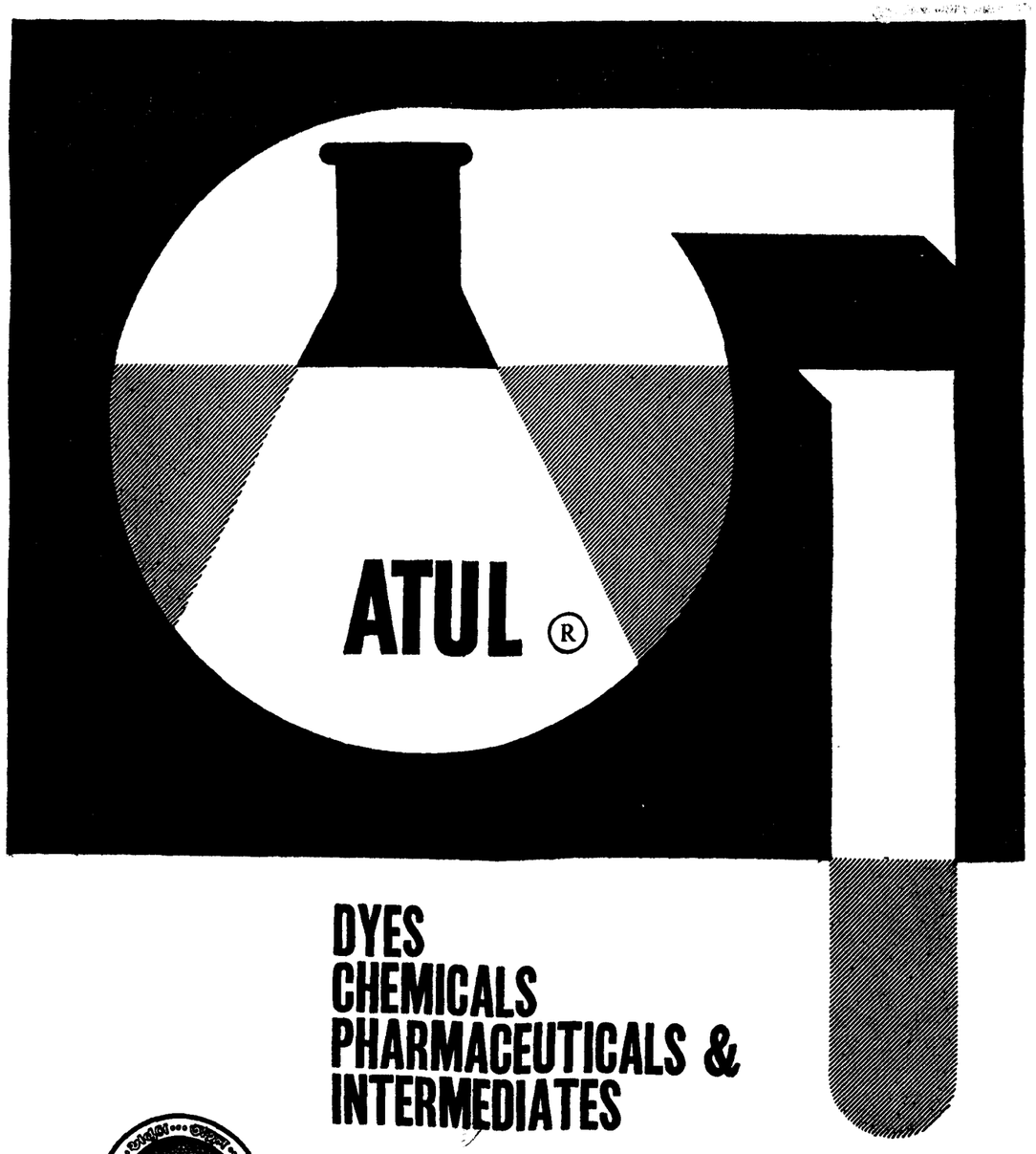
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TWO CAMBODIAS?

FEMALE WORK PARTICIPATION

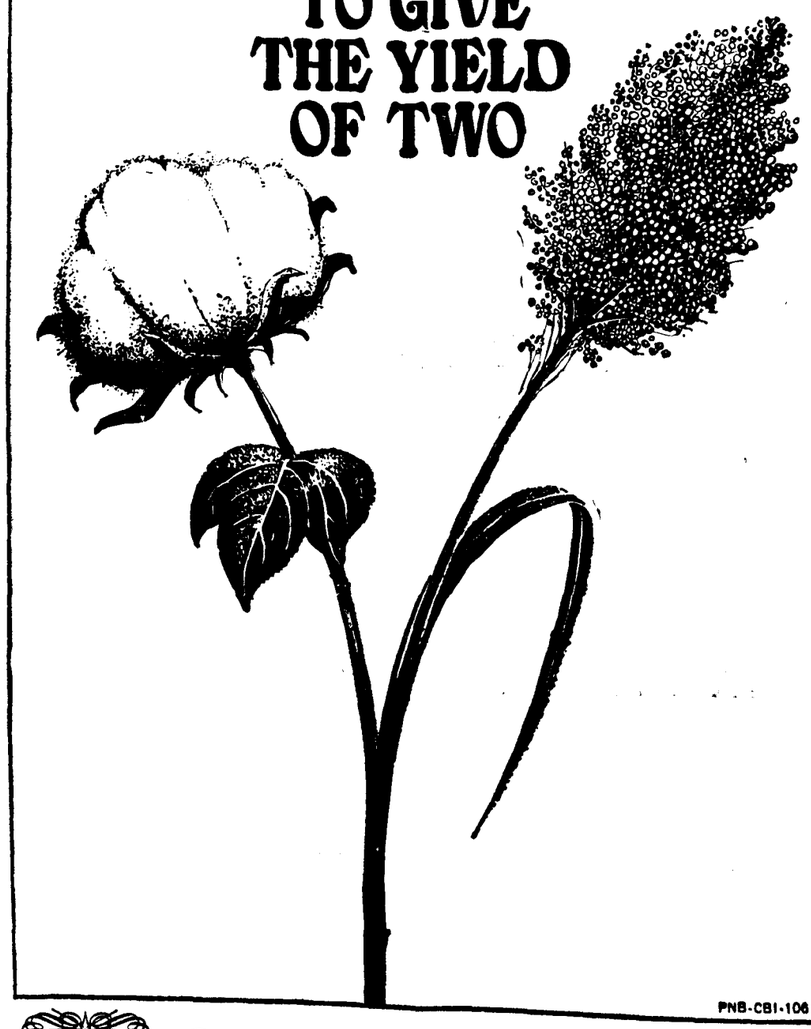
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ECONOMIC AND POLITICAL WEEKLY

Founder-Editor : Sachin Chaudhuri

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Skylark 284 Frere Road Bombay 1
Phone 26 60 72

Editor
KRISHNA RAJ

Assistant Editors:
Rajani X Desai, Jawid Laiq

Business Manager: A Fernandes
Circulation Manager: Shiv Patil

Editorial Staff
Colin de Souza, Haresh M Advani,
Shireen Heerjee Ashok Rao,
Ranjeet R Chandi

Planning by Slide-rule

THERE will be some considerable doubt whether the Fourth Plan, presented to Parliament this week, marks the country's return to long-term economic planning or the euthanasia of the Planning Commission under D R Gadgil. Deferring detailed examination of the Plan, what strikes one is the almost total absence of any effort to spell out the policy implications of the assumptions — whether relating to the rate of savings or growth of exports or generation of surpluses by public enterprises — underlying the Plan. This failing is more ironic since in his pre-Yojana Bhavan days Gadgil was a rather convincing critic of the Planning Commission on precisely the ground that through three Five-Year Plans it had by and large failed to give any policy guidance to the Government and the country on major issues.

The objective of the Fourth Plan is stated to be to "step up the tempo of activity to the extent compatible with maintaining stability and progress towards self-reliance". Given these two constraints, the rate of growth of the economy considered feasible is 5.5 per cent — the same as that set out in the Draft Plan even though, in the meanwhile, the investment pattern has undergone some major changes as regards allocation between the public and private sectors and among the different areas of activity. The capital-output ratio has been assumed, again as in the draft, at the conveniently low figure of 2 (as against the average ratio of 2.4 for the first three Plans). One would very much like to know whether this figure of the capital-output ratio has any basis other than the need to hold out, for the benefit of Parliament and the public, the prospect of a politically impressive rate of growth out of a politically feasible investment programme.

Crucial to the assumed overall rate of growth is the growth in agricultural production which is predicated on "the possibility of securing relatively large increases in agricultural output based mainly on high-yielding varieties of seeds and the expansion of fertiliser use". This faith in the new varieties was perhaps permissible when the Draft Plan was written up more than a year ago, but by now, after the experience of the first year of the Plan, there is evidence enough to show that the impact of new varieties has been largely confined to wheat; that their success in rice is still problematic; and that in pulses, cotton, the major oilseeds or jute, there has been no varietal breakthrough. The Plan concedes that pulses, oilseeds and cotton constitute the "the major problem area", but does not say how the high rates of growth assumed for these crops (33 per cent over the five-year period for cotton, 24 per cent for oilseeds and 19 per cent for jute) are to be achieved.

Nowhere is the absence of a policy-frame in the Plan more conspicuous than in relation to problems of mobilising savings for financing the investment programme. It is claimed that "the scheme of financing . . . as now envisaged marks a distinct departure from that in the Third Plan and in the three Annual Plans. It has been specially designed to serve the objective of growth with stability and promote progress towards self-reliance. The share of domestic budgetary resources in total resource mobilisation for the public sector Plan has been raised to about 78 per cent as compared to 59 per cent in the Third Plan and 54 per cent in the three Annual Plans." Correspondingly, external assistance (net of repayments but not of interest payments) is expected to go down from 28 per cent in the Third Plan and 36 per cent in the three Annual Plans to a mere 17 per cent while deficit financing is to be pegged at 5 per cent as against 10 per cent in the three Annual Plans and 13 per cent in the Third Plan. Altogether a brave new world!

The "distinct departure" in the scheme of financing public sector outlay, however, calls for (1) a sharp increase in the average ratio of saving from 8.8 per cent in 1968-69 to13.2 per cent in the Plan's last year and (2) a massive transfer of saving from the household sector to Government — and that after taking credit for a trebling of the ratio of public saving to national income from 1.4 per cent in 1968-69 to 4.5 per cent in 1973-74. It was pointed out in some detail in these columns ('Inflation Built In?', April 4, 1970) that transfer of saving from the household sector to Government of the order envisaged would, if it is not accompanied by a sharp rise in the proportion of household savings held in the form of financial assets, reduce investment by the private corporate sector substantially below even the level maintained during the post-Third Plan years of industrial recession. Though the Plan mentions no investment figure for the private corporate sector, an absolute decline in such investment is clearly inconsistent with the Plan's estimates of expansion of industrial production and capacity. At the same time, however, any appreciable rise in the proportion of household saving in the form of financial assets is ruled out by the Government's policy of encouraging investment by

this sector in physical assets — in agriculture, small industry, residential construction, etc. Obviously, the sectoral pattern of saving is incompatible with the pattern of investment envisaged and the Planning Commission's claim to have "specially designed" a scheme of financing of public sector outlay "to serve the objective of growth with stability and promote progress towards self-reliance" falls flat on its face. In fact, the only way the pattern of saving can be squared with the investment pattern is through either larger foreign assistance (hence the reluctance to do away with PL 480 imports) or deficit financing and a price rise.

What, one may ask, is then the worth of the Plan? Perhaps it would be best to resign oneself to the fact that it has really very little to contribute to the ordering of our economic affairs in the next four years and accept that the pace of economic progress during these years will depend in fact on the quality of the Annual Plans.

Drop the Bomb!

THE Government and its critics, in Parliament and outside, have debated the vital issue of whether we should build an independent nuclear weapons system or not, at a frighteningly simplistic and absurdly uninformed level. Attempts at gaining political capital have not stopped even here.

This political frivolity raises the question whether our political system and its operators are capable of providing the firm, long-term political backing and continuous financial support that a nuclear defence programme will demand. Political pressures resulting in stop-go methods and financial jugglery will not do. Clear directives will be required from the Government. Flexibility and initiative at every level of decision-making will be demanded of administrators and scientists. The argument that building the Bomb will provide the incentive to clear up well-established political and administrative cobwebs is wishful thinking. With the political system in a state of flux, the continuance of parliamentary democracy itself cannot be taken for granted. The discipline and firm leadership required for such a project along with the ultra-nationalism it might generate could precipitate a change in the political system towards right-wing authoritarianism, an eventuality which parties like the Jan Sangh would no doubt welcome.

Building a nuclear weapons system presupposes the capacity to deter not only China but also the other nuclear powers — America, Russia, Britain and France — as the presence of a nuclear force on our soil will arouse the suspicion of those who have a monopoly of nuclear armaments, in spite of our present cordial relations with them. We shall, once we have exploded our first nuclear device, be entering a nuclear weapons race of unfathomable proportions. The entire concept of nuclear deterrence is based on the psychological premise of maintaining a parity of fear.

There is a plausible argument for manufacturing nuclear weapons in order to play a more forceful part in the anti-imperialist struggle on the continents of Africa, Asia and Latin America against American and Russian economic and political interference. By the end of this century the rich world will feel increasingly threatened by the poor world seeking a greater and fairer share in the exploitation of world resources. Nuclear blackmail by the rich against the poor is a scenario which could become a reality a couple of decades from now, if the poor world forges its own path towards economic fulfilment. Building the bomb for this reason is, however, a non-starter, since our political leadership and public opinion are hardly aware of or willing to concern themselves with these matters at the moment.

Much of the recent outcry for the development of nuclear weapons is based on an incorrect analysis of Chinese political and strategic goals. As was demonstrated in 1962, in NEFA, the Chinese are not interested in territorial conquest for its own sake even if they have the military potential for it. Mao's philosophy is explicit on this point. The decisive factor both in war and economic development is people, not material resources or military systems based on the advances of modern science. The support of revolutionary movements is a much more likely Chinese line. Such movements cannot be countered by military means; nuclear armaments are totally irrelevant in these situations.

The imposition of a top-heavy and extremely costly defence system on an insecure social and political structure and weak economic base might indeed prove to be a good way of promoting violent liberation movements. National security is bound to be illusory if it diverts limited resources away from the primary goal of wiping out economic and social deprivation, The diversion of economic resources to unproductive sectors like nuclear defence will result in a significant drop in the rate of growth of the economy. The idea that the technological fall-out from the development of nuclear arms and auxiliary equipment will be an economic asset does not hold water either, as is proved by the consequences for the economy of the sharp increase in defence expenditure after the India-China conflict in 1962.

The Bomb must not be built. It is politically dangerous, is likely to endanger our security and will be economically a criminal waste. Those who fervently advocate nuclear weapons for India have not analysed the issue thoroughly or have got carried away in a burst of emotional nationalism. If our main concern is to seek a better and more secure life for our people, then it is callous to demand the Bomb. But the worst of all alternatives would be to drift into making nuclear weapons without serious thought, as the Government seems in danger of doing.

Insulation for Exports

A Correspondent writes:

LIKE most of Government's economic policies, export policy is nothing if not ambivalent: we want exports, but we also want balanced growth, prevention of monopoly and decentralisation of production units. As in most other economic matters, it is becoming evident that one cannot simultaneously ride all these hobby-horses.

A consultancy group, Industrial Development Services, commissioned by US AID for a report on export policy, grasps the nettle and comes out with a solution. It suggests that if the export effort deserves priority, the Government will have to give up being sensitive about concentration of economic power. Specifically it makes two suggestions: first, that preventive negations in Government policy should be given up — for example, export units should not be subject to monopoly and licensing restrictions; and second, that Government should work out a consistent export policy in collaboration with exporters leading to a coherent, achievable programme. The present Government attitude of distrust of big business, it is suggested, is hardly conducive to realisation of an export programme.

This strategy is not novel. In fact, in Japan Government acts in concert with industry — to the considerable benefit of its growth rate and export performance.

However, is this the only solution? There is need for a consistent strategy of exports. This would require selection of goods in which India has a comparative cost advantage (steel, aluminium?), their efficient production (on large scale where economies dictate it), and creating a market balance where exports are more profitable than local sales. It is also necessary that export market coverage be increased and some specialisation in markets and products brought about. This is the way to build up export houses. STC, unfortunately, has tended to concentrate on imports. Should not India seek to channelise its foreign trade through export-import houses which would balance their overall operations? Internal policy then can be insulated substantially from pressures exerted by export effort.

Railway Board's Offensive

HAVING failed to get its proposals for a third-class fare hike past Railway Minister G L Nanda and stung by public and parliamentary criticism of its inefficiency, the Railway Board has put out reports suggesting that its Fourth Plan programme is in jeopardy. While ostensibly dealing with future development of Railways, the Board is preparing a thinly-disguised alibi for possible failure to carry through the Fourth Plan programme and also making an attempt to blackmail Parliament into coughing up more funds.

However, the Railway Board's arithmetic needs to be looked into closely. The Fourth Plan Draft refers to an outlay of Rs 1,575 crores on Railways, of which Rs 1,050 crores was to be provided out of Plan resources and Rs 525 crores out of Railways' depreciation reserve fund. The overall financing scheme for the Fourth Plan takes credit for Rs 265 crores as surplus to be provided by the Railways out of existing earnings. Thus against a total programme of Rs 1,575 crores, the Railways are given credit for generating Rs 790=(525+265) crores.

The Railway Board's arithmetic is odd. First, Railways claim credit for agreeing to generate Rs 1,835 crores in the Fourth Plan. This includes, besides the above Rs 790 crores from depreciation and surplus, an amount of Rs 150 crores from rise in freight and fares and dividend to general revenues aggregating Rs 895 crores. This is not very skilful sleight-of-hand. Dividend to general revenues represents a 5 to 6 per cent return on capital at charge. To claim this as the Railways' surplus and take credit for it amounts to saying that the Railways are entitled to free capital. In this context it is well to remember that Railways (unlike public sector undertakings) do not pay any tax either. According to Planning Commission's standards, public utilities are expected to earn a return of 11 per cent in the Fourth Plan (p 87 of Draft) against 15 per cent expected of industrial and commercial undertakings (p 88 of Draft). On both these counts, the Railways are far behind the norms set for rate-charging public sector units.

The Railway Board takes a self-contradictory position. On the one hand, it argues that the freight demand on Railways will not in fact increase to 265 mn originating tonnes; coal output will be smaller and domestic foodgrain output will require less rail carriage. Originating traffic may not exceed 255 mn tonnes. At the same time, Railways claim they will need the same financial resources to achieve the reduced target, and that if there is a shortfall of Rs 200/300 crores in resources, even the lower target will not be reached! This surely is an effort to pre-empt all funds available — without any commitment to achieve any capacity target.

The Railways' Fourth Plan programme is not the boldest that one can imagine. It envisages, among other things, purchase of 1,259 locomotives (of which net additions will be only 652), 101,532 wagons (net addition 76,192), 6,468 coaching stock (net addition 3,300) and 768 EMUs (net addition 596). Surely, this cannot relieve pressure on Railways, nor will it fully use domestic manufacturing capacity for railway equipment. Any shortfall in Railway outlay will be passed on to suppliers, worsening their position.

This is a serious situation which demands the Government's attention. While the Railways claim resources for all increases in cost (for example, cost of labour and materials), they do not undertake to save any resources by better management and increasing efficiency. This is entirely understandable since no new management ideas seem to have percolated into the Railways. It is significant that the Railway Board has never thought it necessary to have an independent agency look into their affairs and have never suggested bringing in consultants to examine their management methods. It is about time the Railways are thoroughly overhauled. Should not the Planning Commission, which has been given notice of defiance by the Railway Board, go into the Railways' Fourth Plan and its prospects of fulfilment again?

Sights Kept Low

A Correspondent writes:

EACH year's bargaining for Consortium aid yields an assessment of the Indian economy by the World Bank staff. The Word Bank generally examines the performance of the economy, gauges policy decisions and tries to analyse trends in the economy for their implications for future growth. Understandably, this is not the most convenient of documents for our own *ad hoc* experts in Government.

The latest report prepared for the Consortium meeting at the end of this month is reported to be generally favourable, particularly on agriculture, family planning and industrial recovery. It is, however, critical on some issues relating to domestic development and foreign trade. All these matters are interrelated. Our industrial progress has been based essentially on a policy of import substitution. This has led to the setting up of high-cost industry. With more recent pressures to increase exports, Government has resorted to rupee trade and to subsidies to push out goods. The World Bank Report challenges this philosophy.

The Bank apparently minimises the implications of developing export trade. First, for a vast country, there are not many goods which cannot be domestically produced on a scale which is economic. The high costs are often an index of local taxation and local featherbedding, for which secondary industry should not be blamed. In any case there is a logical case for protection of infant industry—and the natural concomitant of export support. Secondly, international trade is not innocent of price discrimination in various forms. Domestic and foreign prices differ in most countries and a country like Japan has built up a peculiar system of compensation through trading houses. India's major fault is its resort to such compensation on an overt basis. Third, India has to face the problems of competing with advanced countries whose manufactures have long-established names and which offer credit terms to buyers. This is why, despite Senator Passman, India has simultaneously to borrow and offer credit terms on its exports. India has also to compete by giving way on prices. And it is necessary that India enters the export trade now so as to sow seeds for future growth.

Rupee trade has come in handy for Government to show progress on exports. However, the fact cannot be obscured that trade with free market areas is not developing. Perhaps some rupee trade is switched, but, more important, increasing export to rupee areas involves use of scarce materials and foreign exchange (copper, stainless steel and so on) so that it worsens the trade balance with the free market areas further. India thus loses on both counts. Clearly this calls for more sophistication

in our approach to export promotion.

The World Bank report does underscore the need to be more discriminating in the development of industry, instead of woodenly attempting to make everything which is imported. There is a case for concentrating on aluminium, iron and steel, petrochemicals and electronics to develop export capability. Secondly, there is need to streamline the bureaucratic machinery to expedite the production process. Thirdly, it is necessary that export subsidies are more carefully evolved, taking into account import content, nature of export market, and so on.

The slow recovery from recession has lulled the country on the foreign exchange front; yet exports are growing only slowly and foreign exchange stresses may be expected to reappear towards the end of this year. However, the main issue is to hasten the pace of growth. Here Government deliberately keeps its sights low, and is trying to proceed on the basis of self-sufficiency in capital goods. Hence Government is seeking essentially balance-of-payments support funds — $700 million non-project aid and $400 million project aid. This hardly meets the country's growth needs.

BUSINESS

Indian Iron: What Next?

Ottuketkal writes:

THE Rs 10 Indian Iron shares are currently quoted at Rs 16.50. It could be argued that the shares have been sustained by the hope of a higher dividend for 1969-70, reflecting the steel shortage and the revision of steel prices. But this alone is hardly a sufficient explanation: by how much, after all, can Indian Iron raise its dividend?

Actually, one would have expected the shares to sag. Goenka, who has been nursing over 100 lakh Indian Iron shares or about 40 per cent of the company's equity, is not sitting on a bed of roses. Things have not, one understands, gone well for him recently in the jute industry in which he has a large interest. His Indian Iron holdings of a face value of Rs 10 crores should have cost him anywhere from Rs 12 to 15 crores. This investment was financed largely by borrowings from the public at 11 per cent interest. Indian Express alone is known to have borrowed well over Rs 5 crores from the public, not all of which, it can be reasonably presumed, has been used in the newspaper business. Then there are the big bank loans, against Indian Iron shares as well as for 'productive' purposes to Goenka group companies. Goenka has also had to resort to borrowing to meet interest liabilities on earlier loans; the market gossip is that about Rs 20 lakhs have been tapped from former princes and the like.

What has made nursing of his Indian Iron holdings such a tough proposition for Goenka is the fact that of late Reserve Bank seems to have become more alive than in the past to the need to take its own directives seriously. It has, for instance, decided to enforce the directive to banks, issued nominally under social control, to draw up repayment schedules for all share advances in excess of Rs 5 lakhs. Exemptions, discretionary and other — the order of the day at one time —, have not been found operationally feasible recently. In fact, Section 35A of the Banking Regulation Act has been invoked to screen advances to big parties. It is also possible that the Reserve Bank's Division of Non-Banking division has moved in to curb excess borrowing from the public by companies.

What all this adds up to is that, despite the apparent firmness of Indian Iron in the market, payments difficulties are perhaps only just below the surface. If these difficulties have not flared up and forced Goenka to shed some of his Indian Iron holdings, part of the reason is that Goenka is able to raise substantial amounts of money from friends to secure what he had borrowed from them in the past. A much more important reason, however, is the widespread belief that Goenka will soon succeed in persuading Government to accept a political settlement of his problem. The Dalal Street grapevine has it that talks are in fact on at this writing. Heavy unloading of Indian Iron shares on the market is, therefore, generally ruled out and this sustains the price of the shares at 68 per cent above the face value though Indian Iron had declared a 5 per cent dividend for 1968-69 no dividend at all for the previous year.

This writer has suggested in these columns (see 'Moving Spirits', October 26, 1968, p 1643-44) that the sensible solution to the problem is for Government to purchase Goenka's holdings. The break-up value of Indian Iron shares is high enough to permit Government to offer Goenka a price which, if only he gave up hopes of eventually taking over Indian Iron, should be acceptable to him. Goenka is naturally reluctant to part with his holdings and would prefer a compromise which would relieve him of his present financial worries without interfering with his plans for takeover of Indian Iron. It is entirely understandable that Goenka should press for some such solution; what is amazing is that in this he should have the support of influential persons in Government including at least one of Ministerial rank.

The compromise that Government is being urged to accept is that Goenka be allowed to avail of the financial accommodation he needs in return for lodging with Government for a fixed period — say, a year or two — the proxies in respect of his holdings of Indian Iron shares. But if the intention is just to prevent Goenka from exercising his voting rights in Indian Iron this can be done without, in the process, having to bail him out financially.

The fact is that there is no valid reason whatsoever why Government should not decide on a straightforward takeover of Goenka's holdings of Indian Iron at a negotiated price. Government can pay an initial sum equivalent to, say, the face value of the shares and leave the balance of the price to be settled by an arbitrator. It can also stipulate the instalments in which the deal would be settled and the use to which Goenka should put the proceeds and thus ensure that they are not redeployed in share speculation.

Why Government is not able to see this straightforward solution to the problem can be explained only in terms of the scare that Goenka and his highly-placed friends in Government have successfully created that should Government try to put the squeeze on him, he (and his sprawling newspaper empire) would go over to the 'other side'.

Neyveli's Losses Mount

Magnus writes:

NEYVELI Lignite Corporation was one of the first major projects in the field of minerals to be undertaken by the public sector. Starting in 1956, Neyveli Lignite made very good progress using advanced techniques for the first few years, but the momentum was lost in the middle 60s. As things stand today, Neyveli has an accumulated loss of Rs 23 crores.

During 1968-69 the Corporation's major divisions showed very uneven performance. This is evident from the annual report for 1968-69, just released. The power plant made a profit of Rs 114 lakhs, while the briquetting and fertiliser divisions lost Rs 189 lakhs and Rs 130 lakhs, respectively. According to a new agreement with the Tamil Nadu Electricity Board, Neyveli will get a higher price and guaranteed offtake of its power output during the next few years. Profits of the electricity division are thus more or less certain. The working of the briquetting and fertiliser units has shown improvement in the last three years, but the latter is still performing at less than 60 per cent of installed capacity. This is the main reason why losses continue to be incurred by the Corporation as a whole.

Neyveli had done some good Research and Development work. In particular, a good deal of streamlining has been effected in standardisation of purchases and inventories. Nonetheless, stores and spares at the end of the year were worth Rs 12 crores as against annual sales of Rs 20 crores. This is an extraordinarily high proportion for a company which mines its own raw material and hence does not need large inventories as a hedge against shortages. Another peculiarity which shows up in the accounts relates to "works under construction". In the balance sheet these are shown as Rs 3.46 crores under assets. The schedule, however, shows that buildings under construction at the beginning of the year were Rs 96 lakhs, new construction started during the year was another Rs 96 lakhs while buildings transferred to the head "completed works" were only Rs 17 lakhs. There must be some extraordinarily large buildings under construction if completions represent such a small proportion of the total activity during 2 years.

Neyveli also appears to spend relatively large amounts on social overheads which amounted to Rs 1.75 crores during the year. Stock-in-trade at the end of the year was worth Rs 1.46 crores, represented mainly by unsold urea and briquetted lignite. Perhaps a sales drive would reduce these stocks and release funds for application elsewhere. With output of raw lignite going up to 6 mn tonnes by 1972, Neyveli must ensure that the mined lignite is used efficiently in the pheripheral plants and the products sold on the market as efficiently as they are made. Neyveli represents a Government investment of Rs 172 crores (paid-up capital Rs 80 crores and loans Rs 92 crores) and cannot afford to show losses when all its component plants have been commissioned. It is a sound project with ready markets for all its products and, potentially, it should make a profit of something like Rs 10 crores per year without any difficulty.

DVC Gives the Lead

THE prudent financier of Bombay — and all financiers of Bombay, including the nationalised banks, are prudent — makes no secret of his belief that eastern India (West Bengal and Bihar, that is) should be written off the investment map. These two States have been allegedly damaged beyond repair by non-Congress rule. Recession and labour trouble — and now the steel shortage — have made the situation there impossible for industry. Fresh investment is, therefore, ruled out in those States.

Even so, Damodar Valley Corporation, the largest power generator in the country, has thought it fit to invest Rs 50 crores to expand its power generation capacity from 1061 MW to 1341 MW by 1974. The decision to embark on such expansion has been taken by the DVC authorities on the basis of a load survey. This would suggest that the prospects for industry in eastern India are not as bleak as is generally made out by captains of finance and industry in the private sector. Or, are the DVC authorities being over-optimistic?

Bengal and Bihar have had it bad in recent years, but the damage, it appears, has been exaggerated — and is certainly not irreversible. According to DVC, its revenue from power sales actually rose during the years of woe from Rs 21.37 crores in 1966-67 to Rs 23.96 crores in 1967-68 and to Rs 25.06 crores in 1968-69. To whom did DVC sell additional power during a period when the wheels of industry had allegedly come to a screeching halt?

DVC's expansion programme visualises the establishment of a fourth and a fifth 120 MW thermal power unit at Chandrapura and a second 40 MW hydel station at Panchet. As much as Rs 30 crores of the cost of the programme, or 60 per cent of the total, is to be financed from internal surpluses — by no means a modest effort by a public sector corporation that sells its product, power, especially cheap so as to attract industry — and Rs 20 crores is to be raised through market borrowing.

The first instalment of DVC's borrowing programme has been announced. The Corporation enters the market on May 28 with a Rs 3.75 crore, 5.75 per cent, 12-year bond offer at the issue price of Rs 99.75 per cent. Being trustee securities, for which there is a sizeable captive market, the bonds are expected to attract good subscription.

Reaping the Harvest

CEAT TYRES' Annual Report and Chairman's Statement reflect the perseverance which has enabled the company to make remarkable progress over a decade. When it went into production in 1960, the tyre market was relaxed and its first expansion programme strained its liquidity. Since then, thanks to wise management decisions, the company has made rapid strides. First, it decided to cultivate the original equipment market. While this market yields lower margins, it provides a sound base for aggregate sales and creates repeat demand in the replacement market. Even when a tyre shortage emerged and the margin in the replacement market became even more attractive, Ceat took a long view and maintained its original equipment supplies.

Secondly, Ceat also decided to build up export markets, again at the cost of some immediate sacrifice. Its exports in 1969 amounted to Rs 54.44 lakhs and it won a Bulgarian award for technical excellence in quality.

Thirdly, these efforts have helped Ceat to get the much-coveted licence for expansion, for which there was keen jockeying among tyre-manufacturers. Work on the expansion is in progress and some additional output is expected to come out by 1970 end.

But Ceat has its problems. Recently the company has been having labour trouble. But the most important problems, particularly in the context of the need to develop export markets, relate to availability and prices of raw materials. A tyre company's main raw materials are rubber (natural and synthetic), tyre cord and rubber chemicals. Rubber prices are high and the ostensible benefits of price control on synthetic rubber have been negatived by an increase in excise duty. Tyre cord and rubber chemicals are getting short,

thanks to expansion of tyre output. The expansion programmes in these industries have not kept pace with the programme of the tyre industry.

Ceat's sales doubled over four years, from Rs 8.33 crores in 1966 to Rs. 16.01 crores in 1969. With operating economies of scale, its pre-tax profit increased over the same period from Rs 18.78 lakhs to Rs 221.20 lakhs. This is a harvest of which the management can be proud.

Still in the Woods

BOROSIL now receives full technical and financial assistance from Corning Glass, its parent company — a fact fully acknowledged by the Directors. Lele, its former Chairman, died in 1969; the other dissident director, V B Desai, resigned soon after, so that Borosil is no longer troubled by internal dissensions which had marred its operations so far. There is now unified, and hopefully, competent, direction of the affairs of the company.

Yet the 1969 results show little financial improvement. Sales increased by Rs 30 lakhs from Rs 121 lakhs in 1968 to Rs 151 lakhs in 1969. But manufacturing and other expenses increased slightly faster by Rs 30 lakhs from Rs 112 lakhs to Rs 142 lakhs. The loss before depreciation was halved to Rs 9 lakhs from Rs 17 lakhs in 1968 — or from Rs 29 lakhs in 1968 to Rs 21 lakhs after depreciation. Total carried forward loss increased from Rs 127 lakhs at 1968-end to Rs 156 lakhs at 1969-end. There was negligible addition to fixed assets, and current assets declined by Rs 6 lakhs. Long-term borrowing remained constant, as also borrowing plus current liabilities.

This is not a performance of which Borosil or Corning Glass can be proud. Tanks I and II should give the first full year's production in 1970; Tank II will have to be closed again in 1971. The Directors' Report, now that Lele and Desai are not there, is not particularly informative — would SEC accept such a bland report from Corning Glass in the US? — and the Directors are studiously silent on prospects.

Management by Subsidy

YOUR observations about the Railway Board ("Management by Subsidy", April 11, p 625) are well taken. The seniormost officer in the line is invariably promoted Chairman of the Board and he holds the post for about a year or two generally. The first half of his term is spent in attending receptions in his honour at important places all over the country and the other half he spends receiving send-off parties. How then will he find time to attend to his work? This was not the case when the Chairman of the Board used to be selected in open competition from among the most capable and efficient executives.

The Railway Board as it is constituted at present is a decorative body for providing cushy jobs to senior officers, who have lost their capacity for doing anything — good or bad. Mutual jealousies and bickerings fill the Board Room, though members of the Board always come together to defeat any new proposals for welfare of staff or for improving the Railways' performance.

The Railways have clearly failed to fulfil their responsibility as carriers to the nation. Concessional freight rates ought to have been fixed for fertilisers from new plants and for raw materials to plant sites. These plants have not appeared overnight like Jack's Beanstalk, and there was enough time for the Railway Board to think and plan ahead. Similarly, in the case of the refineries, suitably adjusted freight charges for transport of oil products ought to have been fixed. The annual reports of Indian Oil show year after year fairly large sums as being due from Railways. The story of coal is equally indicative of the failure of the Railways. 'Reject' grade of coal is generally used for thermal power generation, but Railways do not favour its transport. Many projects in the public sector have had to resort to carrying coal in trucks.

To end with a specific instance of the Railways' unreasonableness, they charge 26 per cent more for passengers and goods on the Khandwa-Akola-Purna metre gauge line than justified by the actual distance. The line passes through hill areas and the burden of the higher fares falls more on the Adivasis and other backward people.

S R TIKEKAR

Bombay
April 15

LETTERS TO EDITOR

Divided Democrats

I AM sorry that your Kathmandu correspondent's report on the wedding of His Royal Highness the Crown Prince ('Divided Democrats', April 4, p 591) descended to the level of those Western periodicals which thrive on muck-raking and sensation-mongering. One would expect a periodical of your eminence to do more careful accounting. For your information, His Majesty's Government of Nepal released Nepalese Rs 650,000, equivalent to about Indian Rs 500,000 for the wedding of His Royal Highness the Crown Prince. A certain amount was spent additionally from the Royal Palace treasury, but the two together hardly add up to more than a million rupees. Hence the figure of Rs 9 crores which your correspondent speculates about is indicative of his imagination rather than of his intelligence.

In addition, the article makes tendentious comments on differences between His Majesty the King and His Royal Highness the Crown Prince. All my colleagues in the Royal Palace as well as others who are acquainted with the Royal Family will bear me out when I say that there has not been one occasion when father and son have had different opinions on any important issue. His Majesty the King has taken His Royal Highness the Crown Prince into full confidence and His Royal Highness upholds His Majesty the King's leadership in every respect. If your correspondent differs, he should cite concrete instances instead of unintelligent conjectures. I can assure him that the policy of sowing differences where none exist is at best a hang-over of colonial nights.

Your correspondent quotes some irresponsible talk of armed intervention espoused by some expatriates in India. Had it come from the pens of those who unfortunately equate democracy with disorder, nobody would have been surprised. Nor is it too late to remind oneself that always those who sponsor trouble for their neighbour can't help having the same with compound interest.

RENU LAL SINGH

Principal Press Secretary
Royal Palace
Nepal
May 11

Danger Signals

Romesh Thapar

MANY have been incensed or excited, as the case may be, by the statements made by General Cariappa about the need for 'some' military rule and other such political remedies. The General, never notorious for the profundity of his comments, has put his aged finger on a major concern of thinking persons — the steady breakdown of law and order and the apparent reluctance of the political leadership of the country to halt the drift to chaos. General Kumaramangalam, not given to loose talk, has also launched another broadside against the tribe of politicians. Will these voices become a chorus despite the calls for 'disciplinary action' in Parliament?

DISTURBED ELITES

The violence which has crept into our system during the last three years, a violence which has at its core a seething communalism of the regional or religious variety, is no longer viewed in isolation by the various ruling elites in the country. These elites are deeply disturbed by the lobbies which threaten to abolish private property and the private sector even as the public sector wallows in massive losses. Chaos is seen as a combination of violence and lack of economic and political performance. If there is talk of 'some' army rule, it is like balm to these disturbed elites. Indeed, some would even encourage violence to clinch the issue! How else can we explain away the refusal of State Governments to act on advanced information of communalist conspiracies in Gujarat and Maharashtra.

The Cariappas of our society have at last understood that the classic military coup is not possible in a sprawling, complex and varied subcontinent like India. The General is at pains to emphasise that everything will be done under the aegis of the President. We now know what makes him so ardent a supporter of the Presidential system! The Generals are becoming sophisticated, or someone is doing the thinking for them . . .

If this is the thinking in the retired officer corps, what of the serving officers, particularly those of the rank of Brigadier and above. Apart from isolated reports to the effect that US publishers have been commissioning books on 'coupism', and that the interview approach is advocated (possibly to locate cadres for coupism!), we are in the dark about what goes on. Few have learned any serious lessons from developments across the border in Pakistan. The military mind has in fact seldom progressed politically beyond the concept of discipline in aid of the *status quo*.

There can be no denying that the supporters of the status quo are today desperately searching for the 'silver lining'. And it is not so very difficult for the officer corps to start thinking in unison with the worst chauvinistic elements in the country. Significantly, every officer-entrant into politics has managed to work himself into the clutches of the Jan Sangh. The politics of the Jan Sangh are atractive: protect private property; reduce taxes; discipline everyone but the Hindus; and make the nuclear bomb for "you know whom"!

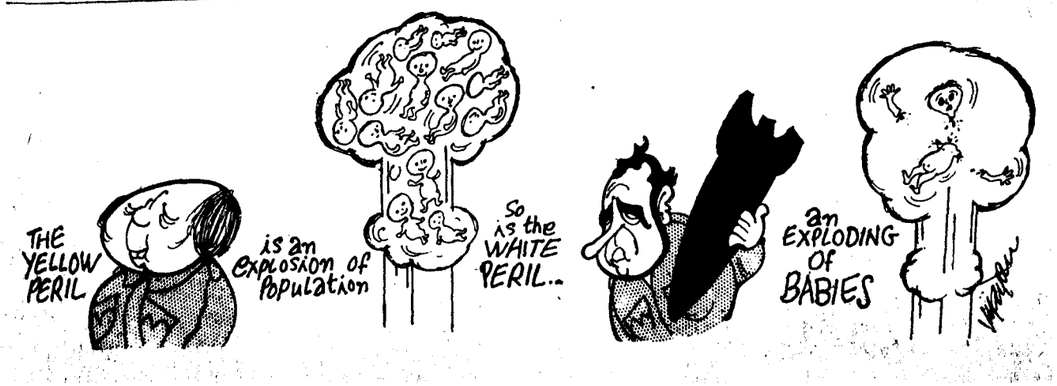
My fear is that the general erosion of law and order in the country, and all kinds of false notions about the gentle handling of crooked politicians, might well create the base for a large-scale escalation of violence. It will be paraded behind a smokescreen of communal passions, but its real purpose will be to subvert the political system. The communal killings in Gujarat and Maharashtra are more dangerous than the over-advertised Naxalite explosions in Bengal. This fact needs to be digested by our journalists.

PLENTY TO DO

The Prime Minister sees this very clearly. Her blistering attack on the Jan Sangh (the party of naked fascism!) in Parliament startled her otherwise dopey party. It is to be seen whether there will be follow-up action. This has been spelled out several times. The closure of communal newspapers and journals. Drastic terms of imprisonment for those found to be involved in communal collisions. Scrutiny by impartial tribunals of text-books in schools and colleges, as also the content of programmes in the mass media controlled by Government. Illegalisation of parties and groups preaching communal hatred and animosity. Yes, there is plenty to do. But who is going to do it?

Sorrowful tours, emotional public statements, breast-beating and no action is precisely the kind of atmosphere in which retired army men start taking an interest in politics. I am perturbed not so much by what these comfortable gentlemen have to say, but by the fact that the making of these statements is now considered normal, even necessary. Without a doubt, this *is* a danger signal . . .

May 18



FROM OUR CORRESPONDENTS

PHNOM PENH

Two Cambodias?

T J S George

THERE is a noble boulevard in this city which is already named March 18, after the day Norodom Sihanouk was toppled. There is no street yet named April 30, the day American troops marched into Cambodia. However, every street in this capital is a memorial to the war that has finally caught up with Cambodia and its gentle people. Every other man wears a uniform. Even working girls go to their offices in military greens because after half a day's work they must attend army drills. Armed soldiers stand guard behind sandbags in front of every public building. Vehicles are stopped in midroad to be checked for Vietcong infiltrators. Cartoons against Sihanouk 'dog' and posters against the Vietcong 'virus' are pinned on every wall and every tree in the city. And fear and rumours fill the air.

The war the Americans fight on the border of Cambodia is different from the war Cambodian troops fight against communist forces further inside. The Americans have met very few people in the thick forests but they have 'killed' what official spokesmen constantly describe as immense quantities of rice, weapons, bicycle and truck tyres. With the destruction of these bunker complexes, so the claim goes, the Vietcong will be unable to strike for another five months at least.

The Cambodians do meet resistance. In fact battles have raged within 15 kilometres of Phnom Penh. The Cambodians have since reoccupied some towns claiming this as proof of their superiority over the Vietcong. But in the recaptured towns, the Vietcong had quietly withdrawn often without a fight and seldom leaving any trail of destruction behind them. More significant, the civilian populations had either left with the Vietcong or disappeared into the bush. Evidently, the Vietcong was not after territory but after moral support from local people. This is why, even though Government troops have regained some territory, the writ of Phnom Penh will not run in the southern provinces for a long time to come.

Several areas in the eastern provinces, along the Vietnam border, had already been under communist control. This and the nature of the communist fighting in the past few weeks have led to the belief that eventually some kind of a partition line may be drawn separating the south and the east. If Sihanouk establishes a physical presence on Cambodian soil, this could lead to two Cambodias *a la* Vietnam. Who said President Nixon's Vietnamisation policy was a failure?

For the Cambodian Government, it is an unenviable situation. It is obvious that it never bargained for a war. It called upon communist troops to leave Cambodia only to emphasise its 'genuine' neutrality in contrast to Sihanouk's allegedly phony one. But before it knew what was happening, it found itself deploying its army against the vastly superior communist forces.

What has happened since is tragicomic. The Cambodian Government set out to expand the army by an additional 10,000. It has ended up by adding 50,000 and is hoping that the general troops strength can be kept at an even 100,000, but to do so recruitment will have to go steadily on. The worst is that the new recruits are so green that there is a boy scout atmosphere about everything. The kids are pushed to the front after two and three days of training. Standing near the frontline one day I watched a column of reinforcements arrive — in vintage Russian, Czechoslovak, American and French trucks, in Pepsicola lorries, in commandeered public buses and even autorickshaws. In the bush they fired away merrily, enjoying their new and deadly toys.

Such is the nature of this war and such is the course of events that the Cambodian regular army will be simply unable to hold on for long even if sufficient quantities of military hardware is given to them. If the Americans withdraw from Cambodia (the thunder of the US Senate is echoed loud and clear in Phnom Penh), the Cambodian regulars will be no match for the excellently trained, excellently led veteran red guerillas.

Perhaps realising this, the Americans have been helping in the induction into the Cambodian army of large numbers of Khmer Krom. These are Cambodians who had lived for long in South Vietnam and had joined the American fighting forces largely to escape from the problems which as a minority they had to face in South Vietnam. They are trained by the well known American Special Forces and are considered tough fighters. Along with them, the Free Khmers — Cambodians who had gone into exile during Sihanouk's days — have also joined the Government army.

These additions have become the main fighting units of the Cambodian army today. But they have also brought vexatious political problems for the Government. For one thing, the Khmer Krom was paid by Americans before they came to Cambodia; this meant salaries higher than what even the South Vietnamese troops were getting — about 4,000 Rials a month. But now they are paid by the Cambodian Government whose rate is about 1,750 Rials for a private. Secondly, some elements in the Khmer Krom's leadership, fully conscious of their military importance as the real fighting units, are asking for a say in the conduct of the Government. Here is the seed of a possible division in the all-important army of Cambodia. The political consequences of such a split could be unpredictable.

For the present, therefore, the Americans seem to hold the key to Cambodia's future. If they continue to give full support to Lon Nol, the Government could hold its own. If they decide, however, that after their withdrawal it would be safe to leave the Khmer Krom in charge, they can arrange that. Or they can leave their South Vietnamese allies largely in charge of the fighting — which could eventually give an ironic twist to the Cambodian-Vietnamese racial animosity. If the US withdraws without bothering too much one way or another, the revolutionary forces could make a serious bid for power.

In any case, the long period of peace the Cambodians have known has already yielded to what will most definitely be a long period of hostilities. Political polarity reigns where once neutrality was the watchword. This is enough to make any lasting peace in Cambodia as distant a prospect as a lasting solution to the Indo-Chinese problem as a whole. To this Cambodia has added a dimension of its own: the freshly inflamed racial antagonism between Cambodians and Vietnamese. This could eat into even the alliance the war has brought about between Cambodia and South Vietnam.

It is clear why the Government chose this brutal way to make itself popular. Unlike Sihanouk, the present leaders have neither personal charisma nor any mass political base. And they do not have royal divinity (though Sirik Matak is a prince) with which to claim the god-king status Sihanouk enjoyed. It was perhaps a clever play to make up for these deficiencies by arousing tribal passions; chauvinism seems to give cheap mass appeal to many ruling groups in Asia today.

But the gimmick has been overplayed. The mass killings early on in the war were only a beginning. Last week I visited some of the camps into which the 23,000 Vietnamese in Phnom Penh have been dumped. The camps run by various churches offer some kind of existence to these hounded people. Camps under Government care present a pathetic sight, crowded, unhygienic, open air. No food is supplied. But Vietnamese have found it essential to enter these camps on their own because, for one thing, a cruel curfew prevents them from being seen in public except between 8 and 11 in the morning and, for another, only those in the camps will be repatriated to South Vietnam. Some 7,000 were taken aboard the ships that came from Saigon as part of a 30-vessel naval force, heavily armed and guided by American advisers. One of the South Vietnamese sailors who went ashore from these 'rescue' vessels was knifed to death by some Cambodians in a Phnom Penh street!

The impact the fleeing Vietnamese population will make on South Vietnam is likely to be significant. This factor alone could keep the 500-mile border between Cambodia and South Vietnam hot, without any contribution from the communists. But such considerations cannot now be taken into account by the Cambodian Government which has entered a road where the traffic is strictly one-way; it cannot go back.

NEW DELHI

Changing the Fine Print

PERHAPS anxious not to give the impression that it is capable of pressurising only the three foreign oil companies, the Ministry of Petroleum and Chemicals has sought to keep up the momentum generated by the cut in crude prices squeezed out of the oil companies and started looking into refinery agreements. But a team sent to Iran to explore the possibility of revising the agreement for the Madras refinery returned empty-handed last month. This first unsuccessful move to get the refinery agreements revised shows how difficult is the task the Ministry faces in this respect.

The need for revision of the refinery agreements was highlighted again last week with the release of the report of the Oil Prices Committee headed by Shantilal Shah. The Committee has pointed out flaws in the agreements relating to the Madras, Cochin and Haldia refineries and has recommended the establishment of a statutory body to go into the question.

In the Madras refinery, Government of India's partners are National Iranian Oil Company (an Iranian Government undertaking) and Amoco India of USA. The agreement provides for the supply of 42 million tonnes of crude at a stipulated price ($ 1.35 per barrel) over a period of 22 years. There is no clause in the agreement which provides that the price will be reduced if transactions take place in the international market at lower rates. The international price for Darius crude is currently around $ 1.20, though the Shah Committee places the price at $ 1.25 inclusive of discounts. Even if the latter price is accepted, India is paying 10 cents more per barrel now.

With regard to Cochin, even the modified agreement of February 1969 contains, in the words of the Shah Committee, "extraordinary incentives and concessions to Phillips inasmuch as it provides 10 per cent return on Phillips' shareholding in dollars regardless of any increase in processing cost at the refinery and free of (a) income-tax, (b) variations in dollar-rupee exchange rate and (c) variation in ex-refinery prices." The guaranteed net average dividend is payable in foreign currency although the income is earned in India. There is also a commitment to use the services of Phillips for the purchase of crude, though this would only mean unnecessary addition to costs. Phillips also act as agents for chartering tankers to transport crude to Cochin and the "freight is to be paid at a fixed rate in dollars per barrel based on transport of crude in tankers of about 38,000 tonnes DWT".

With regard to Haldia, Total International of Bermuda will supply nine million tonnes of light Iranian crude at the rate of one million tonnes or 50 per cent of the throughput of the refinery per annum, whichever is greater, from the date of commencement of commercial operations. After six million tonnes have been supplied, Government of India has the right to substitute indigenous crude provided the remaining three million tonnes are purchased during the five subsequent years. Here also there can be no change in price for the initial supply of 500,000 tonnes of crude. The Shah Committee adds that there are stipulations in the agreement which are capable of diverse interpretations and limit the scope for adjustment in prices.

It should be obvious from the above that in the case of each of these three public sector refineries concessions have been given which may not be in the country's long-term interests. As far as the three foreign oil companies are concerned, the one provision in the refinery agreements that has been much criticised is the one which entitles the companies to import crude for the refineries from their own sources.

The direct approach to Iran having failed, Government will now have to think of other methods. The matter could have been discussed quietly with Iran before the signing of the recent protocol between the two countries, but that opportunity was missed. With the prospect of growing trade between Iran and India, the problem of crude supplies to the Madras refinery is capable of solution if pursued quietly. It must be recognised that in spite of all the progress achieved in crude production and in expanding refining capacity, India is still not in a position to bargain from strength. The gap between indigenous crude production and the country's requirement is 10 million tonnes per year now and is expected to be doubled in this decade.

Another point to remember is that when all the public sector refineries work to capacity, Government will have to arrange for a major part of the crude imports. This can be a source of both weakness and strength. As a bulk buyer, Government can get concessions. On the other hand, if relations get embittered with the major suppliers Government might face difficulties in arranging bulk supplies. Therefore, while one would wish Government all success in getting provisions which are disadvantageous to India deleted from the refinery agreements, there is need to move cautiously in the matter.

The Road to Lhasa

ON the barren mountains slopes in northern Nepal, sitting by the earthen lamp in her thatched mud-house, the Nepalese maiden no more waits for her lover to return walking behind his tired pony along the dangerous but romantic old trade route. Now the lover returns well before evening by one of the numerous jeeps or buses which ply at frequent intervals on the Chinese-built Kodari-Kathmandu road. Till recently this road was not open to public traffic; only Nepalese labourers working on Chinese projects were seen beyond Barabisse. But following prolonged and, at times, somewhat ill-tempered parleys between New Delhi and Kathmandu and Kathmandu and Peking, the road was opened to foreigners, including Indians, on the eve of Crown Prince Birendra's marriage in February. Now anyone can travel to Kodari without much difficulty with a pass obtainable from the Singha Darbar.

A comfortable two-and-half-hour drive by car from Kathmandu takes the visitor to Kodari, a small border check-post on the Tibet-Nepal border. Kodari is another Nathu La, with one small but significant difference. Nathu La, at 14,295 ft above sea level, is a pass between Tibet and Sikkim, whereas Kodari is at the foot of high hills standing like two walls. Nathu La is a sealed border-post where Indian and Chinese soldiers face each other with drawn bayonets day and night the year round and only mail bags are allowed to cross the barbed wire on every Thursday and Saturday near Nehru Pillar in the middle of the road which once linked Gangtok with Yatung, a small township in the beautiful Chumbi valley. Nathu La, from where the road suddenly descends towards Yatung, is at the top and the Indian armed forces controlling it have an upper hand should it come to military operations. At Kodari there is no barbed wire and over the Friendship Bridge connecting Nepal with Tibet vehicles keep plying 24 hours a day to and from Lhasa. At the Nepalese end of the bridge stands a lone Gorkha soldier with half-a-dozen of his colleagues resting in the nearby building; at the other end stands a robust Chinese soldier with Mao badge and backed by a full company billetted in nearby barracks. And along the road which rises upwards after Friendship Bridge is Khasa, only an hour's drive from Kodari, overlooking not only Kodari and the Kodari-Kathmandu road but the entire valley. From Khasa with the help of binoculars Chinese soldiers cannot miss even a small object for miles. This strategic township of Khasa was, it is said, a Nepalese village till the eve of the Nepal-China border agreement. But one fine morning, just before the signing of the agreement, it turned out to have a 100 per cent Chinese population; since then it has served as the Chinese military headquarters in this middle sector of the Sino-Indian defence line.

Before the Kodari-Kathmandu road was constructed, Kathmandu valley had only one outlet. It was towards the south, through the India-built Tribhuban Rajpath, connecting the valley with Bhainse Dohan near the foothills in the Terai. The Tribhuban Rajpath has played a significant role in increasing the volume of passenger traffic, in the growth of internal and external trade, in the starting up of horticulture and tourist centres along the 116 kg highway and and in providing increased employment opportunities. By contrast, the Kathmandu-Kodari road is a purely strategic road.

In reply to his critics, King Mahendra had repeatedly said before the construction of the road started that communism did not travel by trucks. But well before the completion of the road, it had become clear, not only to the King's critics but to him as well, that if not communism, Chinese influence would travel by this road. Within a couple of years a large chunk of northern Nepal had virtually gone under Chinese occupation, the Nepalese inhabitants having been forced to desert their homes and hearths and move to the foothills of the high Himalayas.

From Bhaktapur, where it starts, upto Kodari after crossing Banepa valley the road runs along the course of the river Bhote Koshi, but soon after crossing the Friendship Bridge it goes up and up, giving a natural advantage to the Chinese military installations. According to Nepalese truck drivers who, prior to the temporary setback in Nepal-China relations during 1967 over the use of Mao Badges and Portraits of Mao in Nepal, could drive right up to Lhasa, there are large Chinese army barracks on the other side of the Friendship Bridge. The alignment of the Kodari-Lhasa road is far superior to that of the Tribhuban Rajpath; there are not many curves and slopes and the few culverts and bridges are all made for capacity loads of between 50 and 70 tons so that tanks can easily pass over them. The road mostly runs at the lower reaches of the mountains and is therefore protected from air attack.

Kathmandu has recently been thick with rumour that the Chinese have succeeded in persuading the Nepalese Government to allow them to construct a ring road, connecting Kathmandu, Patan and Bhaktapur. This project has been under discussion between the two governments for several years. When the ring road is completed, in a crisis situation Chinese troops will be able to swoop down on the valley through the Kodari road and then encircle Kathmandu in no time. When this correspondent visited Kodari in the last week of April, he gathered from the ever-smiling Nepalese soldiers near Friendship Bridge that, before opening this road for foreigners, the Chinese took all necessary steps to safeguard Chinese interests in the region. They have moved a number of Chinese units along the border and constructed observation posts at strategic point. On the other hand, New Delhi has started withdrawing its personnel from its northern checkposts in Nepal. From the point of view of roads and other communications, the entire Indo-Nepalese border remains wide open from Mechi to Mahakali.

A Plan for the Borak Valley

CACHAR is one of the most interesting districts of Assam, culturally as well as politically. At the apex of its culture is modern poetry, while at the base is a complex of religious ritualism and tribal cults. Its politics has a communal overtone that becomes gradually prominent as one approaches the India-Pakistan border. Its economy is stagnant, mainly due to poor communications. It is connected with the Brahmaputra valley by rail, road and air, but the danger of frequent breakdowns as a result of nature's vagaries is ever-present. River transport along the Borak or Kusiara to pre-Partition

Bengal was greatly affected by the loss of Sylhet and East Bengal and after 1965 it stopped altogether. The once-flourishing Karimganj riverine port now has a deserted look.

The bulk of Cachar's population is fed on Assam valley rice. The agricultural package programme, which was started in 1961, has not raised production. The programme was conceived in haste and was not comprehensive enough to be effective. Its failure is seen in the food shortage and the seething agrarian unrest.

Feudal Politics

Cachar had a favourable base for industrial development, specially development of medium-sized industries. A number of reasons have been advanced to explain the failure of Government to make good use of this base and some of them may indeed be valid. But one of the unstated causes of the dismal failure is the feudal character of Cachar's leadership. Even its top leaders like Moinul Huque Chaudhury, who was once considered to be its undisputed spokesman and is now equally well-known as a gallant Indiraite socialist, maintain only feudal ties with their people, from a distance in the fashion of absentee landlords. The poor peasantry is hardly involved in middle class politics, and the rise of a romantic Mao cult can be exclusively traced to dissatisfaction within the middle class. The leaders have not been able to cut across communal divisions and build a secular tradition in politics. The voting pattern in the last elections clearly shows that the masses in Cachar, when they are not swept off their feet by fashionable socialism, are still under the influence of religious obscurantism. The leftist forces have not been able to get out of the rut probably due to blind imitation of West Bengal politics.

Intellectuals in Cachar are very much involved in its problems and their activities are, therefore, marked by a new awareness of the environment and of the district's polyglot population. Yet the essential task of uniting the Hindus and the Muslims under a secular banner remains to be tackled. Besides, there are linguistic minorities that have to be emotionally integrated into the social fabric. Nevertheless the intellectuals are trying their best to find a solution to these problems. Their approach may be summarised as follows.

Cachar needs a well developed communications system with more all-weather roads, more air flights and more inland waterways linking it with the Brahmaputra valley and the other States of the north-eastern zone. The more ambitious among Cachar's spokesmen entertain the idea of developing an international riverine route linking Silchar with Akyab. All these proposals call for careful regional planning on the lines of the Brahmaputra or the Borak project. The Assam Government too recognises this necessity — on paper. Mahendra Mohan Chaudhury, the Revenue Minister, recently assured the people of Cachar that the Borak project was being seriously considered at the highest levels and that the Government hoped to take it up in the near future.

Religious politics is the bane of Cachar's public life. It is a formidable obstacle to the implementation of a programme of land reform and to the enforcement of law and order. It has been used by vested interests to suppress the rights of weaker sections of society, like women. A communal approach to secular problems like infiltration and smuggling have made enforcement of law and order difficult in areas near the border. Illegality in these areas is often made to look innocuous and inoffensive and at times violation of territory seems to be a lesser offence than violation of traditional ties of kinship. Such politics and national security cannot go together and their combined effect is to demoralise the administration.

Cachar has a number of problems which the local journals never fail to point out. As individual problems these are worth mentioning. Cachar's tea industry is facing a crisis due to mismanagement by owners and indifference of the Government. Floods are a perennial problem and each year they destroy a considerable part of the agricultural crop, thereby causing a shortage of staple food. Breakdown of rail and bus communications during the rainy season affects the supply of essential goods leading to scarcity and rise in prices. The situation is further aggravated by the clandestine trade that is carried on across the border with Pakistan. The Customs have apparently failed to check the smuggling in goods and currency. All these have an impact on the employment situation and heighten social frustration.

Demands Not Met

The people of Cachar have been pressing the Railways to build an alternative railway line linking Cachar with the Brahmaputra valley along a flood-free zone. The Railway Ministry has so far paid scant attention to the demand. The terrain is no doubt difficult, but it cannot be said that an alternative line is not feasible. The State Government too has been reminded of its duty to improve road communications between the two valleys and to maintain the Silchar-Shillong road so that the breakdown of traffic on the road during the monsoon can be avoided. Another demand relates to the introduction of a daily air flight between Silchar and Gauhati. However, these immediate and specific demands cannot be artificially separated from the popular demand for integrated planning of economic development of the Borak valley.

Nixon's New Crisis

THE Nixon Presidency was a product of the domestic and foreign policy crises facing America and Richard Nixon vowed to pursue policies at home and abroad which would unite Americans, initiate an era of negotiations and improve the quality of American life. But the events in far-off Cambodia disturbed the pace and Nixon's decision on April 30 to move American combat units into Cambodia to attack the communist sanctuaries stirred a new crisis for the Nixon Administration and plunged the entire American society into renewed debate, protests and controversies.

President Nixon announced that he was sending American units into Cambodia to save American lives in Vietnam by destroying the Viet Cong sanctuaries in Cambodia. He also assured America and the world that the American forces would move out of Cambodia within six to eight weeks. This decision to extend the war into Cambodia was billed as a move to quicken the pace of peace in South-East Asia but to war-weary Americans, this was

another manifestation of American intervention in other peoples' affairs and the beginning of another Vietnam. The President's critics in the Congress stood up in revolt because the President was again waging an undeclared war on a new front. The powerful Senators in the Senate Foreign Relations Committee were enraged at this constitutional affront and demanded a face-to-face encounter with the President. This was the first such demand since the controversy over the League of Nations during the Wilson Administration. Liberal Senators from both parties opposed the Presidential move and even the conservatives supported Nixon only in the belief that this action would bring peace in South-East Asia earlier. A polarisation of views on the Cambodian crisis has emerged and American society is split in the middle. Observers do not recollect any other occasion since the Second World War when opposition in the Congress to a Presidential action in the foreign policy field reached the proportions of the present opposition to the Cambodian move.

Reaction on the university and college campuses was even more explosive. By one stroke, Nixon brought back to life the fury and frustration which had marked the student revolt in America until last November. For several months, the President's policy of Vietnamisation was showing results and the anti-war movement had quietended down, but the decision to send US troops into Cambodia transformed the campus scene. Students reacted by calling for a nation-wide strike and protest demonstrations spread like wildfire. Then came the tragedy at the Kent University campus in Ohio where four students lost their lives in the firing by the National Guardsmen. These deaths aroused the American conscience and the students' protest gained further momentum. By May 8, more than 300 campuses were paralysed. The faculties and the administrations on many campuses joined the students in voicing their anger and opposition. Faculty meetings on many campuses authorised student strikes by agreeing to waive the examination requirements in case of students going on strike.

The inner administration of Nixon also showed breaches and the publication of a letter by the Secretary of the Interior, Hickel, to President Nixon demonstrated that the executive was also divided. The loud-mouthed Vice-President, who has over the recent past, come to personify American conservatism found himself under attack and the President himself apologised for his use of the word 'bums' for the campus protesters.

Thus, Nixon found himself under maximum pressure both at home and abroad. Cambodia became the proverbial last straw on the camel's back. On the eve of the anti-war demonstration in Washington on May 9, the President spoke on the nation-wide TV networks and tried to soft-pedal the opposition. Nixon's TV performance showed a shrewd politician who was determined to use cool rhetoric in the face of the crisis. He identified his goals with the goals of his critics and asked for understanding. The Washington demonstration was peaceful but the critics were not satisfied and many more demonstrations are planned.

If the Nixon gamble in Cambodia works, he would climb higher in the popularity polls, but in the meanwhile by one move he has aroused American campus fury. While emphasising the protection of Cambodian neutrality, he has destroyed it. He has also widened the credibility gap by doing what he had declared in January, America should not do, i e. act as the global policeman. Moreover, the arguments and the rhetoric used by Nixon have revived the traditional spectre of communism in America. The American giant is in trouble. Its conscience is hurting but so are its legs. Unemployment is rising and the stock market shows a downward trend. In spite of Nixon's pronouncements, America is not able to bear the burden of global interventions and, above all, for his own sake Nixon cannot afford to have any more Cambodias or Vietnams.

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VIENNA

Friends, Comrades, Dear Czars...

ON May 6, 1970, Czechoslovak and Soviet communist party and government leaders affixed their signatures to a new twenty-year treaty of friendship, co-operation, and mutual assistance. The true state of relations between the two countries, which have undertaken to "respect each other's sovereignty, independence and equality", can be seen from the following quotations from speeches by leaders of the two countries during the elaborate ceremonies marking the signing of the treaty of friendship, co-operation and mutual assistance.

The First Secretary of the communist party of Czechoslovakia, Gustav Husak, welcoming the Soviet leaders (Brezhnev, Kosygin, Shelest, Mazurov and others):

> "Friendship with the Soviet Union has become, in the minds of our people, the guarantee of their state independence and socialist development.
>
> "In the recent past, when the reactionary and anti-socialist and right-wing forces attempted to disrupt the socialist system of Czechoslovakia, to imperil the power of the working class and the working people and so tear Czechoslovakia out of the family of socialist states, the international aid of the Soviet Union and other friendly socialist countries helped the sound forces in our party to avert this danger."

Brezhnev, replying to Husak's welcome:

> "Soviet-Czechoslovak comradeship-in-arms has been inscribed for ever in the history of our countries — it has also been inscribed in the history of Prague, splendid capital of socialist Czechoslovakia."

The Czechoslovak News Agency bulletin on why President Ludvik Svoboda has awarded the title of Hero of Czechoslovak Socialist Republic (with the right to wear the Golden Star of the Hero) to Brezhnev:

> "The award was made for exceptional merits in the liberation of Czechoslovakia and in the development of friendship and cooperation between the peoples of Czechoslovakia and the Soviet Union . . . During the great patriotic war, L I Brezhnev held leading political functions in the Soviet Army. Together with the troops of the Fourth Ukranian Front of the Soviet Army, he participated in the liberation of Czechoslovakia from fascists.
>
> "In the post-War period, as a leading party and state official of the Soviet Union, Brezhnev several times visited Czechoslovakia and all his activity was an important contribution to the development of co-operation and to strengthening the internationalist relations between the two countries."

The Czechoslovak News Agency did not explain why it was only 25 years after the defeat of Hitler's armies that the Czechoslovaks awarded titles to Brezhnev, Podgorny, Kosygin and several marshals of the Soviet Army.

From the message from the working people of Czechoslovakia to the working people of the Soviet Union, read as a proclamation after the signing of the new treaty:

> "Learning from our positive experience, and also from the conduct of the reactionary and right-wing forces in 1968, we are aware, particularly in these commemorative days, that the security and sovereignty of our homeland is guaranteed only under the leadership of the communist party of Czechoslovakia, in close co-operation and friendship with the Soviet Union and its people . . . Please accept the sincere thanks of our people for the selfless fraternal aid during the liberation of Czechoslovakia in 1945, and fraternal thanks for the internationalist aid which you granted to us in August 1968 . . . We shall travel the road faithful to the bequest of our first workers' President, Klement Gottwald, with the Soviet Union for all time and never otherwise."

President Svoboda, after the signing of the treaty:

> "The Soviet Union has always been true to its international obligations towards our country and its people. It confirmed this also in 1968 . . . Our working people are now becoming convinced that in August 1968, the Soviet Union was guided by a sincere concern over the fate of socialism in our country, over the interests of our working class and security and peace in Europe."

Kosygin, hailing the treaty:

> "Our enemies did not count with the vital strength of socialist ideas, with the invincibility of socialism as the most progressive social, political and economic system. They were incapable of understanding it, as a result of their class-limited mentality. They could not decide to make a direct attack against the socialist countries. They prepared counter-revolutionary plots and coups. When they failed here too, they began to link their hopes with the so-called creeping counter-revolution which made itself felt in Czechoslovakia in 1968.
>
> "The assistance given to the Czechs and the Slovaks by the other socialist countries in the summer of 1968 was in keeping with the interests of the defence of socialism against right-wing, anti-socialist and counter-revolutionary forces, in keeping with the common interests of the security of the socialist camp."

Under the new treaty, the two countries "confirm that the support, promotion and defence of socialist achievements attained through heroic efforts and devoted work of the people of either country are the shared international obligation of socialist countries."

First Secretary Gustav Husak:

> "Our President has appreciated the great personal merits of comrade Brezhnev in liberating Czechoslovakia . . . "The restoration of our national and state freedom, the existence of the Czechoslovak state and the whole past period of building socialism in our country, have confirmed the irrefutable experience that there can be neither freedom nor independence or socialism for the nations of Czechoslovakia without the closest possible fraternal alliance with the Soviet Union.
>
> "Glory to the Soviet people, our liberator and the most faithful ally!"

Lone Fight

Nireekshak

WHAT is by any standard a *cause celebre* in defence of the journalist's freedom to report without official interference or other pressure has been virtually ignored by the Press! I refer to the judgment of the Orissa High Court in which R N Swamy has been awarded damages to the extent of Rs 28,000 in a suit he had filed against the Orissa Government for libel.

Swamy had been manager of the PTI local office in Cuttack as well as correspondent of *Statesman* and *Hindu* in Orissa. In June 1958 the State Government wrote a letter to his employers in which it was alleged that Swamy had been deliberately misrepresenting facts about the Government and its ministers with a view to discrediting the party in power, and further that he was under the pay of a foreign government interested in the toppling of the State Government. The Government therefore asked for his immediate replacement. On receipt of this letter PTI, showing more promptness than wisdom, immediately transferred Swamy to another post. Swamy, however, preferred to resign rather than allow the charges against him to go uncontested. He also filed a libel suit against the State Government and P N Mahanty, the Home Secretary, under whose signature the letter had been issued.

The suit was upheld by the trial judge who awarded Swamy damages to the total value of Rs 40,000, whereupon the State Government went in appeal to the High Court. A division bench of the court, while reducing the award of damages by Rs 12,000, has now concurred with the lower court's findings that the letter in question was indeed defamatory and that the Government had been responsible for giving it wide publicity. Moreover, the conduct of the Government, the court has held, showed clearly that it had been actuated, not by any sense of duty or the broader interests of journalism, but solely by its own interests. What is even more revealing, the judgment has held that 'personal animosity' and 'vindictiveness' on the part of the Home Minister had really provided the motive for action against Swamy. One would have thought that Swamy's dogged battle, which was not only for personal justice but for professional freedom as well, would have elicited the interest, help or admiration of fellow journalists and his former employers. But apparently he has been a lone crusader. There is no evidence to show that the Indian Federation of Working Journalists, or the All India Newspaper Editors' Conference, or the Indian Press Institute (which never tires of advocating freedom of the Press), or the Indian and Eastern Newspaper Society, or Swamy's former employers ever thought of assisting him in his efforts to establish the freedom of the reporter to discharge his professional duties freely without official and other interference.

Even in his hour of triumph, few have come forward to congratulate him or to assess the implications of the judgment. The judgment itself has been reported scantily. True, the President of the IFWJ issued a statement congratulating Swamy on his "success". "There could not be a more glaring instance", the statement said, "of a State Government trying to interfere with freedom of the Press and resorting to the foulest method to get rid of journalists with integrity and independence, because they refused to be used as tools in dirty power politics." However, neither *Hindu* nor *Statesman* had a word of comment! Only *Searchlight* seems to have thought the subject worthy of editorial comment.

"Mr Swamy's is not an isolated case", *Searchlight* wrote (May 2). "Indeed there are numerous instances in which politicians and high officials have tried to influence the employers of journalists who cannot sell their conscience. These false accusations and interference constitute the gravest threat to the free Press in this country . . .The only way to fight this growing evil in our democracy is to expose such sinister moves so that these could be nipped in the bud." Unfortunately few others seem to share this zeal for "exposure".

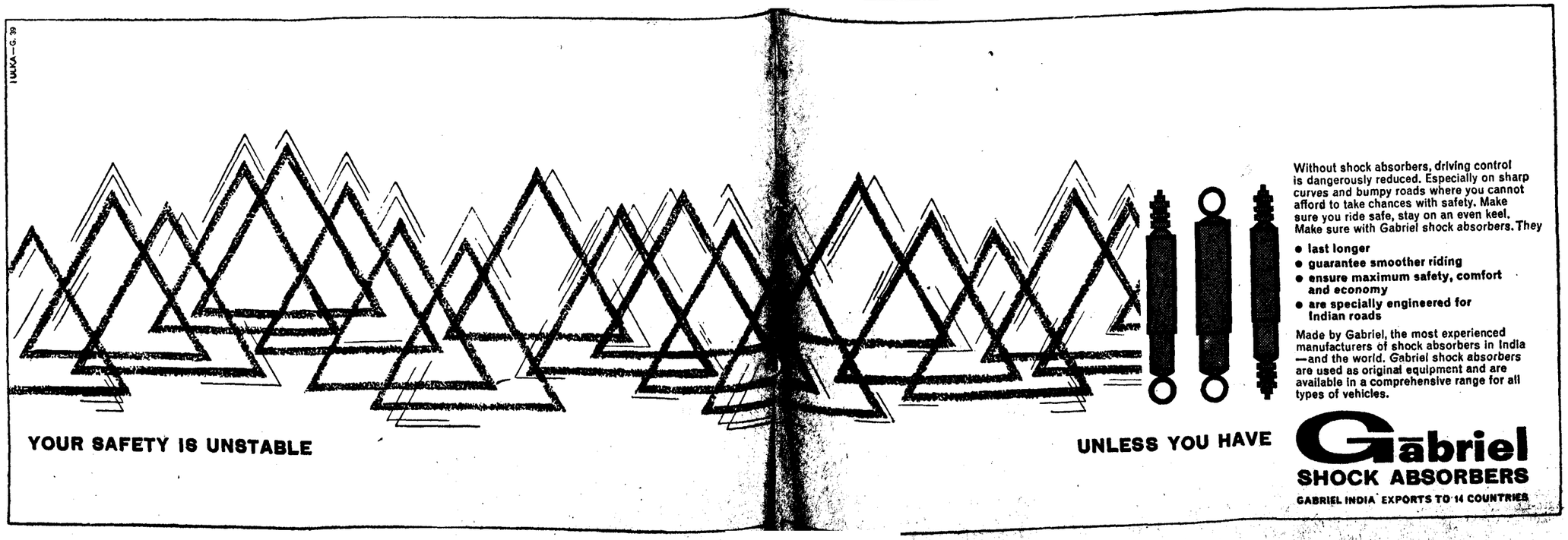
Another type of attack on the Press has also been in the news lately. It began with a letter to *Statesman* in which the writer, or writers, dubbed collectively as Naxalites, threatened to destroy the Statesman press if the newspaper did not cease to vilify the Communist Party of India (Marxist-Leninist). This was followed by similar letters addressed to *Amrita Bazar Patrika, Basumati* and *Free Press Journal.* However the Naxalites have so far singled out only *Patrika* for actual attack. The attack consisted of the burning of a *Patrika-Jugantar* delivery van, along with about 8,000 copies of the newspapers, in the Jadavpur University area in Calcutta. Though the incident was briefly reported in all newspapers, only *Patrika* itself has commented on it editorially.

"The idea of coercing the Press into submission" the paper said, "to the wishes of any party, political or other, by threats or attacks is plainly absurd. But the attempts of certain quarters to do so indicate a danger to democracy which the public cannot afford to ignore." The editorial warned the incendiaries that "neither the Press nor the public in this country will submit to violence and allow the freedom of the press to go down under the pressure of brute force from a small group of votaries of violence".

Regardless, brute force of a very sinister order had been rampant in Maharashtra, though it was not directed specifically against the Press. Communal riots in Bhiwandi, Jalgaon and Thana have held the headlines for several days in succession, particularly in the Bombay papers. The riots have yielded some pieces of very good reporting and photo-coverage; this was particularly noticeable in *Free Press Journal.* However, it cannot be said that any attempt has been made by the Press to study the background to the riots, its possible causes and repercussions, and to report the occurrence in depth. This was a task cut out for the relatively well staffed units in Bombay, which are also reputed for their efficiency. So far, however, they have contented themselves with reporting the bare facts as retailed by officials or social workers on the spot. *Free Press Journal* seemed to have launched an exercise in investigative reporting, but it proved to be too brief to be convincing. There is a story waiting to be told.

Meanwhile may one know why it should take six to seven days of cogitation for a Bombay newspaper to comment on the riots raging in its own backyard, so to say? Though the first reports of the riots had appeared on the morning of May 7, *Indian Express* found something to say about them only on May 13! *Times of India,* too, took several days to collect its thoughts — five days to be exact. There is a long-standing suspicion in the public mind that newspapers are often chary of saying anything that might embarrass a State Government under whose immediate jurisdiction they operate. Such suspicion tends to be strengthened when in matters of urgent public interest, as riots, newspapers take an unconscionably long time to express their views.

There is nothing in the *Express* editorial of May 13 to suggest that a desire not to embarrass the Government



might have been the cause of delay in comment, for the editorial has not been uncritical of official action, or lack of action. But since the burden of the editorial was to say that the riots were "shameful" — *Patrika* said they were "disgraceful" and *Statesman* thought it "madness" — it could very easily have been said on the first day itself! It might be asked if some delay in comment in such instances is not unavoidable, for what can anyone say of communal riots except that they are shameful or disgraceful, until some details of the occurrence become known? There may be a point there. Only that in the cases referred to, such details as have been actually used in comment — except the institution of the judicial inquiry which came late — had been available on the first or second day of the occurrence.

REVIEW

Arid Agriculture

Martin E Abel

Conditions of Stability and Growth in Arid Agriculture by N S Jodha and V S Vyas; Agro-Economic Research Centre; Vallabh Vidyanagar; 1969; pp 117; Rs 15.

THE Agro-Economic Research Centre at Vallabh Vidyanagar is developing the tradition of anticipating major developmental issues in Indian agriculture and carrying on scholarly research work that is timely, relevant, and useful to an examination of these issues from the point of view of policy and programme formulation. The excellent study of small farmers by Vyas, Tyagi and Misra certainly qualifies with high marks.* So too does the present study on arid agriculture.

Jodha and Vyas have carefully examined the agricultural development problems and prospects of the arid zone of Rajasthan which covers about 60 per cent of the State and accounts for 62 per cent of arid areas in the country. This is an area which "is characterised by extremely low (5″ to 20″) and uncertain rainfall, widely fluctuating temperature, low atmospheric humidity, desiccating winds, sandy soils susceptible to erosion, generally brackish or saline and inadequate subsoil water (at depths ranging from 15′ to 100′ minimum and 90′ to 500′ maximum in different districts), low and sparse vegetation consisting of drought-hardy trees, shrubs, and perennial grasses." Truly this is an area where man battles nature under the harshest of circumstances.

A variety of information has been compiled and analysed on land use and cropping patterns; variation in annual rainfall and the incidence of scarcity and drought conditions; variability of crop yields, variation in production, prices and returns to farmers, the extent of and prospects for irrigation and soil conservation developments; and the role of livestock in the agricultural economy of the region.

The major conclusions of the study are as follows:

(1) The arid region of northwestern Rajasthan does not have the soil and climate conditions conducive to crop farming. Yet, population pressures force cultivators into subsistence agriculture. Crop yields are low and highly variable with the result that "nearly 30 to 40 per cent of the villages . . . is affected by famine and scarcity conditions every second or third year".

(2) Availability of assured water supplies would be the surest way to stabilise and promote growth of agricultural production. Yet, potentials for development of water resources are extremely limited because of low and uncertain levels of rainfall, lack of adequate surface storage possibilities, limited groundwater potential, and limited possibilities for canal irrigation. Even when the Rajasthan canal is completed it will be able to irrigate only 13 per cent of the present gross cropped area of the arid region.

(3) A variety of soil conservation measures can help to raise and stabilise agricultural production. Most important among these would be the production of drought resistant grasses which yield a high return in the production of livestock and livestock products. However, because of uncontrolled grazing practices, it is difficult to implement soil conservation programmes.

(4) Production of and returns from livestock are much more stable than those for crops in the arid region. Nonetheless, farmers cling tenaciously to subsistence crop production patterns which have low and unstable returns.

(5) A wholesale restructuring of arid region agriculture is required to bring about a higher degree of stability and growth. The key elements of such a change would be

(a) development of scarce water supplies for human and animal consumption;

(b) limiting animal production to areas immediately around these water supplies;

(c) improvement of forage production through a variety of soil conservation measures which would become easier to implement by keeping livestock confined to small areas around assured water supplies and preventing overgrazing; and,

(d) development of marketing and transport facilities for livestock products such as those that exist for some villages in the Bikaner region for supplying milk to the Delhi Milk Scheme.

The authors clearly recognise the difficulties in transforming arid-zone agriculture along the lines they have outlined. One of the most difficult problems would be to bring about a reorganisation of the socio-economic structure of rural society to achieve a more settled type of agriculture. This is necessary to make full use of scarce water resources for the development of livestock production and to reduce the amount of uncontrolled grazing to enable the development, through a variety of soil conservation measures, of the forage production potential of the land necessary to support more intensive livestock production. It will require changing age-old ways of living and making a living. Difficult as it is, this approach offers the only hope for increasing the productivity of arid-zone land.

Another important problem is how to get villagers to give up subsistence farming in favour of livestock enterprises. The authors discuss the problem, but seem to offer no positive solution. One possibility is for Government to provide an assured supply of foodgrains (and other food commodities as well) at stable and reasonable prices to those farmers who wish to improve their livestock production and participate in Government's efforts to achieve the latter objective. Such an effort would help to remove some of the uncertainty in the availability of subsistence crops and make the intensification of livestock production more attractive.

* "Significance of the New Strategy of Agricultural Development for Small Farmers: A Cross Sectional Study of Two Areas of Gujarat", by V S Vyas, D S Tyagi and V N Misra, Agro-Economic Research Centre, Vallabh Vidyanagar, 1969.

Reserve Money and Money Multiplier

S R Krishna Iyer

It is generally held that the Central Bank can control money supply in a fairly automatic and reliable fashion by producing changes in monetary liabilities or by changing legal reserve requirements.

The composition of reserve money as well as the low money-multiplier ratio in India indicate that preference for cash transactions has not undergone any substantial change over the past 20 years. The quantum of money supply is largely dependent on the currency liabilities of the Central Bank and, with a not very high ratio of multiple credit creation, the Central Bank can vary the quantum of money supply considerably only by varying its currency liabilities.

This study, covering the period 1950-69, shows that in most of the years the major cause of variations in reserve money was governmental indebtedness to the Central Bank and, in some years, variations in foreign assets. Other transactions did not have any significant role.

Thus the Reserve Bank of India does not seem to have much control over changes in currency in circulation and so on the quantum of money. Since varying reserve requirements cannot have a very significant impact, varying the cost of credit and selective credit control are of greater significance among the instruments of credit control.

IT is generally held that the amount of money available to the community can be determined by the monetary authority. This view is based on traditional postulates regarding the operation of the banking system under a system of fractional reserve banking, which lead to the conclusion that the Central Bank has absolute control over its monetary liabilities. Deliberate changes in the Central Bank's monetary liabilities are assumed to result in proportionate changes in bank reserves. These changes in bank reserves, in turn, induce a secondary expansion or contraction by the banking system of an amount indicated by the ratio of currency in circulation to money and the ratio of customary or required reserves against deposits. These two ratios are considered to be reasonably stable, *i e*, subject to only insignificant changes in the short run (in the absence of changes in legal reserve requirements).

Hence it is assumed that the effect of given changes in the Central Bank's monetary liabilities on the total money supply is reasonably certain and predictable. It follows from these assumptions that, a Central Bank can control the money supply in a fairly automatic and reliable fashion by producing changes in monetary liabilities or, of course, by changing legal reserve requirements. Accordingly, limitations to Central Bank control on the money supply are attributed mainly to the inability to manipulate monetary liabilities or to impose, vary, or enforce, reserve requirements on banks. This inability may be the result of technical or political difficulties in offsetting changes in monetary liabilities arising from changes in foreign assets, or from credit given to governments as a result of fiscal policies.

The composition of reserve money, the money multiplier ratio and the factors responsible for changes in reserve money are some of the points that have to be looked into. In this note, an attempt is made to analyse the trend in India for the 20 years, 1950-51 to 1969-70. 'Reserve money' is made up of the Central Bank's monetary liabilities (currency with the public) and the reserves of commercial and State co-operative banks. This is otherwise referred to as 'government money' 'high powered money' 'prime money' etc, and is sometimes called the monetary base. In India, currency with the public includes the currency liabilities of government to the public, as rupee coin and small coin are issued by the Government of India. Apart from currency with the public and reserves of commercial and State co-operative banks, 'other deposits with the Reserve Bank' are also taken into account for arriving at reserve money.

Money-multiplier ratio signifies the ratio of 'money' to 'reserve money'. Money is considered both as the money supply with the public or the most liquid form of money, and secondly as monetary resources, *i e*, money supply with the public plus quasi-money. Money-multiplier can thus be defined as Multiplier $K = \frac{M}{C+R}$ where K stands for money-multiplier, M for money, C for currency with the public, and R for reserves of commercial and State co-operative banks. The same can further be expressed in terms of the currency and reserve ratio as follows:

$$K = \frac{M}{C+R} \qquad \frac{M}{\frac{C+R}{D} \times D}$$

(where D stands for Deposit Money)

$$= \frac{M}{C+R\ (M-C)}{D}$$

Dividing both sides by M

$$K = \frac{1}{\frac{C}{M} + \frac{R}{D}\left(1-\frac{C}{M}\right)} = \frac{1}{c+r\ (1-c)}$$

where c stands for ratio of currency to money supply $\left(\frac{C}{M}\right)$, and r for ratio of reserves to deposits $\left(\frac{R}{D}\right)$. This formula shows explicitly that high currency and reserve ratios lower the value of money-multiplier and *vice-versa*.

Table 1 sets out the trend in money-multiplier in India through the 20 years from 1950-51 to 1969-70. The figures have been worked out both in respect of monetary resources as well as money supply with the public, as also the average and marginal ratios. As data for money supply are available readily only as on the previous Friday, the annual averages used in this Table are averages of last Fridays of the months.

Money Multiplier as Measured by Ratio of Money Supply to Reserve Money

A remarkable feature of the money-multiplier in India is that the average ratio has been exceptionally steady around 1.33, through 1950-51 to 1957-58. This was followed by a slight decline in this ratio from 1.33 in 1957-58 to 1.29 in 1961-62; since then, it has

TABLE 1 : MONEY-MULTIPLIER IN INDIA, FROM 1950-51 TO 1969-70

Average of Last Fridays of the Month	(Crores of Rupees)			Average Ratio		(Crores of Rupees)			Marginal Ratio	
				Money Multiplier		Increase during the Year			Money Multiplier	
	Monetary Resources	Money Supply	Reserve Money	Monetary Resources	Money Supply	Monetary Resources	Money Supply	Reserve Money	Monetary Resources	Money Supply
1950-51	2174	1862	1394	1.559	1.336					
1951-52	2138	1874	1410	1.516	1.329	—36	+12	+16	—2.250	0.750
1952-53	2102	1752	1310	1.604	1.337	—36	—122	+100	—0.360	—0.122
1953-54	2142	1765	1330	1.614	1.327	+40	+13	+ 20	2.000	0.650
1954-55	2253	1850	1388	1.623	1.333	+111	+85	+ 58	1.913	1.465
1955-56	2515	2049	1536	1.637	1.334	+262	+199	+148	1.770	1.344
1956-57	2733	2222	1666	1.640	1.334	+218	+173	+130	1.676	1.330
1957-58	2904	2334	1752	1.657	1.332	+117	+112	+ 86	1.988	1.302
1958-59	3102	2394	1821	1.703	1.315	+198	+60	+ 69	2.869	0.869
1959-60	3403	2551	1958	1.738	1.303	+301	+157	+137	2.197	1.146
1960-61	3677	2725	2123	1.732	1.283	+274	+174	+165	1.660	1.054
1961-62	3886	2844	2210	1.758	1.287	+209	+119	+ 87	2.402	1.367
1962-63	4263	3098	2388	1.785	1.297	+377	+254	+178	2.118	1.426
1963-64	4731	3475	2611	1.812	1.331	+468	+377	+223	2.096	1.690
1964-65	5240	3866	2818	1.859	1.372	+509	+391	+207	2.459	1.888
1965-66	5803	4237	3043	1.907	1.392	+563	+371	+225	2.502	1.648
1966-67	6453	4641	3272	1.972	1.418	+650	+404	+229	2.838	1.764
1967-68	7041	5008	3482	2.022	1.438	+588	+367	+210	2.800	1.747
1968-69	7793	5428	3766	2.069	1.441	+752	+420	+284	2.648	1.479
1969-70*	8802	6000	4147	2.122	1.447	+1009	+572	+381	2.648	1.501

* Provisional.

risen over the years to 1.45 in 1969-70. All through these 20 years, the variation in the ratio has been quite negligible. Another noteworthy feature is that the ratio is comparatively very low in India. In developed countries such as the US, the UK and Japan, the money-multiplier is high at 3 to 3.5, in view of the low currency ratio and the reserve ratio. In India, although the reserve ratio is low (see Table 4) the ratio of currency with the public to money supply (currency ratio) is very high at around 60-70 per cent (*vide* Table 3). For the same reason, the bulk of the reserve money is made up of currency with the public (*vide* Table 2). The low money-multiplier ratio in India is attributable to the high level of currency ratio. This ratio moved up almost steadily, from 68.4 per cent in 1950-51 to 72.5 per cent in 1961-62, after which, however, there has been a steady decline to 62.7 per cent in 1969-70. As the rise in currency ratio was offset by a fall in the reserve ratio, during 1950-51 to 1957-58, the money-multiplier ratio remained steady while in the following four years, up to 1961-62, both the currency ratio and the reserve ratio increased, resulting in a slight decline in the money-multiplier. The currency ratio declined from 72.5 per cent in 1961-62 to 62.7 per cent in 1969-70; during the same period, the reserve ratio, *i e*, the ratio of cash and balances to demand deposits of commercial and State co-operative banks also came down from 17.4 per cent to 14.9 per cent. Consequent to this, the money-multiplier moved up from 1.29 to 1.45.

The composition of reserve money as well as the low money-multiplier ratio in India indicate that preference for cash transactions in India has not undergone any substantial change over the last 20 years and also that the rate of multiple credit creation by the banking system in India is not very high. However, since 1962-63, the currency ratio has been steadily declining, indicating the gradual spread in the banking habit among the people; and the multiple credit creation rate has also been showing an uptrend as evidenced by the declining reserve ratio. As at present, the quantum of money supply is substantially dependent upon the currency liabilities of the Central Bank and, with a not very high rate of multiple-credit creation, the Central Bank can vary the quantum of money supply considerably only by varying its currency liabilities. Resort to varying reserve requirements can have only a limited impact on the money supply. The control of the Reserve Bank of India in regard to varying its currency liabilities is discussed later.

The low multiplier-credit ratio and the high currency ratio would also imply that considerable time is necessary for the Central Bank to substantial-

TABLE 2 : COMPOSITION OF RESERVE MONEY IN INDIA

(Crores of Rupees)

	Currency with the Public (1)	Other Deposits with the Reserve Bank (2)	Bank Reserves (3)	Total (4)	Percentage of 1 to 4 (5)	Percentage of 2 to 4 (6)	Percentage of 3 to 4 (7)
1950-51	1275	15	104	1394	91.5	1.0	7.5
1951-52	1287	21	102	1410	91.3	1.5	7.2
1952-53	1206	13	91	1310	92.1	1.0	6.9
1953-54	1235	10	85	1330	92.8	0.8	6.4
1954-55	1285	9	94	1388	92.6	0.6	6.8
1955-56	1432	8	96	1536	93.2	0.6	6.2
1956-57	1561	8	97	1666	93.6	0.6	5.8
1957-58	1609	13	130	1752	91.8	0.8	7.4
1958-59	1674	12	135	1821	91.9	0.7	7.4
1959-60	1814	14	130	1958	92.6	0.8	6.6
1960-61	1954	18	151	2123	92.0	0.9	7.1
1961-62	2062	14	134	2210	93.3	0.6	6.1
1962-63	2235	15	138	2388	93.5	0.8	5.7
1963-64	2438	25	148	2611	93.3	1.1	5.6
1964-65	2634	27	157	2818	93.4	1.0	5.6
1965-66	2841	20	182	3043	93.3	0.8	5.9
1966-67	3027	29	216	3272	92.5	0.9	6.6
1967-68	3199	31	252	3482	91.8	1.0	7.2
1968-69	3436	64	266	3766	91.2	1.8	7.0
1969-70*	3764	58	325	4147	90.8	1.4	7.8

* Provisional

TABLE 3 : RATIO OF CURRENCY WITH THE PUBLIC TO MONETARY RESOURCES AND MONEY SUPPLY

(Crores of Rupees)

Average of Last Fridays of Months	Monetary Resources (1)	Money Supply (2)	Currency with the Public (3)	Ratio of 3 to 1 (4)	Ratio of 3 to 2 (5)
1950-51	2174	1862	1275	0.586	0.684
1951-52	2138	1874	1287	0.601	0.686
1952-53	2102	1752	1206	0.573	0.688
1953-54	2142	1765	1235	0.576	0.699
1954-55	2253	1850	1285	0.570	0.694
1955-56	2515	2049	1432	0.569	0.698
1956-57	2733	2222	1561	0.571	0.702
1957-58	2904	2334	1609	0.554	0.689
1958-59	3102	2394	1674	0.539	0.699
1959-60	3403	2551	1814	0.533	0.711
1960-61	3677	2725	1954	0.531	0.717
1961-62	3886	2944	2062	0.530	0.725
1962-63	4263	3098	2235	0.524	0.721
1963-64	4731	3475	2438	0.515	0.701
1964-65	5240	3866	2634	0.502	0.681
1965-66	5803	4237	2841	0.489	0.670
1966-67	4653	4641	3027	0.469	0.652
1967-68	7041	5008	3199	0.454	0.638
1968-69	7793	5428	3436	0.440	0.633
1969-70*	8802	6000	3764	0.428	0.(

* Provisional

TABLE 4 : RESERVE RATIO OF COMMERCIAL AND STATE CO-OPERATIVE BANKS

Average of Last Fridays of Months	(Crores of Rupees)				Percentage Ratio of Reserves to	
	Demand Deposits	Time Deposits	Total Deposits	Reserves	Demand Deposits	Total Deposits
1950-51	572	312	884	104	18.2	11.8
1951-52	566	264	830	102	18.0	12.3
1952-53	533	350	883	91	17.1	10.3
1953-54	520	377	897	85	16.3	9.5
1954-55	556	403	959	94	16.9	9.8
1955-56	609	466	1075	96	15.8	8.9
1956-57	653	511	1164	97	14.8	8.3
1957-58	712	570	1282	130	18.3	10.1
1958-59	708	708	1416	135	19.1	9.5
1959-60	723	852	1575	130	18.0	8.2
1960-61	753	952	1705	151	20.0	8.8
1961-62	768	1042	1810	134	17.4	7.4
1962-63	848	1165	2013	138	16.3	6.9
1963-64	1012	1256	2268	148	14.6	6.5
1964-65	1205	1374	2579	157	13.0	6.1
1965-66	1376	1566	2942	182	13.2	6.2
1966-67	1585	1812	3397	216	13.6	6.3
1967-68	1778	2033	3811	252	14.2	6.6
1968-69	1928	2365	4293	266	13.8	6.2
1969-70*	2178	2802	4980	325	14.9	6.5

* Provisional

ty decrease the quantum of money supply. In other words, in times of inflationary conditions, the quantum of money supply cannot be suddenly brought down. The above discussion relates to money-multiplier defined as the ratio of money supply with the public to reserve money. But in monetary analysis, for judging the impact on the economy, and particularly on the price behaviour, monetary resources (*i e*, money supply with the public plus quasi-money) is more important. This is especially true of India where a sizeable portion of quasi-money or time deposits is held for less than one year, and the fixed deposits are withdrawable at very short notice before maturity. Hence, it would be pertinent in this context to consider the money-multiplier with money in the broader sense of the term.

Money-Multiplier for Monetary Resources

It will be seen from Tables 1, 3 and 4, that the currency ratio in relation to monetary resources and the reserve ratio in relation to total deposits of commercial and State co-operative banks have both declined noticeably over the 20 years, the rate of decline being sharper since 1961-62 in respect of currency ratio and from 1957-58 as regards reserve ratio. Reflecting these, the average money-multiplier ratio increased from 1.56 in 1950-51 to 1.66 in 1957-58 and, thereafter, at a faster rate to 2.12 in 1969-70. Monetary resources have been growing at a much faster rate than money supply as a result of the sharp growth in time deposits. This rapid growth since 1958-59 has been mainly due to (1) a sustained dose of deficit financing and (2) the escalation in interest rates for fixed deposits by commercial banks. In 1950-51 time deposits formed only 54 per cent of the demand deposits (*vide* Table 4); by 1958-59, these deposits had equalled demand deposits and, by 1969-70, they have exceeded demand deposits, being 130 per cent of the latter.

Thus, over the past 20 years, the money-multiplier effect has gone up noticeably in the case of monetary resources. The reserve money, composed as it is, the expansion in monetary resources is also induced to a noticeable extent by the increase in currency in circulation. It may be examined now how far the Reserve Bank is in a position to exercise control over expansion and contraction of currency in India.

Reserve Bank and Currency in Circulation

Table 5 sets out the trend in reserve money and the factors responsible for the change during the period 1950 to 1969. It may be noted that in most years the major cause for variation in reserve money was the governmental indebtedness to the Central Bank and, in some years, variation in foreign assets. Other transactions did not have any significant role. Thus the Reserve

TABLE 5 : CHANGES IN RESERVE MONEY AND AFFECTING FACTORS

(Crores of Rupees)

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
Reserve money	61	—28	—74	36	91	153	102	58	94	137	206	77	164	249	199	251	209	234	195	421
Factors affecting																				
Foreign assets	8	—54	—75	17	30	24	—121	—328	—111	46	—28	—62	—67	18	11	—58	—33	—15	89	307
Claims on Government (net)	102	2	23	5	55	123	262	430	317	—25	184	161	224	266	182	315	301	221	68	141
Claims on deposit money banks	—4	13	—5	—1	10	23	61	46	5	27	68	—12	24	—20	56	—4	—6	43	84	83
Others	—45	11	—17	15	—4	—17	—100	2	—117	89	—18	—10	—17	—15	—50	—2	—53	—15	—46	—110

Source : Compiled from International Financial Statistics, International Monetary Fund.

Bank of India does not seem to have much control over the change in currency in circulation and so on the quantum of money in the present context. We have seen earlier that, varying the reserve requirements cannot have a very significant impact and that hence, among the instruments of credit control, varying the cost of credit and selective credit control are of greater significance in India.

Likely Behaviour of Money-Multiplier in Immediate Future Years

On the basis of the trend in recent years, and taking currency with the public at the current level of 90 per cent of the reserve money, money supply would stand at 1.6 times the level of currency with the public and monetary resources at 2.3 times. Looking to the marginal ratio, for every increase of Rs 100 in currency with the public, money supply will increase by around Rs 180 and monetary resources by around Rs 300.

Female Work Participation and Economic Development

A Regional Analysis

Kamla Nath

This paper examines geographical differences in work participation rate among women among different States and districts.

The hypothesis of falling female work participation rate with economic development is not corroborated by State level data but is supported by district level data.

The subject needs further detailed analysis, but the present analysis supports the expectation of a falling family work participation rate in the coming decades. The economic implications of this deserve study.

IN an earlier paper on women workers in India, based primarily on the analysis of 1961 Census data it was noted that "the great majority of women work either in agriculture or in the traditional rural industries or in service activities. Most of them are family workers or single workers who combine the responsibility of home and work. Industry-wise analysis of F/M ratios showed that women are represented primarily in the household sector of each industry and their numbers are small in the modern organised sectors. The work participation rate of urban women is significantly lower than that of rural women and that of literate women significantly lower than that of the illiterate. The secular trend is for women's work participation rate to fall although in agriculture and household industry the downward trend has been interrupted in 1961 by definitional changes. From all this one might well conclude that economic development with its accompanying urbanisation, spread of education and growth of modern organised industries will be accompanied by a progressive decline in the work participation rate of women — until countervailing influences come into play".[1]

This hypothesis of falling work participation rate of women with economic development will be supported if geographical differences in the participation rate among the States and districts of India show a negative correlation with levels of economic development. This paper attempts such an analysis with the help of the available data. Towards the end, a brief analysis of the relationship between female work participation rate and per capita income among selected developed and under-developed countries has been made to show the relationship at the international level.

State Level Analysis

The relationship between female work participation rate and levels of development of States has been studied by calculating the co-efficients of correlation between female work participation rate and the following six indicators of development:

(i) per capita income;
(ii) proportion of urban population to total population;
(iii) proportion of non-agricultural workers to total workers;
(iv) proportion of workers in manufacturing industry (other than household) to total workers;
(v) proportion of literate females to all females (excluding age group 0-4); and,
(vi) proportion of scheduled castes and scheduled tribes in the total population.

Per capita income is an internationally recognised indicator of the level of economic development and should have been sufficient for establishing the above relationship. However, in view of the large non-monetary sector of the Indian economy, which makes the calculation of per capita income rather difficult and unreliable, it is felt that the use of the other indicators, besides per capita income, may give more reliable indication of the levels of economic development.

Data on female work participation rate and the selected indicators of development are given for 15 States in Table 1. The States have been arranged in descending order of female work participation rate. The co-efficients of correlation between female work participation rate and the indicators are shown at the bottom of columns 3 to 8 of the Table.

The expected values of 'r' (co-efficients of correlation) for all the indicators except (vi) is negative. For (vi) the expected value is positive because female work participation rate is higher among scheduled castes and scheduled tribes and these are the backward groups in the population.[2] The observed values of 'r', positive or negative for all the indicators is less than 0.5,

indicating that there is no significant correlation between female work participation rate and any of the indicators of economic development. The negative values of 'r' for indicators (iii) and (iv) relating to the size of the non-agricultural sector and of manufacturing industry, though not significant at five per cent level are worth some notice, but the values for all the other indicators are very low. Besides the values for indicators (i) and (ii) are positive, rather than negative, as expected.

The insignificant values for all the indicators and the positive values for indicators (i) and (ii) do not corroborate the above hypothesis of falling female work participation rate with economic development. The State is probably not a suitable unit for such an analysis. Many States such as Uttar Pradesh and Maharashtra are very large in size and contain within their areas pockets of development and poverty, so that the opposing influences may have cancelled one another in aggregation of the data for the States. In order to get over this handicap, of size and intra-State differences in levels of development, the analysis was carried down to the district level.

The districts of the States and Union Territories have been distributed among four levels of development in the Census volume, "Levels of Regional Development in India".[3] The division has been made after ranking the districts according to their score in a composite index of development, based on 35 indicators. In this analysis the classification of the districts of the 15 States has been used. The relationship between female work participation rate and the levels of development of the districts

TABLE 1: FEMALE WORK PARTICIPATION RATE AND THE INDICATORS OF ECONOMIC DEVELOPMENT—INDIA AND 15 STATES, 1961

Names	Female Work Participation Rate	Proportion of (i) Per Capita Net Domestic Product (Rs) 1961	(ii) Urban Population to Total Population	(iii) Non-Agricultural Workers to Total Workers	(iv) Workers in Manufacturing Industry to total Workers	(v) Literate Females to All Females (excluding age-group 0-4)	(vi) Scheduled Caste-Scheduled Tribes to Total Population
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Madhya Pradesh	44.0	285	14.3	20.7	2.0	8.1	33.7
Andhra Pradesh	40.5	284	17.4	31.3	2.6	14.0	17.5
Maharashtra	38.1	392	28.2	30.1	6.9	19.8	11.7
Rajasthan	35.9	323	16.3	22.3	1.8	7.0	28.2
Mysore	32.0	290	22.3	29.4	3.9	16.7	14.0
Madras	31.3	335	26.7	39.5	5.5	12.1	18.8
Assam	30.9	311	7.7	31.7	2.0	19.6	23.6
Gujarat	27.9	339	25.8	31.9	6.3	22.8	20.0
Bihar	27.1	203	8.4	23.2	2.2	8.2	23.2
Orissa	26.6	249	6.3	26.2	1.1	10.1	39.9
Jammu and Kashmir	25.6	253	16.6	23.1	2.2	5.1	8.0
Kerala	19.7	276	15.1	61.7	9.4	45.6	9.8
Uttar Pradesh	18.1	246	12.8	24.8	2.8	8.3	20.9
Punjab	14.2	388	20.1	36.1	5.0	16.9	20.5
West Bengal	9.4	318	24.5	46.2	11.4	20.3	25.6
India	28.0	326	18.0	30.5	4.2	15.3	21.6
Co-efficient of Correlation		0.15	0.04	— 0.47	— 0.36	— 0.24	0.11

Note: Nagaland is excluded because of non-availability of data, and Haryana is included in Punjab.
Sources: Cols 2 and 4-8: Census of India 1961, Paper No 1, Final Population Totals.
Col 3: Per capita income. Central Statistical Organisation: "Estimates of Total and Per Capita Net Domestic Product for Different States", (Mimeographed), New Delhi, 1968.

TABLE 2: FEMALE WORK PARTICIPATION RATE AND LEVELS OF DEVELOPMENT OF 311 DISTRICTS OF 15 STATES, 1961

Levels of Development	No of Districts	Range of Female Work Participation Rate			
		0—14.9	15—29.9	30—44.9	45 and above
(1)	(2)	(3)	(4)	(5)	(6)
Top IV Level	82 (100.00)	28 (34.15)	21 (25.60)	33 (40.24)	—
III Level	75 (100.00)	9 (12.01)	19 (25.33)	38 (50.66)	9 (12.01)
II Level	85 (100.00)	15 (17.65)	12 (14.12)	35 (41.28)	23 (27.05)
Bottom I Level	69 (100.00)	7 (10.15)	20 (29.00)	20 (29.00)	22 (31.85)
Total	311 (100.00)	59 (18.97)	72 (23.15)	126 (40.51)	54 (17.36)

Note: Figures in brackets are percentages.
Sources: (1) Census of India 1961, Volume I, India, Part I-A Text "Levels of Regional Development in India", being Part I of General Report on India, page 25.
(2) A Mitra: Census of India 1961, Paper No I of 1962, Final Population Totals

TABLE 3: DISTRIBUTION OF 67 COUNTRIES OF THE WORLD BY PER CAPITA INCOME AND FEMALE WORK PARTICIPATION RATE, 1960-61

Per Capita GNP (US dollars)	No of Countries	Range of Female Work Participation Rate				
		Median	0-14.9	15-29.9	30-44.9	45 and above
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Below 100	9	19.6	4	2	1	2
100-299	25	13.1	15	5	5	—
300-499	10	27.6	2	4	4	—
500-999	10	20.0	2	5	2	1
1,000 and above	13	25.0	—	12	1	—
Total	67		23	28	13	3

Sources : (1) United Nations: *Monthly Bulletin of Statistics*, New York, May 1963, as used by, Kindleberger, Charles P: "Economic Development", New-York, 1965 Table 1.1 (page 12).
(2) United Nations: "Demographic Year Book, 1964", Population Census Statistics III, 16th Issue, New York, 1965; Table 8.

TABLE 4: PER CAPITA INCOME AND FEMALE WORK PARTICIPATION RATES IN SELECTED COUNTRIES

Country	Total Numbers	Per Capita Income		Female Work Participation Rate	
		Median	Range	Median	Range
(1)	(2)	(3)	(4)	(5)	(6)
(1) Muslim Countries of Middle East and Pakistan	9	120	54-218	6.2	2.6-13.8
(2) South and East Asian Countries	6	158	49-215	16.8	9.8-51.1
(3) Socialist Countries of East Europe and USSR	5	490	223-680	39.9	31.0-49.5
(4) Developed Western Countries	13	1,153	1,034-2,308	25.7	17.8-33.2

Source: As for Table 3.

Countries:—
(1) Muslim Countries: Syria, Jordan, Egypt, Iraq, Iran, Pakistan, Morocco, Sudan, and Algeria.
(2) South and East Asia: Indonesia, Taiwan, Thailand, Malaya, Philipines and Mauritius.
(3) Socialist Countries: Yugoslavia, Poland, Hungary, USSR and Czechoslovakia.
(4) Developed Western Countries: USA, Switzerland, Canada, Sweden, New Zealand, Norway, Belgium and France.

has been studied by comparing the number of districts in each development level category falling in four ranges of female work participation rate; under 15 per cent, 15-30 per cent, 30-45 per cent and 45 per cent and above. The data are shown in Table 2. It is interesting to note that among the districts in the top level of development, 1/3 fall in the lowest female work participation range of less than 15 per cent, and none is in the highest participation range of 45 per cent and above. On the other hand, nearly 1/3 of the districts in the bottom level of development are in the highest female work participation rate range of above 45 per cent and only 10 per cent fall in the lowest range. The proportion of districts falling in the lowest range of female work participation rate rises progressively with rise in the level of development from the bottom level to the top level of districts, whereas the proportion of districts in the highest participation range declines from 32 per cent to zero, from the bottom to top level of development. Accordingly the district data lend support to the hypothesis of declining female work participation rate with economic development.

INTERNATIONAL ANALYSIS

For international analysis, sixty-seven countries both developed and underdeveloped, with per capita incomes ranging from $ 49 (Indonesia) to $ 2368 (USA) were selected. The countries were divided into the four ranges of female work participation rate, mentioned above. The data are given in Table 3. It will be noticed that, (i) the range of variation of female work participation rate is low among the developed countries, 12 out of the 13 countries with per capita income above $ 1,000 have female work participation rate of 15-30 per cent and the thirteenth, West Germany, has a rate of 33.2 per cent. The countries in the four lower groups show a wider scatter. (ii) The female work participation rate is significantly lower in the countries in the income group $ 100-299, than in the lowest income group of below $ 100. The median rate in the former is only 13.1 as compared with 19.6 in the latter. Also 15 out of 25 countries in this group ($ 100-299) are in the lowest female work participation rate of under 15 per cent.[4] This fact is of considerable significance for India, because India is at present in the lowest income group of below $ 100 and should move into the next group with economic development in the next two-three decades.

In order to study the influence of socio-cultural factors on female work participation rate the countries were divided into four groups — Muslim countries of the Middle East and Pakistan, South and East Asian countries, socialist countries of East Europe and USSR, and developed western countries — and their per capita incomes and female work participation rates were compared (Table 4). The Muslim countries and the South and East Asian countries have low per capita income — the figures are of broadly similar order — but the female work participation rates are significantly higher in the latter. From this it would appear that religion and culture are significant influences of female work participation rate. The highest female work participation rates are in the socialist countries, indicating the likely influence of socio-economic organisation. It will be interesting to make a more detailed international analysis based on the latest available statistics and for a larger number of countries.

CONCLUSIONS AND IMPLICATIONS

The hypothesis of falling female work participation rate with economic development, formulated on analysis of all-India data of 1961 Census is not corroborated by the State level data, but is supported by district level data. The international analysis also shows marked decline in female work participation rate with rise in income level from countries in the lower group, in which India is now, to those in the next group into which it will move with economic development. The subject undoubtedly needs further more detailed analysis, but the present analysis supports the expectation of a falling female work participation in India in the coming decades. It may be in order to comment briefly on the economic implication of the fall in female work participation rate on total output, family income and economic growth in the coming decades.

It can be argued that withdrawal of women workers from agricultural and traditional non-agricultural occupations may not lead to any significant reduction in output in these sectors, because in a situation of labour surplus women will be replaced by men. But such a reasoning is inappropriate because the effects on output and income will be apparent only if we examine the position at the enterprise level.

In case of every small family enterprises, agricultural as well as non-agricultural, where the unit of labour is man and wife the effect of the spread of the social norm of non-participation of woman will lead to lower production, if the enterprise cannot afford to employ a paid worker, and lower family income. In case of the small household traditional cottage industry units the result may even be closing down of the unit and the man taking up a job in a factory, though the latter will not be so easy in the presence of large number of unemployed. But if the size of the enterprise is slightly larger and the women are replaced by hired labour or by mechanisation of the production process, there may not be any reduction (or increase) in total output. Since a large percentage of the enterprises are very small family enterprises, the possibility of fall in output and income cannot be ruled out.

The non-participation of women workers in non-household jobs — paid agricultural and non-agricultural — will reduce income of the families concerned and increase incomes in other families in which the male workers have larger employment opportunities.

Falling female work participation rate will accelerate the rise in dependency ratio, which is high already and is rising because of the higher birth rate. The rise in dependency ratio has a tendency to depress per capita income.

The work participation rate of educated women (matriculates and above) is already low, more than 70 per cent of the educated women were non-workers in 1961. If the overall trend towards falling work participation rate of women continues, the work participation rate of educated women, low as it is, may be reduced further.[5] Then the whole process of social change and modernisation planned through expansion of educational, medical, family planning and social welfare programmes will be slowed down, because educated women have a key role in these programmes.

NOTES

1 Nath Kamla: "Women in the Working Force in India", *Economic and Political Weekly*, August 3, 1968.

2 Mitra however considers the proportion of scheduled castes and scheduled tribes in the population as a positive indicator of economic development. A Mitra: "Levels of Regional Development in India", Census of India, Vol I, Part I-A, Text, 1964, page 12-13.

3 A Mitra, *Ibid.*

4 J N Sinha arrived at the following results from a similar comparison of per capita income and female work participation rate in 49 developed and under-developed countries:

Levels of Per Capita Income (1952-55) (US dollars)	No of Countries	Average Rates (unweighted mean)
Under 100	8	35.4
100-249	12	24.0
250-499	13	17.0
500-749	6	25.2
750 and above	10	23.2

J N Sinha, in "Papers Contributed by Indian Authors to the World Population Conference Belgrade, 1965", Registrar General India, 1965, page 258.

5 Ramachandran found on the basis of a survey in Greater Bombay that a higher proportion of women who were in the labour force were non-collegiates and were from households where the head of the family was past middle age, was in lower categories of jobs, where the per capita income was low. In contrast a high proportion of women who were not seeking employment were collegiates and were from households where the head of the family was well below middle age, was in a higher category of jobs, the per capita income was medium or high. Ramachandran P: "Attitudes of Women to Part-Time Employment", Part-I, Report; Department of Social Research, Tata Institute of Social Sciences, Chembur, Bombay, 1964 (mimeographed).

Rourkela Out of the Red

DURING the financial year 1969-70, Rourkela Steel Plant is likely to have made a profit of over Rs 3 crores. Rourkela had made profits in 1964-65 and 1965-66 also.

The recent decision of Government to increase steel prices was the major contributing factor to Rourkela's profits in 1969-70. Rourkela's working has shown significant improvement: (1) significant reduction in the consumption of raw materials; (2) improvement in yield; and (3) reduction in demurrage and over-time bills. Rourkela's recent expansion to 1.8 million tons of ingot steel means a minimum of 1,240,000 tons of finished steel every year, such as wide and heavy plates hot rolled sheets, cold rolled sheets, hot dipped tinplates, electrolytic tinplates, galvanised sheets and electrical steel sheets. Rourkela is the first steel plant in India to be entirely based on flat products and will have this distinction for some more years, until Bokaro becomes operational. These flat products are vital for ship-building, containers, boilers, for defence purposes, automobile bodies, tube-making, for packaging and canning industries.

Since its inception, the steel plant has supplied products worth Rs 523 crores to India and foreign markets, and during the last two years alone the sales value was Rs 182 crores.

Rourkela introduced three new products last year: armoured plates, electrical sheets and electrolytic tinplates. It will now introduce cold-rolled grain oriented electric sheets for sophisticated electric goods like transformers.

The East Is Red with Blood

G P Deshpande

Nixon's extension of the Vietnam war into Cambodia shows a remarkable ability to remain ignorant about the basic tenets of guerilla warfare and a deep-seated American arrogance in lack of regard for Asian sentiments.

The author maintains that any solution to the Indo-Chinese situation can only be visualised after the complete withdrawal of American troops. The reasons for India's ambivalent attitude towards American intervention in Cambodia are made explicit.

THE East is red with blood. That has been President Nixon's contribution to Chairman Mao's ardent desire to see the East red. He could not have done it better. Nixon chose May Day to march into Cambodia, bombing villages and innocent Vietnamese civilians in pursuit of the mirage of destroying the "Viet Cong Supreme Headquarters". Mark Frankland of *The Observer* reports that even General Lon Nol was not informed of the move. The Americans could probably argue that having installed the General in Pnom Penh themselves, they did not have to consult him about what they planned to do in Cambodia. At any rate, the General can hardly complain; as his only bet for continuing in power lies in bombing people into submission. An old and familiar game and a discredited one at that, but old habits die hard.

Against Its Wishes!

The brutal operation in Cambodia has remarkable similarities with the early operations in Vietnam. There is that foolish misconception that the guerilla war problem is primarily a military one. All that you need to do is to clean the sanctuaries and the communist headquarters. The resistance to the government would then miraculously collapse. This has been proved wrong so many times in Vietnam that it is difficult to believe that even the American authorities have not understood the fallacy yet. Every time the Americans have involved themselves in a big way there have been cries of communist aggression, making it look as though the United States had to intervene against its own wishes. This happened in Vietnam too. The result has been that the US has to leave Vietnam against its own wishes!

It would be a nice Maoist quotation that the big powers never withdraw; they are driven out. Mao indeed has said something to that effect. The American adventure in Cambodia has demonstrated the truth of it. Academicians and politicians of Southern Asia have built a whole mythology about "American withdrawal from Asia". The fact was and is that the US is not going to withdraw from Asia. The Cambodian operation, one hopes, has bombed that point home! The argument that Asia is peripheral to American interests might be true but the Pentagon and the President think otherwise and that is what matters.

The new government in Cambodia cannot find popular support. There are only two ways to rule. One is by popular sanction and the other by maintaining stability with a heavy show of force and terror. The United States does not seem to understand that the Asians have wills and minds. They can oppose a government. The only methods known have been those that it learnt when the white settlers first encountered and dealt with Red Indians. People who do not submit deserve to be annihilated. There is only one way of stabilising General Lon Nol. Destroy as many villages as you can east of the Mekong, as that is supposed to be the Viet Cong stronghold, shoot any Vietnamese that you may encounter and in order not to make it look too racial kill some Cambodians too. The General will then be stabilised.

It is, thus, the increasing anxiety over the stability of the Cambodian government which has inspired this operation. This has nothing to do with cleaning a sanctuary. Surely the Americans, by this time, know that you cannot simply "clean a guerilla sanctuary". For his sanctuary consists not merely of hills and jungles. It is impossible to believe that the American army does not know this. Explanations have to be sought somewhere else. The primary motive is to see that the new government stays in power long enough.

Another reason is that the Vietnamisation programme seems to have been a great failure. The United States evidently wants to test the ARVN (Army of the Republic of Vietnam) before the American forces think of leaving. It is not enough to say that the Vietnamese army is competent. It has to be tried. The so-called Parrot's Beak and Fish Hook areas are so close to Saigon that with Saigon's backing they could have their first try. If they demonstrate their ability, Nixon can go ahead with 150.000 withdrawals by the end of 1970.

President Nixon has declared that the Cambodian intervention would not last longer than six to eight weeks. He has decided that the US has no desire to get bogged down in the quicksands of Cambodia. As a declaration of hope it is perfect; as a declaration of policy it is unrealistic, if not deceitful. The Americans having dealt with the Viet Cong for the last seven years and got nowhere near victory, Nixon now believes he can gain it in as many weeks! The military leadership has demonstrated its utter lack of understanding of the South-East Asia situation several times before and yet its advice and optimism is uncritically accepted by the President. It was in September 1967 that General Westmoreland boasted of dealing heavy blows to the guerillas all over South Vietnam and within months came the huge Tet offensive. Arthur Schlesinger Jr, has in his book ("Crisis of Confidence") shown a long list of utterly wrong and sometimes deliberately false pictures of the war situation given by the military. It is this military opinion which seems to have prevailed over the President and asked him to strike hard. The President has obliged.

Nixon's Gamble

Nixon's gamble will not take him very far. The war in Cambodia is now destined to be a long drawn-out one. Prince Norodom Sihanouk has established a government in exile in Peking. It is possible to foresee the Prince's government eventually settling down in Ratnakiri, Mondalkirri and other provinces east of the Mekong. One reason why this looks more than probable is the manpower that General Lon Nol would need to extend his writ throughout the country. The General thinks he needs 225,000 troops. The Cambodian army started with 35,000 men. It is said to have grown to 80,000 men now. It is still far short of its manpower needs. So the South Vietnamese had to come in.

And here lies one of the major weaknesses of the Cambodian operation. It is well known that General Lon Nol has stoked up the traditional Khmer hatred of the Vietnamese. He aroused it in order to present himself in more nationalistic colours than the deposed Prince. In heavily guarded and military controlled Pnom Penh the trick was made to look successful. Now the anti-climax has come. The Khmer nationalist has been depending upon South Vietnamese troops to defend himself. Asians may be illiterate and underdeveloped. But they are not fools. If anyone knows this, it has been Prince Sihanouk. This is one reason why he has been operating from Peking rather than Hanoi. He is shrewd enough to know that he must have China behind him as a countervailing power to the Vietnamese. The General on the other hand counts only the bullets and the bombs. These are not the only things which matter, particularly in an Asian war. But then the Generals, whether Asians or Americans, do not have a reputation for such understanding! For they think that taking a primarily political view of everything is a nasty Maoist idea! Military 'democrats' should not do anything like that!

Arduous Battle

The Cambodian embroglio is not a matter of a few weeks. It is not going to be anything like a neat surgical operation. It seems that it will be a long, arduous battle. It was never a secret that there were about 40,000 Vietnamese communist troops in Cambodia. But the Prince had already started negotiations about them. It was the fear of the Prince reaching an amicable settlement with North Vietnam that led to the engineering of the coup. A purely Asian problem was being discussed by the powers concerned. The US intervened first by a coup and later by invasion when it felt that the 'discussions' were going against its interests. This is not merely an intervention. This is forcing an American decision on other people. It is, therefore, irrelevant to speak of withdrawal of "all foreign troops". The United States must withdraw first. The usurpers in Pnom Penh would eventually collapse. One does not have to say that Vietnamese troops in Cambodia were not invading Cambodia. Parrot's Beak and Fish Hook are sanctuaries for guerillas fighting in Vietnam. The question of Vietnamese aggression in Cambodia is a subsidiary one.

What does all this mean to India? In recent years we have been pursuing a policy of no risks. Anything which can be fitted in with our bi-alignment becomes our policy. Our dependence on the United States compels us not to say anything which, in so many words, condemns American action. Our dependence on the Soviet Union compels us not to appear too indulgent of American action. We, thus, kept out of the proposed Jakarta Conference. Lest our American patrons lose their temper, Dinesh Singh promptly added that India did not make any distinction between Western or Asian aggressors thus putting on par the massive American action and the Viet Cong presence in Cambodia. This has its advantages. We can go on making muffled noises for peace.

The issue in Cambodia is, however, a larger one. Weak states are being bombed into submission. An independently oriented government is unscrupulously thrown out. The best the Russians can do is to threaten that they will break off the Vienna talks on Strategic Arms Limitation, taking care to see that they actually do not do so. Meanwhile, the enormity of American power and the helplessness of weak states doggedly fighting it, are the only two tangible factors. Our stand should be very obvious on this issue. Any move in Cambodia, whether individual or united, aligned or non-aligned, is possible only after this business of "clearing of the sanctuaries" stops. We must say this. But then you cannot eat your PL 480 wheat and protest too!

Damodar Valley Corporation

Issue of 5¾ per cent Bonds, 1982 of Rs 375 lakhs.

Issue price Rs 99.75 per cent.

Rate of interest 5¾ per cent.

Maturity May 1982.

Total amount Rs 375 lakhs.

Brokerage 13 Paise per Rs 100 (nominal) to banks and recognised brokers on allotments made in respect of applications bearing their stamps.

Underwriting commission 37 Paise per Rs 100 (nominal) to every subscriber who subscribes Rs 25 lakhs or more.

The proceeds of the bonds will be entirely spent in financing the power expansion programme involving setting up of 2 additional thermal units of 120 MW at Chandrapura in Bihar and transmission system.

The DVC was constituted in 1948 for the unified development of the Damodar River Valley areas in the States of West Bengal and Bihar as a multi-purpose project and is engaged in irrigation, flood control and generation, transmission and distribution of electrical energy. It is the largest single generating organisation in the country with a capacity of 1061 MW. The Corporation sells power at as low a rate as 6.27 Paise per KWH. It showed a return of 7.29 per cent on the net average cost of Rs 117 crores of fixed assets of the Power system in 1968-69.

The bonds are guaranteed by Government of India both as to the payment of interest and the repayment of the principal amount on maturity.

The bonds will be trustee securities under the Indian Trusts Act, 1882 and approved securities for the purposes of the Insurance Act and the Banking Regulations Act.

Applications will be received at the Office of the State Bank of India at 1, Strand Road, Calcutta 1.

The subscription list will open on 28th of May, 1970 and close on 30th of May, 1970 or earlier without notice as soon as subscriptions for the full amount are received. The Corporation reserves the right to retain subscriptions up to 10 per cent in excess of the sum of Rs 375 lakhs.

UNIVERSITIES

And Now, a Radio University!

Eunice de Souza

V K R V RAO'S proposal to set up an Air University and his ideas for celebrating International Education Year in 1970 indicate that India is in for another jamboree of the kind inflicted on the country during the Gandhi Centenary Year. There is to be a rash of seminars on subjects such as Vinoba Bhave's "significant contribution to the development of Indian languages" and country-wide celebrations of the birth centenary of Maria Montessori. None of this is anywhere near the crux of the matter: is the content of our education relevant to the needs of a developing society and is our system adjusted to serving them? The Education Minister's Radio University scheme has been inspired by Britain's success in setting up a similar scheme but the fact that he says the proposal will be discussed in yet another seminar in Bombay later this year shows that little thought has gone into what this kind of university requires and whether it is really a sensible way of meeting the needs of higher education in India.

The aim of Britain's Open University, as it has been called, is to offer courses at both graduate and post-graduate levels, without requiring any formal entrance qualifications, to people who are, for reasons that have nothing to do with their intellectual abilities, denied access to such courses through other channels. The great majority of the students — teachers, technicians, industrial and clerical workers, and housewives — will be in full-time employment. The teaching method will involve the integrated use of several media — correspondence courses, television and radio lectures, a regional tutorial system and a residential summer school. The University will set its own examinations and award its own degrees.

The fact that the Open University will offer degrees of a standard equivalent to those of the other universities in Britain has been stressed by the Planning Committee which also pointed out that this does not mean that it will offer degrees similar to those available from other universities. Degrees will be offered at two levels, ordinary and honours, the first requiring six course credits and the second eight. At either level the courses will be general rather than specialised in order not to compete with other universities in offering highly specialised honours degrees. This is due, in part, to the inherent limitations of teaching at a distance to a very advanced level in a very narrow subject area. But it reflects also the growing tendency to question the ultra-specialisation that characterises many honours degree courses in British universities, and to build up an inter-disciplinary approach. The courses scheduled for transmission in 1971 are Foundation Courses in Science, Mathematics, Social Sciences and Arts. The gross cost per student is estimated at less than half the cost per graduate of the other universities.

What needs to be noted by educational planners in this connection is that the broadcast component of Britain's Open University is a minor one, that the programming, however minor, requires a high degree of sophistication, that educational technologists require at least three years training and that suitable viewing and listening centres will have to be provided throughout the areas the radio-TV university intends to serve so that in each locality there is a place where an adequate number of students can collect together to view or listen to the broadcasts and where they can organise discussion groups and follow ups with or without the help of a tutor. In addition to this there will be facilities for the hire of kits of simple materials and instruments for doing experiments at home, weekend or evening meetings in laboratories or lecture rooms, distribution of slides and audio tapes, exchange of audio tapes between correspondence tutor and student, and access to computer facilities for students taking certain courses.

In India, the proposed Radio University is intended, not for working people of whatever age, but to ease the pressure of admissions in already overcrowded colleges. Apparently the intention is to provide a minimal amount of higher education to those who do not get admission in colleges. But what conceivable purpose could the oversimplified versions of already oversimplified university courses serve?

The promotion and functioning of a Radio University require not only high calibre academicians of whom there is a shortage but also educational technologists of whom we have none. All-India Radio has not shown any enterprise or imagination even in its entertainment programmes. Would it not be more sensible to concentrate our energy and limited resources on improving and updating what we have, instead of providing just another means of ladling out an outdated education to a student population with whom the proposed Radio University would be totally out of touch?

MARKETS

Needed Firm Action

Nishtar

BULLISH fervour in the oilseeds market reached a feverish pitch last week, carrying the prices of most vegetable oils — edible as well as inedible — to new highs for the season. On May 19, groundnut oil ready was marked up to Rs 5,225 (per tonne) and linseed futures (July contract) to Rs 181 (per quintal) — to mention only the two pace-setters. It is not just that the upward trend has been sustained by its own momentum. Knowledgeable and resourceful bulls have further tightened their hold (it is really a stranglehold) over the market and they have good reasons for assuming a more aggressive posture.

A big hike in vanaspati prices is considered imminent. Prospects of getting additional supplies of soyabean oil by way of advance release against PL 480 supplies in the new fiscal year seem to be have receded. Reports are that Washington is in no mood to oblige India because of its unfriendly political postures. Perhaps the main bullish fuel has been provided by reports of delay of about a month or so in the shipment of over 40,000 tonnes of mutton tallow purchased under US AID in the last week of April. The flare-up in linseed futures has in no small measure been due to the facility of margin-free purchases against export commitments in linseed oilcakes. It is significant that linseed futures have soared despite the quiet tendency displayed by linseed oil on account of steady supplies.

One would not like to lend ears to market gossip that the inordinate delay in effecting purchases of soyabean oil and mutton tallow against authorisations received, failure to ship the goods promptly and the 'bull' operations of a few leading vanaspati/soap manufacturers, who are virtually holding the market to ransom, are a part of a grand design. But the way the State Trading Corporation has managed the import of soyabean oil and mutton tallow, which have a significant bearing on oilseeds and oil prices, is not calculated to enhance its prestige. A thorough probe into the timing of purchases and imports of soyabean oil and mutton tallow and the operations of some of the leading vanaspati/soap manufacturers might prove to be quite revealing.

With the lean period still ahead, prices of vegetable oils are likely to seek much higher levels unless Government takes adequate measures to augment supplies and contain speculative activity which has asumed serious proportions. Action on the following lines could prove useful. Prompt arrangements should be made for importing substantial quantities of edible oils from any available source. Shipments of mutton tallow should be expedited. A strict check should be exercised not only on the operations of big vanaspati/soap manufacturers but also on smuggling activity; large quantities of vegetable oils are being smuggled out of the country. Speculative activity in linseed futures should be curbed by withdrawing the facility of margin-free purchases against export commitments in linseed oilcakes. The Food Corporation should not only stop purchasing mustard seed from the open market but dispose of what it has already bought.

Uncertain Note

STOCK markets moved to and fro at a very leisurely pace and wound up the week on an uncertain note. The plus and minus signs were so evenly spread out over the weekend that one was left completely guessing about the markets' real intentions. Activity was at an extremely low ebb; this suggested that the big patrons had perhaps gone on a summer holiday. But what really made for restricted turnover was that investors had all their attention on the three new issues — Reckitt and Colman, Zuari Agro Chemicals and Indian Organic Chemicals. Market estimates are that public subscriptions to these issues might well exceed Rs 16 crores. Considering how starved the market is of good new issues, it is quite likely that investors will utilise nearly all the funds available with them, if only for short-term gains — all the three issues are quoted (unofficially) at a premium.

That stock markets should have simply idled away their time is understandable. The week's news provided a mixed fare and it contained little which could cause any big excitement in markets. Peace returned to riot-torn areas in Maharashtra but tensions persist. The corporate news was, by and large, encouraging but this has been quite in line with general expectations. The rejection by the Union Minister for Industrial Development of the demand for a ceiling on manufacturing companies' profits was welcomed but within a few days came the Drugs Price Control Order which, apart from prescribing price reductions, prohibits manufacturers to distribute as dividends the profit in excess of 15 per cent of the sales turnover. The market could scarcely derive much satisfaction from the sharp reduction in the trade deficit in 1969-70 to Rs 157 crores — the lowest for 14 years — when the 3.8 per cent increase achieved during the year is far short of the 7 per cent annual growth rate assumed in the Fourth Plan estimates. And recent trends do not hold out the hope of any significant improvement in the current year. An increase of 4 to 5 per cent is about all that the Foreign Trade Ministry is inclined to expect for the current year. The revised Fourth Plan will require larger external assistance than estimated in the draft. The outlook for foreign aid is far from promising and it seems doubtful whether export earnings will reach the Fourth Plan targets.

Uncertainties, both economic and political, that stock markets have to reckon with are many. Even so, investors can look forward to the future with considerable optimism because of the continuing shortage of good shares in relation of the growth of savings seeking investment in equities. The improving economic prospect and the various measures taken by Government to tone up the capital market and to accelerate the economic and industrial tempo have not had any significant impact on entrepreneurial shyness. It is difficult to explain this phenomenon satisfactorily merely in terms of mounting political tensions and steady deterioration in the law and order situation in the country.

Remarkably Firm

REPORTS from New Delhi indicate that high level negotiations are under way to import another two lakh bales of new crop US cotton (equivalent 2.5 lakh Indian bales) to be shipped possibly before the end of August. Should this deal come through, it will raise the total quantity of US cotton allowed for import this season to 5 lakh bales which together with the global import quotas for 5.09 lakh bales will make a total of 10.09 lakh bales. In addition, 1.50 lakh bales of staple fibre are also being imported. And to all this should be added some 1.75 lakh bales of cotton (mostly US) received against import quotas released towards the fag-end of last season. Never before have imports been allowed on such a massive scale. In fact, only twice before — in 1949-50 and 1951-52 — have cotton imports exceeded 11 lakh bales.

Unfortunately, shipments of foreign cotton have been very slow. Actual arrivals of foreign cotton up to the end of April are placed around 4.50 lakh bales which include nearly 1.75 lakh bales of US cotton. This means that arrivals against import quotas released this season (5.09 lakh bales global and 2.50 lakh bales US cotton) total only about 2.50 lakh bales. Shipments of Egyptian cotton have been held up due to lack of shipping facilities. Considering the acute shortage of cotton in the country which has sent prices sky-rocketing, it is a pity that adequate arrangements should not have been made to import cotton well in time to produce an impact on the market. Liberal imports involving huge expense of valuable foreign exchange will have been wasted if they do not help bring down cotton prices.

Cotton prices continue to hold remarkably firm around their all-time high levels. Credit curbs have affected turnover but not prices. With offerings very much restricted, even routine mill buying is sufficient to keep prices around the highest levels. Squeezed by mills as well as banks, the cotton trade is having a very tough time. Most traders have suffered heavy losses this season.

Very little fresh export business has been reported recently but the overall export performance is much better than in 1968-69. Export sales in Bengal Deshi registered up to May 9 are placed around 1.91 lakh bales against 1.57 lakh bales in the corresponding period last season. Latest estimates place the Deshi crop around 4.64 lakh bales against 3.33 lakh bales in the previous season.

Mukand Tops in Cast Steel

Hansavivek

MUKAND IRON's exports exceeded the Rs 3 crore mark in the year ended March 1970 in spite of shortages of raw materials and steel billets. The Company's exports were equivalent to 20 per cent of the exports of all re-rollers in the country and about 14 per cent of the total exports of bars and rods. The total value of Mukand's exports of rolled steel products so far has crossed Rs 10 crores. In 1968, Mukand won FICCI's export award. Export earnings apart, the company's special steel wire rods, which were being imported, have saved annually Rs 3.5 crores in foreign exchange. This figure will double when in a couple of months the second arc furnace is commissioned. Efforts have been directed at promoting exports of higher value products like high tensile ribbed Torsteel and wire rods. Also, success has been achieved in the manufacture of cast steel bogies which the company was the first to develop in the country. These bogies formed part of the wagons exported to South Korea in the face of competition from sophisticated steel producing countries like Japan, Belgium, etc, and earned nearly Rs 8 crores of foreign exchange. Orders for such bogies have now started coming from Taiwan, Ceylon and Burma as well. Cast steel couplers used in railway wagons are also being exported to several countries. Recently, negotiations have been concluded for the setting up of a steel foundry in Malaysia wherein the company will not only provide technical knowhow but also participate in equity capital and management. Commenting on the slow-down in growth of exports last year due to shortage of billet supplies from the main producers, Kamalnayan Bajaj, Chairman, suggests use of better operational methods in the main plants, increased use of high tensile bars, optimum utilisation of installed capacity of electric furnaces and ban on export of scrap. He also advocates that long-term loans and credits be offered to foreign governments interested in buying steel products from India.

DHARAMSI MORARJI CHEMICAL recorded healthy growth of turnover and profits during its 50th year ended December 1969 although the superphosphate fertiliser industry continued to be depressed. Turnover rose from Rs 7.50 crores to Rs 8.62 crores followed by jump in gross profit from Rs 94 lakhs to Rs 131 lakhs. Net profit was, however, only Rs 5 lakhs better at Rs 48 lakhs because depreciation demanded Rs 8 lakhs more at Rs 38 lakhs and the tax liability Rs 24 lakhs more at Rs 45 lakhs. The recommended 20 per cent dividend, one-fourteenth of which was exempt from tax, was covered 2.4 times. Return on total capital employed worked out at 9.5 per cent. The company has also issued bonus shares on a one-for-four basis to commemorate the golden jubilee. Bonus shares will rank for dividend from the current year. Export of alumina sulphate amounted to nearly 9,000 tonnes compared with 5,000 tonnes in the previous year. For the first time, an export order was procured for chlorosulphonic acid. Capital expenditure during the year was Rs 36 lakhs, mostly for renovating the older units. The management was apparently in a generous frame of mind towards the political parties and stepped up donations from Rs 35,000 to Rs 1,85,000, of which Rs 1,60,000 went to the All-India Congress Committee and Rs 25,000 to BPCC.

KIRLOSKAR OIL ENGINES is collaborating with its distributor in Philippines in setting up a factory in that country for the progressive manufacture of diesel engines below 20 HP. To be known as Igri-Kirloskar Industries Philippines Inc, the company will commence production with 1,800 units in the first year and increase it to 8,000 units by the end of the tenth. KOE will invest initially a little less than Rs 8 lakhs, which will form one-third of the capital requirements of the new company, and this will be raised through retention of proceeds of irrigation pumpsets exported to that country. Apart from dividend on its capital investment and remuneration for supply of technical knowhow and jigs and fixtures, KOE will get royalty for 15 years at 2.5 per cent net, free of taxes on the net value added in Philippines. There is a big market for diesel engines in Philippines, but KOE has not been able to sell its products in large numbers because of the stringent controls imposed by the government of that country. It has now offered various incentives and guarantees to foreign investors for putting up manufacturing plants in its country. Moreover, manufacture of diesel engines is allotted preferred pioneer status.

NEW GREAT EASTERN SPG showed improved results in its 96th year ended December 1969 with increase in trading profit from Rs 21 lakhs to Rs 26 lakhs on turnover a shade better at Rs 4.13 crores (Rs 4.12 crores). After providing for depreciation (on plant and machinery on a straightline basis and on other assets on written-down value) there was a net profit of Rs 12 lakhs (Rs 10 lakhs) to give a return of 6.18 per cent on total funds employed. Whole of the profit as well as over Rs 2 lakhs transferred back from development rebate reserve were adjusted against the accumulated deficit to reduce it to Rs 8 lakhs. Dividend on equity and preference shares was skipped. Arrears on the latter account exceeded Rs 3 lakhs. One of the "notes" appended to the accounts said that "confirmation from debtors and creditors were not available in some cases" and another pointed out that miscellaneous expenses included "advertisement of Rs 2,500 in AICC souvenir". The report claimed that better working results of 1969 was the "outcome of increased attention of the directors to effect improvement in the mills and other concerned steps taken in this direction". Commenting on the outlook, it says that rising cotton prices will have a bearing on the mills' earnings but expresses the hope that directors' efforts will "maintain the earnings of the company as per last year".

JAGATJIT INDUSTRIES has secured a 'letter of intent' for manufacture of glass bottles and miscellaneous wares and is taking steps to set up the project involving a Rs 1.25-crore outlay. Having acquired 60 per cent of the share capital of Hyderabad Distilleries and Wineries, that company has become Jagatjit's subsidiary. During 1969, Jagatjit's sales increased from Rs 3.10 crores to Rs 3.57 crores and gross profit from Rs 40 lakhs to Rs 57 lakhs, reflecting widening of margins. Net profit was Rs 22 lakhs (Rs 17 lakhs) to cover the 12 per cent distribution 5.6 times. Return on total funds employed came to 11.6 per cent. The company has issued free shares to shareholders in the proportion 2:5. Preference shares of the nominal value of Rs 20 lakhs are proposed to be issued to public to find additional working capital.

Ceat Tyres of India Limited

Statement of the Chairman, Mr P A Narielwala

THE following is the Statement of the Chairman Mr P A Narielwala to the Shareholders at the 12th Annual General Meeting of the Company held in Bombay on May 14, 1970:

LADIES AND GENTLEMEN,

On the 21st of February of this year, the Company has completed the tenth year of its manufacturing activity. For the success of our enterprise, I would like to thank our shareholders for their support, the Government of India for its assistance, our customers and dealers for their continued patronage and our employees for their loyalty and hard work. We also owe a debt of gratitude to our collaborators, CEAT International, for their immense assistance in developing our products to international standards. During these ten years, we have been through the vicissitudes of a struggle to establish the name of CEAT, a recession in the tyre trade and an upward surge in raw material prices. We have emerged from these trials all the better. We have established a high reputation for our products and created an efficient distribution system throughout the country.

BETTER RESULTS

From the Report for the year 1969, already in your hands, you must have been pleased to see the improvement in our operations and in our profits. The results have been much better than had been anticipated at the Annual General Meeting last year. In view of the improved results, the Board has been pleased to recommend a higher dividend of Rs 11/- per share, subject to tax, on the increased capital arising from the issue of Bonus shares last year. We shall, accordingly, be distributing to the shareholders as dividend a sum of Rs 33.40 lakhs against Rs 24.84 lakhs paid in the previous two years.

The demand for the Company's products continued to exceed the manufacturing capacity. Although no serious difficulties were experienced in the procurement of raw materials, we have had to build up our stocks of the essential items in order to prevent the recurrence of a hand-to-mouth situation. With the commissioning of the balancing equipment and of a few technical changes in the manufacturing process, the plant was able to give a 10 per cent higher production over 1968. The motor cycle and tractor tyres, which were introduced in the market in the latter part of 1968, were well received by our customers and their manufacture went into full production during the year under review.

The price of indigenous natural rubber continues to remain at a high level and there does not seem to be any possibility of an abatement in its price in the foreseeable future, as long as the level of production continues to remain below the overall demand of the Industry. There is also a likelihood of a shortage arising in the course of the next year or two, in the availability of tyre cord. The demand for nylon and rayon tyre cord/fabric is likely to increase substantially by 1973-74. There is also an imbalance in the cord conversion capacity of the industry. We understand that Government has recently permitted the rayon manufacturers to increase their conversion capacities. We earnestly hope that the Government of India and the industrial yarn manufacturers will take early steps to ensure a balanced increase in both the spinning as well as the cord conversion capacities, as otherwise, the heavy capital investments that are being made by the automotive tyre manufacturers today, will not be fully utilized.

GROWING DEMAND

There is also a growing demand for nylon tyre cord which is, at present, being imported, but on account of the shortage of foreign exchange, licences of only limited value are made available for its import. With the growing insistence of foreign buyers for nylon tyres, the want of nylon cord in adequate quantities is seriously jeopardizing the Tyre Industry's export effort. It is believed that applications for setting up facilities for the manufacture of nylon tyre cord have been under consideration and we sincerely trust that Government will take an early decision to establish its manufacture.

The Tariff Commission had instituted inquiries into the prices of both natural rubber and rayon cord and its reports were forwarded to Government some time ago. It is desired that Government announces its decision at the earliest, as otherwise, by the time decisions are taken, the conditions within the inquired industries might have materially changed due to inflationary pressure on prices and wages.

Consequent upon the Government of India's cost inquiry, the price of synthetic rubber was scaled down by about 15 per cent towards the end of December, 1969 but the benefit of this reduction has been partially nullified by the announcement in the Central Budget of a levy of an Excise Duty of Rs 300 per tonne.

IMPROVEMENT HOPED

We received in October, 1969 an import licence for machinery required for implementing the substantial expansion of our automotive tyre manufacturing capacity. We have already placed orders for the plant the equipment on foreign and domestic suppliers, and I am glad to say that some of the machinery has already been shipped and received. The rest of the machinery is expected to be delivered during the second half of this year and the first half of 1971. The civil and structural work at the factory is nearing completion and when all the machinery has arrived and is installed, we shall have a capacity to produce 650,000 tyres and tubes as compared with our present licensed capacity of 400,000. On the present schedule, we hope to see an improvement in our production of tyres and tubes by approximately 20 per cent from the last quarter of 1970.

Our application for a licence for importing machinery for the manufacture of cycle tyres and tubes, of which a mention has been made in the Directors' Report, has been cleared by the Capital Goods Committee and the licence is awaited. We shall not, however, be ready to market our bicycle tyres till the end of 1971 or early 1972.

The negotiations for our foreign exchange requirements for the import of plant and equipment for both the Automotive Tyre Plant and the Cycle Tyre Project have been concluded with ICICI. The loan of Rs 207 lakhs has been sanctioned early this year through the International Bank for Reconstruction and Development. For this purpose the United Commercial Bank has furnished a guarantee on our behalf against an equitable mortgage of the fixed assets of the Company. We are grateful to both these institutions for their help and co-operation.

Second Largest Exporter

Shareholders will be pleased to note that with the efforts exerted to establish overseas markets, your Company stands the second largest exporter in India of automotive tyres and tubes with a record figure of Rs 54.44 lakhs in 1969. Members must have seen in the Annual Report that your Company has been awarded a gold medal at the 25th Plovdiv Fair in Bulgaria for 'products of the highest techno-economy quality at world level.'

I had informed the shareholders last year, of the sudden cut which Government had brought about in the drawback of duty on export of tyres. After due consideration the Government was pleased to grant the tyre exporters a somewhat higher assistance from September, 1960.

In granting the tyre companies an expansion in their capacities, the Government of India has made it obligatory on them to export 10 per cent of their production as contribution to the country's export drive. This target appears to be challenging of achievement in view of the fact that with increasing industrialisation in the developing countries, their demand for imported tyres is slowly shrinking. The Tyre industry which exported in 1968 only 3½ per cent of its total production is now expected to increase its exports by nearly three-fold in the space of a few years; the task is indeed more difficult for a material intensive industry as ours, where raw materials form 80 per cent of the manufacturing and distributing cost of tyres. The prices of raw materials are, therefore, of prime importance in our export drive; the prices we pay for them are far in excess of the international prices. A distinct boost will be given if the Government of India would place at the disposal of the tyre manufacturers the basic raw materials at international prices. Furthermore, ocean freight from India is higher and as the rates continue to rise, the position of Indian products becomes even more uncompetitive.

The Technical Agreement with CEAT International S A which expired in May, 1968 has been renewed by the Company for a further period of six years and is awaiting the approval of the Government of India. Although the benefits from the new Agreement continue to flow to the Company, it is unable to make any payments to our collaborators for the valuable services they are rendering to it. For this continuity of assistance and their forbearance in the matter of reimbursement, we are deeply grateful to our collaborators. At a time when we are on the threshold of forging ahead with our exports, it should be apparent to Government that we can do so only if we keep abreast of the changing technology in tyre manufacture. The delay in the decision of Government gives cause for serious concern, for any interruption in or cessation of the flow of technical assistance would have damaging consequences to the Company. We can only hope that Government's approval to the revised agreement will be forthcoming at an early date.

Coming to the Notice of Business at the Annual General Meeting, may I invite your special attention to item No 8 to consider the re-appointment of Mr A Tealdo as Managing Director of the Company for a further period of 5 years with effect from 16th May, 1970. In 1967, the members had approved of his appointment for a period of 3 years from the 16th May, 1967 which now expires on the 15th of May, 1970. Considering the excellent service that Mr Tealdo has rendered to the Company, the Board has unanimously approved of his re-appointment as the Managing Director of the Company for a further period of 5 years, with effect from 16th May, 1970. The Board has also felt that Mr Tealdo should be suitably compensated for the good results his efforts have produced for the Company. The Board has, therefore, recommended that in addition to his basic remuneration, which remains unchanged, Mr Tealdo sould receive a commission of 1 per cent of the annual net profits of the Company to be computed as provided under Section 309 of the Companies Act, 1956 and subject to the proviso that his basic salary plus the commission will not exceed a sum of Rs 1,50,000/- per annum.

On a perusal of the Table on page 20 of the Annual Report showing the Ten-year Operating and Financial Record, you will notice that the Company's profits started to improve from 1967. The profit before taxation which was only Rs 18.78 lakhs in 1966 increased to Rs 127 lakhs in 1967 and stands at Rs 221 lakhs in 1969. By any standard this can be considered as a remarkable improvement in the Company's operations and it is undoubtedly the result of the substantial effort Mr Tealdo has put in with a single-minded devotion. I strongly commend to the members the Resolution for the re-appointment of Mr Tealdo as Managing Director and I am confident that it will meet with your unanimous approval.

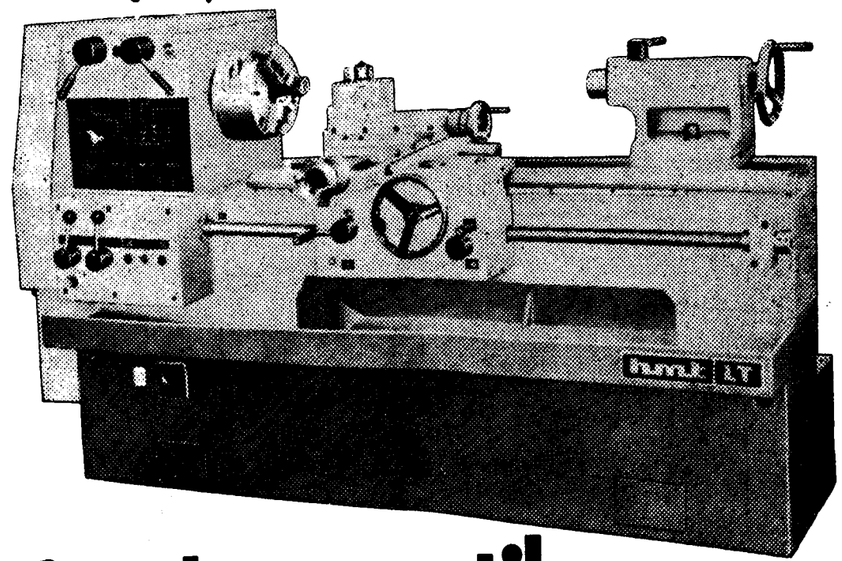
We have made two additions to the Board. Mr J P Thacker, who is a partner in the solicitors' firm of Messrs Mulla and Mulla and Craigie Blunt and Caroe, joined the Board in July, 1969 as an alternate Director to Mr E Echaniz. Last month we invited Mr M N Seth, who is the Chairman of The Sterling General Insurance Company Limited of New Delhi, to join the Board as an alternate Director to Mr G Bonada. The Directors look forward to the advice and guidance of their new colleagues in view of their wide acquaintance with business and industry. Mr G Tua, who was the General Manager-Technical of the Company for the last six years, retired in December, 1969 and returned to Italy. He is succeeded by Mr P Nori, who has been our Factory Manager for sometime now. I would like to record the Board's appreciation of Mr Tua's valuable services to the Company and to welcome Mr Nori on his appointment as General Manager-Technical.

The prospects for 1970 appear brighter in view of the fact that a part of the machinery to be imported for the expansion project will arrive within the second and third quarters of 1970. Unfortunately, at the time of going to the press, we have had a set back in production and in our expansion due to the obduracy of the Mumbai Shramik Sangh in arriving at a settlement on day-to-day problems. Due to differences between the Company and the Mumbai Shramik Sangh on the questions of staggering of working hours, promotions and departmental transfers, the Sangh gave notice of a sit down strike in the Textile Department from 13th April, 1970. As if this was not enough, a handful of workers instigated by radical leaders forced a total strike, and effectively managed to keep out most of the loyal workers from the factory. The vital issues are discipline and productivity. These two essentials of any progressive industrial community are now, due to its political orientation, being assailed by the Mumbai Shramik Sangh, whose singular aim is to create chaos and import into the state of Maharashtra such designs as have been used to still the industrial pulse in West Bengal. Despite these circumstances, we are even now trying our best to instil the harmony and revive the good relations which have been enjoyed by both labour and management in the past three years.

As I have stated in my opening remarks, we have been now ten years on the road to progress. I am confident that with the men and the machines we have, we shall be progressing much further in the seventies.

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

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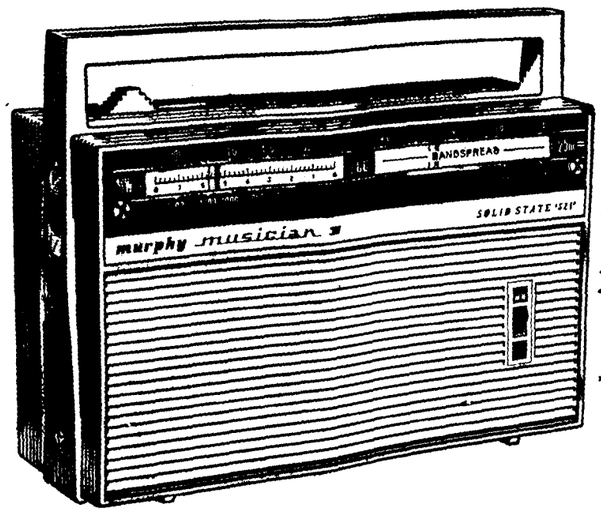
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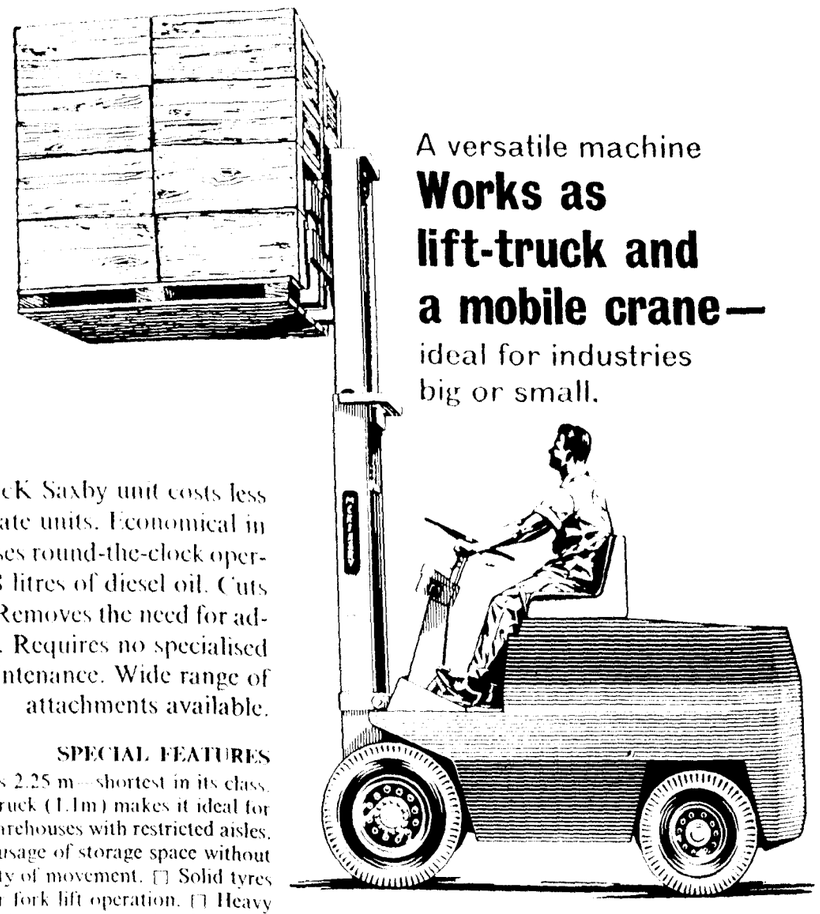
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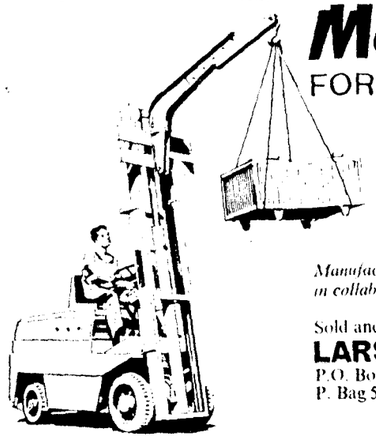
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Founder-Editor : **Sachin Chaudhuri**

Vol V No 22 **May 30, 1970**

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ECONOMIC AND POLITICAL WEEKLY

Skylark 284 Frere Road Bombay 1
Phone 26 60 72

Editor
KRISHNA RAJ

Assistant Editors
Rajani X Desai, Jawid Laiq

Business Manager : A Fernandes
Circulation Manager : Shiv Patil

Editorial Staff
Colin de Souza, Haresh M Advani, Shireen Heerjee, Ashok Rao, Ranjeet R Chandi

Partial Solution

WITH the fixing of the 'norms' for calculation of conversion and packaging charges, the price control on drugs has at last become operative. On paper, prices of medicines have been subject to control since as far back as 1963, but in fact the so-called price 'freeze' imposed in the wake of the hostilities with China was totally ineffective and, indeed, mischievous insofar as it created the impression of Government intervention to reduce prices when, in fact, nothing of the sort was being attempted or achieved. How high were the levels at which prices were 'frozen' was demonstrated by the study by R K Hazari published in this journal ("Pharmaceutical Companies in Maharashtra: Financial Structure and Ownership", July 1, 1967). The study revealed that in 1964 the-then wholly foreign-owned companies earned a cash profit which would fetch their investment back in just two years; the rate of profit of the foreign-majority companies was such as to recoup their investment in a little over four years. The data yielded by the Tariff Commission's inquiry, completed in mid-1968, confirmed that, despite the industry's well orchestrated complaints of rising costs, the margins between costs and market prices of drugs remained unconsionably high. The Commission worked out fair retail prices for 49 formulations on a cost-plus-reasonable-profit basis; the actual retail prices charged by different companies for their own brands of these drugs were in most cases way above the Commission's estimate of fair prices and were in a large number of cases *many times* as high.

Thus if any industry simply asked for Government intervention it was the pharmaceutical industry. The pity is that control has been so late in coming, two years after the submission of the Tariff Commission's report. Under the Government's price control order, retail prices of medicines are sought to be regulated through (a) fixing the prices of basic drugs, (b) prescribing 'norms' for calculating conversion and packaging costs, and (c) specifying the permissible mark-up on costs for covering forwarding, promotion and after sales service expenses, trade commission up to the retail level and profit for the manufacturer.

Industry has screamed 'murder' alleging that the norms for conversion and packaging expenses as well as the mark-ups have been fixed so low as to reduce them to instant penury. This reaction was, of course, entirely to be expected. It needs to be pointed out, however, that uncommonly high though the profitability of many drug manufacturers, especially the foreign-dominated ones, has been, high prices of drugs are the result not so much of the avarice of the individual manufacturer as of a whole system of producing and selling drugs. This system, bodily transplanted here from the developed capitalist countries whose manufacturers dominate our pharmaceutical industry, is characterised by socially irrational product differentiation carried to ridiculous extents and by high-pressure selling by manufacturers directed at doctors who prescribe medicines to patients by brand and not generic names. This results in a marketing set-up in which competition is wholly non-price, taking the form of heavy advertising and enormous expenditure on (sponsored, if not rigged) clinical tests and on hordes of so-called detailmen to pressurise doctors into prescribing particular brands of medicines (irrespective of considerations of relative cost and effectiveness).

This is a system which has been admitted to be socially wasteful even for a rich country like the United States: it is something which poor countries like India just cannot afford. And so long as the system itself is retained intact, partial solutions to the problems it creates, whether in the form of attempts to control prices or to get doctors to prescribe medicines by their generic names or to change laws relating to patent rights so as to develop indigenous manufacture, will never fully succeed. In the present instance, the operation of the system may be depended upon to subvert price control in various ways. One consequence of price control will be to change the industry's product pattern as producers move to drugs with higher mark-ups and higher profit opportunities. This may mean a move away from essential to less essential or non-essential drugs — something which had been happening anyway, with foreign companies which had been allowed into the country on the pretence of making life-saving drugs diversifying into, and indeed concentrating on, tonics, throat pastilles and toilet preparations! Second, the foreign-controlled manufacturers may refuse to introduce new drugs developed abroad in the Indian market, since their conventional pricing practices require that these drugs be heavily over-priced in the first few years. Finally, the companies may cut back their marketing networks and decide to concentrate on the accessible urban markets.

It would be well, therefore, not to overestimate the impact of price

control. Ultimately, the only way availability and cheapness of drugs can be ensured all over the country is by a system of public medicine which will bring to the people diagnosis of illness and supply of medicine through public hospitals. The attempt to control prices within the existing system will, even if it works, reduce the cost of illness only for the microscopic proportion of the population which lives in urban areas and has the considerable means required to use the system of private medicine; for the bulk of the population in the rural areas and for the poor majority in the urban areas as well it will make no difference at all. To extend to them the entirely desirable objectives which have led Government to control the prices of drugs, what is needed is a rapid expansion of the public health programme. This is a task which Government is far from seriously attempting yet.

RBI and the Shroffs

THE silver jubilee of the Shikarpuri Shroffs' Association should have been an occasion for stock-taking by Reserve Bank of its attitude to indigenous banking. Unfortunately, judging from Governor Adarkar's address to the Association on the occasion, the Bank was evidently in no mood for anything like this.

The subject of the indigenous banking system and Reserve Bank's attitude to it was actively discussed at the time of the creation of the Bank; the official history of the Bank, published recently, refers to some of the controversies. Reserve Bank then wanted indigenous bankers to shed or segregate their other activities, to open their books to the central banking authority, and otherwise to fall into the neat slot of acceptance houses which Reserve Bank's highly anglicised thought-processes, following the Bank of England pattern, had worked out for them. Apparently, the shroffs were unwilling to lose money just to become eligible for Reserve Bank's patronage. The Bank's misconceived efforts to bring the shroffs into the banking system thus came to nought.

This was indeed unfortunate because the shroffs offered the easiest means of spreading organised banking. Reserve Bank's failure with them has been ever since a factor seriously limiting the growth of banking and the extent and effectiveness of central banking control. Commercial banks today have hardly 7,000 branches in a country with 562,000 villages. Most financing of agriculture, small industry, and retail trade, is done outside the organised system of banking — and the Reserve Bank's ability to influence these activities is minimal.

Now that, with the new political trends, it is a principal objective of official policy to take organised banking to neglected sectors, Reserve Bank needs to rethink its policy. It is not that the Indian economy is not credit-based and credit-oriented; it is just that the major segment of it has not been reached by organised financing facilities. The high rates of interest in the unorganised sector reflect, besides the risk inherent in personal financing, also the limited financial resources of the lender (or, in other words, a scarcity of liquidity). The way to benefit the neglected sectors is, therefore, to make credit liberally available; this would reduce the premium on liquidity.

The organised sources of credit supply need to be decentralised and commercial banks are, at best, only a long-term solution to the problem. Adarkar reiterated, once again, the need for shroffs to adjust to Reserve Bank tenets to be eligible for its financing. The better approach is for Reserve Bank to induct them into the mainstream of financing, make them subject to organised financing, and then to bring about the required changes in their practices. Adarkar's suggestion puts the cart of the shroffs' practices before the horse of finance-supply to them. It is time that the Bank, instead of expecting everyone else to fall in step with its ways, got out of its western clothes and donned apparel more suitable to the native clime and temper.

A Grey Election

ON June 18, last year, Harold Wilson and his Labour Government were forced to give in to strong pressure from the Trades Union Congress, the National Executive of the Labour Party and Labour backbenchers and drop the penal clause of the proposed industrial reforms bill. A month earlier, there had been serious talk of replacing Wilson as Labour Party leader and Prime Minister. Labour popularity was at a low ebb.

Now, a year later, Labour feels confident of victory in the June 18 election. There have been no miracles on the economic or political fronts to warrant this change in public support for Labour. The balance of payments position has shown a marked surplus during the last six months but the British economy has not displayed any tendency towards a faster growth rate. Unemployment has not gone down. Wages have risen, but so have prices. The April budget did not provide a bonanza for anybody, although two million earners in the lowest income bracket are now exempt from paying income-tax.

The reasons for this change in public support are not at all clear. Perhaps, the Conservatives have done more to reverse the fortunes of their opponents than the Labour Party itself. The Conservatives probably made a major miscalculation when they met at Selsdon Park at the end of last January. They rightly sensed that the country was fed up with the permissiveness which had prevailed throughout the 60s in almost every sphere of British society, ranging from nudity on stage and screen to unofficial work stoppages for the most trivial reasons. The Tories felt that they could cash in on this mood. After their deliberations at Selsdon Park, they issued a manifesto proposing stiffer legislative control of trade unions, sharper penalties for unruly demonstrators and increases in the size of police forces. Aping the Americans, they tried to make law and order an election issue.

Instead of these proposals arousing support, the result has been widespread apathy. Many electors probably prefer to continue enjoying the open, unrestricted society rather than take the risk of voting in an unsure Conservative Government which would then go about ponderously regulating British society. The Tory leadership hardly projects the prospect of unruffled, firm, confident government. Heath's television appearances have been pathetically uninspiring. The other figures in the Conservative shadow cabinet do not quite convey the aura of effortless leadership. Enoch Powell's large following stems from his articulation of traditional British fantasies of racial pulchritude. His boldness, not his views, have led to his forced departure from the Conservative leadership.

With both Conservatives and Labour incapable of satisfying the current national mood, there is considerable disenchantment with the present run of politicians, a disenchantment which seeks a populist, charismatic leader with puritan tendencies. It is to the credit of Britain's established political institutions that they have, so far, been able to moderate public moods and prevent a tide of political emotionalism from taking over and producing a Joe McCarthy.

With no substantial issues to vote on, the British electorate will go through the motions of choosing a government much as the shoppers in London's main shopping thoroughfare, Oxford Street, decide which big store they should go into. Most British voters will ask themselves which party is likely to provide more and better goods and services at the cheapest prices (taxes). The more intelligent among the young feel a deep revulsion against the vulgar materialism of the consumer-oriented society and are concerned about the wider issues of international social justice and economic development. They are politically an insignificant group and for all their brave talk of revolutionary change in Britain, realise their impotence.

Above Evaluation?

THE annual report for 1969-70 of the Ministry of Finance reflects the Ministry's enormous and extensive powers. Evidently, Finance, and not Home, is the real repository of Governmental power — a position that is likely to be further strengthened if the proposal to take away responsibility for top civil service appointments from the Home Ministry goes through.

Very little can be done in Government without the Finance Ministry having a finger in the pie. Of late it has assumed an evaluative role in relation to other Ministries by virtue of the central part it plays in the drawing up of the performance budgets of these Ministries. At the same time, very little is heard of any move towards delegation and decentralisation of financial powers even though the need for this, in the interests of administrative efficiency, has been repeatedly emphasised, most recently by the Administrative Reforms Commission.

While the report talks of performance budgets for the other Ministries, there is little in it to permit evaluation of the Finance Ministry's own performance. Take the Department of Economic Affairs, for instance. The part of the report dealing with this Department retails such minutae of information as who attended what conference and how the number of directors of the Asian Development Bank was raised from 10 to 12; yet it has nothing worthwhile to say about the sharp rise in foreign exchange reserves during the year. Had the Department anticipated this development — mainly the result of imports continuing at a low level on account of the failure of the economy to pick up — and did it at all give any thought to how the enlarged reserves could be best used to revive the economy? In short, does the Department, which has a division of External Finance and Foreign Aid, do any kind of foreign exchange budgeting? If it does, the Report is curiously silent on the subject.

The Department of Banking is a new appurtenance added to the Finance Ministry after the nationalisation of banks. The section of the report dealing with this Department dwells at length on the history of the first Nationalisation Act and its eventual rejection by the Supreme Court; it also sets out, in not very noble prose though, the high ideals of nationalisation. For the rest, the report seeks to take credit for larger bank advances to the priority sectors and more or less routine developments in credit policy — all of which could be, and indeed have been, left to Reserve Bank to take care of. But what has been the Department's contribution to tackling basic problems like recasting of bank managements and formulation of development schemes? The impression that one gathers from the report is that while these things have been hanging fire, Reserve Bank — whose own management has not been exactly streamlined by the delay in the appointment of its new Governor and by Government's inability to still find the full complement of Deputy Governors — has been left to carry on maintenance operations. The Department of Banking has been a fifth wheel, so far at any rate.

Planning for Tractors

TWO reports* have recently been published on the needs of the farm equipment industry. As the two committees had many members in common, there is much overlapping in the reports. Both deal chiefly with tractors, though other farm machinery receives some mention, and both paint a dismal future for farm mechanisation, from the manufacturer's as well as from the user's point of view. Both reports have a serious drawback in that they quote figures of future requirements without giving corresponding figures of present availability, manufacturing capacity and planned capacity.

The most serious shortage, according to the estimate of the reports, is going to be that of fuel — diesel oil. The estimated requirement for 1973-74 for farm tractors alone is 1.76 million tonnes. The second serious shortage will be of tyres, of which the annual requirement will be 5,44,000, requiring 5,900 tonnes of rubber. Shortage of fuel injection equipment is also going to be a bottleneck for the manufacturer. In fact, after going over the list of likely shortages given by these reports, one finds that there is hardly anything that is not going to be in short supply.

The calculation of shortages is based on the estimated demand for tractors by the end of the Fourth Plan. The estimates of annual demand range from 52,000 estimated by the ISAE and 90,000 estimated by the Ministry of Agriculture. The Planning Commission's estimate falls between the two, at 68,000 per year. The Tractor Panel has recommended that a national sample survey be given priority, and in the meanwhile the figure of 68,000 be accepted.

Tractor demand depends largely on the level of agricultural prices. With the boom in sugarcane now over, it is doubtful whether the demand for tractors will continue in Maharashtra. It may taper off and then show a sudden spurt if there is another boom. Another factor which should be taken into consideration when estimating tractor demand is the substantially unchanging design of the tractors now available. Since there are no periodic improvements in design, farmers tend to hang on to the tractors they have and keep them running for as long as they can. Any survey should, therefore, keep it in mind that estimated future tractor demand is not necessarily a projection of present sales.

The production of tractors in 1968-69 was 15,466. By 1973-74 existing manufacturers expect to produce about 50,000 tractors. In addition some new units will be in production. To make up the gap between demand and supply in 1970-71, Government is planning to import 45,000 tractors of various makes from communist countries. These will meet the demand temporarily, but most of them will probably not be functioning by the end of three years. They will be imported through the State Trading Corporation and distributed by the State Agro Industries Corporations who do not have experience, dealer points or repair facilities which present tractor dealers usually provide. Also, past experience tells us (out of the large number purchased by the Maharashtra State Farming Corporation three years ago, only 10 per cent are functioning today) that tractors manufactured by communist countries are of poor quality materials and antiquated design. The import of these tractors will, however, have one beneficial effect on the tractor industry. It will convert the present seller's market into a buyer's market, and buyers may be able to get better service facilities and perhaps improvements such as better seats (the present seats are a health hazard and are tolerated only because most tractors are not owner-driven).

The Tractor Panel suggests an Agricultural Tractors Distribution and Sale Control Order. But by the time such an Order is passed, it will no longer be required. A large number of farmers are not going to be able to own

*(1) Development Council for Automobiles and Allied Industries, "Report of the Panel for Tractors, 1969-70", January 1970.
(2) The Indian Society of Agricultural Engineers, "Report on Bottlenecks in the Farm Equipment Industry", presented at the Eighth Annual Convention of the Society, February 1970.

tractors (the low ceilings on land in various States will be a contributory factor to this), and will prefer to get their work done by custom units having specialised implements. Such custom units are sprouting up everywhere and in the near future these will be the main purchasers of tractors.

The reports discuss the possibility of setting up tractor driver training programmes and the establishment of a Farm Equipment Institute. Both ideas are worth being given serious consideration by Government.

BUSINESS

Whose Battle?

THE battle for the control of National Rayon has been joined between Chinais and Kapadias. Kapadias already claim to control more than 50 per cent of the voting power through shareholdings and proxies; as the even keener Synthetics proxy fight showed control of 40 to 45 per cent of the voting power would be sufficient to change management. Kapadias have said that Chinais 'hold' only 3 per cent of voting power, though this is no index of their control of voting power. Besides, Chinais certainly appear to have the backing of the Industrial Establishment as evidenced in the support extended to them by, for instance, Mafatlals.

To the outsider, the contestants for National Rayon offer hardly a choice. Chinais, once the company was formed, have shown little evidence of dynamism and professionalism in managing National Rayon. National Rayon has neither grown as rapidly nor has as good a *profit record* as some of the other units in the industry (Kapadias constantly cite Century Rayon as an example).

At the same time, Kapadias' own management capacities are a totally unknown quantity. Their experience is essentially in financial manipulation, and, though they challenge the professional character of the existing management, they have themselves not shown any particular regard for professional management.

Nevertheless the battle has some wider implications which need to be noted. (a) Purely at the company level, Kapadias have bought control at a high price. Clearly, they would seek a return for their investment in other forms. At least in one electricity concern, which they control, their attempt to muscle in on purchasing was reportedly frustrated by a directive from Government to purchase by open tender only. Other stories of similar attempts, more successful, are current in the market. (b) Kapadias are known to have been carrying on a witch-hunt and easing out employees in managements taken over. Killick Nixon is a notable example of this. (c) Would any promoter or professional manager feel safe if a speculator, by using company funds to operate on the stock exchange, can with impunity ease him out without any commitment on future management? Kohinoor has not improved its results after the Kapadia takeover. (d) At the overall corporate level, one might question not only Kapadias' use of other companies' funds to buy control of National Rayon, but their use of their voting power to change management. Was it necessarily in British Burmah Petrols' interest to buy National Rayon's shares at the prices actually paid? Can British Burmah be confident that Kapadias' management of National Rayon will get it a better security and return on its investment? It is these issues which a live Company Law Department should be examining.

Strange Accounting

THE annual accounts of Killick Industries for the year ending November 30, 1969, can hardly be assessed with reference to any criteria, including the previous year's operations, for they include the operations and assets of Killick Nixon and Company (gross block of Rs 58.18 lakhs and sales and other income of Rs 3.45 crores in the year ending July 31, 1969) and of Haesler (gross block of Rs 38,766 and sales and other income of Rs 1.99 lakhs for the year ending September 30, 1969), which were merged with Killick Industries after their year ending (and before the year ending of Killick Industries). Given this, Killick Industries' sales increased from Rs 1.29 crores in 1967-68 to Rs 2.58 crores in 1968-69. Its profit before tax increased from Rs 11.25 lakhs in 1967-68 to Rs 16.17 lakhs in 1968-69. Net of taxes and including write-backs, the profit of Rs 13.14 lakhs in 1968-69 is (despite apparent underprovision for doubtful debts) just enough to cover the proposed dividend of Rs 12.50 lakhs.

The balance-sheet shows more radical changes. Net fixed assets doubled from Rs 35.84 lakhs at the end of 1967-68 to Rs 69.91 lakhs at the end of 1968-69, investment rose from Rs 1.84 crores to Rs 2.25 crores and current assets went up from Rs 1.59 crores to Rs 3.45 crores (notable increases being in stock-in-trade from Rs 57.12 lakhs to Rs 97.26 lakhs, sundry debts from Rs 6.55 lakhs to Rs 20.12 lakhs, other debts from Rs 22.35 lakhs to Rs 94.87 lakhs). This was financed by share capital of Rs 1.25 crores, reserves of Rs 84.96 lakhs (previous year-end Rs 59.01 lakhs), secured loans of Rs 1.38 crores (Rs 81.97 lakhs) and unsecured loans Rs 1.44 crores (Rs 75.09 lakhs).

These accounts raise various issues. First, the company's equity is low in relation to its fixed assets and investments; it is evident that the investments have been pledged to finance their holding. Secondly, there is undue reliance on deposits and unsecured loans (the latter rising from Rs 7.57 lakhs to Rs 90.81 lakhs). Thirdly, Killick's subsidiaries and associates — particularly, Kohinoor Mills, Shivrajpur Syndicate, John Baker — have not been doing too well. Finally, though it is possible to disentangle the amalgamated companies' balance-sheet items, this is not possible for the profit and loss account — as the accounts are presented. It is now accepted accounting practice in such cases to give comparable figures (either for the previous year or, in this case, for the current year) by disaggregating the merged units' figures (since the merger took place almost towards the year-end). Even a reputed firm of auditors like Fergusons have neglected to do this in the present case. Given some of the recent developments in the company and the activities of the present controlling group, is there any method in this apparent confusion? A question for the Company Law Department.

Problems of Plenty

THE *sugar industry* always has problems, whether sugar is in short supply or in abundance. In his address to the annual meeting of the Indian Sugar Mills' Association, V H Dalmia, President of the Association, bemoans the problems of plenty.

In the two years, from 1967-68 to 1969-70, sugar production has increased from 22.5 lakh tonnes to an estimated 43 lakh tonnes. Though Government has continued to lift 70 per cent of this output, the higher production has led to a precipitate fall in the free market sugar price — from Rs 400/450 a quintal in 1967-68 to Rs 175/200 a quintal.

To compound the industry's problems, after last year's changeover to the *ad valorem* basis for levying excise duty, this year the rate of excise duty on free market sales has been raised to 37½ per cent. As Dalmia ruefully points out, at current prices the net revenue this leaves in the mills' hands is not much higher than their realisation from the output which is taken over by Government.

The industry has other problems. Because of the once-buoyant free market sugar prices, cane growers have come to expect high prices for cane. Dalmia now suggests a lowering of minimum sugarcane price to Rs 6.62 per quintal for 8 per cent recovery. Not unexpectedly, he also seeks a reduction in excise duty. Further he asks for lower monthly releases — to stabilise free market prices — and for liberal bank credit to enable mills to hold on to stocks. Dalmia's glamourisation of this officially supported (and financed) hoarding of supplies by referring to a 'buffer stock' fails to hide the true nature of the operation. One fails to understand how this is supposed to encourage consumption, an argument which Dalmia uses to justify his demand for reduction of the rate of excise duty.

Another problem Dalmia has is the increasing eagerness of State governments to nationalise different industries. And as it happens, UP, and Bihar would like to make a start with sugar mills. Dalmia accepts the UP Government's concern to see cane growers paid. However, he is so apologetic that he does not question the competence of State governments to run sugar mills. Nor does he ask what the consequences of the State governments' inefficiency and their anxiety to distribute largesse among cane growers would be for consumers. Unfortunately for the sugar mills, the record of the industry has not been perhaps very much better than might be that of the State governments if they manage to push through their nationalisation schemes.

Meeting Local Needs

NATIONALISATION of the 14 major banks has conferred on Andhra Bank the honour of being the largest bank in the private sector. But escape from nationalisation by a hair's breadth (deposits just Rs 4 crores below the Rs 50 crore bench-mark set for nationalisation) has left the bank conscious of its social obligations.

This is evident from Chairman Gopal Rao's annual statement to shareholders. Andhra Bank has been vigorously expanding business in priority sectors. It opened 15 branches in rural areas (population below 10,000) in 1969. Its direct loans to agriculture totalled Rs 4.68 crores (limits) at the end of 1969, of which Rs 4.16 crores had been utilised and was outstanding. Gopal Rao points out that his bank's advances to rural areas are more (Rs 4.57 crores) than deposits collected from these areas (Rs 3.03 crores).

Gopal Rao reports similar progress in financing small industry and exports. Loans outstanding from small industry almost doubled in one year, from Rs 1.88 crores at the end of 1968 to Rs 3.69 crores at 1969-end. The bank has also been financing exports of tobacco, groundnut extraction, chrome ore, hides and skins and mica.

Andhra Bank's operations are mainly local. This is evident from the concentration of its branches, its acceptance of lead bank status in some districts of the State, and its financing of local export products. Even as banking is made extensive, it will be necessary to intensify operations in existing areas of activity. Andhra Bank's operations give welcome evidence of this effort.

LETTERS TO EDITOR

Tariff Commission on Automobile Prices

WE wish to refer to the article "A Book-Keeper's Report: Tariff Commission on Automobile Prices" by Arthagnani (January 10, p 47) and particularly to the statement regarding the profit margin of the dealer. Arthagnani has dismissed in a few sentences the dealer's case for revision in the gross margin. He has assumed that the lower margin on the sale of vehicles can be compensated by higher or increased margins on the sale of parts and services. With a view to setting the facts right, the responsibilities of the dealer and the difficulties in fulfilling them to the satisfaction of the manufacturer and the consumer are detailed below.

The time taken for delivery of the vehicle from the manufacturer's place to the customer after pre-delivery check-up, servicing and other formalities, is not less than 30 days, during which period the dealer has to pay interest, storage and insurance charges. In addition, a dealer in cars has to carry out warranty service for one year after the sale. It is his responsibility to satisfy the customer regarding the roadworthiness and quality of the vehicle. He has to carry out pre-delivery inspection, servicing and necessary replacements to make the vehicles fit for proper and smooth running. No responsible dealer will expect to make up for a low margin on the vehicle sale by larger sale of parts and servicing charges due to the low quality of the product. The sustenance and survival of the dealer depends on the continued custom that he can get from the consumer. Unless he is able to present a worthy image of the product to the public, he loses the goodwill of consumers. Further, we find from our experience that service business is uneconomical.

Automobile dealers, such as TVS in south India, offer the best servicing in India and make a number of suggestions to manufacturers about improving the quality of the product to reduce customer complaints. The dealer has necessarily to keep enough staff to cater to customers' requirements and this staff has to be maintained despite erratic trends in the volume of supply.

From the figures submitted to the Motor Car Quality Control Committee, it may be noted that the cost of servicing has been going up at an accelerating rate in the past 10 years whereas the margin for each car has remained static since 1956. The increase in the dealer's cost of selling and servicing is due to the following reasons:

(1) increase in investment due to increase in the price of the vehicle and spares purchased from the manufacturer;
(2) inflation resulting in increase in the cost of all overheads; and,
(3) steady increase in wages due to increase in cost of living where wages are related to the cost of living index.

Over and above normal expenditure incurred by ordinary dealers, an effici-

ent and responsible dealer has to maintain the latest equipment to render various technical services required under the warranty and has to report on technical deficiencies to the manufacturer with a view to improving the quality of the vehicle.

As compensation for all this trouble taken by the dealer, his gross margin is as below (on the basis of the retail price in 1970):

	(Per Cent)
Fiat	5.4
Fargo	4.4
Leyland	4.7

From the reports submitted by us as dealers to the Tariff Commission it can be observed that the percentage of margin earned on the sale of cars and trucks has been rapidly declining from the level of 10 per cent fixed at one time. Added to this decline in percentage of margin, is the extension of warranty period from six months to one year or 16,000 km. This amounts in effect to an increase in the dealer's expense per car of more than Rs 250, but no compensation is suggested for covering this.

In a controlled market, where supplies are not normal, to leave the dealer's margin entirely to the manufacturers as suggested will result in reduction of quality of service and encourage non-standard set-ups in dealer business. Taking into account the after-sales servicing necessary for the product, the dealers' claim for a minimum of 10 per cent on the dealer rate for vehicles is extremely fair. This percentage had been accepted by the Tariff Commission in its reports published in 1956, but the present Commission does not seem to have viewed the case of the dealer in the proper perspective (nor K T Merchant who submitted a minute of dissent).

The above facts are based on our experience as distributors for Fiat, Fargo and Leyland, As the Secretary of Sundaram Motors, one of the TVS Group of Companies, which has an experience of over 50 years in the automobile trade, I can say with authority that motor vehicle sale and service are not at all economical. We are able to make both ends meet and make a return because we are not only distributors of the above-mentioned vehicles and spares for them, but have various other lines of agencies for automobile parts, tractor implements, etc, manufactured all over India, which is not the case with other automobile dealers.

M KRISHNAMOORTHY

Sundaram Motors
Madras
April 9

Slim Hope

YOUR comment 'Slim Hope' (April 18, p 654) contains a fundamental error of fact. To quote: ". . . the November 1967 resolution of the Security Council, which Israel has not accepted while the Arabs have".

Israel accepted — and still encourages — the Jarring Mission which was established by that very resolution in order "to promote agreement" between the sides involved, with a view to achieving a final and contractually binding peace treaty.

Arab policies, and particularly those of the UAR, may be summed up as follows: Israel must not only withdraw to June 4, 1967 positions (the constriction placed by the UAR on the aforesaid resolution), but do so without prior recognition, without contractual agreements, without a real peace, without assuming rights of free passage in international waterways, without secure and agreed boundaries and without a final end to the Arab-Israel conflict.

It follows that the ultimate destruction of Israel still remains the objective of Arab policies. Only a genuine Arab willingness to accept the State of Israel and live in peace with it can radically change the situation. This means they must give up the policy of their Khartoum Summit Conference of "no negotiations, no recognition, and no peace with Israel".

Instead of the four Powers adding their own conflicting interests to the problem, the influence of UN member states should be devoted to helping Jarring bring the parties to the conference table, with the November 22, 1967 resolution as a basis for negotiation.

DAVID ZOHAR

Vice-Consul for Israel
Bombay
May 8

[It is true that the Israeli Government has had talks with Gunnar Jarring, but this is no more evidence of Israeli acceptance of the November 1967 resolution than any talks that Israel's UN Representative might have had with U Thant. As far as is known, neither any Minister of the Israeli Government nor its representative in the UN has ever said that Israel accepts the November 1967 resolution. Even the writer of the above letter does not say so! Where, then, is the "fundamental error of fact"? —*Ed*]



"But remember, socialism is giving you a weapon to break the monopoly of the leisured classes!"

No Respite

Romesh Thapar

EVENTS are conspiring to keep Indira Gandhi on the hop. The end of an extraordinarily long parliamentary session has not reduced the pressure on her time and energy. And soon, those goodwill tours will absorb or come to represent the few moments of relaxation. To some extent, the Prime Minister must blame herself. Too many decisions are being deferred in the search for total or perfect answers. Delay, it should be remembered, is the fertiliser of anger and frustration.

The antics of the National Integration Council, following the mad killing and arson in towns not far from Bombay, are terribly familiar and are now the butt of ridicule. Until Indira Gandhi shows that she is capable of drastic and uncompromising action against those who have fanned the communal conflagration in various areas, her credibility is bound to suffer. Sitting around a table with the Jan Sangh, and talking about a mass campaign for communal harmony in Delhi, is the no longer funny — or even good politics.

The argument is used that if communal parties are shunned, those communists wedded to spreading chaos must also be kept at a distance. Why not? Surely, the Congress Party has not lost faith in its capacity to carry political sense to the people. If it is unable to operate without the help of those who are contemptuous of its objectives, it is best that it retire. Indira Gandhi must now use her time and energy to mobilise wide sections who think like her — but this will only happen when the guilty begin to be punished. This is not happening.

Indeed, the emphasis is on getting hold of people who are careerists, compromisers and, very often, cowards. We have been regaled with the story of a Vice-Chancellor who is manipulated by a student "leader". We are tired of hearing of public sector managers who live in constant fear of trade union chiefs, or bureaucrats in various secretariats including the Central, who have made it a profession to play politics. If only our national press could probe the apparently calm surface, a vast net of multi-faceted corruption in high places would be revealed . . .

Indira Gandhi knows that the rot spreads from the top. A strong ministerial team would give her the muscle to cut through the maze. Her present team could be described as anything but competent. Yet, the fault is not hers. The material from which she has to select is so limited that the sudden death of Law Minister, P Govinda Menon, brings to an end Kerala's representation in the Council of Ministers. Tamil Nadu, too, is for all purposes unrepresented. The much-talked-about reshuffle has been delayed beyond all possible justification. Now, there can be no further fiddling in this matter.

POWERS MISUSED

Privately, everyone expresses the hope that Indira Gandhi will rid herself of colleagues who have not only proved thoroughly unfit for their jobs, but who have misused their powers in a variety of ways. The list is not small, and could easily be compiled by interviewing some of the leaders of the world of business and commerce. In actual practice everyone knows that the team will remain broadly intact because there is a reluctance to disturb the sensitive balance of power between the factions and between the two formations of the Congress.

Indira Gandhi must be regretting her decision not to go for a mid-term poll following the split in the ruling party. To continue manipulating for another year and half is to ask for more troubles. Even the tenuous discipline certain parties observe these days will dissolve within a year. Then, the whole political spectrum will be agitating for votes. And, judging from the sad facts of our economic performance, there will be plenty of scope for making the business of government rather rough and tempestuous.

If we are disturbed today, how much more battered will we feel a year from now. Or is this so much poppy-cock? Whatever the answer, Indira Gandhi will have no respite . . . .

May 25

THE FOURTH ESTATE

Not Cricket

Nireekshak

TENNIS is not everyone's cup of tea. Nor is cricket or hu-tu-tu, for that matter. Yet when India defeated Australia in a cricket test in Kanpur, last year, almost every English-language newspaper had it as the lead story of the day. Cricket is apparently big news though more than half the world plays no cricket, nor cares for it. Tennis, which has a far wider following as a world sport, is however rated fairly low in the estimation of Indian news editors. So much so that when Premjit Lal and Jaideep Mukherjea clinched the Davis Cup tie in Bangalore earlier this month, it made small play in headlines.

Almost everyone reported the news on the front page, but most of it lay splashed on the sports page. Certainly, the enthusiasm reserved for cricket was conspicuously absent. The event certainly deserved better display, if only because it was the first time that India had humbled Australia in a Davis cup duel. Why cricket should get such undue prominence in sports reporting is difficult to understand — unless it is a hangover from the days of empire when cricket was second only to Scotch whisky in the line of 'benefits of British rule'.

To return to tennis and Bangalore it must be said the reporting itself was adequate though not extravagant. Naresh Kumar, a former Wimbledon player, reported the match for *Indian Express*, while *Times of India* had its own staffer, Sunder Rajan. *Statesman* carried reports under the byline of its 'special sports correspondent', so did *Hindu* while *Deccan Herald* had Leslie F Wilson to do the job. Most others used agency copy. Another thing about tennis is that, unlike cricket again, few bother to take editorial notice of the game. Thus only three dailies, *Deccan Herald*, *Nagpur Times* and *Deccan Chronicle* seem to have found it worthwhile commenting on the Indian tennis victory in their editorial columns. In *Chronicle*, it was the only editorial of

the day. *Indian Express* did comment on the event in its daily column 'Behind the news', making me wonder who was behind what here, though none of the other great 'national' dailies had a word or thought to convey to their readers. So much for tennis.

Whatever might be the relative news value of an international tennis match in the estimate of news editors, there could be no doubt about the importance of the Supreme Court judgment in the Giri election petition. Headlines were in order, and were indeed in evidence. Commenting editorially on the verdict, *Amrita Bazar Patrika* said "it ends well". It followed this up by saying that "within minutes the news [of the verdict] spread to the far corners of India bringing relief and joy to millions of people. The case, the longest in the history of the Supreme Court, had ended happily, not only for Mr V V Giri, but also for the Government and the country". Saying that the judges "acted very sensibly in giving the formal order without delay" the editorial concluded on a note of praise for Giri himself. "Those who elected him are now more than ever convinced that they made the right choice. And the people of all parts of India know that the occupant of the Rashtrapati Bhavan is a people's man, a man who is a democrat to his finger-tips and who is completely attuned to the aims and aspirations of this new-old nation."

Tribune, however, displayed no such enthusiasm. In an editorial titled "comment reserved" *Tribune* wrote (May 12): "In the absence of detailed reasons which the court has promised to give after the summer vacation, it must indeed be difficult for anybody to venture any comment". Referring then to the speculation among politicians whether the petition would meet the same fate as the bank nationalisation ordinance, *Tribune* asked rhetorically "what more could the revolution of rising expectations or frustrations expect than a possible overthrow of Mr Giri's election and an utter upsetting of Mrs Gandhi's apple cart?" However, added the paper, "it is to be hoped that after the judgment in the Giri case the politicians would realise that it is the business of the judges only to administer the law as they see it without fear or favour and without regard to the political mileage which it might yield to the Opposition or to the Government... Even if the verdict had been otherwise it should have been hailed as the triumph of truth and justice."

"Public reaction to the Supreme Court judgment", wrote *Mail*, "will be one of profound relief . . . The new Congress will receive a welcome accession of strength. There will be corresponding disappointment among the Congress Old Guard. But the people at large will rejoice at the verdict as sustaining their faith in the integrity of the parliamentary system."

Privileges of Parliament

Another *obiter dicta* handed down by the Supreme Court has also come in for much animated discussion in the Press. This is the court ruling on the privileges of Parliament. "The Supreme Court has rightly held," wrote *National Herald* in a lengthy editorial (May 11), "that even the Supreme Court should have no say in the discussion in the House and should have none about whatsoever that is said in Parliament . . . But a great responsibility rests on the presiding officers [of Parliament] to see that freedom of speech is exercised with responsibility . . . There is a strong case for members exercising greater restraint, for presiding officers exercising greater control and enforcing more strictly the power of expunction, and for ministers and other members to be more vigilant." Referring to the legislation in force for "protecting publication of a substantially true report of every proceeding of either House of Parliament", *Herald* said: "The position now is that while the publication of any allegation made in a State legislature is not protected and can be challenged as defamatory, the publication of any allegation made in Parliament is protected. There is ground for suspicion that there is temptation to make allegations to secure publicity for them. If this practice spreads, the public, and even the Press, may have to consider whether a piece of well-intentioned legislation should remain on the statute book. Freedom of speech does not mean licence; the greater the freedom the greater should be the responsibility in its exercise; if the Supreme Court has held that freedom to be absolute, the public would expect that responsibility to be absolute."

Indian Nation highlighted another aspect of the court ruling on privileges, namely its impact on the rights and privileges of individual citizens other than MPs and the Press. The paper thought the ruling was a "healthy compromise between the two freedoms, namely, freedom of judicial procedure and freedom of discussion in Parliament . . . It is however obvious that the citizen will not be content with the freedom and protection he thus secures. He wants something positive for economic and social progress as well as development of his personality. He will expect the removal of the various obstacles in course of time". These obstacles were cited as laws which have outlived their utility, those "borrowed from Britain" and other 'harassments'. "Now that their freedom is confirmed", concluded *Nation*, "members of Parliament will probably devote time to consideration of the legal processes which a citizen who becomes a litigant has to face."

FROM OUR CORRESPONDENTS

SOUTH

Telengana Over?

Mohit Sen

THE attempt to work up mass passion for a separate Telengana towards the end of April and the first days of this month failed. Despite the fact that leaders like V B Raju and N Ramachandra Reddy, who had hitherto kept aloof from the separatists, joined Chenna Reddy, the mass satyagraha was quite ineffective because the masses kept away. It was quite a different situation from the stormy days of 1969.

This should not, however, be taken to mean that the mass sentiment for a separate Telengana has now evaporated. Put it negatively. If tomorrow, by some perverse miracle, a separate Telengana state is announced would there be any sizeable section of the population in this region who would oppose it? No commentator who knows anything about the area would care to answer this question affirmatively. On the contrary, it can be said that there would be wellnigh universal acceptance and more than a fair measure of rejoicing.

It is certainly correct to state that a separate Telengana would solve none of the problems that caused the movement for its birth to assume the formidable aspect that it did. It would also be correct to state that a separate Telengana would hinder the evolution of the multinational entity that India is. Nevertheless, it would do nobody any good to deny the genuine grievances of the people of the region or the strength of the separatist sentiment.

Fragmented Leadership

Then why does the movement seem to have petered out? And why is it unlikely that the separatists will score any significant electoral success? Apart from the impingement of the national crisis and the gathering of strength in that connection by the Chief Minister, the biggest reason is the disunity and fragmentation of the leadership of the movement. There are now some three major organisations which claim to be the real representatives of the Telengana people. There is the Praja Samiti led by Chenna Reddy which is the most powerful of the three. Next there is the Telengana Pradesh Congress headed by Konda Lakshman Bapuji. Finally, there is the Telengana United Front of which V B Raju is the chairman. There are cross-connections between all these three organisations in the sense that there is a great deal of common membership and an even greater approximation of programme. But the pulls of prejudice, personal aggrandisement and the like are stronger. Moreover, the very similarities become so many standing reproaches, negating as they do the basis for a separation in organisational forms.

The fragmentation of the leadership and of the movement has manifested itself most forcefully in the setting up of rival candidates for the Khairatabad Assembly constituency. Situated in the capital this area was one of the storm centres of the movement. Given purposeful unity the candidate of the movement could have won fairly easily. Not so many months ago the late B V Gurumoorty, who had great personal influence apart from being a Congress Minister, had found his active workers deserting him since he refused to go with the separatists. But these very activists are now at a loss to know whom to work for. It could happen, of course, that as the election campaign develops there would take place a certain consolidation around a particular candidate, most probably the person sponsored by the Praja Samiti. But even this consolidation would, possibly, come too late and would not, in any event, create the elan so essential for the advance of the mass movement.

The frustration of the supporters of separate Telengana is, of course, surpassed by the gloom that has descended on the leadership which had hoped to rule the roost in the region. A measure of this frustration is to be found in the acceptance by a major section, notably those aligned with V B Raju, of the idea of a Meghalaya-type solution, i e, of a sub-state. If there was some kind of a rational basis for a separate Telengana State, there is absolutely none for a sub-state unless it is regarded as a stepping-stone for complete separation. The people of Telengana are not tribals nor are they geographically situated in the way the hills peoples of Assam are. All that the Meghalaya-type of solution would lead to is unnecessary duplication without the imparting of the emotional satisfaction that the people of the area would seem to want.

It has been advanced by some of the protagonists of separate Telengana or a sub-state that the best way to ascertain the views of the people would be by an opinion poll along the lines of what was done in Goa some years ago. V B Raju states that parliamentary democracy has its limitations. Where elections are taking place, all manner of considerations come to the fore and issues recede into the background. In an opinion poll, obviously it is the issue and the issue alone that would count. There is a great deal of substance in this argument and the addition of nation-wide or area-wide referendums to the system of our parliamentary democracy would help to make it more democratic. It is also quite likely that an opinion poll would favour the separatists in Telengana. But it is likely to generate such bitterness and so much discord that as a remedy it would be worse than the disease. It is on these grounds of expediency that the idea would have to be rejected today in its application to the problem of Telengana.

Smouldering Resentment

As a mass movement separate Telengana is over for the time being and its revival by fitful agitation is unlikely. Yet the embers remain. And more than mere embers. More even than resentment. A kind of sullenness, frustration and even anguish that achievement was rendered impossible by manipulated discord, by inability to produce the appropriate leadership. Telengana remains as a problem, as a mass mood and as a portent. It needs to be tackled urgently by all who are concerned with India's destiny at this critical juncture of our evolution.

NAGALAND

Who Cares for the Way?

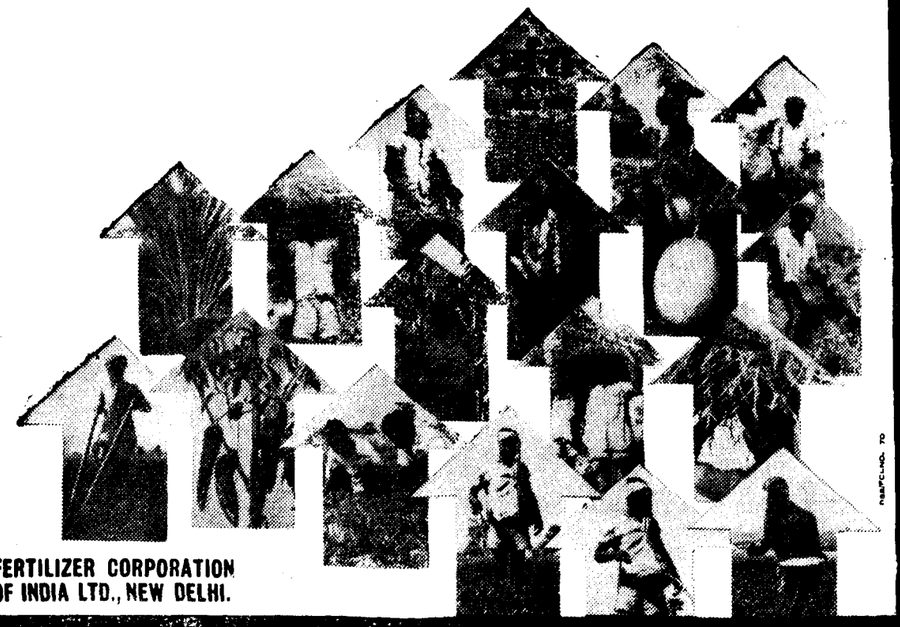
TRIBAL blood-baths at frequent intervals have occurred in this easternmost State of Nagaland ever since Independence. And the tragedy is that many more seem likely to be hastened by political demagogues in the State who masquerade as overgrounds and undergrounds. The official claim that an enormous metamorphosis has taken place in Nagaland's political situation since 1964, notwithstanding, all changes in the Naga body politic have in fact been surface changes. The unending stream of money being poured into Nagaland, has had no corresponding effect on the mental attitudes of the Naga people. They still continue not to betray the extremists into Government hands and, in official parlance, have yet to learn to defend themselves.

An understanding with the extremist Nagas or the moderate Nagas is still a far cry. Meanwhile, statements, accusations and counter-accusations, arrests and counter-arrests, especially among the ranks of the underground, all of which lately triggered off a violent armed split within the revolutionary set-up, continue. One fierce encounter resulted in the death of Major Vitokhu Scato Swu, a well-nigh unapproachable and strapping military man and himself a veteran fighter, who had acted as the leading mediator between the two rival groups, one under General Hokiye and another under General Zuheto, had in fact initiated the armed split by ordering the arrests of two officers of the rival groups on December 21, 1969. The arrests could not take place, but in a bloody encounter Zuheto's top man was murdered, apparently to blot out incriminating evidence. Promptly, Swu, to save face, issued a statement which justified his non-intervention by saying he had no power to do so.

And this is the greatest tragedy of all, that beneath the deceptive surface of underground politics, a hideous story of shame and infamy lies concealed. Though Nagaland today is said to be in its fifth year of peace, there is too much restlessness. A mystery surrounds

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the armed split, State Ministers close to the Revolutionary Moderates are painfully silent, Z Ramyo and Mhiasieu Angami disappeared after their release from the Moderates' camp. The two conflicting opinions among the Naga leaders — one for a settlement within the Indian Union and the other for independence and sovereignty — still prevail. The armed split that grew fiercer and fiercer at Satakha, the stronghold of the Moderates, echoed what is also happening in Kohima district in the Chakesang area, Khonoma village, and Mission Compound — to name only a few places where the underground is throwing its weight around. Nor is there consensus among the party bosses of a single faction. Single-mindedness as to aims does not exist, as is evident in the statements issued to the press by the publicity-hungry leaders and self-styled politicians.

Rank Political Opportunism

It is this rank political opportunism among Naga leaders that makes any political settlement or successful parleys impossible. The tedium of long speeches and countless statements is merely symptomatic of personal ambition. Bendang, an MLA belonging to the United Front, flashed a statement with the eye-capturing caption "The Pathway for Solving the Naga Problem". In fact the piece only contained accusations against the Government of India for its flagrant violation of the "cease-fire" agreement. The statement said, "Mr Phizo is the author of Naga independence movement and he still is the President of the Naga National Council, the spearhead of the Naga aspiration. Mr Phizo did not leave Nagaland on his own but was sent by the Naga people to tell the world about the miseries of Naga people. Therefore, it is a foregone conclusion that any solution by-passing him can never be lasting and permanent". After which came the non-sequitur: "The right approach should be, therefore, the Naga National Council". The approach of the Government of India is not correct, according to Bendang who made this revealing statement to the press, either in concurrence with his party bosses, who are working hand in glove with Congress (R) at the Centre or under pressure of the extremists who have recently become more vocal following the Naxalite unrest in this part of India. Neither New Delhi nor the United Front in the region can deny the existence of three rehabilitation centres where undergrounds are given full amenities including pocket money.

Bendang's statement is not an isolated one. In fact, too many irresponsible statements have been made in Nagaland by responsible leaders of major political parties. Examined carefully, the patriotism of certain leaders of the United Front is perhaps nothing more than naked chauvinism. It is these demagogues, prompted more by the frustrations of their own factional politics than by the desire for Naga welfare, who pose a special, and perhaps, real problem, rather than the "misled brothers" trudging to China for arms ammunitions. For, it is these political exploiters, who stood for elections, and deserted their men in the thick jungles giving them false hopes and promises for the future. Surprisingly, most of these confirmed supporters of the underground, who swore allegiance to the Constitution of India when they contested on the United Front ticket, continued their activities later with redoubled vigour. After their defeat at the polls they again started to recruit innocent villagers for the underground, collecting huge sums of money from the villagers with the false promise that independence would follow shortly. Even the United Front's election pamphlets are on record saying that if the Naga Nationalist Organisation would continue as the ruling party, Nagaland would surely become a "battlefield". It is these individuals committed to the opposition party but passing themselves off as "overgrounds", who are, in fact, powerful leaders of extremist agitation in Nagaland. It is they who are responsible for tribal blood baths.

Of late, the Church leaders, not the Christian Church as such, have incurred the displeasure of the extremists, for their attitude which is ambiguous. A statement, "Nagas Must Be Saved" released by a prominent Church leader, L Suohie Mhasi, might serve to reflect the mental poise of these religious politicians. "Underground Nagas have split amongst themselves. Their strength was reduced to a considerable extent. But the danger in Nagaland remains as it used to be in the past. Often times it has been said that their backbone is broken. It may be true. But the danger is not minimised by killing or arresting a few leaders." Here is a warning given to the Government of India. The Church leaders are still howling over the failure of the Naga Public Conference which again involved their own claims. He concludes "Under any circumstances, the danger must be avoided by approaching the federal leaders in honourable ways . . ." But where are the federal leaders? Most of them are MLAs, Church leaders, and self-styled politicians residing overground, surviving by exploiting the political situation. Meanwhile, somewhere in the thick jungles are groups of men tattered and torn, groping their way into exile, with only a handful of bamboo sticks to aid them through the rugged terrain of upper Burma and thence to Red China, and with "Mao's Thoughts" in their pockets. What will salvation mean for them? Does Phizo know?

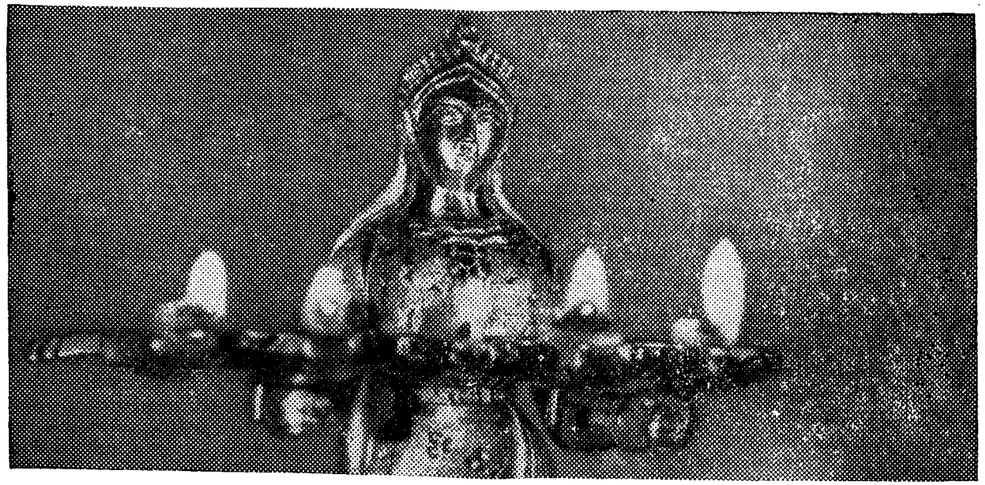
NEW DELHI

Dim Power Prospect

IT is almost a year now since the Indian Consortium for Power Projects was formed to undertake turn-key jobs abroad. Yet the implementation of power projects at home itself is by no means encouraging. According to notes prepared by the Irrigation and Power Ministry, nearly 6.5 million kW of installed generating capacity, which is yet to be commissioned, has been tied up with indigenous manufacturing capacity and the delays in supply of complete generating equipment have been serious. A high-power committee has, therefore, been constituted to examine the reasons for the delays and to suggest measures whereby indigenous manufacturing units could supply the necessary equipment in accordance with a fixed time schedule.

The series of reviews — which included discussions by the Central Water and Power Commission with the suppliers of generating equipment — revealed that Heavy Electricals Limited (HEL) and Bharat Heavy Electricals Limited (BHEL) "would not be able to adhere to the promised delivery dates". The Ministry is certain that "this would adversely and, in some cases, seriously affect the project implementation programme" and, unless an all-out effort is made by HEL and BHEL to adhere to promised delivery dates, "large-scale slippages" might occur, threatening "the

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achievement of the revised Fourth Plan power target".

For, in the final Plan presented to Parliament, the target for installed capacity has been raised from 22 million kW to to 23.1 million kW. This is a significant hike since total installed generating capacity at the end of 1968-69 was just 14.3 million kW and the addition to the generating capacity in 1969-70 was only 1.2 million kW, compared with an annual addition of 1.37 million kW in the preceding three years. With total installed capacity thus at 15.5 million kW at the end of the first year of the Fourth Plan period, another 7.6 million kW would have to be brought into commission to realise the Plan target of 23 million kW. Of the additional 7.6 million kW installed capacity to be added during the four-year period 1970-71 to 1973-74, according to the Irrigation Ministry 3 million kW are to accrue from imported sets for which orders have already been placed. The balance for 4.6 million kW are to be obtained from indigenous sources. Will HEL and BHEL be able to adhere to promised delivery dates to help realise this target?

Significantly, the Planning Commission has presented a different picture. The Plan document clearly says that "out of 9.3 million kW generating capacity being added during the Plan period, plant and equipment for about 4.9 million kW of capacity will be supplied by indigenous public sector manufacturers and the balance would be from foreign sources. Also, about 3.4 million kW capacity plant and equipment would be in various stages of manufacture in these undertakings for supply to spill-over State projects. In addition, plant and equipment for new generation schemes, which are yet to be identified, would be under manufacture in these factories." The Planning Commission then goes on to conclude that "there is adequate capacity in the country for manufacture of other heavy electrical equipment and no import of such equipment is envisaged in future". What is the basis of the Commission's optimism in contrast to the dismal note of the Irrigation and Power Ministry? Also would it not be useful if Government made an assessment of the capacities of HEL and BHEL to deliver goods to the domestic projects generally before entering into commitments abroad?

Quite apart from the dubiousness of the scheduled implementation of power projects, it must be remembered that even if the target of 23.1 million kW of installed capacity is achieved by the end of the Fourth Plan period, there will still be a power deficit of about 1.7 million kW according to the Irrigation and Power Ministry's estimate. An installed capacity of 23.1 million kW signifies a firm capacity of about 16.4 million kW, whereas the load requirements at the end of 1973-74 are expected to be 18.1 million kW.

Of this anticipated deficit of 1.7 kW, the maximum will be in the Western Region (929,000 kW) — mostly in Maharashtra and Madhya Pradesh. There will be deficit in the Northern (440,000 kW) and Southern (606,000 kW) Regions, the worst affected States being Punjab, Uttar Pradesh, Andhra, Tamil Nadu, and surprisingly even Mysore (104,000 kW). A marginal surplus is expected in the Eastern Region (158,000 kW) as a whole, but there again West Bengal will face a deficit of 156,000 kW.

Bhiwandi: The Anatomy of a Riot

Darryl D'Monte

IT is perhaps necessary to ask three questions about the recent riots in Bhiwandi. How did they happen in the first place? Why did they happen? And can similar riots be prevented in the future?

To begin with, how did it all happen? It cannot be emphasised too strongly that while the rest of the country was taken completely unawares, the riots came as no great surprise to the people of Bhiwandi (a town some 50 km from Bombay; one of the main powerloom centres in India, with a population of 140,000 — roughly 55 per cent of which is Muslim). Indeed, communal tension had been building up in the town for at least a fortnight before the ill-fated Shiv Jayanti procession on May 7. The danger signals were there for all to see. This is something that has been revealed in the press since then, but details have so far been hard to come by.

Growing Animosity

It is inevitable that there are two different versions of the events which preceded the Shiv Jayanti procession. According to Muslim leaders from Bhiwandi, the trouble can be directly traced to a dispute in the Municipal council over the route of this year's procession. But they believe that this was the culmination of the growing animosity between Hindus and Muslims over the past three years. Prior to that, the two communities had lived in perfect harmony. In fact, there was an understanding that a Muslim and a Hindu should take turns at heading the Municipal Council every year. What is more, each community would go out of its way to participate in the religious festivals of the other (there was a fairly large Muslim contingent in this year's Shiv Jayanti procession).

In 1967, however, there was a minor incident during Shiv Jayanti when offensive remarks were made by Hindus as the crowd passed a mosque. Thereafter it was decided to form a peace committee, consisting of members of both communities, which could hold consultations each year as to the route, police arrangements, etc, during such processions.

Insidious Propaganda Campaign

The main cause of the tension between the two communities was the insidious propaganda campaign mounted over the last few years by a body called the Rashtriya Utsav Mandal. This was apparently a front organisation of the RSS. It went about the task of whipping up hatred against the Muslims with great deliberation. For instance, it held 'prayer meetings' on Mondays in which speeches were made deriding the Muslim population.

About five months ago, the Utsav Mandal started bringing out wall newspapers at prominent street corners. Typical of the items they carried were 'news' of a persecution campaign against Hindus in East Bengal, mass immigrations of refugees across the border, etc. Later, the Mandal held meetings in which wild allegations against Muslims were blatantly made. Leaders attempted to malign Islamism by ridiculing the role of Muslim women in the household: that the wives had no status, that they had to be bought, and so on.

There is the other side of the coin. The Hindu community has accused Muslim leaders of preaching separatism not only recently but in fact ever since Independence. Even the more enlightened Muslim leaders, they felt, still subscribed to the tenets of the old Muslim

League, "even though today many of them sport Gandhi caps".

Corresponding to the Rashtriya Utsav Mandal, there was a fanatical Muslim organisation in Bhiwandi called the Tameer-i-Millat. It had no formal membership and no constitution, but its small group of 200 members was effective in spreading dissension. Its leaders, seem to have had a strong hold on young Muslims particularly. A recurring theme in their speeches was the exhortation not to rely on the Hindu community and, even further, to distrust it. The police in particular were to be regarded with suspicion because their duty was to impose the wishes of the Hindu majority. The Muslim youth was warned that they had to arm themselves against repression and had to be vigilant at all times. This exemplifies the virulent campaign that the Tameer-i-Millat had initiated in the town. It is significant that immediately after the riots, the head of this organisation went 'underground' to evade arrest.

Unkept Promise

It is in these circumstances that the peace committee met to discuss this year's procession. Relations, however, had been strained to such an extent by then that the two sides were unable to agree upon the route. The Muslims asserted that to pass the Juma Masjid in Bhiwandi would be to simply invite trouble. The Hindus demanded that this being a free country, they should be allowed to take a procession anywhere they liked. After several meetings, in which hot words were exchanged, it was finally decided to take the procession past the mosque. As a concession to the Muslims the police authorities attending the meeting assured them that the procession would be dispersed at the slightest hint of trouble. Needless to say, the promise was not kept.

Just prior to Shiv Jayanti, at a meeting presided over by the President of the Rashtriya Utsav Mandal, a prominent RSS spokesman from Dombivili made a speech in which distorting history, he alleged that the Mogul conquerors had converted mandirs into mosques. Shivaji, the great national hero — "India's" hero — had begun restoring these to their rightful owners. It was now the people's duty to carry on the task, he said. One could hardly imagine a greater incitement to riot.

Meanwhile in the Muslim camp, when police tried to close a community meeting because it had exceeded the permitted time, the leaders claimed that this was an act of discrimination. They also threatened to take the law into their own hands if not allowed to proceed undisturbed. Some went so far as to demand the take-over of a police chowki.

Thus it is plain that by May 7, tensions were already running very high. Everyone expected trouble, though perhaps not on the scale that actually occurred.

Largest Procession Ever

That day, Hindu groups, working in league with the Jan Sangh and the Shiv Sena, rounded up about 5,000 to 6,000 people from villages outside Bhiwandi to take part in the procession. The total strength of the procession was 10,000 — the largest organised so far; normally the marchers did not exceed half this number. Why were they brought in, the Muslims ask.

Soon after the procession began at 3.30 p m, people began raising slogans. But these were not the permitted slogans which had been decided upon earlier by the peace committee. Instead, some goondas in the crowd shouted: *"Ale re ale, Hindu ale"* ("The Hindus have come") and *"Jo hamse takrayega mitti men mil jayega"* ("Those who clash with us will be ground to dust"). The implications of such slogans could hardly be lost. Most of the Muslims accompanying the procession as a friendly gesture left in dismay and trepidation.

The trouble seems to have started near the Juma Masjid. As the slogan-shouting grew in intensity, acid bulbs and home-made bombs were suddenly thrown on the crowds. That was the signal for a free-for-all: fighting broke out in lanes and *mohallas*. It was not until the early hours of the morning that it subsided.

The impression is that it was the Muslims who actually began the assault and from all accounts, they were certainly better armed than the Hindu community. Indeed, when several Muslim houses were set on fire, loud bursts were heard as home-made grenades exploded. But they can argue that they had to be prepared for any eventuality after the repeated provocations by Hindu groups prior to May 7.

The Toll

By the time the rioting was finally put under total control, the death toll had reached about 90. There is no reason to believe that most of the victims in Bhiwandi town itself were Muslims. Probably an equal number of Hindus were killed. However, there is no doubt at all that in the outlying villages, Muslim families were savagely butchered as they were completely outnumbered there. Few Muslims in those areas were spared. But it must be pointed out that in the town, most of the deaths were not necessarily deliberate killings but were the result of arson.

Houses, shops and above all, powerloom sheds belonging to both communities were looted and set on fire with crude Molotov cocktails. As is quite apparent to anyone who has since visited Bhiwandi, Muslim houses in Hindu localities have been destroyed and *vice versa*. What is worse, these acts were deliberate because adjacent houses belonging to the other community have been untouched. The loss in terms of property must be colossal, particularly the damage to the powerlooms. Probably the majority of the loomowners were Hindus (some of whom were Gujaratis and Marwaris). Of a total of 40,000 powerlooms in Bhiwandi, as many as 5,000 have been damaged and half of these will have to be written off. Further, loans given by the nationalised banks, totalling Rs 1 crore, to small artisans in the town will also be irrecoverable.

Impact of Ahmedabad

This, at some length, is what happened in Bhiwandi. The second question is: Why? The clash must be traced to the growing mistrust on either side. The Muslims, even in a town in which they formed a majority (and comprised 19 of the 31 members of the Municipal Council), and though they lived on the periphery of the most cosmopolitan city in the country, felt insecure. This feeling was heightened by the orgy of communal violence let loose at Ahmedabad last year. Muslim leaders from Bhiwandi visited Ahmedabad and brought back harrowing accounts; but the claim that the Bhiwandi riots were engineered by Muslims to avenge Ahmedabad (and also that Pakistani provocateurs played a part in creating mischief) must be dismissed as nonsense.

On the other hand, the Hindu community in Bhiwandi resented the Muslims for remaining aloof. The Hindus had been driven to this position largely as a result of the campaign mounted by the Jan Sangh and the RSS, while the more unruly elements have been encouraged by the remarkable success of the Shiv Sena in laying down the law elsewhere in Maharashtra (as the last Bombay Bandh and subsequently, the stoning of the mosque at Mahad made clear). There is also a small paranoiac Hindu element which has played on the rumour that Muslims have been 'plotting' against the Government!

It is necessary to state quite clearly, however, that blame cannot really be apportioned to either community singly. Both are equally responsible, as the pattern of the killings and damage to property indicate. It is true that in the ultimate analysis, the Muslims were the worst sufferers — particularly the poorer classes and those living in the villages. It is also true that the Hindus, because they form the majority, ought not to have lost their heads. But the Muslim community as a whole cannot be absolved of its share of the blame.

All Dialogue Cut Off

The direct consequence of the riots has been a complete polarisation between the two communities. All dialogue between the more responsible leaders on both sides has been cut off. This is indeed a tragedy for until recently Hindus and Muslims had co-existed peacefully in this town. And irreparable damage has been done to the cause of communal harmony in a country which professes to be secular in outlook.

It remains to be asked, finally, what may be done to avert such incidents in future? First, as far as immediate action is concerned, there is no getting away from the fact that stronger, swifter police action is called for. This has been stated *ad nauseam* in the newspapers but it needs to be stressed yet again. Timely intervention would have prevented the holocaust in Bhiwandi. In fact, the authorities' inaction is all the more reprehensible this time because they had more than adequate warning about the impending trouble. It is true that 700 policemen were posted in Bhiwandi for the Shiv Jayanti procession. But why were they armed only with lathis? Had they been given rifles, the situation would have been brought under control easily. In any case, reinforcements ought not to have taken time, considering that the district headquarters at Thana is just 12 km away. A full investigation is, therefore, most urgently needed.

Much more relevant than police intervention, however, is the need to promote goodwill and understanding between Hindus and Muslims. The experience of Bhiwandi is an eye-opener in that one realises that there is hardly any social contact between the two communities. The gulf begins right from the time that Muslim children go to schools where the medium of instruction is Urdu. The only opportunity that youth has of mixing is at college, but Bhiwandi got its first college just recently. It is not really surprising therefore that the most angry rioters in the town were Hindu and Muslim youths, aged between 16 and 25, many from middle class families. At this level, the gap between the two communities is probably as wide as it was when their parents were the same age. One of the saddest realisations is that the two communities have been living separately, even while they live together.

It is time that local Muslim and Hindu leaders in Bhiwandi — as also in other towns in India with large Muslim populations — put their heads together to find out ways of bridging this gap. Much of the answer will lie in getting children to attend the same schools.

In keeping communalism at bay, the Government has a leading role to play as an arbitrator. It must for instance see to it that communal bias is not allowed to interfere with the working of local government bodies. Moreover, the Government simply cannot afford to let anything tarnish its own image as an impartial, secular party. In this connection, one must cite Fakhruddin Ali Ahmed's alleged conduct when he accompanied the Prime Minister on her visit to Bhiwandi. He reportedly allowed himself to be taken on a separate tour with local Muslims, to see damage caused to three prominent Muslim areas only. This kind of partisanship, particularly on the part of a Cabinet Minister, was deeply resented by the Hindus.

Firm Measures Needed

Lastly, all organisations that preach communal hatred must be given short shrift. There is a predilection, both on the part of the Government as well as of Hindu liberals, to hold only Hindu bodies like the RSS and Shiv Sena responsible. There is no denying that these must resolutely put down. But to condemn them while turning a blind eye to their Muslim counterparts is extremely dangerous. Both must be put down with equal firmness. Any attempt at appeasement only will invite bloodshed on the scale just witnessed.

Mao on Indo-China

G P Deshpande

MAO Tse-tung went on the air on May 20 to make an "important" pronouncement on Cambodia and on the latest American move in the hapless Indo-Chinese peninsula. He denounced the American invasion unequivocally and went on to add that the danger of a new world war still persisted. He also appealed to the Indo-Chinese people to persevere in the protracted armed struggle of the people till the ultimate victory. He reiterated his belief that a small country can defeat a big bully if only its people take to arms and are determined that they will decide the fate of their country.

Everybody has noted the rarity and, therefore, the importance of a personal statement of Mao Tse-tung. It has also been pointed out by the news agencies that this pronouncement means, above all, a declaration that China does not want to involve itself directly in the Indo-Chinese war. It will be recalled that immediately after the famous Lin Piao speech in September 1965 about the world countryside versus the world cities, David Mozingo of Cornell University had, in a paper prepared for the Rand Corporation, drawn the conclusion that this rather fire-eating speech of the Defence Minister was in fact a counsel for restraint and caution. Mozingo had argued that the crucial clause in Lin Piao's pronouncement was the emphasis on the "people's own effort" and as such the Chinese had taken "a second look at the Vietnam war" and had decided that they would not intervene. Mozingo's analysis was vindicated by the later history of the Vietnam war.

One sees a similar refrain in Mao's statement. The Chairman has, like Lin Piao in 1965, emphasised that it is the Indo-Chinese people who must carry the burden of the battle. The interpretation that the Chinese would not intervene in Indo-China may, therefore, be right.

This interpretation, in fact, misses the cardinal point about the "liberation war". In other words, it chooses the

wrong logic to arrive at the obvious. It should be obvious that if the Chinese were to enter the fray in Vietnam, it would no longer remain a war of liberation. You need not, and more important, *cannot* fight a war of liberation with other peoples' forces. A singular advantage which the NLF has in Vietnam which the ARVN (Army of the Republic of Vietnam) does not have is the fact that in an ordinary Vietnamese peasant's view, the NLF is made up of people whom he recognises to be his compatriots while the ARVN is aided by and is fighting with the Americans. This is a vital distinction which the Indo-Chinese people *more than the Chinese* would like to maintain. Analysts of international politics ignore, as Mozingo had done in 1965, this primary condition of success of a people's war and, therefore, have to employ long-winded logic to arrive at the obvious.

If one carefully scans the Chinese accusations against the Russians on the question of Vietnam, one would readily see that they have never hinted that they expect the Soviets to fight the Vietnamese war. Their criticisms of the Soviet Union consist primarily of the latter's *attitude* towards the United States. It is necessary to emphasise this because it is often thought that the Chinese hypocritically accuse the Russians of failing in their revolutionary duty by not intervening in Vietnam, while not doing so themselves. It becomes necessary, therefore, to point out that liberation wars do need help from outside, though they rarely would need outside intervention on their behalf; for, if that were to happen, the guerilla would lose his credibility. The need for outside interference would arise if the people's war becomes a war between states as against war between foreign aided puppet governments and the people. Mao Tse-tung, it seems, is making this point.

Absence of Invectives

The second important point about Mao's pronouncement on Cambodia is the absence of the usual Chinese invectives against the Soviets. He has *not* referred to Social Imperialists at all. This, of course, does not mean that Mao Tse-tung has suddenly changed his mind about Brezhnev whom he, barely a month ago, had called a "renegade". Nor does this mean that he has second thoughts about his assessment of the "ruling clique" in the Soviet Union. But this might suggest that the Chinese and the Soviets might have reached some *working arrangement* about the flow and the quantum of aid to Indo-China. We may not see the recurrence of the unfortunate allegations of hold-up of aid and supplies *against each other.*

Thirdly, the emphasis on Indo-Chinese people may mean that the Chinese and the Soviets have recognised that it is the Indo-Chinese people who have to fight the war and as such it is they who should decide how it ought to be fought. Polemics against the Soviets, therefore, would not make sense in the context of this war. Mao Tse-tung, at any rate, seems to have offered to play down Sino-Soviet differences *in that context* (and, presumably, in that context only). It is to be seen, if this interpretation is right, how the Soviets respond and how long the Chinese keep the promise.

Symbolic Action

Finally, it was on May 20 that the Chinese called off their meeting with the Americans in Warsaw. Mao Tse-tung did not refer to this in his speech. But the action, it would seem, had a symbolic value. Was the Chairman hoping that what happened in Warsaw would be emulated at the SALT talks in Vienna?

REVIEW

The Two Indias

T N Madan

Determinants of Social Structure and Social Change in India by K C Panchanadikar and J Panchanadikar; Popular Prakashan, Bombay, 1970; pp 241; Rs 32.

THE volume under review consists of ten essays written between 1962 and 1966. The authors do not tell us which of the essays are being published here for the first time; I have seen at least one of them before in print. One of the papers is by J Panchanadikar, three are by K C Panchanadikar and six by both of them.

The opening essay is an examination of the nature of sociology in India; the last describes some of the problems which research workers are likely to face in the course of fieldwork in rural Gujarat. In between these two, there are six papers on the general problems of defining social structure and social change in India and two on local-level politics in a south Gujarat village.

In the six general ("macro-sociological") essays the authors show a welcome eagerness to grapple with some important problems. They also give ample evidence of their scholarship in the fields of sociology, Indology and modern history. I have, however, personally found the two papers based on the authors' own fieldwork more rewarding than their treatment of the broader issues.

The central concern which runs through the general papers is, in the authors' own words, "The attempt . . . to identify and explicate concepts and propositions that together articulate the more significant determinants of social structure and social change in India" (p xi). Maybe the reader finds this rather terse, but the authors' intentions should become clear if I point out what would seem to be their principal conclusions.

There are two Indias, say the Panchanadikars repeatedly, and the problem is to build a bridge across them. On the one side of the great divide is rural India, characterised by traditional castes, agriculture-based economy, particularistic values and loyalties, all operating within the framework of "linguistic societies geographically contiguous, demographically extensive and culturally homogeneous within" (p 18). On the other side we have urban-industrial India characterised by "an institutional and associational system which could be designated 'Indian'" (p 21). "Thus through the institutions of economy, polity, education, occupation, recreation and urban stratification, we find an 'Indian' social system rooted in the linguistic regional societies, at the industrial and/of commercial urban centres within these regions" (p 23).

Autonomous Sub-systems

The two Indias are regarded as autonomous sub-systems in a state of competition. "Now the sociological problem that confronts us is how far the reciprocal relationships between the 'Indian' social system of the industrial urban areas and the 'linguistic regional' social system are interlocked, creating conditions of stability and equilibrium" (p 27).

The authors wonder how the above epic struggle will end; there is ample evidence, however, that they are optimistic that victory will lie ultimately with those forces that deserve it. "The traditional rural society in India has been subjected to an impact of colonial urbanisation process creating in its midst a modern industrial urban society based on the institutions of incorporated business economy . . . and the ethic of liberalism, democracy and welfare orientation, leading to secularism, opportunity, competition and mobility . . . This social change is operative all over India in all the linguistic regional variants of Indian society in their respective regions, resulting into a new rural-urban configuration" (p 116).

Oversimplified Formulation

My difficulty with the authors' formulation of their problems is that it is greatly oversimplified. The neat and attractive division of the attributes of social phenomena into ideal types, or into the two columns of a table on the printed page, often are remote from the seemingly untidy entanglements of the diverse elements of empirical reality. The sociologist's task would seem to be to penetrate beyond the facades of simplicity and order to the underlying tangles. That, in fact, is the office of sociology. Let me illustrate my point.

(1) Loyalty to one's caste fellows and kinsmen is regarded by the authors as elements of the traditional "regional" societies (as opposed to the Indian society). It is possible to argue, however, that the unity of India lies in the fact that castes and the extended joint family (and the associated ethics) are found in all parts of the country.

(2) If "the urban groups . . . are under the motivating influence of the value pattern of democratic, secular liberalism" (p 30), how does one account for the Shiv Sena?

(3) We are told that the "whole bulk of the rural population . . . may be treated as potential urban working class, becoming actual stage by stage" (p 33). What sort of a society does one envisage following upon the potential becoming actual? How long will this take, anyway?

(4) Given the authors' declared faith in the growth of urban centres and urbanism, what does one make of their contention that the Gandhian concept of Sarvodaya, as "enunciated by Vinoba Bhave . . . is the mature message of the Indian tradition and culture for the mid-twentieth century world civilisation" (p 75)? In short, many important problems remain to be solved by the Panchanadikars. And the task is by no means easy.

Let me now turn to the two papers based on the data collected by the authors in the course of interviews with 18 "panchayat influentials" of a village in the Navsari taluka of the Surat district in south Gujarat.

The first of these papers describes the shifts which have occurred in the bases and functioning of village level leadership. The authors see "democratisation" as the principal characteristic in these shifts which have occurred under the auspices of the new Panchayati Raj. They have enabled the poorer and underprivileged castes, and even individuals (women), to participate in the exercise of power, or, at least, in influencing the exercise of power. The authors found their respondents enthusiastic about democracy and anxious to gear it to the good of the village as a whole, rather than make it subservient to a particular caste or category of people.

Working of Panchayat

The second paper also is based on interviews with the same respondents. The focus is on the procedures of the working of a village panchayat and the necessary adjustments that must be made to make them effective. "The overall picture as it emerges from the empiric evidence appears to be hopeful in the sense that these politically involved participants . . . show enough awareness and understanding about the adjustments required, in making this legally constituted panchayat body and its procedure, workable in practice in the rural setting" (p 223).

Both the above papers contain a considerable amount of factual material which is full of interest and very illuminating. One hopes that the authors will be persuaded to spend more time on the analysis of their fieldwork data and that more of it will be published in the near future.

It is obvious that the publishers did not provide the Panchanadikars with any worthwhile editorial assistance. The repetitiousness of the volume — at several places whole sentences are repeated *ad verbum* — should have been avoided. Also some of the analysis is based on rather old data, drawn from the 1951 Census. The authors' use of some concepts is puzzling (see, e g, their use of "charisma" on pp 60 and 94), and their translation of a few Sanskrit words is rather odd — e g, *guru* is translated as prophet (p 22) and *brahmacharya* as "God orientation" (p 34). The index is much too brief. It is high time that Indian publishers woke up to their responsibilities to their authors.

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M Mohan

Organisational Planning In Banks
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A Consultant's View of Bank Management
Henry A J Ralph

Bank Portfolio Management
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Room for Impatience

JUDGING by budgetary allocations and likely disbursements by financial institutions, investment in large-scale industry may be about 15 per cent higher in 1970-71 than in 1969-70. The increase, though impressive in percentage terms, is nothing to crow about, coming as it does after several years of near-stagnation. Indeed, because of timidity on the part of both Government and entrepreneurs the pick-up in industrial investment is at least two years late in coming. As evidenced by the sharp shortfall in deficit financing, public sector investment failed to get off the ground even in 1969-70. This has been perhaps the single most important dampening influence on the economy since the dependence of private investment on public sector developmental outlays has been by now established to the satisfaction of even the most uncompromising critic of the public sector.

Though belated, the expected rise in investment in large-scale industry is a happy sign. Order books for equipment are filling up fairly rapidly; the conventional bottlenecks are reappearing in steel; price of industrial goods are up, with the solitary exception of sugar. Profits, it is true, have yet to be restored to peak levels but several bright patches — brighter for the seller than for the buyer — have appeared.

The pace of investment has visibly quickened in fertilisers, petrochemicals (especially fibres), road transport and electrical and agricultural equipment. That these are areas which are by and large free of price controls is perhaps more than a coincidence. However, optimism does not thrive on mere absence of controls. The markets in their case loom very large indeed, partly, no doubt, due to the greater possibilities of import substitution in both equipment and finished goods. Thanks to devaluation, rising prices abroad and cuts in the real net volume of foreign aid, indigenous machinery is now a lot more attractive than it used to be, even where price comparisons are still unfavourable at first sight. (This is probably one explanation for the low demand for foreign currency loans.)

The steady bread-winners are cement, cotton and sugar, to which are now added aluminium and tyres. This broad spectrum of old and new, large and small, has two common elements: expectation of steady growth and substantial increase in the availability of domestic equipment. The aggregate of investment involved in these industries is substantial, even when it is individually inconspicuous.

In certain basic areas, like steel, ports, electricity, municipal facilities and housing construction, the air is thick with brave announcements but there is as yet little to show on the ground — or even on paper. There is neither finance nor organisation in sight to back up some of the announcements. Yet these are areas where investment will have considerable fall-out effects. Investment by railways in expansion of rolling stock and line capacity falls in the same category. Here, again, the case for marrying the pressing need to expand railways' carrying capacity to the railway equipment manufacturers' unutilised capacity is obvious. However, the value of the declarations of Government's investment intentions in the fields referred to above is not to be belittled. If not this year, by 1972 on the outside, the intentions will have to be supported by some action.

By way of contrast, nothing seems to be moving in paper, jute, coal and tea except, of course, tiresome multilateral recriminations. And from the huge investment in defence and external security, there is no discernible fall-out of technology or dependable markets for indigenous industry. The case for special measures by Government in jute, coal and tea, which present different and more complex problems compared to industries calling for investment for straight expansion of capacity, is buttressed by their importance for exports.

In sum, the industrial investment position is cheering up but there is still a great deal of looking back over the shoulder for one reason or the other. Budgetary allocations and disbursements are bedevilled by political uncertainties. The nationalised banks flounder in a state of un-management. The leading financial institutions have tied themselves and their customers in knots over conversion of loans into equity. The flow of fresh licences have been reduced to a thin trickle. New investment proposals are in any case few and New Delhi has been sitting over many of them, partly because of inability to sort out the various, and often conflicting, objectives of licensing and partly because of plain sloth.

Nevertheless, all said and done, there is room for impatience, but none for despair.

Management Education: Social Costs and Returns

Samuel Paul

This paper seeks to apply cost-benefit analysis to evaluating institutions set up for imparting management education.

The major conclusions of the paper are twofold:

(1) Social cost-benefit analysis can be adapted to provide a useful conceptual framework for the economic evaluation of educational programmes. The nature of costs and returns is such that of all forms of education this approach seems most relevant to the evaluation of management education.

(2) The results of the social cost-benefit analysis of the Indian Institute of Management, Ahmedabad, attempted here show that allocation of resources for management education at the national level is justified even when judged under the most pessimistic assumptions about costs and returns.

MODERN management education is of relatively recent origin in India. The need for such training has been accepted by many people on intuitive grounds because of the general belief that the shortage of managerial and organisational skills is a major bottleneck limiting economic development.[1] On the other hand, at least some observers have questioned the usefulness of management education on the ground that its pay-off has been vastly overrated.[2] It is argued that much more is spent on management education than on management research and consultancy although the latter's pay-off may have been higher. At least one writer has recently made a plea for a careful evaluation of management education.[3]

When organisational specialists speak about evaluation of training, the focus of their attention is on measuring the incremental effectiveness of the trainee in his organisation. Presumably, they would like to evaluate the improvement in his performance in relation to the costs incurred for his training. Unfortunately, there are several factors which make this approach operationally difficult. First of all, while one can articulate the nature and scope of a manager's functions, it is well nigh impossible to isolate and measure his impact on the firm's performance in precise, quantitative terms. His effectiveness is so dependent on several other variables in the system which cannot be kept constant or separated out that any attempt to quantify his contribution is bound to be unsuccessful. A qualitative assessment, however, may be feasible. Secondly, costs of training are quantifiable for the most part, but will not yield evaluative measures when related to qualitative assessments of contribution or benefits. Satisfactory measures of pay-off in management education cannot, therefore, be devised on the basis of the present state of knowledge in the area of organisational behaviour.

I
An Alternative Approach

It is argued below that the objective of evaluating the pay-off or productivity of management education can be more satisfactorily met by the economist's rate of return approach. After all, management education entails certain costs, private and social, and like any other project uses up resources which have alternative uses. Presumably, it generates certain benefits, private as well as social. If these benefits or returns are valuable from the standpoint of the users, they will be willing to pay an appropriate price for them. Of course, if there are market imperfections or if the benefits are generated outside of the market system, measuring returns becomes more complex. Intuitively, however, one would imagine that such problems will not be serious in management education since the benefits accrue to business firms which for the most part operate under market conditions.

Our approach, therefore, will be to treat management education institutions as a social investment which generates certain products over time which are purchased by business firms. The payments made by the firms for the purchase of these products are taken as a first approximation of the returns accruing to society as a result of the investment. Certain adjustments need to be made to capture those benefits of the investment which do not accrue directly to the firms. The total social returns are then evaluated in relation to the investment and discounted rates of return are obtained which provide a measure of the pay-off of the project. Of the two broad categories of management education, *viz*, regular post-graduate programmes (for full-time students) and executive development programmes for practitioners, the framework of evaluation developed by the present author applies only to the former. There are certain basic problems in applying this approach to the latter as will be explained below. In this paper, a framework for the evaluation of post-graduate programmes will be presented first, to be followed by an analysis of the empirical evidence provided by the experience of the Indian Institute of Management, Ahmedabad, as an illustration of this approach.[4]

We assume that a student who joins the post-graduate programme of a management institution is making a deliberate career choice, having considered several other alternatives. Similarly, we assume that a firm which employs a management graduate takes this step in the belief that the extra amount paid to him as compared to someone without the training is justified by the extra contribution the former can make to the organisation. If the firm thinks otherwise, the salary differential between the management graduate and the non-management graduate (who is comparable in all other respects) will tend to disappear. The private monetary returns of the management graduate can therefore be measured by the earnings differential estimated over his working life.

By social returns we mean the total benefits which accrue to society as a whole as against the private returns which are received only by specific individuals. Broadly speaking, the social monetary returns of a management institution may be defined as the incremental national income contribution made possible by the managerial inputs it supplies.[5] The value of this contribution is obtained by subtracting from the market value of the final goods the costs of all factors of production other than the cost of the managerial inputs supplied by the institution.[6] This, in turn, is equal to the maximum that the employers (firms and other organisations) are willing to pay for the managerial services of the graduates produced by the institution.

In a competitive situation, the market value (remuneration) received by the graduate reflects his marginal productivity to his employer because it is in the latter's interest to increase the use of the managerial input until the price he pays for an extra unit equals the value of its marginal product. There are, however, a number of reasons why the social monetary returns may exceed the sum total of the graduates' private returns.

(1) Insofar as the graduate's returns are measured net of income tax, social returns are understated. The income tax component is excluded from the estimation of private returns, but must certainly be counted as part of the returns accruing to society.

(2) Social returns must legitimately include a share of the indirect taxes which fall on the goods and services for the production of which the managerial inputs have been used. Excise and sales taxes which are imposed on most manufactured products are included in the market prices paid by the consumer. Since social returns are measured by national income contribution estimated at market prices, it is necessary to allocate these indirect taxes among the factors of production. A procedure suggested by Arnold Harberger is to allocate these taxes between factors in proportion to their contribution to value added net of indirect taxes.[7]

The measurable social monetary returns generated by a graduate thus exceeds his private monetary returns by the sum of the marginal income tax and indirect tax components associated with the private returns. The social monetary returns of a set of graduates Q in year 't' is given by

$$\sum_{j=1}^{Q} \left(r'_{pjt} + \Delta T_{pjt} + \Delta T_{cjt} \right)$$

where

r'_{pjt} = private monetary returns accruing to the jth graduate at work in year 't' (Gross earnings of the graduate minus gross earnings which would have accrued to him if he had not undergone management education)

T_{pjt} = marginal income tax associated with r'_{pjt}

T_{cjt} = marginal indirect taxes allocable to r'_{pjt}

and $j = 1, 2, 3, \ldots\ldots Q$

The incremental earnings approach which we have discussed so far assumes that the incremental value added by the graduates would not have been generated but for the management institution. One could, however, take the view that this value added or a good part of it would anyway have been created by augmenting or upgrading managerial inputs through other means. One important alternative open to the country is to "import" trained persons instead of relying on indigenous institutions. Students could be sent abroad for management education and upon return employed by firms in the country. If the end product is the same irrespective of whether it is processed abroad or indigenously, the real difference between the two from the standpoint of society lies in the differential cost of processing.[8] Let us assume that the direct social cost of a student's training in an indigenous institution is c_1. If he were to acquire this training abroad, it would have cost him c_2. The difference in cost $(c_2 - c_1)$ between the two may be attributed to the investment in the indigenous institutions. If $c_2 > c_1$, and an institution turns out Q products per year, the annual savings to the economy made possible by the investment is $Q(c_2 - c_1)$.

An alternative explanation of social monetary returns is thus found by treating the investment in management education as a case of "import substitution". A quantitative estimate of the annual social monetary returns (R'_{st}) may also be derived as a function of the per cent change in the cost of training made possible by the institution and the elasticity of demand for graduates in the economy.[9]

A linear approximation of the annual saving in cost which is an indirect estimate of R'_{st} is given by

$$Q_1(c_2 - c_1) - \left\{ \frac{\frac{1}{2}\eta_1 (c_2 - c_1)(c_2 - c_1) Q_1}{c_2} \right\}$$

Dividing and multiplying both terms by c_2, we get

$$R'_{st} = k\, c_2 Q_1 \left(1 - \tfrac{1}{2} k \eta_1\right)$$

where

k = per cent change in cost of training $\left(\frac{c_2 - c_1}{c_2}\right)$

η_1 = price elasticity of demand for graduates

The magnitude of the reduction in the training cost per student $(c_2 - c_1)$ will, among other things, be influenced by the severity of the "brain drain" phenomenon. The probability of students who go abroad for foreign training being lost to the country of origin is a factor which must be taken into account in estimating the "import" costs associated with foreign training. This applies with special force in regard to the loss of managers, technicians and the like which has a direct and immediate adverse impact on the growth of the economy.[10] The per student cost of foreign training c_2 must therefore be adjusted for the risk of loss of the potential returns to the investing country.

This approach to the estimation of social monetary returns avoids some of the ticklish problems in the direct estimation of returns which was proposed earlier. However, we have now introduced new problems such as estimating the price elasticity of demand for graduates, and measuring the cost of foreign training and some assumptions about the comparability of the two products and the training programmes.

Social Non-monetary Returns

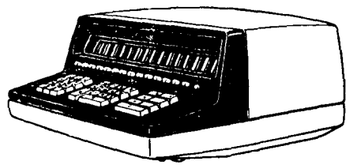
The social non-monetary returns to management education consist of three parts. First, the students who are the primary beneficiaries of the investment derive a series of non-monetary benefits of a psychic or qualitative nature. Second, the community benefits from the new skills and insights brought to bear on its problems by citizens who have undergone management education.[11] Third, there are some indirect social benefits which arise from the fact that the institution is indigenous.

All these components of non-monetary returns must be evaluated along with monetary returns to get a complete picture of the total social returns to an institution. It is impossible, in our present state of knowledge, to combine the two and derive a single measure of returns. Nor is it possible to assign relative weights to the different categories of returns we have discussed so far without bringing in personal value judgments. Given the nature and objectives of management education, this writer's judgment is that the social monetary returns represent the major part of the total returns of management education.

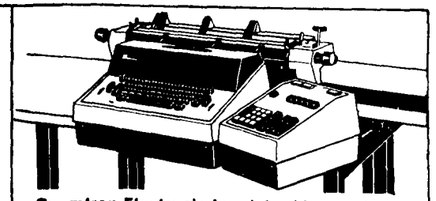
The private costs of a graduate should measure the opportunity cost of the resources employed by the student in order to receive the title to a future

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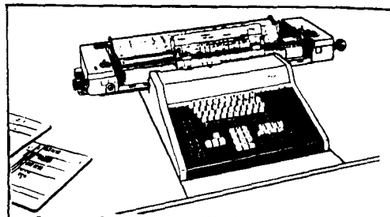


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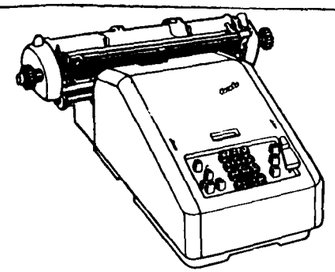


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stream of private returns. Social costs, on the other hand, refer to the opportunity cost of the resources devoted by society in order to generate the future stream of social returns associated with the management institution.

A student's investment in management education consists of two parts, a direct outlay and an indirect outlay. His direct outlay stands for the expenditure he incurs directly through the requirements of his education. This will include tuition fees, cost of books and travel and other incidental expenses arising out of the programme. The indirect outlay refers to the earnings forgone by the student during the period of his education.

The direct social costs of the programme consist of the fixed investment and the operating and maintenance costs of the institution. There are also some associated social costs the most important of which is the student's own investment in the programme. We shall discuss the direct project costs first.

The single largest investment component of the institution is the outlay on physical facilities which includes land, buildings, library and furniture. There is also an investment in human capital that takes place in the initial phase of the project which is necessitated by the relative lack of readily available academic skills pertaining to this form of education. Formal arrangements for foreign collaboration, training programmes for the faculty and the presence of foreign advisers are evidence of this type of investment. In a sense, this is comparable to the start up costs of a new industrial project. The direct operating costs of the programme consist of salaries and wages of the teaching and administrative staff, cost of ancillary services and supplies and routine maintenance.

In estimating the project costs, it is necessary to remember that money costs may not always correctly reflect the social opportunity cost of the investment. The cost of labour and foreign exchange are cases in point. For instance, if the exchange rate does not adequately reflect the scarcity of foreign exchange, the foreign exchange cost estimated at the official rate will understate its true social cost. Such cases require the use of appropriate shadow prices so as to give us a measure of the true social opportunity cost of the resources used by the project.

The concept of the rate of return on investment can be adapted in the present context as an evaluative criterion. The present value concept is the answer to the time problem implicit in the cost and benefit streams. By discounting both benefit and cost streams at a discount rate that reflects the cost of capital, it is possible to arrive at a measure of the net present value of the investment. Alternatively, the "internal rate of return" of the project may be estimated by finding that discount rate at which its net present value becomes zero. The internal rate of return method has the advantage that it gives us by trial and error a rate of return without having to assume the cost of capital. However, let it be noted that it does not always offer us a valid criterion for choosing between projects.

In the preceding sections we have defined the nature and determinants of the benefit and cost functions relevant to the evaluation of a management institution. Although the institution has a continuing life, the initial investments of the project in physical and human capital will last only for a finite period of time. It is, therefore, desirable to attempt a cost-benefit analysis of the project with reference to a predetermined span of time for which costs and returns can be estimated. Given the durable nature of the project and the relatively long working life of its products, the use of a sufficiently long time-span for the cost-benefit analysis is justified.

If we consider a project life of T, and estimate social costs and returns in annual terms, then, the social rate of return 'r' is obtained by solving the equation

$$\sum_{t=1}^{T} \left\{ R'_{st} - O_t(Q) \right\} (1+r)^{-t} = K(x)$$

where

$O_t(Q)$ = sum of the operating costs and associated costs in year 't' as a function of the size of the student batch Q

$K(x)$ = capital cost as a function of x, a measure of the scale of the project

r = the rate of social discount (social rate of return)

T = length of project life (amortisation period)

II

An Empirical Illustration

We shall now evaluate the costs and benefits of the Indian Institute of Management, Ahmedabad, referred to hereafter as IIMA, within the theoretical framework developed in the preceding pages.[12] IIMA is one of the two national management education projects established in India in 1962. Since it has been in existence for only seven years, the data required for a comprehensive cost-benefit analysis are not yet available, especially with respect to returns which will be generated only over a long period of time. Even in regard to the available data such as those on investment it is not at all obvious that the reported data can be treated as appropriate for the purposes of the present analysis. We shall, therefore, make a number of alternative estimates of the project's costs and returns, based partly on the experience of IIMA and partly on what appears to be reasonable and conservative assumptions, given the conditions in India.

Estimation of Social Returns

Two alternative approaches were proposed in Part I for estimating social returns, *viz*, the earnings approach and the import substitution approach. We shall make use of both approaches in computing the returns for the post-graduate programme of IIMA.

In Part I, the social monetary returns generated by the jth graduate in year 't' is defined as the sum of $(r'_{pjt} + \triangle T_{pjt} + \triangle T_{ejt})$. Of the three components, r'_{pjt} and T_{pjt} are known for the first four batches of IIMA graduates.[13] We shall assume that R'_{pjt} and T_{pjt} will remain the same for the remaining batches. $\triangle T_{ejt}$ refers to the indirect tax component of the social returns. An estimate of $\triangle T_{ej}$ has been obtained based on the ratio of excise duties to value added by the sample of Indian joint stock companies analysed by the Reserve Bank of India for the period 1962-66. The mean ratio of excise duties to value added is 35 per cent for this period. We assume that this ratio will remain constant during the period under study. $\triangle T_{ej\,t}$ was estimated by applying a factor of .35 to $(r'_{pjt} + \triangle T_{pjt})$ for each year of the graduate's productive period 'n'.

We have estimated the social monetary returns (r'_{st}) generated by the average graduate in the year after graduation to be Rs 5,350. Using two alternative assumptions about the r'_{pt} profile, r'_{st} streams have been project-

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ed for n=30 years and n=14 years. In order to compute the present value of the r'_{st} stream, it is necessary to have an estimate of the social discount rate. Two estimates of the social cost of capital in India, one computed by Harberger and the other by Chakravarthy have been used for this purpose. Harberger estimates the average return on capital in the corporate sector to be 13 per cent in the late fifties.[14] Though this is not a measure of the marginal return on capital, we believe that it is a reasonable approximation to the marginal productivity of corporate capital in India. Chakravarthy estimates the shadow rate of interest to be between 8 per cent and 12 per cent, with a mean of 10 per cent.[15] We have estimated the present value of the r'_{st} stream using both the discount rates, *viz*, 13 per cent and 10 per cent.

The social monetary returns to IIMA may also be computed via the import substitution route. Under the Government of India regulations which have been in force for some years, a student who goes to the United States for a two year graduate programme in administration may receive a maximum foreign exchange allocation varying between $ 8,400 and $ 7,600 depending on the region of the country where he enrols. Allowing for the interest cost on the first year's outlay and travel expenses, we have estimated the cost of foreign training per student to be $ 9,600. This amount is then adjusted for Indian living costs the student would have incurred, had he stayed on in India. The student's cost of training (c_1) in India is estimated at Rs 9,000. At the official foreign exchange rate ($c_2 - c_1$) is found to be Rs 58,000. An alternative estimate of Rs 82,000 is obtained for ($c_2 - c_1$) by applying a shadow foreign exchange rate of Rs 10 per dollar instead of the official rate of Rs 7.50 per dollar. These estimates of ($c_2 - c_1$) provide the lower and upper limits of the annual savings in real resources per graduate made possible by IIMA.

We can now compute the social monetary returns for each year by multiplying ($c_2 - c_1$) by the corresponding number of IIMA graduates. The implicit assumption here is that the price elasticity of the demand for graduates (η) is zero. Since complete inelasticity of demand is extremely unlikely, we have also estimated returns assuming an alternative value of -0.5 for η.

The direct social costs of IIMA consist of a fixed capital investment outlay and operating and maintenance expenses. The direct costs may be split into a foreign exchange component and a Rupee component. In addition, there are associated costs which must also be taken into account.

A number of difficulties arise in estimating the social costs of the programme. First, there are some cost allocation problems caused by the fact that the IIMA facilities are used not only for the graduate programme, but also for executive development programmes, research and consultation. The returns to these other activities are difficult to compute and in any case have not been estimated in the present study. The allocation of joint costs, therefore, is a necessity. The main criterion we have used for the allocation of the costs of a facility or resource to the post-graduate programme is its utilisation by the programme. Second, the reported costs in terms of foreign exchange may require some revision in view of the overvaluation of the Rupee even after devaluation. Third, the discrepancy between private and social costs will necessitate some adjustments in the student's foregone earnings which is an associated cost of the programme.

Social Rate of Return

In view of the uncertainties about the size and profile of social returns, alternative ways of valuing foreign exchange costs and foregone earnings and the problems in determining the true social discount rate, we have preferred to compute the net benefits of the programme under alternative assumptions about costs and returns. The assumptions and results of the analysis are given in detail in the larger study referred to in footnote 4.

The main finding that emerges from the analysis is that the post-graduate programme of IIMA has a large net present value when its net benefits are discounted at 10 per cent. When discounted at 13 per cent, its net present value turns negative under certain assumptions. But in most cases, the negative figures are negligible. The internal rate of return on the IIMA programme which may be interpreted as its social rate of return is found to lie between 12 per cent and 14 per cent.[16] The earnings approach yields the lower estimate and the import substitution approach approximates the upper limit. It is interesting to note that the rates of return yielded by the two alternative approaches fall within a narrow range. If we take the range given by Harberger and Chakravarthy for the social cost of capital, *viz*, 10-13 per cent, the rate of return of IIMA is found to be at least marginally above it.

III

Conclusions

Our concern in this paper has been with the use of cost-benefit analysis in evaluating institutions set up for imparting management education. The framework of cost-benefit analysis, as it exists today, is capable of dealing only with those costs and benefits which are quantifiable and measurable in monetary terms. It can, therefore, be of assistance only in an *economic* evaluation of management education institutions. This needs to be underscored because though economic analysis is extremely important, it does not by any means constitute a *total* evaluation of any project. The effectiveness of graduates as agents of change and innovation, the impact of their attitudes and skills on the health of their organisations and their role in developing a competent, professionally oriented managerial cadre in the country are important aspects to be considered in assessing the social returns generated by them. While these are important dimensions of returns and useful ways of looking at benefits, it must be made clear that the cost-benefit analysis we have attempted is not designed to accomplish this type of evaluation. To this extent, our efforts represent only a partial evaluation of the costs and benefits.

The evaluative approach proposed in this paper has several limitations. The definition and measurement of incremental returns, assumptions about the r'_{pt} profile, estimation of costs, and imperfections of the labour market pose severe problems for the analyst. Another major limitation is that this framework is inappropriate for the evaluation of executive programmes. The problem arises because the investment for the training of executives is done by their firms which may therefore be reluctant to reward (in monetary terms) them for their incremental contributions after training. Measuring monetary returns, as was done in the student's case, is therefore ruled out in the case of executive programmes.

The major conclusions of the paper are twofold:

(1) Social cost-benefit analysis can be adapted to provide a useful conceptual framework for the economic evaluation of educational programmes. The nature of costs and returns is such that of all forms of education, this approach seems most relevant to the evaluation of management education. Available data on costs and returns should be analysed to see whether management education pays off.

(2) Results of the social cost-benefit analysis using the import substitution route show that the net benefits of the IIMA are significant when discounted at 10 per cent as well as 13 per cent. The earnings approach yields on the average lower net benefits and in eight out of the thirty-two estimates negative net present values. It may be of interest to note that the social rate of return has a range between 12 per cent and 14 per cent for the programme. Our conclusions based on the analysis of the IIMA is that allocation of resources for management education at the national level in India is justified, even when judged under the most pessimistic assumptions about costs and returns.

Notes

1 See, for instance, John P Lewis, "The Quiet Crisis in India", (New York, 1963), Ch 3.

2 S K Roy, "Management Education: A Perspective for its Evaluation", *Economic and Political Weekly*, Review of Management, February 1970, p M-19.

3 *Ibid.*

4 For details see the author's "Management Education: A Cost-Benefit Analysis", (Unpublished, IIM).

5 The reference here is only to the educational activities of the institution.

6 We are not referring to the total payment made to the graduate, but to the incremental payment referred to earlier. Throughout the discussion the value or payment associated with managerial inputs must be interpreted in this sense.

7 A C Harberger, "Investment in Man vs Investment in Machines: The Case of India" in Anderson and Bowman (eds), "Education and Economic Development" (Aldine Press, Chicago, 1965). Harberger also points out that only those taxes which become applicable as a result of the process of manufacture are to be allocated. This will exclude, for example, taxes on raw materials imposed before they enter the process of manufacture.

8 The end product will be the same only if the quality of the management education both abroad and in the country in question is comparable. The final test, of course, is in the assessment of the worth of the product by the employer. If, however, the two differ in productivity, c_1 and c_2 can be adjusted appropriately to reflect the difference. We define c_1 and c_2 as the *direct* social costs of indigenous and foreign training respectively, exclusive of the costs of the project.

9 For alternative formulations in a different context, see Z Griliches, "Research Costs and Social Returns: Hybrid Corn and Related Innovations", *Journal of Political Economy*, October 1958, p 422.

10 As against the loss to the country of "pure scientists", the results of whose work are available on an international basis.

11 B A Weisbrod, "External Benefits of Public Education" (Princeton, 1964), pp 95-99.

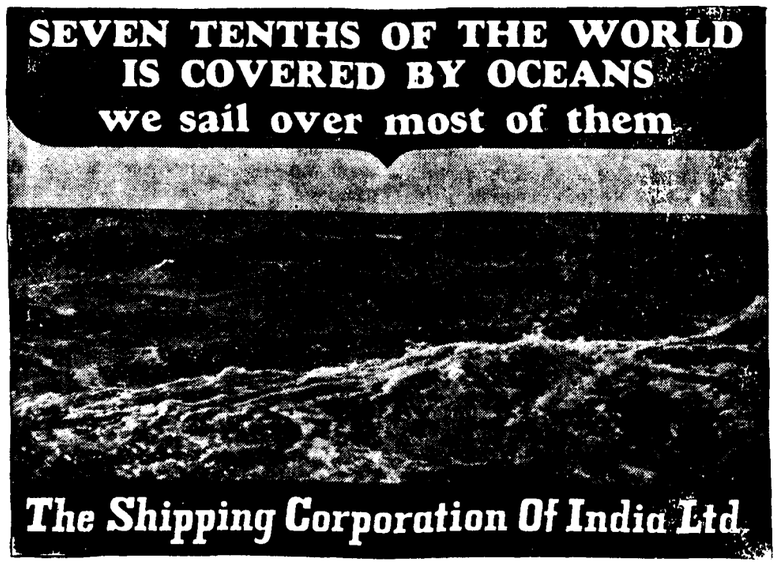
12 The results reported below are in no sense to be interpreted as "official". The author has done this study in his personal capacity and is thankful to the authorities for giving him access to the internal data required.

13 Based on the average salary differential observed between what the graduates were paid after they completed the programme and what some of them used to earn prior to joining the programme. About one-third of the graduates had previous work experience.

14 Harberger, *op cit.*

15 R Rodan (ed), "Capital Formation and Economic Development", (MIT Press, 1964), p 66.

16 The private rate of return to students is approximately 27 per cent.



Decision Analysis: Experiences and Expectations

V L Mote

M Meenakshi Malya

Are the days of management by hunch over? Does a formal approach to managerial problems exclude judgment of experienced executives?

In the process of answering these questions an attempt is made to discuss the role of decision analysis in managerial problems. Empirical studies covering pricing, bidding and investment decisions are discussed as illustrative cases.

It is pointed out that decision analysis, in no instance, rules out the judgment of the executive. On the contrary, it builds on such judgments and the decision-maker's preferences for results.

The approach suggested by decision analysis is particularly useful in complex problems. In future, as the complexities increase, far greater would be the need for such an analysis.

NOW-A-DAYS we hear with increasing intensity the assertion that the days of management by hunch are over. Though there has been some acceptance of this assertion, there still prevails a considerable degree of scepticism about what a 'formal' or 'scientific' approach can do for improving actual decisions. These sceptics question whether experienced judgment can be supplanted.

It has been our experience that there generally exists a gap or a gestation period between awareness, intellectual acceptance, conviction and actual practice. Even among those who accept that management purely on hunches is not desirable, there are some who are not sure as to what a more formal approach means in actual practice.

Our purpose in this article is to examine in the light of our experiences how far formal analysis aids the management in decision making. Our attempt will be to discuss and illustrate the fact that decision analysis in no case excludes experienced judgment. On the contrary, such analysis tries to build this into its very structure. For this, we have drawn upon our experiences in executive programmes, consulting and research work.

As the focal point of our discussion is decision analysis, it is useful at the outset to state what we mean by the term. By decision analysis we mean a methodical or systematic approach that can stand the test of a rigorous logical scrutiny. The anatomy of such an analysis consists of four elements, *viz*,

Identification of alternative courses of action (or decisions) possible;

Evaluation of the results or consequences that arise (measurable or otherwise) by following each of these courses of action;

Assessment of uncertainties that affect these results; and,

Determination of a criterion for choice among the alternative decisions.

Explicit decomposition of a managerial problem in terms of these elements is what we shall define as decision analysis. With this definition we shall now give a few real life case situations where such an analysis helped in decision making and the reactions of the executives.

Situation I [1]

An owner of a small concern employing 35 persons had received an invitation to submit a quotation for supplying a part to be used in a gear assembly. When this offer was received business conditions were dull and the company had surplus capacity in the workshop. There were six possible ways of making this part. All the six methods used the same machine but differed in terms of the type of raw material to be used and the machining time that was required. The part produced by any of the six methods was acceptable to the customer. The problem posed was which of the six methods should he choose and what price should he quote.

In terms of decision there were two problems: which method to choose and what price to quote. For the first the six alternatives were clear cut, so was the criterion for choice, *viz*, least cost. There were no uncertainties present. The criterion also indicated that the 'results' were to be measured in terms of costs. All this sounds rather trivial but nonetheless relevant for our discussion.

The details required to compute "the manufacturing cost" under the six different processes were supplied. Briefly, these were the cost of raw material used, the machining time required for each of the six processes and the "cost" per machine hour. The cost of machine hour was arrived at by adding the cost of power, supplies, tools, a "reasonable profit" and other allocated overheads such as depreciation, rent, selling and administrative expenses which would not change irrespective of the decision of producing or not producing the part.

The first gap we noticed in discussions in executive groups was in terms of measuring "costs". In the discussions there was no immediate consensus on what was meant by "costs".

If the manufacturing costs as mentioned above were compared the method with the least machining hours was the cheapest. If, however, it was understood that what was being measured was the direct *result* of the decision then only the cash outflows on raw material and other variable costs would be relevant. This changed the decision on which method to choose.

This gap of tracing the direct consequences resulting from a decision arose by and large among all the groups of executives in our management development programmes. In senior and top level groups there was the added difficulty in getting involved with the decision problem. To the question "was not the problem too trivial for top managers?" we answered back with another question "how would you guide your juniors?". The point we wish to stress is that the decision analysis gives the fundamental framework, a mechanism to communicate the decision maker's thinking.

The discussion about what price should he quote was also interesting. The response varied from "it depends upon the owner's judgment" to "the problem cannot be resolved until inside information is obtained". When questioned regarding the nature of the judgment that the owner would have to exercise and what amount if any should the owner be willing to spend to obtain the inside information, no clear answers were forthcoming.

Here again the use of decision analysis was highlighted:

(1) What are the alternate quotations the owner should consider?

(2) What is the net contribution* that he would obtain for each of these alternatives?

* Net contribution = Revenue minus relevant costs.

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(3) What are the uncertainties present in each of the alternatives? and,

(4) How should he make the final choice?

Once the problem of pricing was decomposed into the four questions listed above, the specific areas for judgment and the value of additional information could be better assessed.

The first question led us to explore the nature of the product the company was selling, the environmental conditions at that time, and the possible competitive behaviour, in other words, the market assessment. The second question led us to explore the contribution that the owner would get at different prices and to see whether this transaction would have any long-term repercussions. The third led us to examine the chances of getting an order at various prices and the final one led us to think about the criterion to be used for choosing an alternative. More specifically, we had to ask ourselves how should the owner choose between an alternative that has high chances of getting an order but gives a low contribution and an alternative that has a low chance of getting the order but yields a higher contribution. As soon as a formal approach of analysing the problem in terms of decisions, results, uncertainties and criterion was adopted one was automatically led to framing the right kind of questions and one was able to exercise one's judgment in a more logical way.

Situation 2 [2]

A transformer manufacturing company was faced with the problem of low demand due to recession. A tender inquiry for a larger power transformer raised the problem of what price to quote. The management used to compute "full costs" and add a reasonable profit margin before quoting. Over a period of four years, the company had increased its number of quotations by about 60 per cent while the number of orders obtained had decreased to less than half the orders previously obtained. A revision in the pricing strategy was therefore called for. Should the company bid low in the hope of obtaining the order or should it bid high so that in the event of an improved market, they would not block capacity in low profit orders?

Table 1

(1)	Cost of new machine	Rs 2.50 lakhs
(2)	Depreciation rate allowed for income tax	15 per cent on the written down value
(3)	Income tax rate applicable to the company	55 per cent
(4)	Economic life	5 years
(5)	Resale value after five years	0
(6)	Minimum acceptable return on investment	10 per cent
(7)	Additional labour per year	Rs 33,000

Here the analysis proceeded along similar lines as in the pricing situation above except that the uncertainties were not only in terms of getting the specific order but also in terms of future changes in the market as the time lag involved was considerable. When the framework for decision analysis was discussed, the management was convinced about the utility of decision analysis particularly on the questions of assessing the uncertainties and the measurement of results.

Situation 3 [3]

The management of a textile mill was considering whether or not a new machine should be added to the dyeing department of the mill. The equipment was expected to reduce the consumption of dyestuffs in the dyeing process, without affecting the quality of dyeing specially in deep shades.

At that time the mill was dyeing approximately 1,200 to 2,000 kgs of cloth in deep shades. This quantity of cloth to be dyed in these shades changed according to the conditions which were difficult to predict with any degree of certainty. The decision will be in favour of introducing the new process, if the volume of cloth being dyed in deep shades at that time was close to the "break-even" volume.

The cost of colour and chemicals formed a substantial part in the cost of dyeing. In the mill the average cost of dyeing one kg of cloth was Rs 2.84 of which Rs 2.10 was cost of dyestuff, 40 paise cost of chemicals, 21 paise other variable manufacturing cost and 13 paise allocated fixed cost. It was estimated that the introduction of the new machine would bring savings of about 5 to 10 per cent in colour consumption.

When this problem was discussed first with the management of the mill and later in executive programmes, the major difficulty in the analysis arose in the context of determining the results. The computations (given in the Appendix) reveal that if the savings in colour are only 5 per cent then the cloth dyed in deep shades should be 3,570 kg per day to give the desired rate of return, viz, 10 per cent. On the other hand, a 10 per cent savings would mean a minimum of 1,785 kg per day. The next step in the analysis required an assessment of what the market trends are likely to be and on the production side, the possible percentage of colour saved. We then asked the management, how certain they were of obtaining the savings? The management appreciated the question. The judgment of the production and marketing executives thus constituted an important input. Then came the question of minimum acceptable rate of 10 per cent as the return on investment.

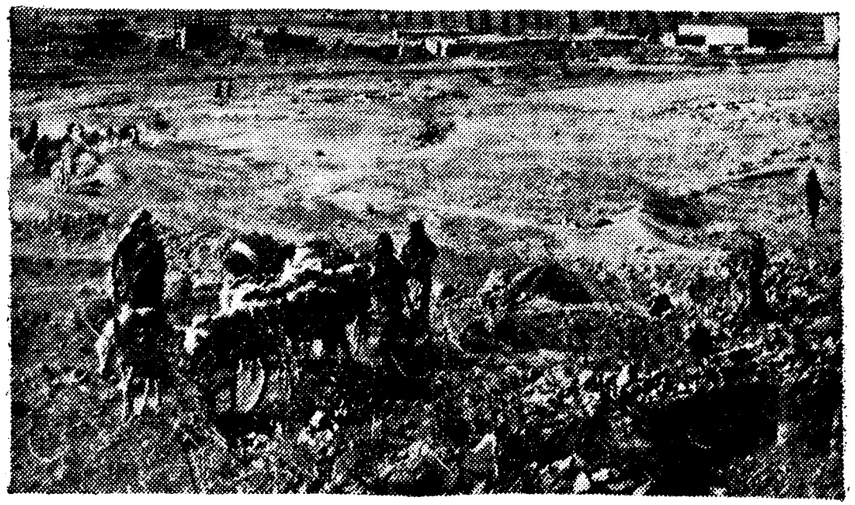
To complete the analysis, the management of the textile mill had to make subjective assessments regarding the various possible values of the percentage savings and cloth dyed along with the chances of their occurrence and then decide on a criterion for choice. It has been our experience that the foregoing analysis always evoked favourable responses in discussion groups with executives.

This mode of decision analysis for capital budgeting focused attention on several aspects: the technological obsolescence to determine the economic life of an equipment, the technical capacity of the equipment to save dyestuff, the environmental changes to determine the market for deep shade cloth and the financial policies that dictate the minimum acceptable return. All these aspects have to be explicitly built into the approach and this is achieved through decision analysis.

In the computations, results were measured for different posible combinations of the two unknowns, viz, percentage savings and the quantity of cloth dyed. This enabled the decision maker to bring into the analysis judgments of various experts in specific terms. This then brings us to the next stage of analysis. How exactly are the judgments incorporated in the analysis and how are the results tangible and intangible to be compared in the context of differing uncertainties?

We give below three of the studies in which the management's assessment on uncertainties was quantified. The first was the case of a textile mill [4] where the problem was to decide whether or not a labour saving equipment should be purchased. The decision depended on (a) whether there would be increase in dearness allowance, (b) whether the price of the machine would increase and (c) whether the management would be willing to accept a lower rate of return in exchange for reduction in labour force in the context of possible labour problems in future.

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In an interview with the management the chances of DA increase at the rate of 10 per cent per year were put as high as 90 per cent. The chances of price increases by 5, 10, 15 and 20 per cent were also quantified.

The second instance was of a company [5] deciding whether or not to market power tillers. It had the problem of "demand estimation". After a discussion, it was clear that a single estimate might be dangerous. What was necessary was the assessment of a probability distribution of demand. We could, with the aid of carefully framed questions, elicit this prior distribution in which the decision maker quantified his subjective judgment.

The third instance arose in the context of setting a standard for raw material required. The complexity of the problem arose in two ways. First, we had to assess the results in terms of "penalty" when the actuals differed from the standard. Secondly, the probability distribution of what the actual requirement might be had to be assessed. The answer to the first, depended upon how the standard was to be used. As the standard was meant for multiple purposes such as costing, control, performance appraisal, purchasing and inventory, it was decided that the best criterion was to minimise the variances, between actual requirement and the standard. The management, based on their previous experience, could quantify the range within which the actuals would vary and the chances with which it might take specific values.

The question that we often face in our consulting and teaching work is whether in fact all results and uncertainties are quantifiable. As for the uncertainties we have given illustrations above. In fact it is not uncommon to hear practitioners assessing the odds of uncertain occurrences.

Quantifying Intangibles

As for the intangibles, explicit expression of preferences is inherent in any comparison of alternatives. In one of our consulting assignments, the client at first preferred management in smaller units as he felt that the personal touch meant increase in efficiency, the benefits of which could not be quantified. We computed that the larger units could save the corporation about a crore of rupees over a five year period. When this was pointed out, his decision changed. Here was a way of "quantifying" what the worth of intangible benefits such as "personal touch" was to the corporation. Obviously, for the decision maker they were not worth a crore of rupees.

We have found a similar approach useful in other contexts as well.

Assuming that the judgments on results and uncertainties are quantifiable how do we evolve a criterion for choosing the best alternative? Statistical Decision Theory has developed a mathematical approach and criteria such as Expected Monetary Values (EMV), Expected Utility, minimising maximum regret, etc, have been evolved. Each of these in some specific way combines the quantified uncertainties (probabilities) with the decision maker's quantified preferences (utilities) for the results.

Admittedly apart from class room experiments we have not conducted any empirical studies as yet for obtaining the preference curves of practising executives. Further work needs to be done in this area.

We have cited these illustrations from our experiences to highlight the process of decision analysis. Without such a conscious process it would be difficult to pinpoint areas where judgments and subjective preferences are needed after making use of all the objective data.

The illustrations we gave above were of a comparatively simple nature. As the complexity of the problem increases so would the need for such an approach. The problems of the future would be increasingly complex. Industry is aware of the problems that lie ahead. To quote Sir Lindsay [6] "The phase of pell-mell growth is now a thing of the past. The whole industrial environment — capital, credit, market prospects and last but not least overseas interest in India — has now so changed that the entrepreneur must necessarily adopt much more stringent criteria in assessing the risks."

The future holds promise and challenges for entrepreneurs and managers. Scanning this industrial environment for generating alternatives for growth, measuring the results that are likely to emerge from following any specific growth path, assessing the uncertainties and developing a suitable criterion are an inevitable process of planning and control. Management by pure hunch, without the decision analysis is certainly outdated. But it is amply clear that decision analysis builds on these very "hunches" when channelised in systematic judgment but not on unreasoned haphazard guesses.

The justification for adopting decision analysis as outlined above is on three grounds. Firstly, the underlying behavioural assumptions build on the decision maker's experience and judgment. Secondly, the methodology outlines the very process of operationally analysing a problem and finally as Howard Raiffa [7] asks even if you do not agree with this you still must act — What would you do otherwise?

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[1] "Grover Screw Machine Products Co", ICH 8P8, EA-P 337, 1961.

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Appendix

Situation 3

A *Investment*

The tax credit on development rebate is not available for any equipment sold before 8 years, after its purchase.

Thus we have two options:

(i) Claim development rebate now, depreciate over 8 years, claim book loss at the end of 8 years; but we assume that the economic life is 5 years, i e, the equipment cannot be used after 5 years. We shall also assume that the resale value of the equipment is zero

or

(ii) Do not claim development rebate, depreciate over 5 years and claim book loss at the end of 5 years.

Since in either case, we assume that a new machine will be bought at the end of the fifth year, these two alternatives can be compared over eight years.

(i) (Rs lakhs)

Investment	2.50
PV of tax benefit on development rebate available at the end of first year	= 2.50 x 0.20 x 0.55 x 0.9091* = 0.25
PV of depreciation tax shield	= 2.5 x 0.52372* x 0.55 = 0.72
Tax shield on book loss	= 2.5 x 0.27249* x 0.55 = 0.3747
PV of tax saved on book loss	= 0.4665* x 0.3747 = 0.17

∴ Net investment = 2.5 — (0.25 + 0.72 + 0.17)
= Rs 1.36 lakhs

* Multipliers are from "The Tables for Capital Investment Analysis" published by Indian Institute of Management, Ahmedabad, 1969.

(ii) (Rs lakhs)

Investment	Rs 2.5 lakhs
PV of tax shield on depreciation (for 5 years)	2.5 x 0.43469* x 0.55 = 0.60
Book loss (written down value)	0.44370* x 2.5 = 1.11
PV of tax savings on book loss	0.62092* x 1.11 x 0.55 = 0.38

∴ Net investment = 2.5 — 0.98
= Rs 1.52 lakhs

Thus, it is better to choose the first alternative.

We assume that resale value is zero. If, however, resale value (after taxes) is greater by Rs 26,000 or more at the end of fifth year than that obtained at the end of the eighth year, the second alternative will be preferable.

Legal questions such as whether depreciation on unused machinery is tax deductible may arise. However, it has been verified that the first alternative is feasible.

B. *Savings*: Let w be the volume in kgs/day of cloth to be dyed in deep shades

Let f be the fraction of savings in colour cost.

We assume 300 working days in the year

Saving in colour costs: w f x 300 x 2.10

Additional expenditure: Rs 33,000

After tax savings: 0.45 (w f x 300 x 2.10 — 33,000)

Amount per period to recover the initial investment over 5 years.

= 1.36 x 0.26379* Rs lakhs
= Rs 35,875

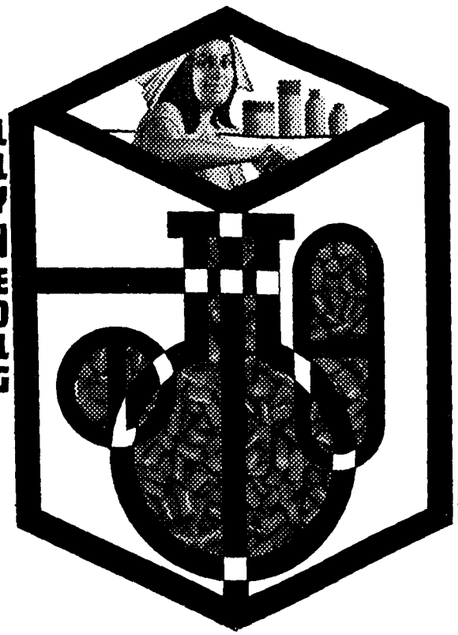
Thus for breaking even we must have

0.45 (w f x 300 x 2.10 — 33,000)
= 35,875 i e, w f = 178.0

From this relation, we can easily find various breakeven combinations of w and f. We can obtain the following table:

100 f:	5.0	6.0	7.0	7.5	8.0	9.0	10.0
w:	3570	2975	2550	2380	2231	1983	1785

* Multipliers are from "The Tables for Capital Investment Analysis" published by Indian Institute of Management, Ahmedabad, 1969.



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The Dynamic Concept of Marketing

M Mohan

The marketing function has so far been viewed in a rather narrow sense. The emphasis is placed largely on production. This applies both at the Government level as manifested in the approach to planning and also at the implementation end of business and industry. The effort is oriented towards securing resources for production. The capacity of the market for the product in terms of its acceptance, specifications, variety and even price is taken for granted.

One consequence of this narrow view of the marketing function is imbalances in the economy. The production-oriented control mechanism takes a fair amount of time to adjust itself to compelling market forces and this results in waste of resources and time.

The dynamic concept of marketing, discussed here, would familiarise the entrepreneur, through a study of market and product segmentation, with existing conditions in the market and likely developments. Equipped with this information, the entrepreneur would be in a better position to decide on his entry into the market and the particular segments of the market to enter.

Further, the wider concept of marketing helps to develop a progressive and innovative outlook. Instead of obtaining an industrial licence and hopefully rushing into manufacture, the industrialist would have an idea of the realities of the market and the existing and anticipated requirements of consumer/customers. The resultant development of new products, preferably with available indigenous resources, designed to satisfy new needs and changing requirements would go a long way in strengthening the industrial base of the country.

IN underdeveloped countries the marketing function has been viewed so far in a rather narrow sense. We can observe this from our own experience. The emphasis is placed largely on production. This applies both at the government level as manifested in the approach to planning and also at the implementation end of business and industry. The effort is oriented largely towards securing the means of and resources for production, such as finance, imported or indigenous knowhow, foreign exchange and so forth. The capacity of the market for the product in terms of its acceptance, specifications, variety and even price is taken for granted.

The function of marketing, as a link between the producer and the consumer takes in such situations the form of one-way traffic as shown below.

PRODUCTION
↓
MARKETING
↓
CONSUMPTION

Not only that, in the process the creative role of marketing is completely overlooked. The entire business enterprise takes the form of pushing the product down the line on the consumers who have little choice. This brings in its wake several problems many of which remain latent for a period and raise their heads later, sometime at a stage when it becomes difficult to tackle them.

Imbalances

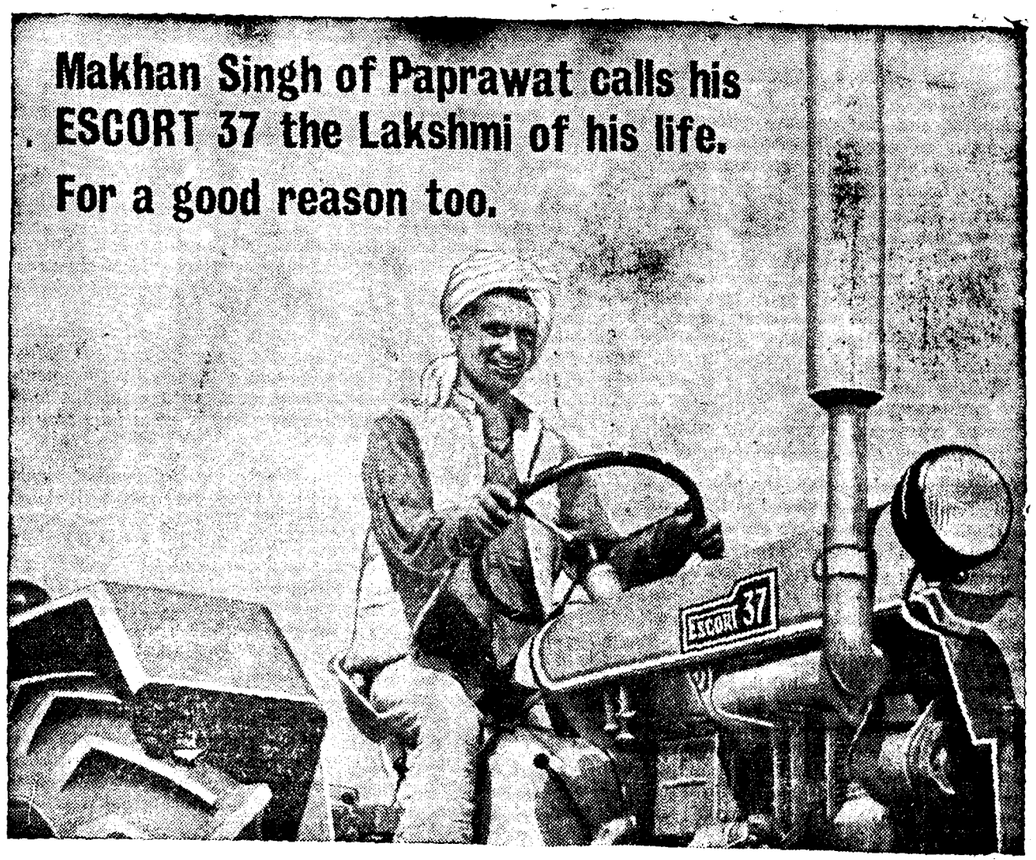
One crucial repercussion of this one-way system is invariably to be felt in the creation of imbalances in the economy. The control mechanism based on production orientation takes a fair amount of time to adjust itself to compelling market forces and this results in wastage of resources and time which means lost opportunities. It may be added that an important part of the system is the thinking which generates and propels it. In that respect particularly, it is always difficult to change rapidly the human element as regards its ways of thinking.

Looking at the marketing function in its broad framework as outlined in the accompanying diagram, the three major marketing inputs, *viz*, sales organisation, adequate and appropriate distribution channels and requisite advertising and sales promotion, would be instrumental in taking the product to the consumer. However, that is not the end of the story. The feedback from the consumer/customer's end is extremely important. In the diagram we are implicitly assuming that the product being manufactured and sold to the customers is basically sound and, in terms of its application/end-use, is in accordance with his requirements. At this stage, it should also be pointed out that within the scope of a product, we are really referring to various types and varieties of the product and the corresponding segments of consumers, which in respect of their purchasing behaviour may be overlapping.

Scanty Data

The segmentation of the product may be made according to the specifications, packaging, price, appearance, etc, as indicated by various brands and, within the range of each brand, the various types and sizes. The consumers have also to be classified by their requirements, tastes, preference and buying capacity. The data in respect of consumers, particularly for products of a general consumer nature, is rather scanty in a country like ours. We do not even have the basic socio-economic-occupational classification according to geographical sectors which may give some indication of the approximate buying capacity of the consumers. This lack of information to a great extent has been responsible for taking the consumer for granted as mentioned above. In the case of industrial customers the available knowledge would generally be larger but not necessarily organised from the marketing angle.

The initiation for an enterprise undertaking production of goods or services should really come from an assessment of the market potential. Estimation of market potential would obviously be based on a quantitative approach. The product has to be defined in terms of its specification and applications and its range and corresponding to that the consumers / customers have to be identified. The boundaries of the market depending on the location of the customers have to be specified. The other important element of market potential would be the time scale. The market potential referring not merely to just one year but the requirement of the market over a number of years, depending on the type of the product and gestation period of the project, will have to be estimated. It should also be borne in mind that there may be need for a review of these estimates from time to time. Changes in tastes and needs of the consumers, new requirements of the industrial customers and



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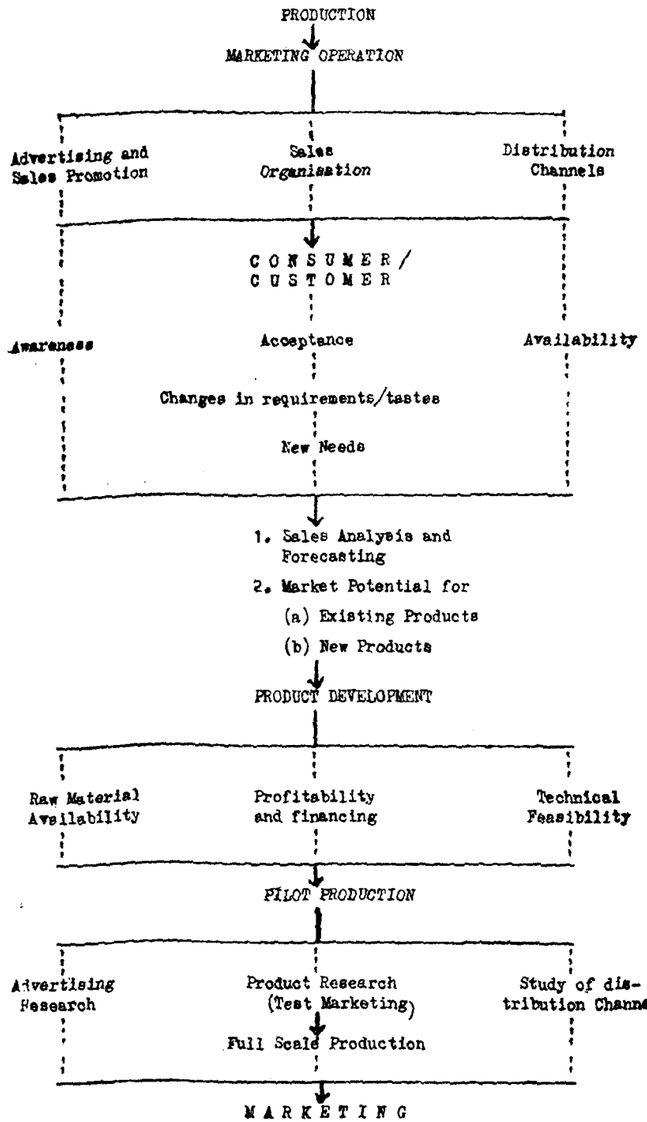
technological changes do give rise to variations in the market size and the types and varieties of the products required.

Analysis of Market

We may refer at this stage to the analysis of the market for the products currently being sold and the new products to be introduced. In either case the approach outlined above holds good. In fact, in several instances the estimation of market potential for new products would be interlinked with that for the existing products. Looking from the angle of a manufacturer already in production or an intending entrepreneur, the next step would obviously be to make an assessment of the share of the market he expects to capture. This would obviously have to be expressed in terms of quantities/values of the specific types of products he can expect to sell in the years for which the projection has been made. An existing manufacturer should certainly like to know of the reaction of the consumer to his products. That may lead him next time to expand or cut down his product range or to make changes in the various marketing inputs. As such, the knowledge of the market and the consumer expressed quantitatively and meaningfully would become the starting point for any running operations or for starting a business enterprise. It would thus be seen in the diagram that the cycle is completed and there is continuous flow of information and ideas from the customers/consumers which in turn generates productive enterprise. This is basically the dynamic concept of marketing.

So far we have confined the area of our discussion only to the product characteristics and their *prima facie* acceptance by the consumers/customers. The comprehensive concept of acceptance also needs to be analysed. Price as a means of exchange is surely a guideline. It is also obvious that the concept of price is relative. It would differ from one economy to another and from customer to customer in various situations. Pricing of a product still remains very much of an enigma even in the countries which are highly developed in respect of marketing operations and organisation. Likewise, not only the point of view of the return to the consumer on the money spent by him but also the more fundamental angle of the due protection to which consumer is entitled remain very much of a debatable area. Even when the forces of competition are at work the consumer could get cheated or even hurt. This fear was expressed by the leading authority in management, Peter Drucker, while talking to the National Association of Manufacturers of the United States. Marketing has been largely practiced as "looking at the world from the seller's end". Perhaps that has been one way of looking at it. Drucker forcefully brought out in his talk that the other definition of marketing which consists in looking at the business from the buyer's end is yet to be practised. Characterising this approach as Consumerism, he called it a challenge or even a threat, and added that not taking heed of this approach could result in restriction of economic activity. This concept, though so close to commonsense, may in practice be most radical. In the same vein the Chairman of Hindustan Lever, Rajadhyaksha, recently referred to the rights of the consumer in a free society, *viz*, the right to choose, the right to be informed, the right to be heard, the right to safety

Dynamic Model of the Marketing Function



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and the right to enjoy the fruits of technological progress.

Major Inputs

In the context of our own country we would do well to look at some of the major marketing inputs from the consumer's angle. The first phase in selling the product to the consumer would obviously be his awareness of the product and the favourable image this awareness would project on him. In its simplest form this may be achieved by word of mouth communication. However, as the market expands and complexities are introduced, various means of advertising and sales promotion have to be used to reach the consumer. By and large, in spite of tremendous improvements in advertising in terms of volume of business as well as standards in India, the audience remains to the advertiser an area of darkness. The audience would be composed of the existing consumers of a product and, no less important than them, the potential consumers. Unless studies are instituted to analyse, from the consumer's angle, reception and appreciation of the advertising message, the advertising expenditure may give much lower returns than it is expected to and the advertising campaign may fall short in achievement of its objectives.

The second stage in marketing operation which will enable the consumer to buy the product would be its availability at the right time and the right place. Depending on the nature of the product, the availability can make all the difference between achieving a sale or losing it. This would be particularly relevant in a competitive situation where a consumer can buy a brand other than the one he intended to, due to its non-availability. The availability of the product to the consumer would depend on the adequacy and suitability of the system of distribution used. Distribution channels corresponding to the type of product may consist of a few selling agents, in case the number of customers is limited, to thousands of retailers throughout the country for consumer products of frequent use. There would, of course, be several instances, particularly in the case of tailor-made products in engineering and heavy machinery, where the sale is transacted directly between the manufacturer and the customer.

Distribution Channels

The adequacy of the distribution channels may be limited by the stage of growth of an economy. Presently there is a great deal of discussion and enthusiasm towards exploiting the rural markets. The rural prosperity coming in the wake of the Green Revolution could generate Rs 5000 to Rs 6000 crores of additional income in the rural sector in the Fourth Plan period. If the manufacturers could take advantage of this sector of the market, it would obviously be in their interest. It will also help to siphon back this additional income into the stream of economic and industrial development. The major problem faced by the manufacturers of consumer products who would like to take advantage of the situation is the lack of retail channels in the rural areas, particularly small villages, which could stock their products. The Government is also keen on the extension of marketing activity into the rural areas and has suggested that leading manufacturers should take the initiative in setting up retail outlets in rural markets as a joint venture. The normal commercial process of extension of the retail link into the rural markets may be rather slow and that would mean lost business opportunities. The State Bank of India has taken a forward step in extending financing facility to retail outlets with a view to strengthening trade channels in rural areas.

The physical aspect of distribution is no less important. The availability of means of transport into the rural markets severely limits the extension of the distribution system. The mileage of motorable roads would need to be increased substantially within a short period of time in order to make rural marketing feasible and worthwhile.

Incentives

The distribution system functions on incentives which induce the distribution channels to supply the services. Obviously a balance has to be maintained between the profitability expectation of a manufacturer and the costs which he would incur on the distribution function. The incentive structure is evolved from the traditional set-up in operation and modifications are introduced according to the changing needs. In a highly competitive situation, the system of incentives is determined by the market forces.

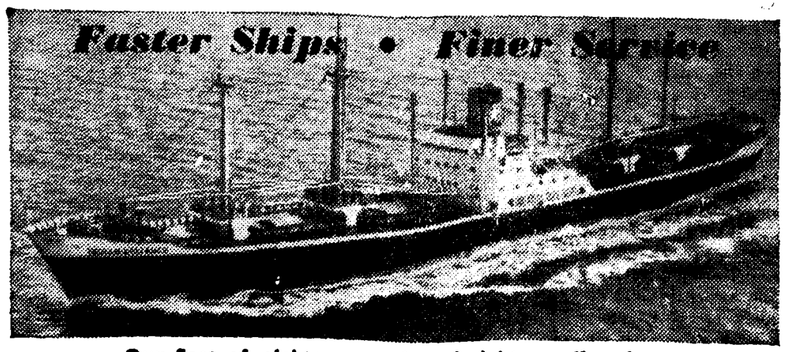
A recent well known example of the importance of the distribution network in the country may be mentioned here. With the increasing emphasis on the family planning programme, the Government considered it advisable to make use of the marketing organisation, particularly the distribution network, of major consumer product companies in India for popularising the male contraceptive, Nirodh. The Government have been pursuing the programme of free distribution of this product through various channels such as the family planning clinics, government dispensaries and so forth. It was observed that these channels were not serving the objective of large scale distribution to any substantial degree. There were two reasons for that. First, the channels being used for this purpose, even though distributing the product free, were inadequate. Secondly, the consumer motivation in acquiring and using the product, which is given away free, was not sufficiently strong. Therefore, the government developed a system of commercial distribution of Nirodh alongside the free distribution. In implementing the programme of commercial distribution, the leading consumer product companies in India *viz*, Union Carbide, Hindustan Lever, Brooke Bond, Lipton, Imperial Tobacco, Tata Oil Mills Company and WIMCO, were invited by the Government to join in selling Nirodh through their own extensive distribution network. These companies have been allocated different parts of the country where they would sell the product in order to eliminate competition between the distributing companies. The commercial system also implied that the consumers would have to pay a price which has been kept low due to its being subsidised by the Government, in view of the special objectives of this marketing programme. The introduction of the commercial concept into the programme provides for incentives to distribution channels which each company would provide according to its operational system. However, with a view to maintaining uniform consumer price and keeping the same amount of incentive to retailer, the price to consumer and to the retailer have been kept identical throughout the country. Care has also been taken to provide advertising and sales promotion support for successful implementation of the marketing programme. Though it is a special case of marketing of a product, particularly on account of its heavily subsidised price, it is a novel and unique marketing experiment in view of the large scale marketing programme for a product which has never been marketed so extensively anywhere.

Relevance to Planning

In the foregoing analysis reference has been made only to the major marketing inputs in order to keep the focus on the importance of the consumer, in aggregative terms the market, as the starting point of the marketing operation. In fact, this really is the stage of initiation for the entire economic activity. Even in the formulation of the current Five-Year Plan the relevance of this approach has been accepted. While the Plan targets are set in terms of production capacities and the required production, the anticipated demand has also been taken into account. Venkataraman, the member of the Planning Commission in charge of industries, has urged industrialists and entrepreneurs to carry out market surveys and studies in order to estimate the market potential before embarking on production. This approach would be helpful in two ways. First, a study of the market and product segmentation would familiarise the entrepreneur with the existing conditions and likely developments. Equipped with the information, he would be in a better position to make a decision on his entry into the market and, if so, in what specific segments. This would help in avoiding considerable waste of resources. Secondly, the marketing orientation would help in developing a progressive and innovative outlook. Instead of obtaining an industrial licence and hopefully rushing into manufacture, the industrialists would have an opportunity of coming in close contact with the realities of the market and existing and anticipated requirements of the consumers/customers. The development of new products, preferably within the available indigenous resources, designed to satisfy the new needs and changing requirements would go a long way in strengthening the industrial base in the country. The motive force would be provided by the Dynamic Concept of Marketing.

Ultramarine and Pigments

ULTRAMARINE and Pigments enjoys high profitability, although directors complain that margins continue to be squeezed between rising costs and "slightly lower" net realisation per unit. In 1969, the ninth year of its existence, with a share capital of Rs 30 lakhs (half of it composed of bonus shares) and with almost no loan funds the company had a turnover of Rs 84 lakhs and earned a gross profit of Rs 36 lakhs. In the previous year, turnover was Rs 70 lakhs and gross profit Rs 31 lakhs. Net profit was Rs 13 lakhs (Rs 11 lakhs) and covered the maintained dividend of 18 per cent 2.3 times. Return on total funds employed came to nearly 16.8 per cent. It is stated that cost of production has further gone up following increases in excise duties on containers, soda ash and fuel oil effected in the last Budget. The expansion in hand has been delayed by a few months due to shortage of steel and is now expected to be completed by the middle of this year. Meanwhile, a 'letter of intent' has been received for setting up a factory in Tamil Nadu for the manufacture of synthetic detergents with a capacity of 10,000 tonnes per annum. Also negotiations are in progress in connection with the citric acid project for which too the company holds a 'letter of intent'.



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Organisational Planning in Banks

A Case Study

Kalyan Banerji

Commercial banks' branch coverage has vastly expanded in the last decade; large sums have been spent on establishment, and total staff has increased substantially. Banks have moved beyond the stage of borrowing and lending to a situation where the emphasis is on marketing financial services. The pattern of banking is becoming more complex as new activities are added in a changing situation.

The organisation of banks has, however, not kept pace with the changing tasks. Such reform as there has been has been of the piecemeal variety and has not been ahead of needs.

Banks need to effect fundamental changes in their internal organisational structures if the objectivities of the new banking policy are to be achieved not merely in terms of short-term quantitative targets but also in enduring, qualitative terms. The new policy requires the creation of a new administrative framework and systematic organisational planning.

The issues that arise when an endeavour is made to reorganise systematically are discussed in the following case study of a bank which we shall call the Bank of Mandovi.

THE Bank of Mandovi is a leading bank with a large network of branches in India and overseas. It accepts deposits from the public, makes credit disbursements and provides a wide range of financial services. It employs over 12,000 people spread over 515 branches. It accounts for about 10 per cent of the deposits and advances of the banking system. It's share of foreign exchange business is equally large. And it accounts for about 9 per cent of all bank branches. As a major bank it is now part of the nationalised banking system.

The Bank of Mandovi was started as a purely local bank in 1905 to fulfil the banking needs of the people of Mandovi. Its early years were a period of slow progress. Branches were few and deposits were of a local character. The operations were supervised by a manager, above whom was the Board of Directors and below whom were branch managers whose number in 1918 was five. When World War I inflated the deposits of all banks, the Bank of Mandovi found that it's deposits had risen to Rs 5 crores in 1920 from Rs 1 crore in 1914. But the really significant periods of expansion were between 1938 and 1948 and between 1957 and 1968 (Table 1).

During these two periods of growth, the change in organisational structure was marginal. The original organisational structure continued unaltered for the first 11 years. Control and direction covered 5 branches and a work force of 150. The number of branches increased to 24 in 1938. At this stage a chief accountant appeared on the organisation chart (Table 2) whose span of control extended to 38 branches in 1948. Centralised direction and control was retained.

Revised Organisational Table

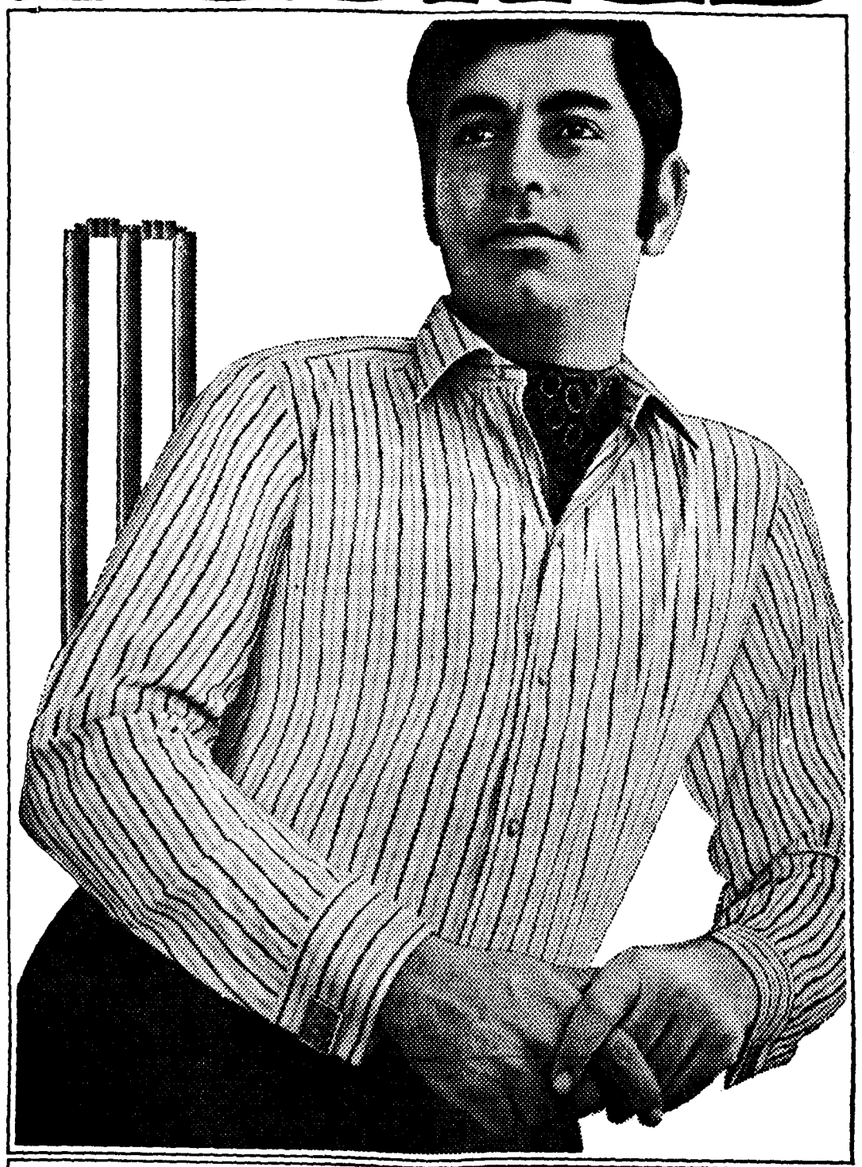
Through the creation of a manager each for the east and the south and for Bombay in 1952, the principle of division of work by area received recognition. With geographic dispersion of branches the management felt that it was necessary to create 'eyes and ears' above the Managers in the areas of operation. An organisational hierarchy was taking root. By 1963 the number of geographical heads increased to seven with one 'functional' manager responsible for foreign exchange business. The Bank had begun to take a particular interest in the development of foreign exchange business after Independence. It played a major role in removing the misconception that Indian banks lacked the technical knowledge for undertaking such business. Progress in this field was largely due to the personal expertise displayed by a handful of executives. In practice the overseas branches reported to the managing director and took instructions from him on all matters. The regional basis of division became clearer by 1967 when the bank developed a long chain of command with a view to, hopefully, decentralising decision-making. The general manager co-ordinated six zonal heads, one regional head, in addition to five departmental heads, *viz*, legal, inspection, industrial counselling, industrial finance, and systems. A zonal head supervised two to three regional heads and miscellaneous departments. A regional head supervised 30-40 branches. The largest region comprised 70 branches and the smallest 25 branches. The representative region comprised 40 branches.

Adoption of the revised organisation table soon led to complaints about delays in decision-making. It took at times two months or longer to get a loan application sanctioned. Delays in answering correspondence were frequent. Failure of communication between the head office and the branches left branch managers in a state of concern and frustration besides placing the bank at a competitive disadvantage. Branch managers felt that they had to live with the situation, since there was very little upward communication. The regional managers shared a similar feeling and some complained that often

Table 1: Growth of Bank of Mandovi

Year	Deposits (Rs crores)	Advances (Rs crores)	Branches	Dispersion of Branches	Staff
1905	0.18	0.14	1	One State	20
1918	2.4	1.65	5	—do—	150
1928	5.60	2.47	16	—do—	360
1938	7.13	3.00	24	—do—	525
1948	35.06	14.75	38	—do—	1235
1957	62.83	35.00	70	Four States	2464
1969	555.00	410.00	515	Sixteen States and three foreign countries; 60 per cent of branches concentrated in two States	12750

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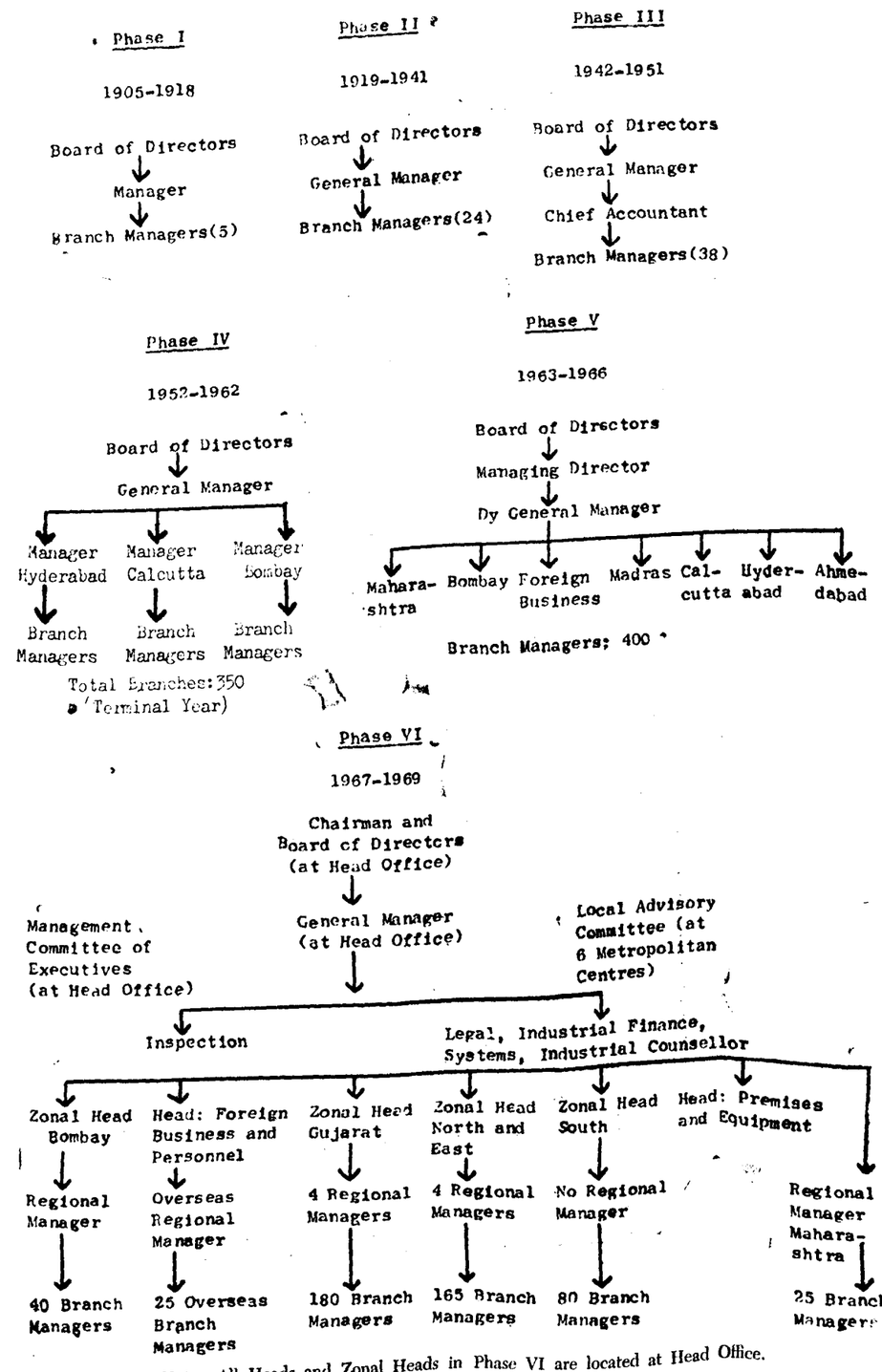
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TABLE 2



Note: All Heads and Zonal Heads in Phase VI are located at Head Office.

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decisions were being taken on matters with which they were vitally involved without their knowledge. They felt it was safest to refer matters above them. In any case their powers were too limited and they were not judged so much by their exercise of powers as by their ability to avoid mistakes.

The bank was developing into a 'spongy' type of organisation where pressure applied at any point diminished as it travelled through the different organisational levels, each level acting as a sponge to absorb part of the pressure.

There were now three levels between top management and departmental heads at the branches. Top management was insulated from the men at the branches. It received hardly any feedback since the organisational structure had not been devised for the purpose. Any pressure applied at the top failed to reach the bottom. Thus while top management exhorted that advances to priority industries should increase, customer service should improve and administrative waste must be eliminated, little change occurred. Paper work was increasing. Profitability was going down alarmingly.

At this stage the management decided to invite a management consultant with many years of executive experience in practical banking and bank management consultancy to look at the bank's problems and to make recommendations.

Consultant's Diagnosis

(1) The present table of organisation impedes development of executives.

(2) Too many people handle the same piece of paper before it gets into the hands of the person who has authority to take a decision. Often each level adds comments or suggestions on a problem or paper as it goes up the hierarchy.

(3) The zonal head above the regional head is dispensable.

(4) There is no harmonious grouping of functions as the zonal head has such unrelated responsibilities as personnel and foreign exchange business.

(5) The regional managers appear to be Jacks of all trades. If a proposal to open a branch comes to their desks, it has to take its turn along with union problems, loans, staff training, personnel matters, business development and all other things that regional managers must handle. This assumes serious proportions when a regional manager's supervisory span amounts to 40 branches. The multitude of problems that cross his desk could be an important cause of long delays.

(6) The 'functional' zonal heads are not constituted to operate functionally. They do not have officers at the regions accountable to them. Their relationship with the regional heads is consultative in the areas which they control, like personnel, premises and equipment, foreign business, since the regional heads report to and are accountable to their respective zonal heads. Assignment of a function does not make an executive functional. Where the functional principle is applied, there will be functional officers at the regional level and functional heads at headquarters.

(7) There is absence of clear lines of authority, e g, regional head (Maharashtra) reports directly to the general manager. The executive in charge of personnel also apparently directs foreign exchange business at branches, but branch managers report to regional managers.

Consultant's Analysis

The Bank of Mandovi has achieved rapid growth in the past 15 years. The volume and complexity of business have increased. There has been a significant geographical dispersion of branches. However, the process of management has not altered recognisably from the days when the bank was a local bank. Changes in its organisational structure have been largely based on personalities instead of sound principles of management. As a result, there is much overlapping in functions and ineffective co-ordination.

Decision-making remains centralised with authority at lower levels in the organisation quite inconsistent with needs. When the bank was a local bank with a limited number of branches and these within one region, centralised decision-making was realistic. The situation altered fundamentally after 1950. Branches increased rapidly, the work force expanded and the character of business changed vastly. A great deal of expertise became necessary. No longer was it possible to find this expertise in one man or a small group of persons at the top where all matters tended to be referred to for decision. The nature of work and physical factors such as geographical spread of activities required that methods of division of work should vary at various levels. The existing organisation structure did not provide for this.

At all levels, the focus is on the job immediately at hand and on getting it done, with little regard for its long-term effects. There are four management levels, top management, zonal heads, regional heads and branch heads. At no level has any special expertise been developed. The levels do not correspond to a differentiated mix of managerial skills. A manager becomes a regional manager by demonstrating competence as an operating manager, by dealing successfully with transactional matters. As the manager moves up the managerial ladder he keeps on dealing with what he had earlier dealt with successfully, i e, transactional matters. Senior managers, as a result, spend a tremendous amount of time studying and signing mountains of paper, interviewing customers, etc. They have little time for planning, high level public relations, marketing, evaluating the performance of officers or for making their own decisions. As a result policy-making and professionalism have suffered.

Three aspects of the situation need mention. First, excessive centralisation of decision-making is largely due to absence of clear policies which can be communicated to officers lower down the line. Centralisation of decision-making places in the hands of highly paid executives decisions which do not deserve their attention. But decentralised decision-making becomes possible only when clear policies are available. ('Policy' is here understood to mean a set of guiding principles that provide key decision premises on which activity in an area rests.)

Second, a managerial style has developed which consists in treating a generic situation as though it were a series of unique events. This approach, generally considered 'practical', amounts to refusal to develop rules and principles and insistence on treating everything on merits. Decision-making have, therefore, been of the piecemeal variety leading to anomalous decisions in similar cases.

Third, executives achieve their positions by demonstrating competence in transactional matters and keep on doing what they had successfully done earlier. As a result, modern techniques of management like annual plans and budgets have not gained acceptance. Planning has been by reaction to events.

Management Development

Concentration of authority in the hands of too few officers tends to retard the development of executives. An organisational structure must be so designed as to facilitate achievements of

TABLE 3: MANAGEMENT LEVELS

	Zones of Responsibility
Zone I Safeguarding interests, determining basic policies and broad course of business having regard to objectives of nationalised banking system, reviewing progress	Chairman and Board
Zone II Planning, directing, co-ordinating, controlling the business as a whole, determining objectives, establishing operational policies, securing results within the scope of basic policies and authority delegated	General Management (senior executives like chief general managers and general managers)
Zone III Full accountability to the general management for the successful conduct of respective functions for which each functional head is responsible	Functional heads
Zone IV Accountability to functional heads for the various aspects of regional operations	Regional heads and regional officers
Zone V Accountability to the regional heads and through them to the functional head responsible for branch administration, for profitable, productive running of each branch	Branch managers

business objectives as well as development of management personnel. Decision-making needs to be decentralised. Development of senior officers must begin at an early age. If a man is not given duties which constantly challenge his intelligence, talents, interests and knowledge, by the time he is thirty his outstanding qualities are lost to the bank and are not likely to respond to corrective therapy. Therefore, if a man has senior officer potential, he should be given the responsibility of making decisions at an early age. An organisation structure where jobs do not involve liberal delegation of powers, where advancement is on the basis of seniority, where merit lies in not making mistakes is not conducive to management development. Seniority of service and 'experience' are often used as a cover for incompetence. Promotion and compensation should be based on the ability of a person to carry a heavier load and not merely on the basis of seniority.

The organisation structure, therefore, needs to be revamped. It is only on a sound organisational sub-structure that strong systems of work can be built.

CONSULTANT'S RECOMMENDATIONS

The most important recommendation is the adoption of a four-tier management structure:

(1) General management,
(2) Functional heads,
(3) Regional heads, and,
(4) Branch heads.

The zones of responsibility have been delineated in Table 3. This structure needs immediate adoption to

(1) achieve expansion of operations through strong regional offices fully equipped with authority and competence, so that there is outstanding regional banking within the present nation-wide structure of the bank;

(2) achieve the objectives of the nationalised banking system through competent men at all levels, the organisational structure being graded to coincide with the skill-mix relevant at each level of management;

(3) facilitate development of expertise in the complex fields of activity in which the bank has to show results and develop a professional management;

(4) improve the flow of communications and rationalise grouping of functions and the chain of command to achieve a mechanism of checks and balances within the organisation; and

(5) ensure that no man does any task that can be done at a lower level. Accordingly, the structure provides for varying responsibilities at each level (Table 4). The structure aims at making the incidence of responsibility unequivocal.

What is characteristic of the organisational structure is the level of functional heads below general management. This needs explanation.

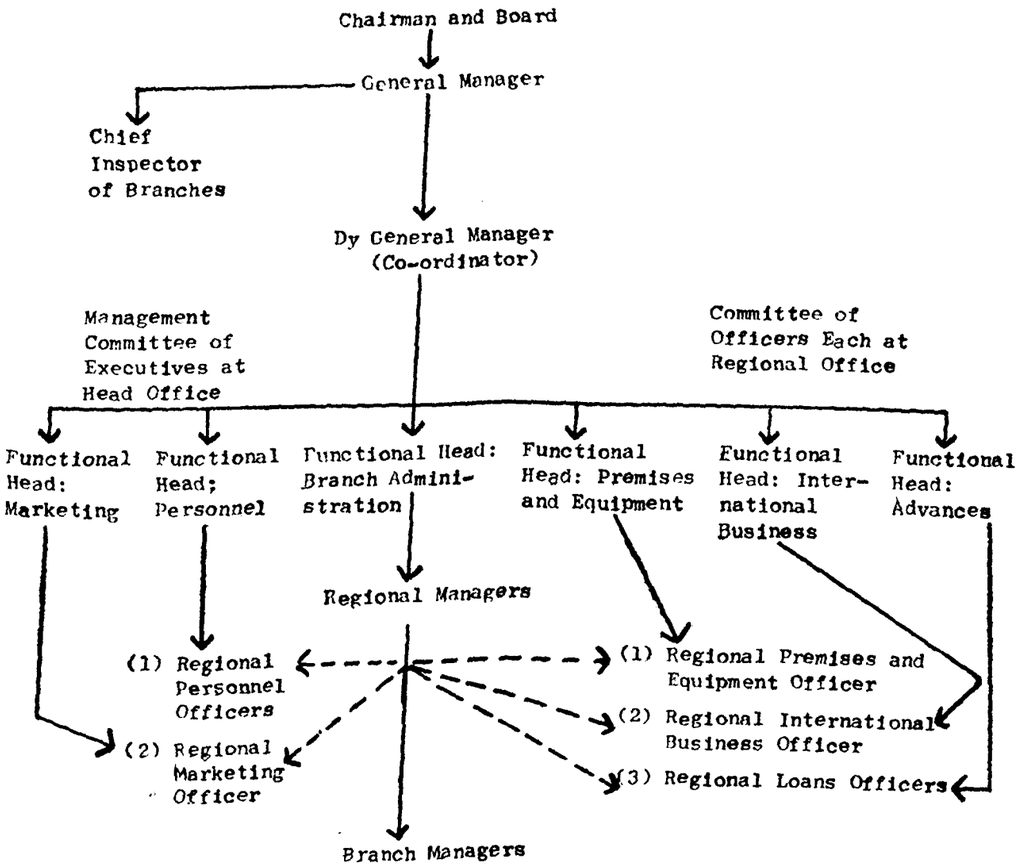
VERTICAL SPECIALISATION

A feature of bank work is horizontal specialisation. Each job is fragmented and an employee is concerned with a fractional portion of the total activity. Such horizontal specialisation permits skill and expertise to be developed by bank workers in the performance of their tasks. What is sought to be achieved through functional heads is vertical specialisation, permitting development of expertise in the making of decisions. To gain expertise in decision-making, the responsibility for decisions needs to be allocated so that all decisions requiring a particular skill can be made by officers possessing that skill. This is fulfilled by establishing a level of functional heads.

At a branch there are various functions co-ordinated by the manager. At the region a regional head in turn co-ordinates these functions for a group of branches. It rests on the general management of the bank to look at each function for its national and international network of branches. By creating a level of functional heads the load on general management can be reduced. Functional heads will be responsible for the special aspects of management that are subdivided so that they may receive specific attention. There would be functional heads for advances, personnel, marketing, branch administration and international business. Functional heads expertly serve the process of 'executive command by exercising responsibility on behalf of the top management. And for this they need their 'eyes and ears' at the regional level in the form of regional officers (Table 4).

As part of the nationalised banking system, the bank will be expected to meet the needs of a varied clientele. It will therefore need a flow of specialised management skills appropriate to the variety of customers which it will serve. With this aim in view, the proposed organisational structure has been built up from an analysis of work-flows at the basic level of banking, i e, the branch. In the proposed organisational structure, there are different bases of division of work at various levels corresponding to varying mixes of technical, human and conceptual skills. The

TABLE 4: RECOMMENDED ORGANISATIONAL STRUCTURE



Note: Dotted lines indicate consultative relationships.

structure ensures centralisation of control and decentralisation of authority and decision-making.

At each level competent men are necessary. Executives do not automatically conform to the new behavioural requirements of their changed position descriptions. Many officers who are now 45 or more will possibly never acquire the art of delegation. Also, because they may not even grasp the reasons for change they will not be competent to train juniors. For the implementation of new policies, younger men with understanding of scientific management should be escalated over the heads of their seniors. If this is not done, the progress of any programme of change can be delayed by at least 10 years during which period the bank could become vulnerable to public criticism — public accountability being an important current consideration.

EXECUTIVES' COMMENTS

The consultant's report was circulated for comments among senior executives. It was unanimously recognised that the defects of the existing organisational structure had been correctly identified by the consultant. The general feeling was that if the report was implemented fully, it would upset many executives. Only those parts of the report which could be conveniently accepted should be considered for implementation. The following are a cross-section of the comments.

(1) Regional managers are overloaded and need relief in the form of specialist officers. But if a regional manager does not personally sanction loans and staff leave, his authority and image will suffer.

(2) Instead of having purely functional heads, we can consider a compromise between the functional and geographic principles of division of work.

(3) In the present economic situation of the country and in view of the nationalisation of banks, it is impossible for top management to abdicate its powers by delegating authority any further.

(4) The recommendations of the consultant, although theoretically sound and unexceptionable, are impracticable in our conditions. Specialisation is risky. If senior executives do not deal with individual transactions, they cannot keep a grip over what is happening. The division of work below the top management level should be functional as well as geographical.

(5) The consultant places emphasis on youth. This emphasis, at the cost of senior men who look for fulfilment of their legitimate expectations before

they come to the end of their careers, is not desirable.

A small group of executives supported the consultant's recommendations without any reservation. They explained that though some of the recommendations might appear radical and doubts might be expressed as regards their suitability, this should not mislead the management. An organisational structure that promoted competence and expertise needed immediate adoption. They added that it was because of lack of an adequate organisational structure that banks were unable to move into specialised fields and introduce modern management techniques. Organisational environment was one of the most significant determinants of effectiveness of performance which a programme of management development sought to influence. And a major element of organisational environment was the organisational structure into which jobs were fitted. Management development decisions should be preceded by decisions on the appropriate organisational structure. The organisational structure recommended by the consultant, therefore, merited implementation without compromises.

Comments and Conclusions

It was clear by 1960 that Bank of Mandovi had become far too large and complicated to be run by a single policy-maker and decision-taker. The only way to succeed was to operate on a decentralised basis. However, in the absence of policy guidance or rulings and an appropriate organisational structure for co-ordination and control, the dangers of decentralisation could be as real as the evils of centralisation. Mere delegation of power was not enough if decisional premises in the shape of policy guidelines did not exist. There was then likely to be either under-exercise or over-exercise of powers as in fact did often happen with branch managers. This was largely because there was no identity of minds between branch managers and top management.

For a successful decentralised decision-making system, besides delegation of powers what is necessary is prudent exercise of powers. This requires clear policies in the form of guiding principles that provide key decision premises on which activity in an area like lending to small industries rests. Once this is established, similar transactions need not go to senior managers for decision. Senior managers are then freed from having to attend to individual transactions and can attend to the exceptional cases. Of crucial importance here is the feedback and control mechanism. Review of results of decisions made at every level must be continuous so that policies are revised in the light of current experience. Decentralised decision-making can lead to costly errors if feedback and control are not continuous. This is especially so in the case of banks with nationwide networks of branches. The recommendations, therefore, is that in the case of a large bank like the Bank of Mandovi there should be decentralisation of authority and at the same time centralisation of control.

Banks have come a long way from the limited concept of banking which envisaged only the primary banking functions of gathering deposits as a means of providing resources for lending to trade and commerce. Developmental banking involves catering to a mass market. This imparts a definite sales element in bank work. The sales effort of banks needs positive, systematic and constant planning and direction in the shape of market strategy. Banks are committed to supporting nationally desirable areas of activity through a system of supervised credit which involves, in addition to credit disbursement, activities like technical assistance and appraisal of productive value and risk of the loan granted. In addition, banks provide a complex of foreign exchange, underwriting, executor and trustee, instalment credit and other services. Every function of management, every tool and technique required in modern business situations will, therefore, be needed in banking, *viz.* marketing strategy, product designing, pricing, budgetary controls, manpower planning and so on.

Banks are, therefore, becoming an involved money complex constituting a number of specialised services that are marked through a chain of branches. Locating branches in rural and competitive urban areas, assessing creditworthiness of purpose of a loan proposed, underwriting a new issue — all these problems compel bankers to use new techniques of management. Where systematic application of scientific knowledge to practical tasks is sought, specialisation is necessary. Such specialisation can be provided through a purposive career management programme which envisages progressive development from one area of activity to other related areas. This is provided in the organisational structure recommended by the consultant for Bank of Mandovi.

Integration of Functions

A process of integration-differentiation-integration-differentiation-integration of functions is envisaged. As a branch manager, an officer integrates all functions like advances, marketing, personnel and administration of the branch. As a regional officer he specialises in one of the functions at a time. This is the first stage of differentiation. As a regional head, the officer integrates all functions for branches in the region. As a functional head responsible for one function for the bank as a whole, differentiation takes place at a higher level. Finally, as a member of general management, the officer integrates all functions for the bank. The career profile of an individual officer might then be progression from an area specialist and functional generalist as a branch manager to a functional specialist in a regional office, to an area specialist as a regional head, to a functional specialist at headquarters and, finally, a generalist in terms of functions as well as area as a member of top management. While there will be a great variety of individual career patterns, the basic principle of career management should be progressive development of superior skills related to higher responsibilities. The organisational structure recommended will improve the opportunities of bank officers to develop their talents and to get the experience they need for jobs of higher responsibility. Size prompts specialisation. What exists in large banks is specialisation by area. What is proposed in a purposive career management programme is specialisation by area as well as by functions.

Most banks like Bank of Mandovi are not in a position to cope with the changing environment of banking. An attempt has been made here to demonstrate that banks need to recognise the relationship between organisational effectiveness and structure. It is time that the advantages of specialisation are recognised and exploited. The nature of work and physical factors, such as geographical spread of activities, indicate that the methods of division of work should vary at various levels. Banks now need to cope with complexity and rates of change at a new level of experience. The tremendous need of banks for all kinds of competences is, therefore, apparent. The organisational structure must provide for these.

Scientific Bank Management

A Consultant's View

Henry A J Ralph

Banks in developing countries are often highly profitable, and may earn a higher rate of return on invested capital than their counterparts in the developed countries. But this profitable situation is the consequence of higher interest rates on loans, multiple fees incidental to granting of loans, low wages, and higher commissions for services.

The profitability of the banks is not by any means an indicator of their efficiency. Indeed, while some of these banks may be making significant efforts to improve their management and organisation, others are not even willing to recognise the need for any such overhaul. They thus unwittingly face the threat of nationalisation because banking services in the economy are being inadequately performed, or they may suddenly get competed out by rival banks who successfully streamline their own operations.

A consultant could help banks in such circumstances, first, to realise that there is a management problem involved which could be identified and resolved and, second, to reorganise themselves so as to improve their operational efficiency and business initiative.

The pattern of obstacles to efficiency and enterprise is similar among banks in developing countries even though they may be continents apart. The consultant has to quickly determine the obstructions which he cannot overcome such as legislation and unionisation and waste no time on them since in any case they have probably received the attention of the bankers' associations without success. There are also impediments that are part of the old cultures and to remove which would take years.

The consultant has to use tact in outlining the problem areas so as not to blame any one and in selling the idea of a certain kind of reorganisation so as to make those who are to implement the scheme feel that they themselves have conceived of the general idea. Even so he is likely to face opposition which may come from any level.

Resistance may come because executives do not wish to carry heavier burdens, or are on the defensive because of the inefficient organisation they have fathered in the past, or want to deal with customers in person so as to appear indispensable to boards of directors, or place temporary personal benefits above the good of their banks and the economies of their countries. They may use all kinds of other reasons to justify their opposition, however, and the consultant has to carefully point to the immense benefits that could accrue on reorganisation.

A significant field in which the consultant has to reform management is in their treatment and payment of bank employees. Unionisation in banks has often been a regressive force, but managements have contributed to this state of affairs by paying their staff poorly compared to the large profits and by not bothering about the deplorable working conditions of most of them.

Managements have to be taught that delegation of authority in a carefully restructured organisation so as to reserve only the more important decisions for top management is the best way to foster initiative and hard work and to improve customer service.

WHILE some banks in developing countries are putting forth considerable efforts to improve their management and organisation, others are lagging far behind. The main reason for this is that the less efficient banks do not realise how antiquated their organisation is compared to that of local competitors. Nor do they realise that they are doing a disservice to their respective countries by their inability to compete in the international field. Nevertheless these banks are often highly profitable and may earn a higher rate of return in invested capital than their US counterparts. This profitable situation exists because of the higher interest rates on the granting of loans, multiple fees on the granting of loans, low wages, and higher commissions for services. Despite the profitable operations, these banks face two threats:

(1) possible nationalisation because banking services are not being rendered in the best interests of the country; and

(2) adoption of scientific management by local competitors resulting in better service by them to customers.

The purpose of this article is to discuss the difficulties in improving management and organisation in these countries. The intention is to present views obtained over a period of years through negotiations with banks in practically all parts of the world, short visits to many countries, and setting up of programmes for complete restructuring of management and organisation while in residence.

There is no universally accepted definition of "scientific management principles" so we will use the widely accepted restatement of them by Ralph C Davis, which is:

"(1) effective management requires the accurate measurement of the forces, factors and effects in a business situation. Therefore, an accurate body of facts relating to them should be developed by experimental research when necessary;

(2) from these facts, laws of managerial and operative performance should be derived, establishing the correct relationships between these factors, forces and effects;

(3) to facilitate the work of planning and controlling activities, standards should be developed in order that there may be criteria of proper conditions and relations in a given situation. These standards must be maintained if they are to have continuing effectiveness;

(4) maximum economy and effectiveness require that these conditions and relationships be pre-planned; and

(5) definite procedures, specifying the correct methods for managerial and operative performance, should be developed."

I have heard groups of senior bankers refer to themselves as "professional bankers". I don't believe that many bank managers qualify as professionals, however, and believe this view is supported by Peterson, Plowman and Trickett in their book titled "Business Organisation and Management". They state, "If management were to attain the status of a profession, however, mere exposure to management work would not be sufficient preparation for a man

to carry management responsibilities. Real professional preparation must include instruction in and experience with the principles, tools, attitudes and philosophies that are required for professional effectiveness."

Professor Benjamin Selekman states, "Those steeped in the history of professions point out that no calling or vocation becomes a profession until it develops a body of knowledge, discipline, a method, and a code of professional ethics, transmittable and transmitted to successive generations largely through educational institutions and apprenticeship. And so, inevitably practitioners of management become concerned with ethical and moral codes."

In this discussion of professional bank managers, officers who have senior corporate titles and are highly paid staff specialists such as lawyers, economists, certified public accountants, etc, are not included. It is apparent that the basic professional implications of management work are that a manager must become something of an 'expert' in human work behaviour because his primary responsibility is to achieve the objectives of the bank through the efforts of other people. Often, thousands of people are involved in this unified effort. It can be reasonably said that most bank managers know more about economics, monetary factors, lending, etc, than they know about human beings. In addition to the technical knowledge necessary for setting objectives, planning, organising, directing, evaluating, deciding, co-ordinating, and controlling public relations, knowledge about human beings is a must if those needed to participate in the execution of programmes are to fulfil their roles satisfactorily. The idea would be to have every department and sub-department manager skilled in co-ordinating the objectives of the bank with the personal objectives of the individual so as to obtain the maximum enthusiastic productivity.

Scientific management and professional bank managers have been discussed for two reasons, which are that many banks in developing countries have not searched for either the principles of scientific management or professional bank managers, and that very little consideration is given to human behaviour patterns.

Revision of Organisation Structure: Notwithstanding the probability that a consultant from a developed country has received a written outline of the studies and of the corrections he is expected to make, his first task is to make an analysis of the management and organisation in order to determine what the problem really is. Seldom do the requests for assistance indicate that there is an urgent need to restructure the organisation from top to bottom or to revise the delegated responsibilities of management. Usually, these are the two basic problems. The fact that needs are not fully stated by management is understandable, for, if management were capable of analysing its weaknesses it would probably be capable of prescribing the necessary remedies as well.

The pattern of requests that I have seen over the years are quite similar and might be listed as follows: assistance in

(a) manpower planning;
(b) executive development;
(c) increasing efficiency of systems and methods;
(d) controlling expenses while expanding rapidly;
(e) evaluating branch performance;
(f) developing and improving international banking;
(g) improving communications;
(h) setting up management control systems; and
(i) increasing profitability.

Problems in the above fields are usually only symptoms and would not exist if there were an efficient organisational structure.

Often, in a large bank, elementary principles of scientific management are violated and include: one over one; both line and staff duties being vested in one person; one person having several unrelated jobs; too many levels of supervision; and one individual responsible to several superiors.

Consultant's Initial Tasks: It is important that the consultant revise the purposes of the assignment as soon as possible and that a conference be scheduled with the chief executive officer. The success or failure of the mission depends on the skill of the consultant in diplomacy because he must communicate — without saying so directly — that the real problem is management deficiency. The importance of tact can be seen when proposals similar to the following are suggested:

(a) that the management has understated the problem;
(b) that the duties of the board of directors, the chief executive officers, and managers generally should be revised;
(c) that the bank does not have a sufficient number of trained key men to effect improvement;
(d) that drastic changes are needed in lines of authority; and that demotions, promotions and the hiring of people skilled in the field of management are necessary.

Often this broad and general appraisal can be made by a skilled consultant within a few days and it is important that he formulates his views as quickly as possible so that he can assist in the implementation of the recommendations that are accepted. One way to soften the blow is to find an honest excuse for the inefficient operating conditions so that the management can save face. This can be done in some cases by emphasising that such conditions often accompany rapid growth and that it is impossible to acquire and train competent staff at a rate fast enough to keep pace with that growth.

The success of failure of the mission can also be influenced by the prestige attained by the consultant within the first few days. It has to be made clear to everyone concerned that the consultant is responsible only to the chief executive officer. This should present no problem if such an understanding is reached before the assignment is accepted. On the day of arrival, the chief executive officer should call a meeting of his key officers, introduce the consultant, give instructions that he is to have their full confidence and co-operation and that they in turn should give similar instructions to their subordinates. It is helpful if this is done in a friendly and personal atmosphere at a luncheon, cocktail party or a dinner.

Another of the consultant's early undertakings is the scheduling of regular and frequent conferences with the chief executive officer. This is indispensable if there is to be agreement on recommendations as the work progresses and if the consultant is to assist in their implementation. However, this may not be easy because the chief executive officer may be badly pressed for time, because he may

(a) have heavy burdens with major problems;
(b) is involved with unimportant details which should have been delegated to lower levels;
(c) makes decisions that are the responsibility of subordinates but which they refuse to make;
(d) has outside interests; and
(e) is so disorganised in arranging his own work schedule that he doesn't make time to deal with matters based upon their importance and urgency.

Preliminary Preparation

Knowledge of Environmental Factors: Some of the obstacles that appear in trying to transfer scientific bank management are caused by the failure of the consultant to acquire a thorough knowledge of the people and national conditions before he arrives at the foreign assignment. In some cases he may have limited his background preparations to reading several travel brochures and a brief economic report. However, if comprehensive and workable recommendations are to be made, a thorough study is imperative and a good background includes knowledge of history, culture, customs, climatic conditions, social conditions, legislation, government policy, and rulings of the ministry of finance and the central bank.

Often the consultant will find it difficult to communicate a desirable change and could be frustrated if he did not know the share of the above factors in creating existing conditions and resistance to change. A good understanding of these should help to develop the patience, diplomacy and tolerance necessary for success in dealing with staff at many levels. The value of this information can be more clearly understood when the impediments to change are discussed.

An early recognition that a consultant must make is that the people with whom he is dealing may not have the same rapid comprehension of the management and organisation principles as do an executive, a committee or a board of directors in a more developed economy. Due to the failure of the consultant to adjust to this situation, one of the most frequent criticisms made by principals is that, while a consultant explains clearly how a procedure should be established, he does not convincingly present the reasons for doing so. As a result, while a consultant may have operations running smoothly when he leaves an assignment, he often learns upon returning several months later to make a check-up that the staff has returned to doing things in the old manner.

Impediments to Scientific Management

The pattern of obstacles to efficient organisation among banks in developing countries is often similar even though the banks may be continents apart. The consultant should quickly determine the obstructions which he cannot overcome, such as legislation and unionisation, and waste no time on them. These have no doubt received the attention of the bankers' association, but without success. While some impediments, that are part of old cultures, are mentioned in this article their mention should not be construed as being derogatory criticism. Years are needed before some can be eliminated.

Even in the US, many resist innovation without having a sound reason for doing so. Staff frequently view with grave suspicion the introduction of such basic tools of organisation as position specifications and position evaluation. It might be said that some prefer the devil they know to the devil they don't know. This resistance might come from any level of employees, including senior executive officers, particularly if they are the originators of the existing policies or systems. Thus, when practicable, it is important to exert every effort to encourage staff at all levels to recognise that the innovation will benefit individuals.

In a large bank changes can be massive and for a number of reasons can only be completed over a period of years. If, as is sometimes necessary, the changes proposed are intended to demote or eliminate individuals who are incompetent, general resistance is greater, a temporary morale problem may be created, and great skill is required on the part of the consultant and the local officer in charge of implementation. I have knowledge of one case where the strongest opposition to change came from the several executive vice-presidents when it was recommended that a new position be created, assistant to the president, whose sole function was to implement the programme over a period of several years. The man who was recommended to this higher position had previously held a position one grade lower than an executive vice-president but in his new position was to outrank executive vice-presidents. Not only was this man a person of greater ability but, in addition, he had no reason to defend existing conditions and obstruct improvement. Often the strongest supporters of innovation are nationals in their thirties, who are members of middle-level management and who are holders of MBAs, have done graduate work in national management schools, or have graduate degrees in economics.

Resistance to change by counterparts of executive vice-presidents and senior vice-presidents arises because they do not want to carry heavier burdens, or because they are on the defensive for the inefficient organisation they have fathered and supported in the past, or because they want to deal with customers in person so as to appear indispensable to the boards of directors and place temporary personal benefits above the good of their banks and the economies of their countries.

Strong opposition has been expressed on the basis that certain changes would "upset" executives, or that if an executive delegates authority to make loans or deal with personnel matters "his image will be reduced", or that if top management delegates authority it "abdicates powers", or that if "a senior executive does not personally deal with transactions he cannot keep a grip on what is happening" and that "promotion of older men is preferable to promoting more competent younger men".

Social Conditions, Government Policy and Unionisation: These three conditions can be strong forces in opposition to scientific management. Government policy and unionisation are frequently creatures of social conditions. In some countries it is quickly apparent that there are two or even three people doing a job that could be done by a single person if systems were changed and greater mechanisation were introduced. Yet this is encouraged at the expense of efficiency because of a policy of full employment. As a result, unions with a sympathetic government obstruct the changing of systems and the introduction of mechanisation. Consequently, employees have a lackadaisical attitude to their work, do not work during regular working hours so they can get paid for working overtime, and take time off from work at full pay to demonstrate in front of the banks.

There is nothing the consultant can do about these serious impediments, so he should not waste much time seeking ways to propose corrections. But he could suggest that future union obstruction may be reduced by improving physical working conditions, by introducing policies that will develop human behavioural satisfaction, and by establishing a system for promotions based upon ability rather than on purely personal relationships. In some cases the serious obstruction to national progress caused by destructive union activities must be shared by government and employers as well as by the unions. Governments are responsible because political parties cater to the unions in order to get votes. Employers have

contributed to this state of affairs by stimulating unionisation through the deplorable working conditions and unreasonably low compensation despite the banks' large profits.

Legal Factors: In some countries, legislation and rulings of supervisory agencies are also a serious impediment to improving the efficiency of banks. One of these obstacles is the legal limitation on delegation of authority to approve loans. For example, in India, delegation of authority to make loans must be granted directly by the board of directors with its recipient officer having no power to delegate any part of his own authority to a subordinate. Under the law, the chief executive officer cannot authorise an officer to make loans for as little as one hundred dollars. If the board of directors gives authority to an officer to make loans up to any amount, say five thousand dollars and he authorises a loan for $ 5,001.00, the excess of $ 1.00 has to be confirmed by the board. Generally, the authority given to senior executive officers is less than that given to an assistant vice-president or the manager of a small branch in the US. The illustrations given above applied before the nationalisation of banks several months ago and I undestand limitations of even greater severity have since been imposed. Before nationalisation, boards of directors reserved to themselves the approving of relatively small loans but, in addition, examined details such as rates of interest. Boards, whose members, except for the chairman, were not bankers, used to be concerned in transactional matters that should have been processed and approved by full-time career bankers.

The requirement that boards approve loans exists in many countries and non-banker directors may meet as often as twice a week for this and other purposes. The practice of having untrained men engage in transactional decisions often needlessly delays the final decision on a loan application for weeks or even months.

I would like to give another illustration of the importance of having a good knowledge of legal factors. On one of my undertakings, I spent all my first two weeks on the job studying the Civil and Commercial Code, rulings of the Ministry of Finance, rulings of the Central Bank, the bank's Articles of Incorporation and its by-laws. A number of blind alleys were thus avoided, including the making of the suggestion that chattel mortgages be used. In that country there was no law providing for chattel mortgages, and banks were seriously hurt when banks that thought they had first mortgages on machinery were without collateral. Legislation providing for chattel mortgages had been pending in Parliament for several years but no action had been taken.

Principals' Evaluation of Proposals: In some cases there is resistance to adopting recommendations even though the bank has been seriously injured in the past by competition, incompetence, fraud or defalcation. The principals' failure to evaluate quickly and accurately the importance of the proposals is influenced by reluctance to increase salaries, failure to comprehend fully the risks involved in not making changes, and the practice of needless delay for weeks or even months after a decision has been made to effect remedies.

Opposition to proposed corrections may involve not only controversial changes such as re-aligning the duties of the board of directors and the management structure, but may include such obvious needs such as better protection of cash and securities, double custody, time locks on vaults, adequate systems and controls, cost accounting, position specifications, position evaluation, a standard practice manual, an efficient inspection department, modern equipment, and an adequate number of well-trained competent members of the management team. Although these impediments may seem to present hopeless impasses, they can be usually overcome through the persuasiveness of the consultant.

Competence and Attitude of Staff: Most people can be divided psychologically into two broad groups, a minority who want the challenge of opportunity and are willing to work hard to get to the top, and the majority who do not want to put forth additional effort or carry heavier burdens. In some developing countries those with ambition are an even smaller minority because they have never had the opportunity to climb very far up the ladder toward the top, or because they have not had the training that would equip them to assume greater responsibility.

At times, due to improper training and supervision, employees become lackadaisical, careless and sloppy. The experience of one industrial consultant illustrates this point. He was laying out a plant and had indicated a location for a large piece of machinery. The local people said the machinery would not fit into the proposed site because the machinery was 36 feet long and the space was much smaller. His experienced glance told him that the equipment was approximately 25 feet long and that the space was more than adequate. The local people insisted that their measurement was correct and ran the tape measure along the side of the machinery and it did read 36 feet. However, his examination of the tape showed that 11 feet had been cut out of the centre of the tape and that it had been spliced together. He then had to use his own tape measure to prove that the machinery was only 25 feet long.

The consultant must prepare himself to be patient, understanding and tolerant for this sort of incident through experience and background study.

One of the most difficult parts of an assignment is to convince lower level staff and middle level management that proposals are not only for the benefit of the bank but also for the benefit of the major part of the staff. An obstacle to doing this is the fact that the incompetent will be adversely affected.

Communication and Secrecy: As a general rule there is a substantial area for improvement in US business for communication but it may be almost non-existent in a developing country. The absence of communication applies not only up-stream and down-stream within an organisation, but between customers and banks, between independent accountants and banks and among banks. Some foreign banks are reluctant to ask customers for vital information while branches of US banks in the same country require and receive data to support loan applications. Credit files, as we know them, are rare and decisions on loan applications, even those for moderate amounts, may be made solely upon the personal acquaintance of a member of top management or a member of the board of directors. The tendency toward secrecy may apply to independent accountants too who do little more than meet statutory requirements by periodically determining whether or not the books are in balance. Banks seldom exchange credit information.

Top management is not accustomed to divulging the affairs of the bank, even to key officers. Lack of communication is a major factor in the disinterested attitude on the part of many officers and employees. Seldom are human resources fully utilised by seeking co-operation based upon connecting individual goals with organisational goals. Participative management is nearly always non-existent. Because members of top management and boards of directors make even the minor decisions, middle level officers know very little about policies and objectives. They cannot, therefore, be equipped to accept greater responsibility.

The practice of secrecy and absence of experience in communication may mean at first that vital information is withheld from the consultant. An early undertaking is therefore to convince the principal that the consultant will fully respect his confidence. One way to develop trust is for the consultant to state voluntarily that he will never take up an assignment from the bank's competitor and that he will treat information as though he were a member of the bank.

Relatives and Friends: Family ties are very strong in many countries and it is the practice to place relatives in key positions with little or no consideration to their competence. In some cases, this is done to support them out of their own pockets. Not only does this place incompetence in top management positions, but it also limits employees with outstanding ability to the lower level positions. Placing friends in senior positions is also frequently practised, with little regard to ability.

Language: Lack of fluency in the native language on the part of the consultant does not usually present a major problem because there is a large group of men at senior and middle levels who are fluent in English. Usually, there are several bi-lingual secretaries available to assist in typing recommendations. Nevertheless, it is not unusual to have reports translated into the native language so they can be broken down by sections and distributed to the various officers who are to effect implementation over a period of months.

Delegation of Authority: Concentrating decision-making in the board of directors and top management is one of the greatest impediments in adopting scientific management. The centralisation of authority, even in a large bank, includes the approving of transactions which in this country would be delegated to junior officers. When this matter was discussed with the full membership of a board of a large bank, a minority asked two questions: "If we delegate authority to officers, what will we do", and "How do you prevent corruption?".

The failure to delegate results in several serious weaknesses. Members of top management, performing the duties of technicians, do not have time for the major problems of the bank; middle level management does not learn to make decisions; when minor authority is given to middle level management they do not accept the responsibility but "pass the buck" upstream; and younger capable men lose interest in their jobs.

I have seen cases where the full board of directors meet twice a week to decide on small transactions. The chief executive officer may not make professional decisions but only carries out detailed instructions of the board of directors. Below the chief executive officer, all other officers, including those whose ranks are the counterparts of executive vice-presidents or senior vice-presidents may be mere relay points.

Vocational Training Institutions: Very few countries have industry supported institutions such as the American Institute of Banking or the British Bankers Institute. Even in those countries where they do exist, only a small number of students are accepted each year and curricula are inadequate. Graduate schools of management are rare in most countries and where they do exist they may be sponsored by US foundations and universities.

There is urgent need to adopt scientific management principles in most developing countries. In some countries neither the commercial banks nor the central banks realise that existing policies, systems and organisations are decades behind those employed in other countries. Personal prestige and objectives of some senior officers may be placed above the welfare of banks and the economies of the countries. As a result, nationalisation of the banks becomes a popular and politically justified "football"

Impediments to progress are numerous. The causes of these are usually fundamental and are due to faulty organisation, absence of clear-cut policies, and failure to delegate authority. Seldom is any thought given to participative management or staff motivation. As there is often a shortage of competent officers to whom scientific management skills can be transferred, immediate results on a large scale are not likely to be achieved. Therefore, a programme should be scheduled step by step over a period of several years.

Strategy for Second Development Decade

AN all-out effort to reach agreement on outstanding issues relating to the key elements to be included in a draft international development strategy for the 1970s was made by the Preparatory Committee for the Second United Nations Development Decade at its eighteen-day session which began in New York on May 11. These issues concern the policy measures to be recommended to Governments and international organisations as part of the proposed strategy, and machinery and procedure for review and appraisal of overall performance and progress at the global level.

At its previous five sessions, the Committee reached agreement on an outline for the draft strategy and on a preliminary text for its preambular part. It recommended targets for an overall growth rate and related growth rates, and approved preliminary conclusions on arrangements for the mobilisation of public opinion. The present session is to continue and resume its efforts to reach agreement on outstanding issues under the session's only substantive agenda item: finalisation of the draft of an international development strategy for the Second United Nations Development Decade.

Its attention has been drawn to a series of reports, prepared since its last session. These include a statement on the role of science and technology in the coming Decade; a report on special measures to be taken in favour of the least developed among developing countries; a paper on the social aspects of preparations for the 1970s; and a report on the role of the co-operative movement in the achievement of the goals and objectives of the Second Development Decade. The report concerning the least developed among developing countries was prepared for the Committee for Development Planning, while the other three were prepared for the Economic and Social Council.

At its last session, the Committee undertook a first reading of draft paragraphs on the policy measures to be recommended as part of the proposed strategy. It agreed on a number of points in the texts, and decided to undertake, at its following session, a final reading with a view to reaching agreement on the other points.

The policy measures proposed include a suggestion that each developed country provide the developing countries with financial aid amounting annually to one per cent of its gross product.

Bank Portfolio Management

A Linear Programming Approach

C Rangarajan

J K Satia

A linear programming model is presented here for determining the optimal portfolio of banks.

It is not suggested that such a model is immediately applicable in the Indian situation. However, scope exists for applying the technique for determining the optimal composition of a single asset such as loans.

If, however, rates of interest charged do not vary from loan to loan or if all loans are deemed to bear the same degree of risk, a model like this becomes inapplicable.

IT is an oft-repeated statement that liquidity and profitability are opposing considerations and that portfolio management in banks consists in balancing between liquidity and profitability. Banks' requirement of liquidity in assets primarily arises from the nature of their liabilities. Fluctuations in deposit levels and to some extent in loan demand compel banks to seek an asset mix that satisfies both the criteria of liquidity and profitability. Thus the problem of portfolio management can be deemed to be one of maximising the returns from the assets subject to the condition that the bank is able to meet the demands of its customers. Stated this way, the problem lends itself to an application of mathematical techniques such as linear programming. An *illustration* of this application is given in this paper. It is best to remember that whatever the method adopted by a bank in choosing the assets, there is always an implicit trade off between liquidity and profitability. Techniques such as linear programming bring out explicitly these rates of substitution Such a model as the one presented here can be used not only to decide the optimal portfolio of banks but also to study the implications of some of the restrictions imposed on banks such as the requirement to hold a given percentage of deposits in government securities. This paper in fact originally was written with a view to study whether the requirement to hold 25 per cent of the deposits in approved securities was severe or not.

In the present model[1] a bank is assumed to know the level of its demand and time deposits, its capital and reserves and also the rates of profitability on its assets. It is making a choice among four assets — investments in government securities, other types of securities, bills discounted and loans and advances. The bank is required to follow two sets of restrictions. The first set consists of primary reserve requirement which states that part of the bank's assets must be held in the form of balances with the Reserve Bank and secondary reserve requirement which states that a part of the deposits must be held in "approved securities" as defined in the Banking Companies Act. The second set of restrictions arises out of the judgment of the bank regarding the liquidity to be maintained. Here it takes into account its 'owned' funds, the liquidity of its liabilities and the illiquidity of the various types of assets. It is the second set which needs clarifications.

Restrictions

In specifying the liquidity restrictions, a relationship is established between the 'owned' funds of the bank and the 'liquidity' needs of the liabilities and the 'illiquidity' of the assets. For this purpose 'illiquidity' and 'liquidity' co-efficients are assigned to assets and liabilities respectively. These co-efficients have been decided somewhat arbitrarily. The guidelines in choosing the co-efficients have been the work done on the subject in the US, the existing composition of assets in different classes of banks and the generally accepted nature of the different classes of liabilities and assets.

The following symbols are used:

L_0 = Cash + Balances held with the Reserve Bank + Money at call and short notice

L_1 = Investments in government securities

L_2 = Other securities

L_3 = Bills discounted

L_4 = Loans and advances

K = Paid up capital plus reserves

We formulate an illiquidity index A which is defined as follows:

$$A \equiv .02L_1 + .03L_2 + .06L_3 + .10L_4$$

Similarly we formulate a liquidity index D.

$D \equiv$ .5 (Demand deposits) + .3 (Time Deposits) + Borrowings

Finally a function E(D) is defined. It is an increasing function of D. The liquidity constraint is thus stated as follows:

$$A \leqslant 2K - E(D) \qquad (I)$$

E(D) being an increasing function of D, means that only after a critical level, the constraint becomes operative. The critical value beyond which E is an increasing function of D itself depends on the bank's holdings of primary and secondary reserves. Following Chambers and Charnes, we now specify E(D) as follows:

Let $L_R = L_O + .95L_1$

$L_M = .95L_2$

$L_I = .85L_3$

Then define

$.065\ (D - L_R) = V_R$

$.040\ (D - L_R - L_M) = V_M$

$.095\ (D - L_R - L_M - L_I) = V_I$

We, of course, require, $V_R, V_M, V_I \geqslant 0$

$E(D) = V_R + V_M + V_I$

We can now rewrite (I) as follows:

$$A \leqslant 2K - V_R - V_M - V_I$$

Since we treat L_0 as given, the primary reserve requirement does not enter as a restriction. The Banking Companies Act imposes a condition regarding the minimum holding of 'liquid assets'. Incorporating this, we set down another restriction.

$L_1 \geqslant .25$ (Total demand and time deposits) (III)

There is one more restriction namely that the total value of the assets must equal a given amount

$$\sum_{i=1}^{4} L_i = \text{a constant}$$

Profit Function

The objective function is simply

$\sum_{i=1}^{4} p_i L_i$ where p_i is the profitability of the asset i.

Source of Data

We used the data for the year 1964 relating to all Indian scheduled banks. The source was the 'Statistical Tables Relating to Banks in India' published by the Reserve Bank. We computed the profitability of the assets from the table on Earnings and Expenses. The values of capital, Reserves, Demand deposits, Time deposits, cash, balance with RBI, money at call and short notice were obtained from the same publication.

The Model to be Estimated

The model which we attempted to solve was as follows:

Maximise $3.5L_1 + 2.7L_2 + 5.5L_3 + 6.7L_4$

subject to

$$.02L_1 + .03L_2 + 0.06L_3 + .10L_4 + V_R + V_M + V_I \leqslant 18.00$$

$$-.065L_1 - V_R \leqslant -4.855$$

$$-.039L_1 - .036L_2 - V_M \leqslant -2.988$$

$$-.095L_1 - .085L_2 - V_I - .080L_3 \leqslant -7.096$$

$$L_1 + L_2 + L_3 + L_4 = 249.117$$

$$L_1 \geqslant 62.29$$

Solution

L_1 = Rs 785 crores

L_2 = 0

L_3 = Rs 156 crores

L_4 = Rs 1548 crores

It is easy to see why L_2 does not find a place in the final solution. In our model it is less profitable than L_1 and more illiquide than L_1. If banks do hold L_2, there must be other considerations which we have failed to take into account in our model. We may compare these values with amount held by these banks.

	Solution to LP Model	Actual Value (in Rs crores)
L_1	785	760
L_2	—	62
L_3	156	276
L_4	1548	1390

If there were no liquidity constraints, the banks would have used the entire amount available for giving loans. In that case their profit could have been Rs 160.7 crores. But the profit they would be making under our optimal solution is Rs 140 crores. The difference between the two is what they are willing to bear in order to maintain a 'balanced portfolio'. It is also seen that banks would maintain 32 per cent of their deposits in government securities.

Implication of Altering the Restrictions

If the capital adequacy restriction is made more stringent, it brings about a sizeable redistribution of the assets. The proportion of capital and reserves to total deposits is much lower in India compared to that in US. The 'liquidity constraint' implied in equation (I) was studied by modifying the restriction for different multiples of K. If equation (I) is rewritten as

$$A \leqslant K - E(D)$$

it is found that banks would maintain no loans and that the investments in government securities would be Rs 1486 crores and that in bills discounted would be Rs 1004 crores. The legal restriction of having to maintain 25 per cent of their deposits in government securities becomes operative only when the condition becomes

$$A \leqslant 2.33\ K - E(D)$$

It was pointed out that under the restrictions specified in the model, banks would maintain 32 per cent of their deposits in government securities. If the illiquidity of loans falls, banks would decrease their holdings of government securities. It is found that only when the illiquidity of loans falls from .10 to .08, (keeping the illiquidity of other assets at the original level) the legal requirement relating to government securities becomes operative.

Limitations

In deciding the model we have used the data of the banking system rather than those of a single bank or a homogeneous class of banks. This is not a legitimate application of the technique. The liquidity co-efficients will have to be determined by each bank on an assessment of its liabilities and assets. Also for the model to be of practical application, the assets need to be classified under larger number of categories. However, in theory the most serious limitation is that the model does not attempt to maximise profits over a given time horizon. An inter temporal model is essential because over time the maturity of assets automatically changes and there are costs involved in switching from one maturity to another. Incorporating expectations about future into an asset management planning model is, however, possible.

Practical Difficulties

In a model of the type presented above the estimates of the liquidity co-efficients attached to the liabilities and assets play an important role. Profitability co-efficients of assets are easy to obtain. But the liquidity co-efficients have to be based to some extent upon judgment. Liquidity co-efficients of deposits depend upon the degree of fluctuations in their levels. Illiquidity co-efficients of the assets are far more difficult to arrive at. There is a controversy, for example, in India on the extent of liquidity attached to government securities. Since there is no genuine active market in government securities any liquidity attached to these securities is largely derived from their being used as collateral for borrowing from the Reserve Bank. In theory, the basis for deriving the liquidity co-efficients of financial papers is the extent of the fluctuation in their prices. The co-efficients attached to different types of loans are based on their riskiness and maturity.

Applicability

The larger the number of restrictions imposed on banks by outside agencies such as Reserve Bank, the less the scope for using such a model. Perhaps the model, in its entirety, may not be capable of immediate application in the Indian situation. The technique suggested here can be used as well to determine the optimal composition of a single asset such as loans. Given the degrees of risk and profitability attached to different types of loans, a bank can derive the optimal composition of its loan portfolio. Factors such as regional distribution can be introduced in such a model. If, however, rates of interest charged do not vary from loan to loan or if all loans are deemed to bear the same degree of risk, a model like this becomes inapplicable. In such a situation, the pattern of distribution becomes a result of social considerations.

Notes

1 The model constructed here follows closely the one suggested by Chambers and Charnes. See D Chambers and A Charnes, "Intertemporal Analysis and Optimisation of Bank Portfolios", *Management Science*, Vol 7, also reprinted in K J Cohen and F S Hammer, "Analytical Methods in Banking".

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The Industrial Worker

Some Myths and Realities

Baldev R Sharma

This paper seeks to examine the following widely-held beliefs about the industrial worker in India:

(1) that most industrial workers are migrants from rural areas;
(2) that the rural migrants who move to the city to take up work in industry have either no previous work experience or have worked only in agriculture;
(3) that industrial workers are predominantly illiterate; and
(4) that the proportion of non-Hindus and the lower castes is higher among industrial workers than the corresponding proportion in society as a whole.

On the basis of data from empirical studies of industrial workers by different researchers, the writer contends that these beliefs about the industrial workers are myths. The reality is that the industrial worker in India is predominantly urban, educated, has prior industrial experience and come largely from Hindu families, particularly of the upper castes.

Introduction

THE purpose of this brief paper is to identify certain "myths" and "realities" concerning the socio-economic background of the Indian industrial worker and its effect on worker behaviour. It is my hope that the paper will generate enough discussion through which we can separate reality from myth.

The paper has been divided into three sections. In Section I I have described certain beliefs about the socio-economic background of the Indian industrial worker held by managers and academicians alike. In Section II I will take up each of those beliefs and examine their validity in the light of some empirical evidence that is already accumulating on the subject. In addition, an effort will be made to discuss the *sources* of some of the myths as well as the *functions* these perform for those who hold them. Finally, in Section III, I will discuss the overall implications of the findings of this paper with regard to organisational behaviour. It is my belief that an understanding of the "realities" about the industrial worker will be the first necessary step toward better employer-employee relations in our fast growing industries.

I

Some Beliefs

(1) India is predominantly a rural society. A large proportion (82 per cent) of its vast population lives in small villages and towns. As industries are located mostly in large towns and cities, it is believed that *most of the industrial workers are migrants from rural places.* A complex of factors are believed to operate which make such migration a logical necessity. Some of these are said to be: (i) lack of work in villages; (ii) attraction of well-paid jobs in cities; and, (iii) desire for upward mobility in life.

(2) India is also a predominantly agricultural society. Almost 72 per cent of its population depends, in one form or the other, upon land as the source of subsistence. With the population explosion that India is experiencing, the limited land that is available for cultivation is failing to provide sufficient work for the continuously expanding population. Therefore, the second belief is that *the rural migrant who moves to the city to take up work in industry has either no previous work experience or has worked only in agriculture.* As a result of the "push" from the land and the "pull" of the factory, it is alleged, the industries end up recruiting people who continue migrating "from the field to the factory". A corollary to this belief is that *for most of the recruits to factories it is their first exposure to industrial employment.*

(3) The Indian industrial workers being typically from the rural-agricultural sector, it is further believed (and this is the third belief) that *they are predominantly illiterate.* This is because both facilities as well as motivation for education are said to be lacking in villages.

(4) India is a traditional society. The distinctive features of its tradition are the religious composition of the population and the caste system. In India, more than anywhere else, the occupational activities of people have been greatly influenced by their religious affiliation as well as caste status. Work in a modern industrial organisation comes close to that of a village artisan or a draftsman who has been traditionally either a Muslim or a low-caste Hindu. Therefore, the fourth belief about the industrial workers is that among them *the proportion of non-Hindus and lower castes is higher than the* corresponding proportions in the larger society.

The four beliefs described above give rise to certain additional beliefs. For example, it is suggested that the heart of the Indian industrial worker is still in the village and that this fact leads to some negative consequences for modern industry. For example, it is suggested that the rural migrant to the city still maintains ties with his former home and, therefore, frequently absents from his place of work in order to visit his family and relatives in the village. As the worker is forced to leave his village in order to take up a city job, he considers his job in the factory as a "necessary evil", something that one has to tolerate as long as one needs money. Thus it is alleged that the industrial workers are neither committed nor motivated to adjust to the industrial way of life. And, as a consequence, their efficiency and output are said to be among the lowest in the world.

Each of the four beliefs stated above relates to some aspect of the socio-economic background of the Indian industrial worker. As I said before, both managers as well as academicians widely subscribe to the aforesaid beliefs. But are these beliefs valid? An answer to this question will be attempted in the following section. Meanwhile let me state that man acts in terms of his be-

TABLE 1: DETAILS OF STUDIES OF THE INDUSTRIAL WORKER, 1957-1969

Name of Researcher	Year of Study	Industries Covered	Location	Sample Size
(1) Richard D Lambert	1957	(1) Textile (2) Paper (3) Engine (4) Biscuit (5) Rubber	Poona (Maharashtra)	821
(2) K N Vaid	1964	(1) Chemical (2) Engineering (3) Railway Manufacturing (4) Utilities and Services	Kotah (Rajasthan)	462
(3) Baldev R Sharma	1965	Automobile	Bombay (Maharashtra)	262
(4) R C Goyal	1968	(1) Textile (2) Chemical (3) Engineering	Ahmedabad, Anand, Baroda, Nadiad, Surat (Gujarat)	298
(5) Baldev R Sharma	1969	Aircraft	Bangalore (Mysore)	213

liefs at a given point of time without waiting to verify the validity of those beliefs. In fact, it is often found that even those who attempt to cognitively map and validate their beliefs do so in a selective manner. Thus one usually seeks evidence which seems to confirm one's beliefs, and the evidence which seems to challenge the validity of a certain belief is conveniently overlooked or treated as an exception to the rule! Therefore, regardless of whether the aforesaid beliefs are valid or not, we must know them in order to understand organisational behaviour.

It is my contention in this paper that the said beliefs about the Indian industrial worker can be termed more as "myths" than as "realities". In other words, *my* belief is that none of the four assumptions stated in this section is correct, at least not without qualifications. In the next section, I will present data of my own researches and from those of others to examine in greater detail the said beliefs.

II
Research Findings

There are at least five comprehensive empirical studies of the industrial worker in which different authors have covered a number of industries at various locations in the country. These are listed in Table 1. Let us now look at the findings of the five studies listed in the Table and, then, examine the validity of the four beliefs described in Section I. Table 2 gives data on the socio-economic backgrounds of the 2,056 workers interviewed for the five researches.

Rural Urban Background: The proportion of workers coming from rural background is no more than 57 per cent in any of the four studies for which the relevant evidence is available, while in one case it is as low as 27 per cent. In other words, a significant proportion (43 — 73 per cent) of the workers are drawn from urban areas. Also, among the four studies the two showing the highest proportion of urban workers are concerned with highly advanced technologies, i e, aircraft and automobile industries. But even in Kotah, Rajasthan, which is relatively less industrialised, as many as 43 per cent of the workforce studied hails from urban centres. It should be clear from this evidence that industrial workers do not come predominantly from villages.

Occupational Background: For a vast majority of the Indian industrial workers their present company has not been their first employer, for most of them joined the present company with some previous experience in the job market. Also, the previous experience of the workers has been mainly in urban occupations. Between 44 and 68 per cent of all workers had previously worked in industrial or mechanical jobs; another 5-28 per cent had experience in business and services; and no more than 14 per cent in any of the four studies had ever worked in agricultural occupations. Such a heavy emphasis on prior industrial experience clearly reflects a deliberate attempt on the part of managements to favour such experience over that of a farm worker.

Educational Background: A total of 41 per cent of adult males (15 years and above) are able at least to read and write. In other words, the illiteracy rate among this category of the Indian population is as high as 59 per cent. As against this, the proportion of illiterates among the five studies under discussion did not exceed 32 per cent, while in three of the five studies it was no more than 10 per cent. Thus between 68 and 94 per cent of the workers interviewed could read and write. But their educational attainments were not confined to a mere ability to read and write. Rather, most of the workers have had some formal education; the average level of education is reported to be between 4 and 8 years of school. This indicates that recruitment to industrial jobs is highly selective and not random.

Religious and Caste Background: The four studies which contain the relevant data show that the Hindus constitute the bulk of the industrial workforce in India; their proportion ranging between 69 and 92 per cent. Similarly, the proportion of upper castes among the Hindu workers is also quite high (44-77 per cent). Obviously, neither the Hindus in general nor the upper castes in particular consider factory employment too degrading to take up as a career! The fact of the matter is that industrial employment is among the best-paid and, therefore, the much-sought-after career today. More on this point will be said shortly.

We have seen in this section that the Indian industrial worker is predominantly urban, has previous work experience in non-agricultural jobs, is educated, and is typically an upper caste Hindu. These findings are based on five independent studies spread over a dozen years and covering an equal number of industries located in 9 cities. The number of workers interviewed in the five studies was 2,056 and they represented the broad spectrum of industrial occupations and skill levels. The 9 cities included, besides Bombay, towns and cities of different sizes and varying degrees of exposure to industrialisation. It is therefore safe to assume that the findings of these studies are fairly representative of industrial workers in India.

The findings reported in this section clearly show that the four beliefs listed in the previous section are no more than "myths". The question is: what creates and sustains these myths? I have no documentary evidence in support of what I am going to say, but let me attempt to answer this question by offering two of my hunches.

First, there are very few sociological researches done on the factory workers in India. Even the few studies that I have tried to bring together for this paper may be largely unknown outside limited academic circles. There is little or no encouragement from industry to conduct such researches. Perhaps this is because labour in India has been treated as a more or less "expendable" commodity, something which is always there and can therefore be taken for granted! In the absence of empirical data, it is perhaps natural to assume that the composition of industrial workforce generally parallels the composition of the society. In other words, it is believed that new entrants to factories are by and large *randomly* drawn from the society in which the factories are located. It is my experience that far from being random, recruitment to industrial jobs is a highly *selective* process. This is hardly surprising if we remember that these workers have to operate delicate and costly machines and handle expensive products. The technological requirements of most industrial jobs, therefore, make it impossible for a raw hand, especially one with a rural-agricultural background, to fit into the industrial system except as a manual labourer in a few unskilled jobs.

Second, a management faced with problems like low productivity, high absenteeism, low morale, and high indiscipline must come up with an "explanation" therefor. The first and perhaps the most persuasive explanation of such problems is to attribute them to the workers. This is because it is the worker who gives high or low output, comes to work or abstains from it, has high or low morale, and acts in a disciplined or indisciplined manner. The workforce is thus the most "obvious" factor contributing to the problem of industry. True enough. But does that really explain everything? Are the causes of human behaviour in fact so "obvious" and so easy to identify? The problems of low productivity, high absenteeism, low morale, and high indiscipline could *also* be the result of, shall I say, poor management! Certainly, it is easier and much less painful to use as a scapegoat the traditional background of the Indian industrial worker, real or imagined, than to examine one's style of management, personnel policies, production planning and control, etc. If the latter are not important, and if the onus of being a disciplined worker is entirely on the worker, then what is left for the manager to do?

III
Discussion and Implications

Having shown the fallacious character of the various beliefs commonly held about the Indian industrial worker, let me now present some additional facts about him. Table 3 shows findings of the five studies already discussed with regard to three *additional* variables. The new evidence throws light on those aspects of worker behaviour which reflect the degree of the worker's commitment to industrial work as well as to the present employer.

Most of the workers included in the five studies are in their early thirties, their average age ranges between 30 and 35 years. This relatively young age of the industrial workforce reflects, more than anything else, the recentness of industrial development in the country.

An examination of the length of employment of workers reveals that they have been continuously working with their present employers for a period of 8-10 years on an average. When seen in the light of the young age of the workforce, the seniority of 8-10 years at a single organisation is highly significant. The general conclusion suggested by this piece of evidence is that the several industries covered by the five different studies are not plagued by the problem of high turnover. Generally it is the youthful worker (in his twenties or thirties) who is willing to take risks flowing from frequent job changes. We have seen in the present example, however, that most of the workers in the five studies were in their thirties and yet they had continued working with one employer for 8-10 years.

The relatively long employment of the workers with a single employer can mean at least two things: one, that he is satisfied with his present employer and, two, that he is committed to the industrial sector of employment. Therefore, the view that the rural origins and the backward orientation of the workforce result in dysfunctional behaviour (e g, frequent job changes or high turnover) is not borne out by the

TABLE 2: SOCIO-ECONOMIC BACKGROUND OF THE INDUSTRIAL WORKER, BASED ON FIVE STUDIES LISTED IN TABLE 1

Background Characteristic	Lambert (Poona) 1957	Vaid (Kotah) 1964	Sharma (Bombay) 1965	Goyal (Ahd, etc) 1968	Sharma (Bangalore) 1969	All 5 Studies
(1) *Rural-Urban Background*						
Per cent Rural	N K	57	47	52	27	32
(2) *Occupational Background*						
Per cent Industrial	44	N K	47	67	68	52
Per cent Business/Services	16	do	28	12	5	16
Per cent Agricultural	3	do	14	2	—	4
Per cent No Experience	37	do	11	19	27	28
	100		100	100	100	100
(3) *Educational Background*						
Per cent Illiterate	32	28	9	10	6	22
Average Education (Grades)	4	5	6	7	8	5
(4) *Religious Background*						
Per cent Hindus	92	N K	69	91	77	86
Per cent Upper Castes	50	47	67	48	77	54

N K = Not Known.

TABLE 3: FURTHER DATA ON THE INDIAN INDUSTRIAL WORKER

Characteristic	Lambert (Poona) 1957	Vaid (Kotah) 1964	Sharma (Bombay) 1965	Goyal (Ahd, etc) 1968	Sharma (Bangalore) 1969	All 5 Studies
(1) Average age of worker (years)	32	30	31	35	32	32
(2) Seniority in the company (years)	8	N K	8	10	10	9
(3) Per cent of workers from out-of-State	40	40	35	18	35	36

evidence presented in this paper.

Some further evidence seems to support the above conclusion. It is well known that the geographical mobility of the Indian population is highly restricted. Whatever mobility does take place is usually confined to one's linguistic region. As against this picture of the general population, the pattern of mobility of the industrial workers stands in sharp contrast. More than one-third (36 per cent) of the workers interviewed are drawn from States other than the one in which they are working at present. In other words, people travel far and wide and do not mind taking up industrial jobs at places away from their home States.

To sum up, the industrial workers in India are predominantly urban, educated, have prior industrial experience and come largely from Hindu families, particularly of upper castes. On an average, these workers are in their early thirties and have about 9 years' continuous seniority at the present organisation. More than one-third of them belong to States other than the one in which they work at present. There is evidence to suggest that these workers are sufficiently interested in industrial work. They reflect their commitment to industry through such behaviour patterns as continuous employment with one employer for 9 years as well as out-of-State mobility in search of industrial occupations.

What, then, are the implications of these findings? As I see them, the first is the pressing need to know the real person that is the industrial worker. Continued belief in the myths about the industrial workforce will help neither the management nor the worker. Such an understanding is a must for proper manpower planning as well as efficient selection policies. But an even greater pay-off will be in the sphere of motivation of the employees. I will elaborate this point next.

The Indian industrial worker is essentially an urban-industrial man. In view of his unique background and other characteristics described above, he has certain special needs which are perhaps not fully recognised by the managements in view of their wrong image of him as shown in the preceding sections. The emoluments that this worker draws are not desperately poor; the average monthly emoluments for the workers studied were in the vicinity of Rs 200, while in three of the five studies quoted here the average emoluments ranged between Rs 234 and Rs 272 per month. Relatively speaking, this could be considered a decent salary for the given population. Therefore, there is every reason to believe that a career as industrial worker is quite attractive and much coveted. The legislative provisions and the emergence of unions act as powerful levers against arbitrariness on the part of the management. Therefore, the workers by and large are not unduly anxious about the safety of their jobs.

Given the situation where both the physiological and the safety needs of workers are more or less satisfied, they are likely to be increasingly concerned about ego needs. It is my observation that the social and psychological needs of the industrial worker remain largely unsatisfied. These workers want jobs which provide them with challenge, which allow them to use their abilities and talents, and which enable them to get "involved" with their tasks. The cry of the day is not escape but greater involvement, not apathy and indifference but active participation. And this is true not only of the industrial workforce but of other segments of the society as well. To some extent it is a global problem, a problem of our age.

How can the managements respond to such a challenge? How can they provide the necessary conditions in which the worker can find greater ego-involvement? I submit that there are at least two different ways to tackle this problem. One, the management can consider the extent to which it is willing to involve its employees in the process of decision-making. Two, the management can examine from time to time the organisation of work and job design for various tasks. These two points are briefly discussed below.

Earlier in Section II I had said that low productivity, high absenteeism, etc, could result not only from low motivation on the part of the workforce but also from poor management. For example, the workers may feel aggrieved if they are kept out of the process of decision-making, especially in matters that directly affect their lives while at work. Lack of opportunities to participate in the process of decision-making gives the worker a feeling of "powerlessness", which is one of the aspects of alienation of modern man.

Similarly, in the name of efficiency and scientific management, industrial jobs are being continuously fragmented into ever minute parts. This type of division of labour has undoubtedly led to a phenomenal increase in productivity and reduction in costs. However, one of the latent or unintended consequences of this process has been to deprive the worker of a chance to use his own abilities and talents in the performance of tasks assigned to him. His job becomes such a minute segment of the total production process that he fails to find any meaning in it. This feeling of "meaninglessness" is another dimension of alienation of man.

Let me conclude this paper by saying that management must choose between "soft options" and "hard choices". It is certainly easy to pick the social, the cultural or the economic background of the worker and blame it for the ills of the business organisations. It is hard indeed to critically examine one's own philosophy of management, and even harder to change it when a change becomes necessary. But in the long run success in business (or for that matter in life) is known to come only through "hard choices" and not "soft options".

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Monopoly and Public Policy

V V Bhatt

Recent public discussions on the problem of monopoly rest largely on the naive and unproven assumption that both monopoly and monopoly capitalism are undesirable both from the point of view of growth and from that of other social objectives. There is no analytic assessment of the objective situation which has lead to these phenomena nor is there any objective interpretation of their role in such industrial development as has occurred so far.

It is argued in section I of this paper that pure monopoly as defined in the text-books is a rare phenomenon and that in a large number of cases short-run monopolistic practices and gains reflect the operation of the competitive principle and represent, in fact, the most powerful engine of growth. To found a family industrial empire is a powerful motivating factor for economic development and, given the distribution of entrepreneurial talent at a given place and time and the objective economic environment and policies, it is natural to expect a few family empires at the top of the economic structure; but it is not often realised that the composition of these families change over a period of time (section II).

It is true, however, that the planning process and related policies restrict the operation of the competitive principle and result in strengthening the pure monopoly elements in the market structure of a commodity; if policy goals and policies are not rationally formulated, the planning process itself may strengthen the monopoly elements in the economic structure. Appropriate policies to eliminate the effects of such monopoly elements in the Indian context are discussed in section III of the article.

THE monopoly problem as it has been discussed in India for the last few years has two facets: One is the traditional problem of monopoly proper and the other is the reserve of concentration of economic power or monopoly capitalism. The discussion on monopoly problem is as old as industrial capitalism itself and is being discussed since the days of Adam Smith in all capitalist countries. The problem of monopoly capitalism in its relation to the theory of imperialism was discussed by the neo-Marxists in the first two decades of this century; but the nature of the problem as discussed in India is completely different and is a novel, specifically Indian, contribution to public discussion and debate.

Unproven Assumption

Beyond establishing a few facts, however, there has been no serious analytical discussion in the context of economic development of either of the two problems. In the public discussions, there is a naive unproven assumption that both monopoly and monopoly capitalism, as defined, are not desirable either from the point of view of growth or of other social goals; but there is no analytic assessment of the objective situation which has led to these phenomena nor is there any objective interpretation of their role in such industrial development as has occurred so far. The attack on these two problems represents political criticism, which again is a reflection of the shifting political weights.

And political criticism cannot be met effectively by rational argument. Utilitarian reason is in any case weak as a prime mover of group action; in no case is it a match for the extra-rational determinants of conduct.[1]

It is argued in Section I of this paper that pure monopoly as defined in the text-books is a rare phenomenon and that in a large number of cases, short-run monopolistic practices and gains reflect the operation of the competitive principle and represent, in fact, the most powerful engine of growth. To found a family industrial empire is a powerful motivating factor for economic change and development and given the distribution of entrepreneurial talents at a given place and time and the objective economic environment and policies, it is natural to expect a few family empires at the top of the economic structure; but it is not often realised that the composition of these families change over a period of time (Section II). However, it is true that the planning process and the related policies restrict the operation of the competitive principle and result in strengthening the pure monopoly elements in the market structure of a commodity; if policy goals and policies are not rationally formulated, the planning process itself may also strengthen the monopoly elements in the economic structure generally. Appropriate policies to eliminate the effects of such monopoly elements in the Indian context are discussed in Section III.

I
Monopoly Problem and Economic Theory

Political views with regard to the monopoly problem are to some extent shaped and buttressed by reference to economic theory. With regard to purely static equilibrium or stationary conditions generally, it is rightly postulated by economic theory that prices under monopoly would be higher and production lower than in the case of perfect competition. As economic theorems under given assumptions, these conclusions are correct. But when one tries to apply them to economic reality and to the process of economic evolution generally, nothing but error can result. In fact, it is not realised that the operation of the competitive principle is absent not only in a monopoly situation but also in a situation of perfect competition. Both are mere descriptions of market structures. "Monopoly is a market situation in which intra-industry competition has been defined away by identifying the firm as the industry. Perfect competition, on the other hand, is a market situation which, although itself the result of the free entry of a large number of formerly competing firms, has evolved or progressed to the point (of equilibrium) where no further competition within the industry is possible, or, in the words of A A Courrot, its intellectual parent, to the point where the effects of competition have reached their limit."[2]

The concept of perfect competition, thus, is a pure analytic construct, which has no relevance to actual reality and, what is more significant, implies complete absence of competition, which as a behaviour concept has been regarded as the central principle governing economic conduct. On the other hand, the traditional Courrot-Marshall theory of monopoly as extended and amended by later authors hold only if we define it as a situation in which there is a single seller who faces a given demand sche-

dule that is severely independent of his own action as well as of any reactions to his action by other concerns. It must be obvious that such monopoly power to exploit at pleasure a given pattern of demand — or one that changes independently of the monopolist's action and of the reactions it provokes — cannot last in the process of economic evolution unless buttressed by public authority. Even in the case of a single seller, he has first to build up the demand for his product and then to defend it against competition.[3]

Independent of Number of Sellers

Thus effective competition as a principle of behaviour is independent of the number of sellers. There could be competitive behaviour even with one seller. For, the competitive behaviour that is relevant for economic development is not the price or quality or selling competition that could prevail in a situation of what is called monopolistic or imperfect competition under conditions of invariant demand and production techniques. This sort of competition would merely result in smaller output of given commodities and smaller size of each individual firm.

The competition or competitive behaviour that is relevant for the process of growth is not this type of competition where new entrants encroach on an already established market, as say, in retail trade. Such behaviour does not benefit the consumers or result in economic growth. In retail trade, for example, the competition which matters arises not from additional shops of the same type, but from the department store, the chain store, the mail order house and the super market.[4]

In economic literature, even when competitive behaviour is discussed, "it is still competition within a rigid pattern of invariant conditions, methods of production and forms of industrial organisation in particular, that practically monopolises attention. But in capitalist reality as distinguished from its textbook picture, it is not that kind of competition which counts but the competition from the new commodity, the new technology, the new source of supply, the new type of organisation (the large-scale unit of control for instance) — competition which commands a decisive cost or quality advantage and which strikes not at the margins of the profits and the outputs of the existing firms but at their foundations and their very lives. This kind of competition is as much more effective than the other as a bombardment is in comparison with forcing a door, and so much more important that it becomes a matter of comparative indifference whether competition in the ordinary sense functions more or less promptly; the powerful level that in the long run expands output and brings down prices is in any case made of other stuff."[5]

This type of competitive behaviour is inconsistent with perfectly free entry. In actual fact, such free entry is inconceivable and even if it were a reality, it would make it impossible to enter a new field at all. The motivating factor behind such innovations is the prospect of attaining monopoly positions and gains; for, without such a prospect, there would be no compelling motive to do new things. There is a certain amount of risk and uncertainty in entering new fields and if there were no possibility of such gains and other activities which could provide a sort of an insurance cover, there would be no competitive behaviour of the type envisaged. "Large-scale plans would in many cases not materialise at all if it were not known from the outset that competition would be discouraged by heavy capital requirements or lack of experience or that means available to discourage or checkmate it so as to gain the time and space for further developments. Even the conquest of financial control over competing concerns in otherwise unassailable positions or the securing of advantages that run counter to the public's sense of fair play . . . move as far as long-run effects on total output alone are envisaged, into a different light . . . In a socialist society that time and space would be no less necessary. They would have to be secured by order of the central authority."[6]

Such monopolistic practices are an integral part of the process of innovation and change; what may appear at first sight as predatory and exploitative price and output policies are in a large number of cases incidents, often unavoidable incidents, of a long-run process of expansion which they protect rather than impede. There is no more of paradox in this than there is in saying that motor cars are travelling faster than they otherwise would because they are provided with brakes.[7]

Of course, there would be cases of pure monopoly or monopolistic practices of the traditional type, which are injurious to economic growth generally. And doubtless, public regulation of such monopoly power and practices is necessary in such cases. Further, the process of planned development itself tends to create and even to safeguard monopoly positions; and in these cases, what is necessary is not mere regulation of the conventional type but such institutional devices and active policies as may promote productive efficiency as well as innovations. Thus the argument so far does not amount to a case against public regulation. However, "it does show that there is no general case for indiscriminate trust-busting or for the prosecution of everything that qualifies as a restraint of trade. Rational as distinguished from vindictive regulation by public authority turns out to be an extremely delicate problem which not every government agency, particularly when in full cry against big business, can be trusted to solve."[8]

II
Concentration of Economic Power

Concentration of economic power as an aspect of the monopoly problem is a novel theme and is a specifically Indian contribution to the literature as well as public discussion on the problem of monopoly. Marx was the first economist to draw attention to this aspect of capitalism by his Theory of Concentration and he saw it clearly as an integral part of the working of the capitalist process; to the latter process he ascribed a revolutionary role — the revolution in question is the "constant revolutioning of production" — and to this dynamic process, he attributed the trend towards concentration. The neo-Marxists developed during the first two decades of this century their theory of imperialism as the last stage of this process.

Later on, the problem of monopoly capitalism was hardly discussed except in Marxist literature. This problem came to be discussed in India in the late fifties as concentration of economic power in the hands of a few big business houses as a result of the pioneering study of the corporate sector made by R K Hazari.[9]

But all that this discussion has done so far is to identify a few facts about the control of business enterprises by the first twenty or seventy-three or seventy-five big business houses. For example, the Report of the Industrial Licensing Policy Inquiry Committee identified seventy-three big business houses and their share in paid-up capital in 1958-59 and in proposed investment on machinery in the total private corporate sector at about 45 per cent and 56 per cent, respectively.[10] There has been, however, no real discussion on the relevance of this phenomenon to past history, current objective situation and policies, and industrial development as has occurred so far. Nor has there been any attempt at any analytical study of these industrial houses — their origin, their entrepreneurial vigour, the manner in which they have reached the present stage. Again, there has been no appraisal of the relative performance of these business houses and the factors accounting for their differential performance.

In the public discussion, it is generally assumed that these houses have grown just because of the command over real resources they possessed and their influence on the financial institutions as well as on government policies, including policies with regard to licensing. Histories of industrial families that are available do not support the hypothesis that these factors represent both the necessary and the sufficient conditions for the growth of business houses. In the competitive situation of the type described earlier, it is of course quite natural for each business house to attempt to obtain a competitive advantage over the rest with regard to all the objective opportunities available, including the getting of industrial licences and assistance from financial institutions.

Not Evenly Distributed

Entrepreneurial ability like all other abilities is of course scarce and is not evenly distributed. In all fields of life, there are always only a few at the top and therefore it is not surprising to find if it is so in the entrepreneurial field also. Further, the composition of the top bracket — in this case the business houses — does change and the process of rise and fall of families in any field to and from the top does take place. It was so even in feudal society and has been so during the capitalist era.[11]

In the Indian situation, as elsewhere, the entrepreneur has always implemented his schemes *via* plough-back of profits as well as other people's money *via* the corporate form of organisation or financial institutions. It is, therefore, natural to find that the entrepreneurial impulse in the Indian context worked through inter-corporate investments and reliance on the financial institutions.

To establish that the success of a business house was due to its entrepreneurial vigour does not amount to approval of its moral worth; from many points of view — religious, aesthetic, moral — it may have to be evaluated in a negative sense. Even then, such success may be the only instrument at the disposal of society for economic development. This aptitude and this success are no less essential even if business is to be managed by the public sector.

In the business success of a family, there is another aspect to be borne in mind, and that is the process of entrenchment. Success breeds success; prestige once acquired assumes a life of its own. A successful family, for example, has a high credit rating with financial institutions and even with government. Further, success brings in its wake important functional positions (like directorships in other concerns and the like) and other powers over material resources. Thus the position of an individual becomes entrenched and with it that of the family. This process of entrenchment may prove a handicap for other potential entrepreneurs and thus to society generally, particularly if the family's entrepreneurial vigour has diminished and its continuing success is due to this process of entrenchment. It is with regard to this process that public policy has relevance.

Public policy has even greater relevance in a situation where actual or potential competition is restricted due to the requirements of balanced planned development. What is essential, in this context, is a set of policies that would help in identifying potential entrepreneurial talent and fostering its growth. Further, to the extent to which public sector can attract such talent and in cases where it has to bear the burden of financing as well as the inherent risks as also in cases where the social goals are paramount in contrast to private profit, there is strong case for the expansion of the public sector enterprises. There could also be cases where the concentration process is indeed the result of continuing real entrepreneurial vigour and is indeed a powerful engine for growth *per se* but there are other equally important social goals like the functioning of a real democracy for the success of which any type of concentration of power is considered undesirable. In such cases, it should be the endeavour of the State to harness entrepreneurial talents for the successful functioning of the public sector; not availing of established talents that are available would indeed amount to destroying national assets.

III
Public Policies

It has been argued in the earlier two sections that pure monopoly elements are rare in the functioning of the capitalist process in a mixed economy and that in a large number of cases the so-called monopolistic practices and even concentration of economic power are an integral part of the process of economic development. But it is also true that in a planned process of development the state itself on the one hand reduces the risk and uncertainty faced by entrepreneurs by its commitment to development goals and on the other confers monopoly power to the enterprises through its various policies like industrial licensing. For both these reasons, the state can justifiably demand efficient performance by the business class from the point of view of the social objectives of development. Further, in the long-term interest of the development process itself, it is justified in identifying and fostering latent entrepreneurial talents; this is also essential from the point of view of its employment objective as well as its objective of reducing concentration of economic power. For the latter objective, it may also be necessary to break up — without affecting adversely entrepreneurial vigour — big business houses and promote public sector enterprises, where necessary; however, proven entrepreneurial talents of the big houses are a national asset and it would defeat all development objectives if they are not harnessed for the development of public sector enterprises or joint enterprises. The question, then, is about the policy instruments at the command of the State for attaining these objectives.

Tax Policy

(1) There is no policy instrument at present for inducing efficient performance of already established productive enterprises. Tax policy can doubtless provide some incentive for productive efficiency if the corporation tax is linked in some way with the rate of profit, defined as the ratio of profits (net of depreciation) plus interest payments to paid-up capital plus all reserves plus all borrowing. If the norm of the profit rate is fixed at 20 per cent — as it should be if the desired industrial growth rate is to be 8 to 10 per cent per annum — tax policy could be such that the tax rate is lowered by one percentage point with each one percentage point excess of the actual profit rate over the norm. This incentive should apply to units in both the public sector as well as the private sector.

(2) At the same time, there needs to be some machinery which makes a continuing study of the cost structure of the medium and large companies in

both the sectors. It could keep as a norm the cost-structure in some developed countries like Japan and West Germany and compare the actual cost structure in India with this norm. It could try to identify the areas where cost reduction is possible and goad the enterprises to make such efforts at cost reduction. At the same time, it could offer concrete problems in this regard for research to the technical research institutes and pass on the research results to the enterprises. The proposed Bureau of Industrial Costs and Prices would be the proper machinery for the purpose. This Bureau should also be responsible for determining the extent of export subsidy to each exporting enterprise. It could also suggest broad guidelines for price fixing and wage and income policies. This Bureau could serve as a countervailing power in cases where monopolistic or oligopolistic market conditions prevail by setting norms of productive efficiency, costs and prices. With these functions, the Bureau could function as an arm of the proposed Monopolies and Restrictive Trade Practices Commission by referring refractory cases of monopolistic practices to this Commission.[12]

Licensing Policy

(3) The new industrial licensing[13] policy aims at encouraging new entrepreneurs in both small scale and medium size enterprises. Investment projects with a fixed cost of Rs 1-5 crores are more or less reserved for new entrepreneurs and would be liberally licensed for entrepreneurs other than those belonging to the Larger Industrial Houses except where foreign exchange considerations require careful scrutiny. Again, as suggested by Hazari,[14] investment projects upto Rs 1 crore of fixed investment would not be subject to licensing procedures if this investment does not require foreign exchange exceeding Rs 10 lakhs; such projects cannot be taken up by the Larger Industrial Houses. This policy seeks to promote new small-scale enterprises; however, since a small-scale industry is defined as one with fixed investment in plant and machinery upto Rs 7.5 lakhs, it is a question how the policy of reservation of fields for small-scale industries would be consistent with this new licensing policy. A way out would be to define small-scale industry as one with fixed investment of Rs 1 crore or less.

This new policy would doubtless encourage potential new entrepreneurs. Again it would not be inconsistent with growth as there is a provision for licensing projects even in the middle sector by the Larger Industrial Houses in exceptional cases. The question that arises is: since available resources would first be pre-empted for the core and heavy investment sector — largely in the public sector and in the sector of Larger Industrial Houses — the resources left for the rest may not be adequate. In these circumstances, what criteria would be used for the selection of projects is the question.

Role of Financial Institutions

This problem has to be faced. In the absence of any priority criteria for the middle sector and the exempt sector, other policy instruments would have to be used. It is here that the government-owned financial institutions can play a role. It should be their responsibility to choose, in the light of available resources, the most efficient investment projects. The major objective should be the internal rate of return and no project should be selected which does not promise a rate of 15-20 per cent annual return. Again with regard to the foreign exchange requirements, it would not be a wise policy to introduce strict licensing by the back door by compelling all projects with foreign exchange requirements to apply for import licences. For meeting this situation, a policy of dual exchange rate would be much less arbitrary than licensing and would at the same time promote rational allocation of resources.

If the financial institutions are to perform the role assigned to them, they should be in a position to appraise project proposals and keep a watch over their implementation. Further, in order to promote new enterprises particularly in the field of small-scale industry, they should be in a position to formulate new project ideas, identify new projects and formulate them. Thus they can induce new entrepreneurs to take up these well-formulated projects and in this process, also provide technical and managerial guidance. All these tasks can be assigned to State Financial Corporations who should be in continuous touch with the "lead" banks in their respective areas.

It is worth emphasising that strict licensing for the core and heavy investment sectors would be rationally implemented only if (a) rational criteria for the selection of projects are formulated and (b) machinery devised for proper supervision of the projects at their implementation stage.

(4) The new licensing policy rightly discriminates against the Larger Industrial Houses. However, it assumes that these Houses have come to stay and would continue to exist. This is not a valid assumption. Even in the normal course, these Houses would break up with the break up of the present extended family system; in a generation or so, the present families would break up for obvious reasons and as with the fragmentation of land, the industrial houses would also be fragmented. Further some of them would lose in course of time the entrepreneurial vigour that they are showing now.

Apart from this normal process, it is also possible to break up these Houses by appropriate policy measures. It is well known that the control exercised by a Business House is largely through inter-corporate investment. It can be made obligatory on a Business House to sell its shares — held directly by individual members of the House or by companies directly controlled by them — of the companies under its indirect control to the LIC and the Unit Trust, or in the market. The general provision should be that no company should continue to hold shares of other established companies. If the company Law is suitably amended in this matter, it should be possible to reduce the size of the Larger Industrial Houses substantially.

Role of Banks

(5) This policy can also be implemented through the nationalised banks. The banks, while granting short-term advances for inventory holding, should assure themselves that the company's own resources are not locked up in loans and investments in shares of the other companies. Many established companies have adequate resources for financing their inventories; still they approach the banks for short-term advances, while investing their own resources in the shares and securities of other companies. In such cases, the banks should compel these companies to liquidate their inter-corporate investments and use their own resources for inventory holding. For this purpose, the key figures to be looked into are those relating to loans and advances and investments (other than current assets) in a company balance sheet. There are a number of cases where this figure is more than 20 per cent of the net worth of a company and in some cases, it is even equal to its net worth.

If the suggested policy of not granting short-term advances to companies unless they liquidate their inter-corporate investments is implemented, the bank resources would be released for other purposes. These resources can be used by the banks to grant term loans for new investment projects. The Big Business Houses did play a vital promotional role in formulating and implementing new projects on the basis of resources generated in the companies under their control. This has to be recognised. If this important function is to be performed, the banks should be in a position to grant term loans on an extensive scale. If the banks cannot perform this function because of their lack of specialisation in this field, they should be made to invest the released resources in the bonds of the term lending institutions. The latter should, of course, have well-equipped personnel for appraising project proposals; the IDBI, in fact, is supposed even to identify new projects and formulate new project proposals.

Term Lending Institutions

(6) The term lending institutions should function as real development banks. Their assistance should be in the form of both equity participation and term loans and they should take active interest in the supervision and implementation of projects as well as efficient functioning of enterprises supported by them. They should be represented in the board of directors of the enterprises they assist. Further, they as well as the banks should not merely look at the capacity to repay of the concerns but should also goad the enterprises to improve their productive efficiency. They will be able to do this only if they formulate rational criteria for appraising the project proposals as well as judging the performance of established enterprises. The banks at present are concerned only with repayment ability of the concerns they assist; they have to evolve, in the new context, sound criteria to judge the overall performance of the enterprises relying on bank credit. In this task, the information and analysis supplied to them by the proposed Bureau of Industrial Costs and Prices would be of considerable help. The banks, the term lending institutions and the Bureau should develop harmonious relations and each could assist the other in evolving a progressively innovative industrial structure.

(7) At present, practically all the important term lending institutions excepting the Industrial Credit and Investment Corporation (ICICI) are owned and operated by the government; even the ICICI's policies are formulated in consultation with the Industrial Development Bank of India (IDBI). The State Bank of India has been owned by the state for more than a decade now. With the nationalisation of fourteen commercial banks, a major and significant part of the financial institutions is within government control.

Thus the key sector of the economy — the real commanding height — is under direct and effective government control. If this sector is managed efficiently and with imagination, practically all the sectors of the economy would come within the purview of effective government control and direction.

Great Possibilities

This development is pregnant with great possibilities. If these institutions are managed with imagination, vigour and entrepreneurial spirit, they can provide the necessary dynamism to the economy for rapid growth and at the same time function as an effective countervailing power against any degree of concentration of economic power in the private sector. However, if the top personnel in these institutions become rule-bound, immersed in routine and red-tape and conservative, they can as well retard development; if they become power-intoxicated and use the monopoly power at their disposal in a manner of traditional monopoly and exercise their control merely for controlling, in short, if they lack real entrepreneurial impulse, they could lead the economy on the path of stagnation.

The crucial decision then would be with regard to the type of personnel that are to manage them and the spirit in which their policies are to be formulated and implemented. If the economy is to be suffused with a new spirit of enterprise, initiative and daring for attaining plan objectives, this decision has to be rightly made.

With this set of policies, the Larger Industrial House would acquire a different socially acceptable and progressive role. Firstly, the size of the House would be reduced. Secondly, its control over companies cannot be used for socially undesirable objectives. Thirdly, the financial institutions would assume a key role in the selection of projects as well as in goading — as only a banker can do — the enterprises to adopt such innovations as would reduce their cost structure and improve their productive efficiency. This is not a new role for the financial institutions; they did assume this dynamic function in European industrialisation during the nineteenth century[15] and do perform this function even at present in Western Germany and Japan.

Notes

1 See Schumpeter, Joseph A: "Capitalism, Socialism and Democracy", London, 1947, p 144.

2 See McNulty, Paul J, 'Economic Theory and the Meaning of Competition' in the *Quarterly Journal of Economics*, November 1968.

3 Schumpeter, *op cit*, pp 99-100.

4 Schumpeter, *op cit*, pp 85-86.

5 Schumpeter, *op cit*, pp 84-85.

6 Schumpeter, *op cit*, pp 88-89

7 *Ibid*, p 88.

8 Schumpeter, *op cit*, pp 91-92.

9 See Hazari, R K, "The Structure of the Corporate Private Sector", Bombay, 1966.

10 Government of India, Department of Industrial Development, Ministry of Industrial Development, Internal Trade and Company Affairs: Report of the Industrial Licensing Policy Inquiry Committee (Main Report) published in July 1969, pp 50-51. See also Hazari R K, *op cit*; Government of India, Planning Commission, Report of the Committee on Distribution of Income and Levels of Living — Part I, Delhi 1964; and Report of the Monopolies Inquiry Commission, Delhi 1965.

11 See Schumpeter, Joseph A, "Imperialism and Social Classes", New York, 1951, pp 148-162.

12 For illuminating comments on the proposed Commission see "Monopolies and Restrictive Trade Practices Act" by A N Oza, *Economic and Political Weekly*, February 28, 1970; see also his article in the Annual Number of this Journal, January 1969.

13 For informed comments on the new licensing policy see the three articles by H K Paranjape in *Economic Times*, February 28, March 4 and March 5, 1970.

14 See Hazari, R K, "Industrial Planning and Licensing Policy", Delhi 1967.

15 See Gerschenkron A, "Economic Backwardness in Historical Perspective", 1962, Chapter I.

Innovative Management of Tourist Industry

Ishwar Dayal

For achieving the implied purpose in the Government's advertising slogan "Tourism Is Everybody's Business", the author develops in this paper the rationale for a design for organisation and administrative practices for the tourist industry.

The design is based partly on informal discussions with tourists and travellers, and partly on what he, as an organisational theorist, believes the task demands. What is being suggested is an approach and not a blueprint.

FROM among the gigantic requirements of the tourist industry, the three major factors I shall take for my design are: (a) a general approach to the determination of long-range policy; (b) the rationale of the managerial task; (c) suitability of the organisational design and administrative styles.

I

A General Approach to Long-Range Policy

For the tourist industry the inputs are varied and the customer (tourist) demands are ill defined, changing and unpredictable. Yet in a broad sense, the management of the tourist industry has to match the needs of its customers and the services (product) it offers to promote its sales. It follows/that the management must have a strong base in research, collating and interpreting customer-response data, and must maintain flexibility by which management activity could be changed without too much delay, to suit the requirements of the task.

A long-range perspective suggests that tourist culture and ways of managing tourist traffic are tied up with the culture and the habits of the native population in any country. Courtesy, polite treatment of strangers, ways of making people welcome and comfortable, have to become a characteristic of the trade and therefore ingested into the daily habits of the local people. The institutions or agencies that deal with the satisfaction of tourist needs would have to learn to diagnose these needs and develop practices consistent with these requirements.

Taking the hotel trade for an example, managing hotels in large cities that essentially cater to a transient business population is different from managing those located elsewhere to cater to conferences or people on holiday or sightseers. I think there has to be a difference in the skills of hotel management in the two different situations. Holiday resorts have to develop not only an understanding of the needs of their regular clients but also gain experience of dealing with a transient population. It is this kind of experience that should be developed among what is now an altogether missing managerial group in our hotel trade. Personally I find the management of even established hoteliers highly inadequate, ignorant of the difference in needs. In Government run places, the shortcomings seem even more marked because there seems to be altogether insufficient understanding of tasks. On one occasion I inquired about the possibility of using 35 rooms in a newly built tourist hotel for a week for a conference and it took me three visits to locate the manager and seven minutes of discussion with him to find out how completely he lacked interest in catering to our requirements.

I wonder whether two steps may not be an urgent necessity in this respect:

(a) Specification of the job of a manager in holiday-resort centres and particularly in the choice of persons to be appointed in such positions.

(b) A carefully-thought-out management training programme for the top management of hotels and places meant for tourists.

Coming back to the main point, let me specify what I am saying:

(i) Taking a long-term perspective of developing tourism in India, we have to be concerned with promoting a native habit of travelling for holiday purposes. This will promote a culture that accepts tourism as a way of life (and not as an expedient or a temporary stage set) and will help to develop facilities for foreign tourists or at least create a managerial group capable of dealing with the special problems of tourist industry.

At present Indians by and large do not conform to the western pattern of an annual holiday for relaxation. This is due to costs and to social customs such as visiting the home, or relatives, and lack of interest in outdoor life, etc. I believe, however, that for a growing number of people the reason is mainly the high cost of a holiday and insufficient facilities for middle income groups.

I appreciate that the budgetary allocations of the Government for tourist promotion being limited, larger resources have to be appropriated for attracting the foreign tourist. Progressively, on a long-term plan a more balanced view of tourism may have to be considered if tourism is to be run as a successful business.

II

The Managerial Task

I think the management of tourist industry among other things has to be concerned with the following:

(i) minimising anxieties of tourists; and,

(ii) providing such facilities as would be desired by the holidaying public and attractions that would draw them to specific places.

I will not touch upon the promotional aspects of tourist industry which, for me, requires very strong market research and analysis components, analysing hard data on socio-psychological motives of tourists and the logistics of the trade. I would like to touch upon some general points and some specific aspects of the rationale for the management of the tourist industry.

Taking myself as a typical traveller, I shall look at the problems I faced during a week's vacation.

(a) Although a tourist office was located right outside the railway station, the officials were hardly helpful — and generally rude. One approaches them only if there is no other way to get the information one wants. Besides they seem to have no more information about the area than what is provided in the brochures. Local people often prove more helpful, are hospitably inclined and most informative. Incidentally, it may be a good idea to involve local inhabitants to provide information to tourists because (i) they are proud of their place and (ii) it gives them incentive to be useful to the country.

(b) There are many trains going through the place but the Railways have a rule that no reservation from this station can be made for the return journey. One has to buy a ticket two hours in advance of the journey. The chances are that you may miss connections for your forward journey or appointments on your return.

(c) Filth and dirt in and around all the restaurants confine you to your own premises for meals; a serious constraint in scheduling your day unless you live on sandwiches during the holiday.

(d) The taxi driver makes you pay four times the amount that a taxi in Delhi would charge for the same distance.

(e) If postal, telegraphic or long distance telephone services are needed you waste hours trying to use any of them. One foreign lady visitor had to waste her day from 9 a m to 4 p m to send two registered packages in spite of appeals and strong complaints to everyone concerned. The parcels never went that day. Ironically a poster outside proclaimed that "tourists are our honoured guests". I had to go to the post office three times to pay up a single phonogram bill because the right man was not available!

Under these conditions, I doubt whether the holiday-maker would return to this place in future. As much as in Western countries, the Indian holiday-maker should want to return to the same place year after year. This is so in the West partly because vacationists find security in the familiarity of the place and the people. In India this trend cannot be set unless certain habits develop among holiday crowds. These habits cannot develop unless pleasant experiences are associated with the holiday place.

My central theme is that the tourist centres cannot become attractive unless:

(a) adequate attention is paid to the logistics — transportation to and back from the place, internal transport services, interest of the local municipal corporation in attracting visitors, etc.

(b) there seems to be little justification in setting up tourist offices unless they are equipped to perform the tasks for which they are created. The resources may well be used for strengthening other offices.

Specific Points

From the point of view of a foreign tourist, it would seem to me that he would mainly look for things in India other than those that are easily available to him in his own country or in other developed countries of his region. In broad terms, I believe he would not look for:

(a) sports; and,

(b) facilities of large cities such as night clubs, dancing halls, etc.

He would be looking for what is unique in India:

(a) "Different" living;

(b) historical monuments;

(c) ancient architecture;

(d) places of scenic beauty;

(e) shopping;

(f) food;

(g) wild life; and,

(h) temples, melas, etc.

The chances are that those who travel have at least in some measure the spirit of adventure and a desire to try new things. If this assumption is correct, tourist attraction would be more in terms of uniqueness rather than a duplication of the Western.

Based on this rationale, it would seem to me that priority should be given to:

(i) maintaining such of the old guest houses, dak bungalows, palaces, hunting lodges, etc, as provide a sense of uniqueness. Appropriate furnishing and management of these places needs particular care;

(ii) developing hygienic, clean places for inexpensive eating; and,

(iii) developing modern facilities of transportation, telephone, etc, to cope with personal needs.

A friend from abroad who is very fond of India, had an interesting observation about the role that the airlines and the railways can play in tourist promotion. Among other things, he said, Indian Airlines should, on the main tourist routes, serve interesting food with brief write-ups on the regions where it is commonly eaten, to tourists. The Railways on their special tourist trains could do this with great convenience. These arrangements have to be made with considerable imagination, otherwise they become drab routines. According to our foreign friend, the food served to tourists in transit is the worst advertisement of tourism.

The country club-house type of accommodation should attract people, except in metropolitan towns. Most tourist accommodation in distant places should preferably be so located that visitors could use them as their headquarters and take day trips to places of interest. In terms of the above arguments, it would seem unwise to use vast funds to develop beaches or seaside resorts at least for foreign visitors; this should have low priority. The older buildings should be appropriately equipped — dak bungalows and guest houses are located in most attractive places: the British loved them and gave them a singular character. Surely this is worth reviving.

III

Administrative Systems

From the analysis of the kinds of demands that promotion of tourism makes on management, I would like to speculate on the characteristics of the administrative systems for successful management of tourist industry.

Essentially the management of the tourist trade has to cope with five kinds of activities. They are:

(1) Creative work in developing appropriate activities, programmes and physical facilities for tourists in India and marketing strategies for native and foreign tourists.

(2) Expertise in planning, supervision and execution of logistic support for developing the facilities. This aspect requires a systems approach to planning and not segmented planning groups, such as separate departments for transportation, township, recreation facilities, building, etc. A project has to be examined as a totality and worked on by a team as one. The most interesting example of this approach is the space research programme in the USA (NASA) or the metrix organisational pattern at the TRW system reported by Davis.

(3) Research work with strong social science has to continually research on socio-psychological factors in the tourist trade.

(4) Liaison work with Union and State Governments and private agencies to bring about such co-ordination as would speedily develop the needed facilities.

(5) Suitable organisational patterns at central and regional levels that would facilitate the tasks mentioned above. The systems at both the levels should achieve the following:

(a) allow initiative at all levels of the organisation;

(b) promote effective management information system and control procedures to enable speedy and timely decisions;

(c) require minimum hierarchical differences between people;

(d) allow freedom to experiment with new ideas within defined limits; and,

(e) emphasise achievement as against ascriptive values.

In brief the administrative patterns needed for managing tourism are a

combination of what research has shown as suitable for research based and marketing-based organisations. Many organisational studies have shown that, by and large, such organisations need highly sophisticated patterns of role-relationships, sensitivity on the part of senior executives for interpersonal relationships and complex systems of mutual influence among peers and superiors and explicit processes of decision making based on such influence.

If these assumptions are true, the success of the tourist trade would depend on effective organisational planning and sensitive administrative behaviour by its management. This analysis suggests that the task is more suited for an independent corporation than a department of the Government. The inherent but necessary constraints of public administration may well defeat the basic purpose of tourist promotion.

At present three central agencies bear the primary responsibility for tourism in India. They are, the Ministry of Tourism and Civil Aviation, the Director General for Tourism and the India Tourist Development Corporation (ITDC). Broadly the Ministry is responsible for the policy on tourism, finance and overall co-ordination of concerned agencies in the trade, the Director General is responsible for developmental tasks and ITDC is responsible for managing some of the existing facilities like hotels, transportation and the like. In the present arrangement the tourism development tasks are separated from the operational tasks. There is some discussion now about merging the two tasks by creating an independent Board for tourism or the like.

Triangular Arrangement Unsuitable

Organisations studies have shown that generally development or planning activities should also form a part of the operating tasks, and not be independent of them. As no published data on proposed reorganisation of the tourist industry in India is available, it is difficult to comment on its merits or otherwise. Two things, however, it is possible to say:

(a) The present triangular arrangement, i e, the Ministry, the Director General and the ITDC, impede, organisationally, the achievement of the promotional work. I am personally satisfied that the existing agencies have done commendable work. Management problems would, however, handicap the promotional work as the size of operations increase. In 1969-70 the trade has shown an increase of 30 per cent and this pattern would continue in future.

(b) Unless the administrative structure of the tourist department permits innovative behaviour as discussed above, the achievements are likely to fall short of the demands of the situation. If the Board pattern is anything like the Boards that exist now such as the Railway Board or the P and T and others, we would do little more than putting new wine in old bottles. I would personally hope that serious thought is given to the new pattern and some new solutions are found to develop innovative management of tourism.

In conclusion I shall quote Clark Kerr's thesis which holds true as much for tourism as for other organisations in India. He says:

> "The real problem is not the adaptability of man, which is almost infinitely greater than we once supposed, but the suitability of institutions and their policies. The contact of civilisations, the traditional and industrial, can be managed well or managed badly. The social management of this contact, not the adjustability of individual men, is the heart of the matter."

MARKETS

Soft on Speculators

Nishtar

OILSEEDS continue to make news as prices keep sky-rocketing. On May 26, groundnut oil ready, in Bombay, was marked up to Rs 5,350 (per tonne), cottonseed oil to Rs 5,200 and coconut oil to Rs 7,700. In the futures market, linseed July and castorseed June made new highs for the season at Rs 186 and Rs 140.50 (per quintal), respectively. Coconut oil, cottonseed oil, mustard oil, castor oil and mahuva oil have moved beyond their 1969 highs. And with the lean months still ahead who can say how far the prices might rise. Coconut oil prices have, in fact, struck altogether new highs and the Oil Millers' and Merchants' Associations in Cochin and Alleppey have sent telegraphic requests to the Union Government to arrange immediate import of copra from Ceylon on a large scale in order to arrest the deteriorating position in regard to its supply in Kerala, particularly in view of the off-season for the next three months due to monsoon.

High prices of oilseeds and oils have failed to attract increased offerings; instead, market supplies have continued to shrink because of the progress of the marketing season and the increased propensity to withhold/hoard goods in a rising market. Illegal speculative activity, especially in groundnut oil, is reported to have assumed fantastic proportions in Delhi, Agra, Rajkot, Akola, Adoni and Hyderabad. But strangely enough, the Forward Markets Commission which has been known to interfere in markets in the past on the slightest provocation has remained a silent spectator this time. Is there no one to ask the Commission why it has been so very soft with the bulls this time. Reports are that it is the leading vanaspati and soap manufacturers who are dominating the scene and holding the markets virtually to ransom.

Runaway Boom in Prices

Government has maintained the *status quo* in respect of vanaspati prices which were due for (upward) revision on May 22. But that hardly means any relief to the poor consumer. Few are able to get their supplies at the controlled price. A tin of 16.5 kgs is quoted at a premium of Rs 11 to Rs 13 over the controlled price. The premium should cause no surprise. One does not expect vanaspati to sell below the prevailing price of groundnut oil, the increased availability of cheaper soyabean oil to manufacturers notwithstanding. Industry too does not seem much bothered by Government's decision. It is not just that it knows how to exploit the market situation but because it is fully convinced that Government is committed to clearing all arrears of price increases due to it. On the basis of the current consumption of soyabean oil, ranging from 21.7 per cent in the south zone to 33 per cent in the north zone, there will be very little soyabean oil left with the State Trading Corporation after a few months, unless, of course, Government makes prompt arrangements for additional supplies under PL 480 or on a commercial basis. Only prompt imports of large quantities of soyabean oil and mutton tallow and drastic curbs on speculative activity can arrest the runaway boom in oilseeds prices.

Important Price Variations

(Rs/tonne)

	1970				1969
	January to April				
	Low	High	Close	May 26	Highs
Groundnut oil	4,175	5,075	4,900	5,350	5,600
Cottonseed oil	3,975	4,975	4,800	5,200	5,100
Castor oil (Coml)	2,850	3,125	3,000	3,200	2,975
Linseed oil	3,850	4,750	3,850	4,000	4,275
Mustardseed oil	4,000	4,450	4,200	4,750	4,400
Coconut oil	5,350	6,900	6,075	7,700	6,700

Who Bothers?

COTTON prices continue to hold firm around their all-time high levels and nobody believes or even thinks seriously that something can be done to bring prices down. With the advance of the marketing season, quality cottons have become scarcer and they are being avidly sought by the well-to-do mills without any consideration for the price. All sorts of views are being expressed about the carry-over stocks at the beginning of the current season but there is no evidence of any attempt to get at the facts. In the circumstances how can one correctly assess the supply position. It is time that the trade, industry and the Textile Commission's office do some hard thinking on this issue which has an important bearing on policy decisions.

Maharashtra's Minister for Co-operation, Y J Mohite stated the other day that the cotton policy enunciated by him in the White Paper on Co-operation would free the cultivators from exploitation by the speculators and earn for the cotton farmers the same prosperity which sugarcane cultivators enjoy at present. Under the proposed scheme, the entire cotton produced in the State would be ginned and sold through the co-operatives. Measures designed to ensure a more remunerative price to the grower have much to commend themselves. But it is not only the growers who need protection and encouragement. The interests of the State's cotton mill industry, which consists of all sorts of units — good, bad and hopeless —, have also to be taken care of. Mohite's scheme contains no assurance in this regard. It is good to free cotton growers from exploitation by the speculators. But it is no less important to protect the industry from exploitation by the co-operatives.

The coarse and medium count textile mills are reported to have urged the Union Government that imports of cotton should be linked with exports of cloth and yarn and that there should not be imports of cotton for distribution on actual users basis. It has been argued that fine and superfine mills using foreign cotton are doing well and they make no useful contribution to export earnings. It is pointed out that if coarse and medium count mills are given import licences for cotton against their export performance, it will obviate the need for raising any funds to operate the export incentive scheme and it will also create greater export consciousness. Since Government has already made up its mind to canalise cotton imports from the next season beginning with September, it is doubtful whether the suggestions made by the coarse and medium count textile mills will receive any serious consideration from the authorities.

Aimless Drift

THE stock market has not been enthused by the release of the Fourth Plan in its final form. This is perhaps partly because of its dislike for the expanding role of the public sector, which has still to demonstrate that it can operate efficiently, and partly because it is sceptical about many of the assumptions made in the Plan in respect of price stability, resource mobilisation, availability of increased external assistance and growth of exports at the rate of 7 per cent a year. Inflationary pressures have already begun to cause concern. Unpredictable monsoon still holds the key to agricultural production. Exports remain well below the mark and the aid outlook is not all too promising.

The current uneasy spell of dull trading is likely to continue for quite some time. With most of their funds locked up in Zuari Agro Chemicals, Indian Organic and Reckitt and Colman, investors will have very little to play with in the immediate future. Cash compensation payable to the nationalised banks has turned out to be far below general expectations — only Rs 7.70 crores in a total of Rs 87.40 crores. With the bullish fervour cooling off, investors will perhaps like to have a closer look at the various bull and bear factors which have a bearing on the outlook for equities. Since markets seem to have run out of steam they will need sufficient bullish fuel before they can successfully undertake the hazards of a journey on the higher altitudes.

It has been yet another week of aimless drift for stock markets. Except that the net changes over the week showed many more minus signs, markets merely repeated their previous week's performance — the same leisurely pace and the same mood of indecision. Since investors had all their attention on the three new attractive issues on offer during the week, turnover on the exchanges dwindled to a trickle. But while the trading rings wore a deserted look, applications for new issues kept stockbrokers fairly busy. As anticipated, all the three issues have been oversubscribed and the extent of oversubscription has been the main topic of market gossip this week.

There was very little in the week's news which could force markets to make a decisive move. The corporate news, by and large, was quite encouraging. But judging from the market's response one noticed that while good news did not receive the attention it had been receiving until recently, the market reacted quickly to adverse news. This is an indication that bullish fervour has cooled off and sentiment is veering to the other side.

It is not that Indian stock markets have caught the chill from abroad; stock markets the world over are in an awfully bad shape and they are not bad signposts of future business conditions. They are not happy with the treatment meted out to the pharmaceutical industry and New Delhi reports indicate that the Minister for Petroleum and Chemicals has now set his eyes on the nylon industry. Nor does one expect markets to view with favour the suggestion made by Jagjivan Ram that the sugar industry should share with Government the losses on account of additional exports.

Escorts Collaborating for Tractors

Hansavivek

ESCORTS' 1969 results show a 36 per cent expansion in turnover at Rs 28.74 crores, followed by 28 per cent rise in gross profit at Rs 2.87 crores. The diminution of margins was attributed to tractors, whose sales it was mainly that accounted for the increase in total turnover but which yielded a low margin of profit due to "delay in the revision of Government notified sale prices". Net profit was Rs 1.13 crores, against Rs one crore, to cover the maintained dividend of 13 per cent, part of which is expected to be exempt from tax, 3.5 times. Net return on total funds employed came to 8.1 per cent. Bonus shares issued on a one-for-four basis to commemorate the silver jubilee year will rank for dividend from the current year. Subject to Government consent, the company also proposes to issue 1:5 "rights" at a premium of Rs four per share to raise additional capital for investment in Escorts Tractors, a subsidiary formed in collaboration with Ford Motor of the US for the manufacture of tractors. Commercial production of the scooter, developed entirely in its own research and development shops, is to be undertaken this year. The international division has established new markets for many additional items and, as an export house, Escorts continues to assist small manufacturers to sell their products abroad. Production of shock absorbers and gear boxes is to be expanded to meet the increasing demand. The subsidiary, Goetz (India), earned a higher profit and declared a 20 per cent dividend. The other subsidiary, Escorts Transmissions, also showed better performance and reduced its accumulated deficit. Anticipating a glut of tractors in the market, the company is increasing sales and service facilities. H P Nanda, president, observes in his annual review that over a score of manufacturing collaborations have been approved or are under consideration of Government to establish an annual production capacity exceeding 1,50,000 tractors in the country which, he says, is "much higher" than the demand anticipated both by the Planning Commission and industry. Practically every State and almost all the State agro-industrial corporations, he points out, are interested in the manufacture of tractors and are negotiating with various foreign manufacturers for technical collaboration always commencing with imports of duty-free, completely built-up tractors He apprehends this policy might lead to unhealthy inter-State competition with each State according preferential treatment in the levy of sales-tax on tractors manufactured within its own State, thus indirectly interfering with the free, inter-State movement of tractors. Yet Nanda welcomes de-licensing of many industries, new liberal licensing policies, defined guidelines for foreign collaborations and establishment of foreign investment board, though he feels they would be more purposeful if the decisions on proposals submitted to Government are made without loss of time. Commenting on the present Government functioning, he observes it tends to give one the impression that even if an intelligent, objective officer took prompt decisions, he would probably be hauled up for "ulterior motives" and asked to explain his "promptness". Citing an example, he adds that he as well as some of the company's other executives have to spend considerable time calling on officials for "movement of our files on one issue or the other" and that in many cases the decisions cannot be got in time.

LAKSHMI MACHINE WORKS experienced a quick change in its fortunes during its seventh year ended December 1969 when its turnover advanced from Rs 1.73 crores to Rs 4.19 crores, despite a delay of more than eight months in the issue of import licence for raw materials and components, and gross profit was up from Rs 23 lakhs to Rs 94 lakhs. Although, with the increase in rates of depreciation and because many of the machines worked three shifts instead of two, provision for depreciation demanded about Rs 13 lakhs more than in the last year, net profit was Rs 60 lakhs against less than Rs one lakh previously. This has enabled wiping off of the entire loss of Rs 59 lakhs. The company claims to be the only manufacturer in the country of high-speed draw frames and a major portion of speed frames. Production of high-speed combers model E7/4 and lap machines is proposed to be commenced. High-speed carding engine is also in its manufacturing programme. When its manufacture is undertaken, LMW will be having complete range of textile spinning machinery from blow room to spinning. During 1969, the company's exports exceeded Rs 71 lakhs. It has on hand orders worth Rs 2.18 crores to be executed this year. Owing to rise in manufacturing costs, selling prices are being revised from July 1970.

AZAM JAHI MILLS sank deeper into the red during its 39th year ended September 1969 when, in spite of sales remaining unchanged at Rs 3.25 crores, trading deficit doubled at Rs 50 lakhs and the accumulated deficit mounted up to Rs 134 lakhs to stand against share capital of Rs 72 lakhs. In addition, estimated arrears of depreciation exceeded Rs 76 lakhs. The directors described the year as "full of adverse circumstances" when, apart from rising costs and unfavourable trading conditions, the Telengana agitation and "acute" shortage of water at Warrangal together affected results. With a view to effecting economy, "surplus" staff and workers were retrenched by paying them compensation. Again this dismal background, however, the directors' report bristles with confidence. It foresees that in 12-15 months' time the mills will be able to "turn the corner and earn fairly reasonable profits and stand on its own".

SANKEY WHEELS' seventh report for 53 weeks ended January 3, last, has little to enthuse shareholders. While total funds employed amounted to Rs 274 lakhs, turnover was Rs 229 lakhs, and trading profit Rs 20 lakhs — compared to Rs 218 lakhs and Rs 19 lakhs, respectively in the previous year. After providing less for depreciation and with no tax liability, net surplus was Rs six lakhs (Rs two lakhs) which reduced the accumulated deficit to Rs 37 lakhs. This outcome was attributed to shortage of raw materials. While import licences are now in hand, it is stated that, with the need to use a higher proportion of more-expensive imported materials and increase in prices of indigenous supplies, costs have risen "substantially". Besides, the recent wage agreement has added pressure on margins. The viability of operations in 1970 depends on recovering increased costs from customers and increasing level of output. One redeeming feature of the report, however, is that the order book continues to be "satisfactory".

Problems and Prospects of Sugar Industry

by

V H Dalmia

President

Indian Sugar Mills Association

THE Sugar Industry had to its credit the unique distinction of exceeding the production targets laid down during the First, Second and the Third Plans. Then followed a sudden transition from an era of plenty to that of shortage in 1966-67 when production declined sharply from 35.3 lakh tonnes achieved in 1965-66, the last year of the Third Plan to about 21.6 lakh tonnes. The reasons were the decline in cane availability to sugar factories due to shrinkage in acreage and large-scale diversion of cane to gur and khandsari manufacture. It was quite on the cards that if Government had pursued their policy of rigid controls on the Sugar Industry in 1967-68 also, sugar production might have further declined to as low as 16 lakh tonnes. Realising the exigency of the situation Government announced the policy of partial decontrol which not only helped maintain production in 1967-68 season at the slightly higher level of 22.5 lakh tonnes but also paved the way for a steadily rising trend in sugar output. Enabled by the limited freedom allowed under the new policy, sugar factories offered higher cane prices to the growers and the drop in cane acreage was very largely made good. Naturally, this has had its effect in the following season 1968-69 when the sugar output rose to 35.6 lakh tonnes. The impact of the policy has been felt in a fuller measure this season when we expect the production to reach the peak level of about 43 lakh tonnes.

A Unique Success

With plenty of sugar to go round, Government have been able to increase the monthly releases of both levy and free sugar. Consumers have been thus assured of plentiful supplies at much lower rates. Thus, judged by all considerations the bold and imaginative policy of partial decontrol has been a unique success.

Besides the expected peak level production of 43 lakh tonnes, the industry has carried forward a sizeable stock of 13 lakh tonnes. The total availability of sugar this year is thus of the order of 56 lakh tonnes. By the end of April sugar production had already reached 36.8 lakh tonnes as against 31 lakh tonnes produced last year reflecting an increase of 5.8 lakh tonnes. The crushing season is still in progress and in certain areas, it may extend till the end of June or even middle of July. By the end of April, stocks with the mills amounted to 31 lakh tonnes. They are expected to rise further to about 33 lakh tonnes by the end of May. These are higher by 12 lakh tonnes over the last season's peak of 21 lakh tonnes reached during April/May. Apparently, the internal off-take despite higher releases and much reduced rates, has not shown the desired buoyancy. Government on their part have been releasing much larger quotas but the off-take has continued to stagnate; the average for the first four months of the year (January-April) being about 2.65 lakh tonnes per month. This compares poorly with the average monthly release of 3.25 lakh tonnes during this period. Even after providing for a higher rate of consumption during the remaining part of the season and providing additional 1 lakh tonnes for festivals, etc, the total off-take during the year does not promise to be more than 34 lakh tonnes. Besides, exports are likely to account for 3.2 lakh tonnes at the most. Still the industry would be left with a carryover stock of 19 lakh tonnes at the end of the year, i e, on 30th September, 1970 as against 13 lakh tonnes carried forward this year from the preceding season. This represents a net increase of 6 lakh tonnes to our carry forward stocks.

With this statistical position, it is natural for the Government and the industry to feel somewhat anxious. For, it is not merely a question of finding extra finance which will be of the order of about Rs 75 crores or additional godown space but much wider issues bearing vitally on the cane growers are involved. In the first place, it has to be ensured that the factories are able to crush all the available cane in the interest of the growers. At the same time, it has also to be ensured that the factories are able to start the next crushing season in time and no undue strains develop during the earlier part of the season.

Enterprising Spirit

Both these issues, in fact, are interlinked and have to be tackled simultaneously. The question of getting all the available cane crushed is of immediate importance. This is a must. While sugar factories should endeavour their utmost to crush as far as possible, all the available cane, some of their pressing difficulties in this connection need urgent attention of Government. The industry, legitimately feels elated about what has been achieved. For, indeed, it was the enterprising spirit of the factories that in the face of great risks involved they undertook to pay much higher prices than the statutorily fixed price for sugarcane. It is no exaggeration that during the seasons 1967-68 and 1968-69 the industry paid as much as Rs 192 crores over the statutory cane price. It is this inducement to growers, made possible under the policy of partial decontrol, that helped the country to get rid of the scare of sugar shortage. There is plenty of sugar to go round and that too at considerably lower prices. What could be more satisfying for an industry which has the privilege of serving the vast multitude of sugar consumers in the country? Sugar is an essential item of consumption, particularly for the children and the old. It is, therefore, in the fitness of things that the industry should be able to serve the community at large by catering to their requirements in full and at reasonable prices. The industry would always prefer a situation where it has to deal with surplus stocks rather than shortages which vitiate the very fabric of the life of people. It is not only scared of the scarcity conditions but of higher prices too which benefit no one while causing undue hardship to the large mass of sugar consumers.

In the context of the present situation it is essential that adequate and satisfactory measures are adopted to ensure crushing of all the available cane

now and also there is no delay in next season's crushing. How we tackle these issues would largely condition the future developments in this second largest industry of the country. No doubt, cycles are inherent in agricultural commodities. They cannot be entirely eliminated but, surely, their severity can be reduced through judicious and well-planned timely measures. As in the past, for lack of adequate measures the present situation should not procreate a period of sugar shortage again in the near future.

Uniform Pattern Needed

It is necessary to ensure adequate credit facilities to sugar factories so that they are able to finance their increased output and maintain regular cane payment. As stated earlier, by the end of the current month the stocks with the industry are expected to rise to about 33 lakh tonnes. For financing such stocks, the industry will require about Rs 413 crores, valuing the entire stock at the average levy price of Rs 125 per quintal. After providing for a margin of 10 per cent, the total financial requirement of the sugar industry from commercial banks would be of the order of Rs 370 crores. The Reserve Bank, who have appreciated the industry's increased financial requirements, should ensure that funds of this order are made available to the sugar factories. Still quite a few mills have to get their limits raised adequately. Also the question of reduced margins on free sugar remains unsettled. In a matter like this where larger interests are involved, the commercial banks should agree to adopt a uniform pattern. The margin on free sugar should also be reduced to 10 per cent as on levy sugar. The resources of the mills are strained to the utmost. Unless the margin is reduced, even the higher limits sanctioned may not be availed of by the mills, and consequently, cane payments may suffer.

Along with this, it is also necessary to ensure that the levy prices fixed by the Government, at which 70 per cent of the production is procured, take into account the fall in recoveries which would inevitably result in much higher costs. Recoveries have already started declining quite rapidly, and as the season progresses further, the rate of decline will get accentuated. It is necessary that this aspect of the matter is fully taken into account and the levy prices are revised suitably. An early assurance to the industry, in this behalf, would be helpful. While revising the prices, it is necessary that the Government also take into account incidence of other costs which have been left out in the computation of provisional prices. For instance, rates of depreciation have gone up. So also the cane freight charges. There is also the incidence of the Wage Board recommendations. Besides, there are certain lacunae in the new cost schedules which should be rectified to ensure a fair cost structure for the industry.

Government have decided to allow a rebate in basic excise duty of Rs 8 per quintal on production exceeding 105 per cent of last year. It was indeed a well-conceived and well thought out measure to deal with the anticipated situation of surplus cane. It is seldom that Government take such anticipatory measures. The problem however has turned out to be of much larger magnitude than could be anticipated earlier. Diversion of sugarcane from gur and khandsari is on much wider and heavier scale. This is also understandable. For, the low returns available to the growers from gur and khandsari have greatly distressed them. As against the statutory minimum price of Rs 7.37 per quintal fixed for sugar factories, the realisations from gur and khandsari are only of the order of about Rs 4 per quintal. Growers are therefore anxious to divert their cane, as much as possible, to sugar factories. It is in this context that the rebate announced in excise duty should be reconsidered. It is necessary that the rebate should be permissible on the entire additional production achieved over last year which itself was a year of heavy production. The quantum of rebate should also be raised suitably consistent with the declining sugar recoveries to enable the factories to recoup their losses.

The State Governments of UP and Maharashtra too have recognised the need for assisting the factories in their endeavour to prolong crushing operations to crush the extra cane now available to them. Both the State Governments have announced remission of purchase tax on cane from 15th May. In view of the intensity of the problem it is suggested that this concession should be extended from 1st May. The other State Governments should also extend similar facility to the factories in their States in the larger interests of the cane growers so that their entire remaining crop is crushed by factories.

Simultaneously with the question of utilisation of this year's cane crop, the question of reducing the burden of carry-over stocks to reasonable level should also be considered to minimise the strains developing during the earlier part of the next crushing season. No doubt, the most effective way of achieving this, is to stimulate internal consumption. A *pari passu* balance between supply and demand of sugar can be maintained only through stimulation of its consumption. This is a must if the rising tempo of sugar output has to be sustained. In this context, the steep increase in the Central Excise Duty on sugar under the Central Budget for 1970-71 has come as a bolt from the blue. While the present *ad valorem* duty of 23 per cent has been raised to 25 per cent on levy sugar, on free sugar it has been increased to 37.5 per cent for which there is no justification. Even at the existing rate of duty the contribution of the sugar industry to the Central Exchequer in the form of excise duty has been of singular dimension being of the order of over Rs 100 crores per annum. Further, it was only last year that the excise duty on sugar was increased by changing the basis of levying excise duty from a specific rate of Rs 28.65 per quintal to an *ad valorem* duty of 23 per cent. In the words of the then Finance Minister this had 'an incidental effect of an additional revenue of Rs 27.5 crores'. In actuality, however, Government have realised about Rs 42 crores; Rs 15 crores more than the estimated budget amount. This being so, a further rise in sugar excise is somewhat extraordinary. It is bound to stifle consumption at a time when a determined effort is required to stimulate it.

Discriminatory Rates

A novel feature of this year's budget proposal is that discriminatory rates of excise duty have been imposed on levy sugar and free sale sugar the respective rates being 25 per cent and 37.5 per cent *ad valorem* for which there is hardly any justification. The imposition of such discriminatory and disproportionately high rate of excise duty on free sugar will defeat the very basic and long-term objectives of the Government's sugar policy of ensuring a competitive cane price to the growers and steadily increasing sugar output. It is a self defeating measure.

Taking into account the increased internal off-take of sugar, even at a uniform rate of 25 per cent *ad valorem* duty both on levy sugar and free sugar, Government would more or less realise the estimated revenue of Rs 125 crores. Then, where is the need for a higher discriminatory duty on free sugar? It is also a mistaken notion that higher rate of duty on free sugar is not of much consequence. It is just the reverse. For, free sugar is consumed widely by the general public, specially in rural areas where rationing is not in vogue. Even in the rationed areas, free sugar is in fair demand by the general consuming public. No doubt, one of the big consumers of free sugar are industrial and commercial consumers and as such its price has a direct bearing on the prices of their products like sugar confectionery, biscuits, syrups, medicines and pharmaceuticals, canned fruits, etc. In other countries, industrial consumption of sugar is encouraged through rebates in excise duty. Here too with production outstripping the demand industrial consumption of sugar has to be encouraged. Even on this consideration, a higher rate of duty on free sugar will be a highly retrograde step.

With the imposition of such disproportionately higher rate of duty on free sugar, the open market prices have virtually crushed. In fact, the ex-factory free sugar realisations now are even lower than the levy prices in almost all the regions. Inevitably, this has affected the factories financially who are already hard pressed due to poor off-take and the resultant higher costs due to longer carriage of stocks. In such circumstances, continued prevalence of low open market rates is not conducive to prolongation of crushing operations. So long as the free market continues to be sluggish and depressed, the lifting of levy sugar will also remain slow and the off-take will suffer. If this situation persists and free market prices continue to rule lower and depressed, it may affect crushing. Factories may be rendered just helpless. Indeed, it will be an unfortunate development. In the face of such compelling economic constraints of the situation, reduction of excise duty on free sugar to the same level as on levy sugar seems an emergent necessity. Otherwise, larger interests will suffer.

Fixation of Tariff

Closely related to this is the question of fixation of realistic tariff value for the assessment of duty on free sugar. It is important that the tariff value should be fixed consistent with the actual average free sugar realisations of the factories. It is indeed a matter of regret that the tariff values fixed have been invariably higher than the actual realisations. Due to fixation of such unrealistic higher rates of tariff values, the industry has been unjustifiably required to pay extra duty to the extent of about Rs 130 lakhs. Undeniably, this has further accentuated the drop in the ex-factory free market realisations of factories adding to their hardship.

It is also desirable that instead of the existing practice of fixing one all-India tariff value, it should be fixed on regionwise basis in view of price disparties prevailing in different markets. Since, such disparities have become more or less a normal feature, it is only fair that tariff values are fixed regionwise.

The present policy of releasing excessive quotas should be discontinued and it should be the policy of the Government to maintain a reasonable balance between the quantities released and the actual demand. Excessive releases unnecessarily dampen the market sentiments which tend to restrict the offtake while that is not the objective of the Government in releasing extra sugar. It is, therefore, suggested that forthwith the monthly releases should be reduced to 3 lakh tonnes; 2 lakh tonnes for levy sugar and 1 lakh tonnes for free sugar. Government should consider increasing this quota after it has been possible to stabilise the demand in the country at this level.

It may be pointed out here that factories still have stocks of about 2 lakh tonnes levy sugar of 1968-69 season's production. This quantity has remained with them since the State Government nominees have not lifted their quotas. The concerned factories are hard-pressed as their finances are locked up with consequent loss of interest charges and the quality of sugar is deteriorating with the passage of time. It is essential that effective measures are adopted by Government to ensure deliveries of such sugar preferentially.

Exports and Buffer Stocks

Exports and buffer stocks are necessary adjuncts to the production-oriented sugar policy. In an agro-based industry, it is always not possible to precisely balance the output with the requirements. It is only through a policy of exports and buffer stocks that a *pari passu* balance can be maintained without undermining the vital interests of cane growers. In the matter of exports, no doubt we have to operate under quota limitations, our present annual quota being only 3.17 lakh tonnes — 0.92 lakh tonnes are intended for UK (NPQ) and USA and the balance 2.25 lakh tonnes is under the International Sugar Agreement. It is a matter of profound regret that last year despite a sizeable output of 35.6 lakh tonnes and more than normal stock position, Government of India thought it advisable to surrender the International Sugar Agreement quota of 2.25 lakh tonnes *in toto*, on the consideration that such exports would involve considerable losses. It was an unfortunate decision. It is common knowledge that in licensing new capacity during the various Plan periods including the current Plan, Government have provided for extra capacity for exports and buffer stocks knowing fully well that exports would entail loss. Despite this, additional capacity was sought to be put up and also efforts were made to secure higher export quota for the country. Now when more sugar has been produced in the country, it appears strange that Government should have restricted exports on considerations of losses.

It appears that it may be possible to export full quota this year. No doubt, considerable time has been lost and shipments have been delayed. Every time when we have surplus sugar to export, it should not be made a matter of inter-ministerial consultations. On the contrary, exports should be made an integral part of the sugar policy.

Like exports, buffer stocks also become essential to stabilise the sugar economy and maintain the stocks with the industry at a reasonable level. Recently Government have already indicated their intention to create buffer stocks. It is essential that Government will see their way to implement the scheme expeditiously.

The 1969 Tariff Commission has also emphasised the need for creating buffer stocks in gur. There are apparent difficulties in stocking gur since the gur produced in the country is mostly of inferior quality and would not stand longer storage. It is necessary to carry on adequate propaganda amongst the growers on the methods for producing better quality gur. For ensuring an economic gur price to the growers the factories may also be induced to convert gur into sugar. And to provide the factories with the additional cost involved, it will be necessary to forego excise duty on such sugar and also free the molasses produced in the process.

No doubt, lasting stability on the sugar front can be brought about only by stepping up cane development activities. The cane quality and per acre yields vary considerably from region to region. The quality of cane and the yields are much better in Deccan and the South than in the North. Climatic conditions may be a contributory factor but these by themselves cannot explain the wide disparities.

For achieving success in the work of cane development, it is of paramount importance that the agency responsible for implementation of the schemes should be suitable for the purpose. In the north Indian States, cane development work is being looked after by the State Governments themselves. Besides,

cane co-operative societies, which were primarily set up with the sole objective of marketing of cane, have been charged with the additional responsibility of cane development. With their establishment sugar factories have lost their direct link with the cane growers. As a result, factories have not been able to participate effectively in cane development programmes in their areas. This is the one single factor that has contributed materially to the slow progress.

In Maharashtra and the South where there are no co-operative societies, sugar factories have been able to take larger interest in the matter of cane development. In the north also if the factories are charged with the responsibility of sugarcane development in their areas more tangible results can be achieved. Both the expert bodies — the Gundu Rao Committee and the Sen Sugar Inquiry Commission have unreservedly recommended that the responsibility of cane development in factory areas should be entrusted to sugar factories and Government should place adequate funds at their disposal to implement the various schemes. If only in about 50 per cent of the reserved areas, development work is carried out through the agency of sugar factories as recommended by the expert bodies, it would provide a healthy competition between the existing development agency and the factories and tangible results would emerge.

Remunerative Cane Price

There is also the need for ensuring a remunerative cane price to the growers. For maintaining sugarcane output at the desired level, the minimum cane price should be raised to Rs 9 for all the States except those of Southern India, namely, Tamil Nadu, Andhra Pradesh, Mysore, Kerala and Pondicherry. Having regard to the higher yields and the returns available to the growers from other competing crops in these States, the present price is considered quite adequate. In fact, for these States cane price should be fixed at Rs 6.62 per quintal linked to a base recovery of 8 per cent which would, in effect, mean the present price of Rs 7.37 at 9.4 per cent recovery. Since sugar recoveries in most of these areas are low, the present base of 9.4 per cent does not provide any incentive to growers there. For the rest of the country, as suggested, the cane price should be raised to Rs 9 per quintal. It will of course be necessary to equalise the costs between the two regions arising out of such disparity in cane price through certain appropriate measures by Government.

In the last Railway Budget, sugarcane freight has been given a steep increase amounting to as much as 40 per cent over the previous freight. The sugarcane traffic being a short distance traffic, is conducted mainly in the rejected wagons and the operating cost of the railways is considerably low. Moreover, sugarcane is a perishable commodity and any increase in its freight has a direct bearing on the welfare of the cane growers. It may also curtail sugar output. It is therefore, essential that the old freight charges should be restored.

Recently there has been a demand for nationalisation of the sugar industry in Uttar Pradesh and Bihar. The two State Governments have set up Committees to make suggestions on the form and procedure of the take-over of the sugar industry in the respective States.

This matter was discussed at length by both the Houses of Parliament. During the debate, the Union Food Minister had announced appointment of a Central Committee to assess 'the financial, administrative and managerial problems involved as also the organisational structure necessary to implement the recommendations of the Committee'.

In this context, it is indeed a matter of great surprise and regret that the two State Governments should have considered it desirable to proceed in the matter even without waiting for the findings of the above Committee. The appointment of the two State Committees to examine a question that is already scheduled for a thorough examination by a Central Committee is indeed inexplicable.

In a matter like this involving larger national interests it is essential that the issues are investigated dispassionately by an expert body, as proposed by the Union Government, and no extraneous considerations are allowed to vitiate them.

A dispassionate study would go to show that there is no economic justification for nationalising this industry. On the contraty, with nationalisation of the industry, the element of healthy competition which presently exists in the industry, will disappear. Perpetuation of rigid controls on the industry, which will inevitably flow from nationalisation, will destroy the growers' economy and make sugar dearer for the consumers. For, controls by their very nature are restrictive and retard production resulting in shortages thereby adversely affecting the interests of consumers. On the other hand, growers' interests would also suffer as they will have to rest content with the statutory minimum cane price and it will never be possible to get higher prices as received during the last two seasons under the policy of partial decontrol.

Co-operativisation

Nationalisation of the sugar industry in UP and Bihar will not serve the desired public interest. Co-operativisation too will lead to similar results not serving the objectives of public interest.

Nationalisation or co-operativisation will only retard the growth and development of the industry generally and in UP and Bihar in particular. In fact, it will dampen fresh investments in these States and further wider development of these regions which is asserted as essential for reasons of higher employment and political stability will suffer.

Further, any such action by a State Government is likely to have much wider repercussions on the economy as a whole. If Bihar and UP Governments nationalise sugar, it is not unlikely that other States will also follow suit by nationalising their principal industries. Undeniably, a situation like this will be highly detrimental to the country's basic economic unity. The larger national interests, therefore, demand that the State Governments should desist from taking any such hasty step which may well prove to be disastrous to the country's economy. The State Governments of UP and Bihar should at least await the findings of the Central Committee.

Recently the UP Government has handed over the management of certain units to official receivers on the ground of non-payment of cane price and/or Government dues. Payment of cane price is the first charge on a factory and there can be no justification for its non-payment. However, the precipitate action taken might only tend to aggravate the malady and perhaps this is what has happened. The arrears of cane price today with some of the units placed under receivers have gone up considerably. Mere appointment of receivers, who are entirely new and inexperienced to the task of factory management, cannot help. On the contrary, the working of such factories might suffer resulting in more arrears. It will thus become a vicious circle. The UP Government, instead of resorting to such precipitate action should have taken the industry into confidence and gone at the root of the problem so that appropriate measures could be evolved to deal with the situation.

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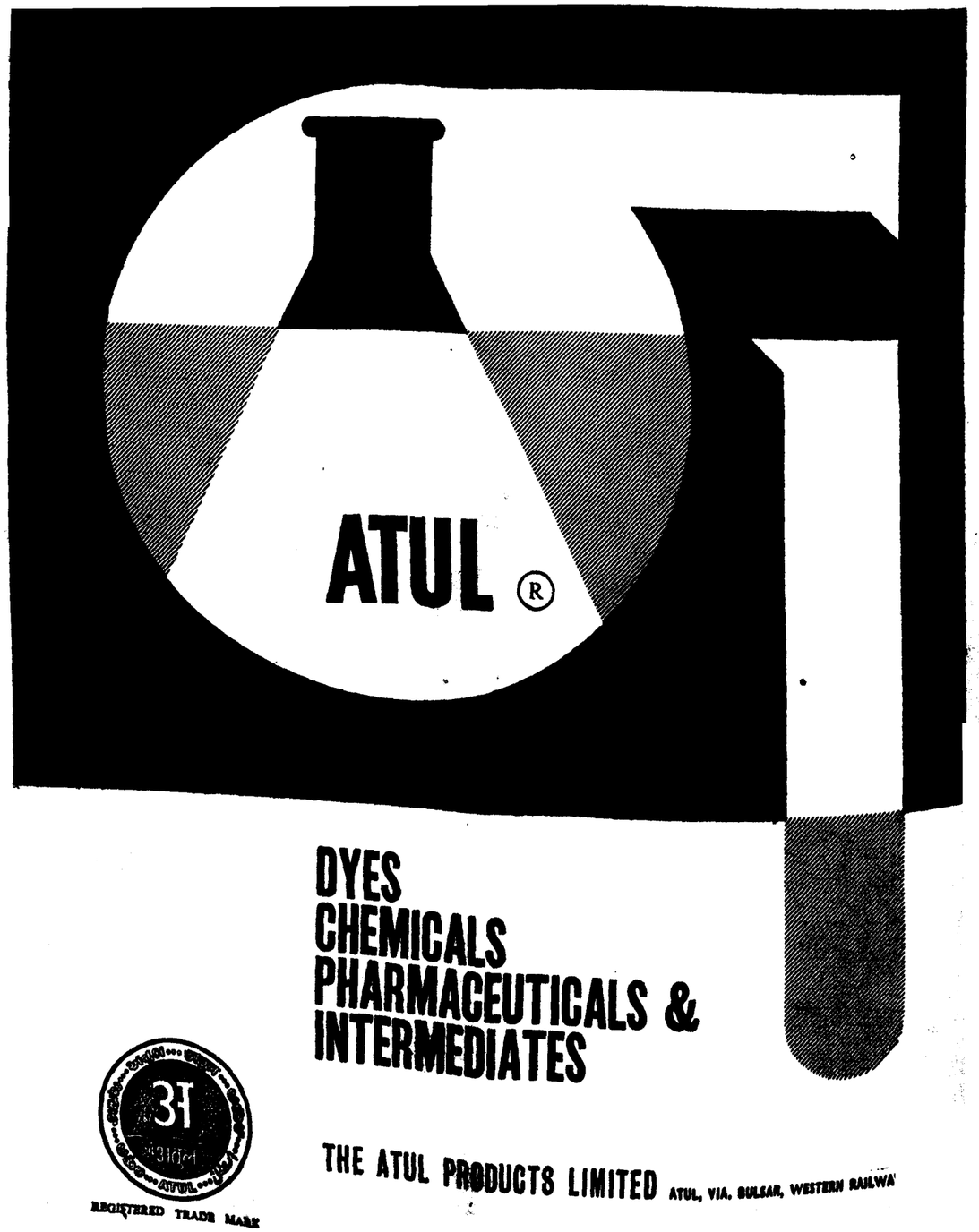
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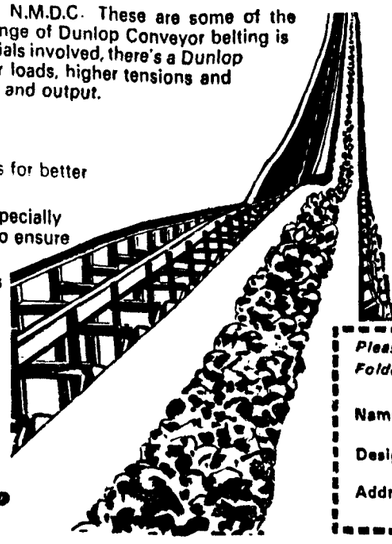
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Skylark 284 Frere Road Bombay 1
Phone 26 60 72

Editor
KRISHNA RAJ

Assistant Editors
Rajani X Desai, Jawid Laiq

Business Manager: A Fernandes
Circulation Manager: Shiv Patil

Editorial Staff
Colin de Souza, Haresh M Advani,
Shireen Heerjee. Ashok Rao,
Ranjeet R Chandi

Rice over Race

THE overwhelming vote by which the United National Party (UNP) was thrown out of power on May 27 and replaced by a coalition led by the Sri Lanka Freedom Party (SLFP) reaffirms the flexibility of Ceylon's political system and the sophistication of its electorate. Ceylon's political parties and institutions have shown a great ability to reflect social change and respond to new social demands.

In 1956, the SLFP came to power in response to the needs of the Sinhala-speaking majority who had till then been denied the levers of power by the English-speaking elite's control of the island's largest and best organised party till that time, the UNP. Instead of becoming disgruntled and obstructive in opposition, the UNP enlarged its following by espousing popular sentiments like veneration of Buddhism and encouragement of the Sinhala language. In 1965, after a campaign in which freedom of the Press and protection of Buddhism from creeping socialism were the main planks of the UNP platform, the electorate opted by a small majority for a UNP-led coalition in which the main Ceylon Tamil party, the Federal Party, was the chief junior partner.

During its five years of power the UNP followed middle-of-the-road policies. The state corporations set up by the SLFP were expanded and new ones created although no outright measures of nationalisation were taken. The Prime Minister, Dudley Senanayake, launched a concerted drive to make Ceylon self-sufficient in its largest import item, rice. The result has been the most spectacular rise in foodgrains production in Asia, more impressive than the better publicised increases in India, Pakistan and the Philippines. By 1973 Ceylon is likely to be self-sufficient in rice. This has been achieved by technical improvements and by guaranteeing a high price for rice, the funds for which were found by reducing the long-established subsidised rice ration by half (the remaining half was, however, given away free to ration-card holders).

Apart from cutting down the import bill, the increase in rice production and the high price for the crop were expected to pay handsome political dividends to the UNP and the rural vote was expected to come out solidly in its favour. Even the SLFP felt that its main support would come from the urban and coastal areas and not the rural areas. The major and in the event, disastrous, miscalculation made by UNP was that while the guaranteed price for rice helped some farmers, the halving of the rice ration hurt most consumers. Obviously, there were more discontented rice consumers than satisfied rice producers even in the rural areas. This is not surprising considering that about 50 per cent of Ceylon's farmers own plots of an acre or less. These small landholders consume more rice than they produce. There is also a large population of landless labourers who probably turned to the SLFP as they saw that the UNP's policies helped only the bigger landholders.

Another reason for discontent among the electorate and its desire to see a change in Government every few years is Ceylon's (for a poor country) unique educational system which provides free education from primary school to university for anyone with the minimum ability. The spread of higher education has no doubt raised demands for employment that cannot be met. At the same time it has infused Ceylon's politics with a sense of urgency which is missing in most other Asian nations.

In all the post-independence election campaigns and specially those of 1956, 1960 (two) and 1965, appeals which aroused and promises which pampered Sinhala (distinct from Ceylonese) nationalism were made by all the non-Tamil based parties, including the Trotskyists and the Communists. In this election, pandering to Sinhala sentiments was noticeably out of fashion. The parties and the voters were much more concerned about economic issues than about questions of race and religion. Both the major parties sought the votes of the minority communities — Tamils, Catholics and Muslims. The Islamic Socialist Front was formed to support the SLFP-led coalition. The coalition, for the first time, seriously entered the Ceylon Tamil strongholds in the Northern and Eastern Provinces by encouraging and seeking the backing of what are commonly known in Ceylon as the Tamil minorities, a euphemism for low caste Tamils.

Of the 1,150,000 Indian Tamils who are descendants of immigrant indentured labourers who were taken to Ceylon during the last 175 years to work on British-owned coffee and tea plantations and are quite separate from the Ceylon Tamils who have lived in Ceylon for more than a thousand years, only 160,000 are Ceylonese citizens and about 80,000 of these have the vote. About another 100,000 are Indian citizens, while the rest are stateless and consequently have no political leverage. Until the Sirimavo-Shastri Agreement of 1964

is fully implemented by repatriating 525,000 Indian Tamils to India and giving Ceylon citizenship to 300,000, the Indian Tamils are, unfortunately, left in political limbo. In the present election, the Democratic Workers' Congress, which is largely an Indian Tamil party, backed the SLFP. A small sign of hope was that, for the first time two Indian Tamils from a splinter group of the largest Indian Tamil party, the Ceylon Workers Congress (which is pro-UNP), stood for election. They lost by big margins but it was a sign of assertiveness among the normally quiescent Indian Tamil community.

Apart from the misfortunes of the Indian Tamils, the Ceylon political system has shown its maturity. The political parties have become genuinely participatory. They have sublimated regional and communal demands by concentrating on more significant bread-and-butter issues and at the same time have increased Ceylon's awareness of its traditional cultural heritage without losing sight of the need for modernisation. An enviable record. Perhaps, we in India might learn some political lessons from our southern neighbour.

Not by Naphtha Alone

IN its haste to get to the five per cent growth rate in agriculture envisaged under the Fourth Plan, Government has gone out of its way to accommodate private sector enterprise in fertilisers. The Birla enterprise under Zuari Chemicals is strikingly one such. (See 'Fertiliser at Any Cost?', February 21, p 352.) The fertiliser industry has been slow to grow in relation to demand and sizeable amounts have had to be spent in foreign exchange for import. So, in 1966, under the Ministership of Asoka Mehta, there was a deliberate attempt to rope in the private sector — with only limited success. The decontrol of fertiliser prices was another step similarly motivated.

Recognising the note of urgency in Government's concessions, would-be producers have continued to put pressure to obtain various special considerations. The latest in such series, is the apparently inspired report from Madras, claiming that Government is reconsidering, through a special Committee, its earlier decision to favour coal-based fertilisers as against naphtha-based fertilisers. The report also claims that expert opinion is generally against the use of fuel oil which is costlier to use and transport. It goes on to outline the proposed fertiliser plant at Tuticorin — its production possibilities and implementation.

As it turns out, the letter of intent issued to the Tamil Nadu State Industrial Development Corporation, which was to promote the Tuticorin project, provided for fuel oil as feedstock. The Corporation later passed on its licence to the Southern Petrochemicals Industries Corporation, a private sector concern, which has since favoured the more convenient use of naphtha — from the Madras or Cochin refineries. Already another unit, Madras Fertilisers, is using naphtha and have set up naphtha-cracking facilities. This, no doubt, strengthens a further demand for similar treatment. And, no doubt, the Tamil Nadu Government, would second any such demand as would favour industry in its territory — especially since the naphtha could be procured from a refinery also within its precincts.

Yet, over the past two years, Government has systematically maintained that, given the alternative uses for naphtha in petrochemicals and fertilisers, this base would be in short supply. The Fourth Plan, therefore, makes pointed reference to the need to find out possibilities of diversifying the raw material base for nitrogenous fertiliser, outlining the measures being taken to bring this about. The three coal-based fertiliser plants sanctioned at Korba, Talcher and Ramagundem are in line with this decision. So is the attempt to cajole units into using fuel oil and the other heavy petroleum fractions which are in easier supply. This, no doubt, is why the Tata Project, now likely to be sanctioned very soon, has offered to use any of the range of fuel oil, crude oil, naphtha, or liquefied natural gas, that may be thought most beneficial from the national cost-benefit point of view — though for it, as for any particular plant, one out of these several inputs would be more economic.

While it is to be expected, therefore, that particular entrepreneurs would want sanction for the input most economic to them, and that State governments which have the source for the alternative input within their own territories would attempt to push the Centre into making the necessary exceptions, it would be a pity if the Centre capitulated on the issue of national raw material balances.

AITUC Split

A Correspondent writes:

NO amount of dialectical skill or ideological hair-splitting will sell the preposterous claim of the CP(M) that in breaking away from the AITUC and forming yet another trade union organisation it is promoting the unification of the working class. Couched in the familiar jargon of communist polemics, CP(M)'s declarations both before and at the founding of the new organisation make it amply clear that the step is nothing more or less than the follow-up in the trade union field of the CP(M)'s split from the CPI in the political field.

That this follow-up had to occur reflects the attitude of communists (of both hues) to the trade union movement — an attitude that has not changed basically during almost half a century. The first splits in the movement over forty years ago were the result of their efforts to impose their own politics on the AITUC. The major split, at the time of Independence, that resulted in the birth of the INTUC and the HMS was also the direct result of communist sectarianism. It is inevitable that a trade union organisation which has jealously cultivated its total commitment to one political party should split when the party itself splits. Had the AITUC chosen to be politically more broadbased and less sectarian over the past three decades, its unity might have survived the split in the communist movement.

The trade union movement in the country is already too fragmented to be greatly affected by the split in the AITUC. Nor is the whole mechanism of dispute processing and problem solving in industrial relations particularly sensitive to such developments. It is doubtful if the formation of its own distinct national trade union centre will be of any tangible advantage to the CP(M) itself. No trade union other than those already under CP(M) control is likely to be attracted to the new centre. By itself, it is unlikely to become a very large organisation considering the fact that even the undivided AITUC had stagnated for several years at a rather unimpressive figure of aggregate membership. Apart from satisfying the political ego of its trade union cadres there is little that the new organisation can bring to the CP(M). The election of B T Ranadive, who has no standing as a trade unionist, as president of the new organisation underlines the CP(M)'s purpose in floating it.

In a different sense, however, the split in the AITUC is unfortunate. There were indications for some time that all the central trade union organisations in the country were re-examining their relations with political parties. The split in the Congress had its inevitable echo in the INTUC in which an influential group has been pressing for a line independent of either of the rival Congress parties. The HMS has long chosen the path of political heterogeneity. Inter-organisational contacts at local, industrial and national levels also seemed to be getting more frequent and purposeful than could be hoped for a year or two ago. All this pointed to a trend of reduced inter-organisational rivalries and of at least some understanding among central trade union organisations. The split in the AITUC, on blatantly political and ideological grounds, sets back this trend severely.

Geological Slips and Faults

Magnus writes:

THE Estimates Committee has just released its report on the Geological Survey of India (GSI). It is a penetrating document which examines both the past and the future with considerable insight.

The GSI's work, basically, is systematic mapping of the country and dissemination of information. Progress in both tasks has been very slow and, as the Estimates Committee observes, 34 per cent of the country will still be unmapped at the end of the Fourth Plan. As regards dissemination, the GSI has not been able to issue a single new map for the past four years. The present writer had to engage in six months of correspondence to get one map in 1966, and things have gone worse since then. The excuse given is that printing facilities for the production of good quality scientific papers are not enough; yet the Geological Society of India consistently (and punctually) publishes a journal which compares very well with anything comparable anywhere. The officer strength of the GSI till 1940 was only 25, and it had during the previous 90 years gained an unrivalled reputation for solid geological work. The strength has since gone up to nearly 1,100, but the output most certainly has not gone up in proportion.

With the growth in its activities, the GSI has had to face administrative bottlenecks but it has managed to keep bureaucrats out with remarkable success. It is sad therefore to see the Ministry suggesting, and the Estimates Committee accepting, the need for administrative officers "of adequate status" to be attached to the major regional offices. The usual arguments about scientists devoting more time to their work and making poor administrators are put forward, but by and large one has to face the fact that the GSI has not bungled things any more than the best-administered ministries. If anything, its bungling is in a low key, and is the result of over-enthusiasm to achieve results. One of the worst difficulties facing the GSI is the shortage of good geologists and other technical staff. On an average, it takes from August (when the competitive exams are held) till October of the following year to select and appoint a good man; the UPSC and police and medical formalities take up most of this time, and many geology graduates have turned to commerce, poultry-keeping and sales by the time their appointment letter comes through.

The Estimates Committee has made two very good points. First, there has never been any non-departmental assessment or technical scrutiny of the GSI's work. As an independent witness put it to the Committee, the Ministry of Mines with the then set-up was incompetent to make any technical scrutiny, and the Department could not be relied upon to evaluate its own performance. A small group of non-officials can easily make such an assessment in a few months, and its findings need not necessarily be adverse, because the GSI does do a lot of good work. Secondly, the functioning of the geological programming board has been criticised. This unwieldy and non-functional body has met only once a year during the past four years. For a body which has to set priorities among various schemes of geological investigation, such meetings are meaningless; in any case, a board with over 50 members is practically certain to be ineffective. It might be advisable to have four regional boards, which will nominate not more than two representatives to a central board, because most schemes are not all-India ones. Incidentally, why should the secretary, Mines and Metals, be chairman of a technical board?

The GSI often gets blamed for delays of metal-mining projects. Actually, it has very little to do with the implementation of these projects; its job is to point out potential producing deposits and leave development of mines to others. The Ministry of Mines and Metals, on the other hand, cannot shirk its share of the blame because it controls both the exploratory and the productive wings. What can the GSI do if, after 14 years of wasteful effort, Khetri has not produced a single ton of ore, much less any copper? Or if the coal deposits which it drilled are not developed because demand did not pick up? A clear distinction must be made between locating and proving a deposit and exploiting it. The Estimates Committee has unfortunately swallowed the specious argument that there is a considerable time-lag between the discovery of a mineral deposit and its commercial exploitation. Palabora in South Africa (copper, phosphates) and nickel in Caledonia are two recent examples which disprove this thesis; Jaduguda in Bihar was unknown in 1960, but it is a producing mine today. As the Committee observes in another context, mineral production in a country has a direct bearing on industrial prosperity. Not only does industry need minerals, but mines need considerable equipment, spare parts and consumable items. It is futile trying to improve industrial production without sound mining projects.

The Geological Survey of India has done enough ground work to support several major mineral projects and it should be given a chance to get its second breath. With some reorganisation, this premier institution is capable of doing much more. One only hopes that it does not get involved in the CSIR imbroglio.

Taxation of Sales

SALES-TAX occupies a significant place in the fiscal systems of developing and also of some industrial countries. However, there are different forms of sales-tax adopted by countries. A study published in the November 1969 issue of the IMF *Staff Papers* by P D Ojha and George E Lent covers the range of sales-taxes employed by the twelve Far Eastern countries: Ceylon, Taiwan, India, Indonesia, Japan, Korea, Malaysia, Nepal, Pakistan, Philippines, Thailand and Vietnam. In most of these countries, the tax was introduced after World War II; in some, however, it has a long history. For example, it has been in operation in the Philippines since 1904.

The relative importance of sales-tax revenues varies widely among the countries covered. In 1966 it ranged from 2.1 per cent of Ceylon's total tax revenues and 3.8 per cent of Japan's to 33 per cent in the Indian States and about 23 per cent in Thailand.

The approach to the taxation of sales varies. The levy is sometimes at a single point, on selected commodities at retail level or on general sales at manufacturing level. Some countries adopt multi-stage taxation. The choice of sales-tax system depends much on the stage of a country's development. Several of the countries first introduced low-rate multiple turnover taxes as most suitable from the standpoint of compliance and enforcement. But a multi-stage tax becomes increasingly complex as modifications in rates and tax base are introduced, and its administrative advantages tend to be increasingly outweighed by economic considerations. As a result, some countries have replaced their multi-stage systems with single-stage taxes.

A high rate multi-stage sales-tax with broad coverage of goods (including imports) and services clearly has the greatest inherent revenue potential. Such a system, however, creates serious inequities and distortions because of

the cumulative effect of the taxes levied at different stages of the production and distribution process, and encourages tax avoidance through vertical integration and other devices. The cascade effect of multiple turnover taxes may be mitigated by the use of low tax rates on materials and semi-finished goods, as in Thailand, or by exemption of raw materials, as in Ceylon. The ultimate solution to such a cascade effect is a tax on value added by each producer and distributor of goods.

Like all other taxes, the sales-tax also needs effective enforcement to yield the desired results. The study suggests that properly designed and administered, a sales-tax can become an important source of revenues for Governments without producing undesirable effects on production or undue inequities among consumers. In India substantial evasion of sales-tax and vast accumulation of arrears are common. Then there is the urgent problem of securing effective co-operation between the excise duties imposed by the Central Government and sales-taxes levied by States. The separate taxing powers in respect of commodity taxes pose a unique problem of co-ordination in the Indian federal set-up. Of course, a value added tax of the French type levied on a national basis could be an ideal alternative for India provided a way to make it feasible is devised through mutual consultation between the Centre and the States.

BUSINESS

Monopoly Control Begins

A Correspondent writes:

THE Monopolies and Restrictive Trade Practices Act, so long in the making, at last came into effect on June 1. This, of course, is not the end of the journey towards monopoly control: rules remain to be framed under the Act, and the first Commission has yet to be appointed.

The Act covers three main areas of monopoly regulation: (a) control of monopoly, in the sense of product concentration; (b) regulation of restrictive trade practices, in the sense of practices which reflect the exercise of monopoly power; and (c) control of business groups. The first two are traditional areas of monopoly control in many advanced countries; the last is an innovative feature of Indian legislation, its objective being to prevent concentration of economic power.

The Act seeks to control monopoly through measures like preventing issue of licences to monopoly producers, breaking up a monopoly producer of a product and banning restrictive trade practices. Various features of the Act need close attention. First, the Act exempts public sector units from the provisions relating to monopoly and monopolistic practices. While there is justification for their exemption from the monopoly provisions of the Act, there is none for exemption from the provisions relating to monopolistic and restrictive trade practices. In effect, Hindustan Steel is permitted to indulge in discriminatory pricing policies while TISCO and IISCO are not!

Second, it has to be recognised that Government has other means to contain monopoly situations, including licensing policy and the relevant provisions of the Companies Act. In implementing anti-monopoly policies, therefore, proper co-ordination of these diverse instruments of control would need to be ensured.

There are two major areas in which monopoly control measures would need amendment at an early date. First, the Monopolies and Restrictive Trade Practices Commission has not been given *suo moto* powers to inquire into concentration of economic power. In this area, control is apparently to remain in political hands. Second, it is well known that inter-corporate investment is a major instrument for concentrating economic power. The Act does not provide for compulsory divesting of shareholdings by companies to broaden shareholding and control of companies.

In the US, which has the longest experience of monopoly legislation, the law has been flexibly interpreted and operated to break up monopoly situations. Size itself has been deemed to confer monopoly power, and even conglomerates have been sought to be brought under control for tending to reduce competition. Monopoly control measures have included breaking up of companies, prevention of proposed mergers, compulsory sale of shares and, in the UK, even restrictions on publicity budgets intended to consolidate a monopoly situation.

It is in this context that the membership of the Monopolies Commission becomes important. Indian judicial tradition has not been particularly distinguished in matters of industrial legislation and in its understanding of the working of the industrial system. The economic ministries themselves are too subject to political considerations and too wooden in applying laws to ensure their vigorous application. It is to be seen if our executive and judicial systems overcome these limitations so far as control of monopoly is concerned.

The Standard Debacle

STANDARD Motors is the smallest of the three passenger car units. It has an installed capacity of 3,500 units per year, and, except for the attempt to diversify into a one-tonne vehicle, it has very little other capacity. Standard has been the most pampered unit of a pampered industry. It has the largest import content per car. What is more, as the price report of the Tariff Commission showed, these imports consist of items like fasteners which are made in the country.

To bolster the unit, Government at one time even thought of entrusting production of the small car to Standard Motors. Later, when it was decided to produce the small car in the public sector, Government thought of taking over the Standard unit to form a nucleus for the small car project. This reflected not so much Standard's capabilities as Government's anxiety to bale Standard out of its troubles. For all this attention, Standard has been a sick unit for some time. It has not been able to use its capacity fully despite the introduction of the four-door model. Its entry in the one-tonne vehicle field, though appropriate, was made inappropriately in the midst of a recession when sales have been sluggish. So while the other units have been able to ward off the effects of fixed prices by higher output, Standard has been unable to do so. For the past two years, Standard has been having constant labour trouble. The folding up of production last week, though sudden, was by no means a surprise.

Following the pattern of the sick textile mills, the Tamil Nadu Government proposes to take over Standard Motors. The Central Government proposes to rush through an inquiry under the Industries (Development and Regulation) Act to facilitate the takeover.

Given the economics of the situation, this can be no remedy. Labour might become more docile, since it now faces a lay-off. But the long-term problem of making Standard Motors viable remains. One way to make it so would be to merge Standard Motors with Ashok Leyland. Leyland and Standard are part of a single UK company — British Leyland. Moreover, with the ending of the collaboration between Hindustan Motors and Nuffield, which now is also part of British Leyland, there is no danger of a conflict of interest for Leyland in India.

As the following Table shows, the merger would make economic and financial sense:

(Rs lakhs)

	Ashok Leyland (year ending 31.12.1969)	Standard Motors (year ending 31.12.1969)
Sales	2,911	412
Profit	97	(—) 2
Fixed assets	718	217
Paid-up capital ordinary	779	72
Total	779	140
Reserves	363	39
Long-term borrowings	317	—

The two units would have complementary production of cars and commercial vehicles. Total sales would be Rs 33 crores at the least, and, with Ashok Leyland's profits, it should be possible to carry Standard in the immediate short-run.

The long-term solution would be to make a rational unit out of Standard's facilities. Since the Standard Herald does not sell even in a sellers' market, it is evidently a misfit in India. At the same time British Leyland has a car in its stable (Mini in the Austin, Clubman or Morris series), which can answer India's requirements of a small car. So, as the tooling of Herald runs out, it might pay Ashok Leyland-Standard to plan out a large capacity for the Austin Mini. Ashok Leyland's local financial strength and its parent's British connection should enable it to raise the required resources to put through such a plan. It would be more economic for the Central and Tamil Nadu Governments and for the two managements to direct their vision and effort in this direction.

Smudged Ceramics

THE President of the All-India Pottery Manufacturers' Association has claimed that the quality and design of Indian pottery products have improved considerably, adding that the industry, therefore, should be more active on the export front. Already Indian ceramic products are being exported to as many as 26 countries, including the US, the UK, West Germany, France and Australia. The value of exports rose to Rs 1 crore during April-December 1968 against only Rs 22 lakhs in the whole of 1966-67.

But barriers against exports are many. Competition from China and Japan is stiff, particularly in the South-East Asian and African countries. Not only is their quality considered to be far superior to that of Indian ceramics but the price at which they sell is considerably lower. Even in the Indian market, our ceramic products encounter competition from Japanese and Chinese goods which find their way into this country through import and smuggling. The recent upward revision of ocean freight rates and shortage of essential raw materials have made export of Indian ceramics more costly.

The growth of the ceramic industry, consisting of manufacture of glass and glassware, whitewares, refractories, abrasives, vitreous products, enamels, etc, has been rapid since Independence. The industry now produces sophisticated domestic and industrial products. The change in social habits and customs and shortage of metal were incentives for crockery production while the boom in building activity gave a boost to the manufacture of sanitaryware. Foreign collaboration with UK, France and West Germany helped to increase production of sanitaryware from 2,750 tonnes in 1956 to 12,630 tonnes in 1968. Indian sanitaryware manufacturers have link-ups with well known foreign brands like Twyfords, Doulton and Keramag. Production of ceramics rose from Rs 4.1 crores in 1955 to Rs 16.4 crores in 1965 and is expected to rise to Rs 20 crores by 1970-71. There are now about 100 large-scale units producing quality ceramic products.

At a time when the ceramic industry is faced with the problem of intense competition in world markets, its main task is to produce high quality and uniform products at low cost. But the industry is handicapped because the quality of the raw materials available to it is inconsistent and poor. The industry has also claimed that the landed cost of these materials at the factories is almost twice what any foreign manufacturer pays.

The Central Glass and Ceramic Research Institute which was set up to promote research in ceramics does not appear to have achieved much success. Since many mine-heads are without testing facilities, the industry is unable to get quality raw materials. The result is high production costs. Ensuring a steady flow of standard quality raw material and designing ceramic products to suit changing market tastes are tasks which are yet to be taken up seriously by the Institute. The Institute has also not yet developed a viable ceramic technology and for want of technical know-how we have not been able to produce items like superior quality porcelainware.

CAPITAL VIEW

The Ruling Party

Romesh Thapar

SERIOUS political observers are at last beginning to see the possibility of further threats to the unity of the ruling Congress Party. So much of the factional battle, expressed through the strident interventions of the Young Turks, the Rajput lobby, the Birla call, the indirect pressures of the Moscow and Washington patriots and what have you, was not seen as disruption until only recently when it became increasingly clear that the slogans raised covered a deeper conspiracy. Something of this was revealed during the "mini-AICC" meeting.

During this meeting, for three days, the newspapers regaled the public with accounts of wordy duels, personality clashes and utter political confusion. This meeting was intended to be an exercise to clear the way for a meaningful AICC session in mid-June, but it has been turned into a demoralising farce by a press which has been aided and abetted by a host of "leaders", some of ministerial rank. Each one leaked exaggerated accounts of his "intervention", accounts which were swallowed by the "special representatives" and the result was surface reportage far removed from the hard realities.

Inquiries reveal that the accounts published were calculated to project the interests of various lobbies, which, according to informed circles, draw

their resources from both internal and external agencies. Congress parleys have become a jousting ground for anyone who feels that his interest needs airing. Pressmen, also subject to the pressures of internal and external lobbies, respond to this kind of situation and are now playing the game with a verve seldom noticed in our country.

It is only natural that serious political observers should be alarmed by these developments. They not only mark a dangerous erosion of unity in a party which should be wedded to a dynamic left-of-centre role, but they represent an underhand and skilful effort to polarise politics at a time when polarisation would certainly open the way to a coalition of the Right. Voices on the Right in the ruling party are naturally in support of such an opening. But, and this is significant, it was not realised how many voices on the Left in the ruling party are pitched in fact to create this same opening.

Clearly, Indira Gandhi cannot allow herself to be hit in this fashion. Her angry outbursts only indicate her apparent inability at the moment to cope with the situation. And it is quite a situation.

Disruptionist Process Crystallising

Even within Government this same disruptionist process is crystallising. An IAS officer of the rank of Deputy Secretary, who is in charge of an officially-sponsored Institute of Defence Analysis and Studies, publicly attacks Government's nuclear commitments and actually organises the lobby for the Bomb! The Chairman of the Atomic Energy Commission uses the columns of the press to canvas a bigger budget for "his" nuclear and space programmes! The Secretary of the Ministry of Information and Broadcasting openly sponsors a Harvard-returned intellectual with Jan Sangh associations when the Prime Minister spends time making fun of this gentleman's theories in Parliament! Policy confusions, leakages inspired by ministers and leading bureaucrats, press manipulations and the like are the "style" of the day. This could be described as "in camera populism"!

Chaos is the word. There seems to be a deep reluctance to enforce discipline. Every "leader", from the Prime Minister downwards, seems to be anxious to placate, to please, to smoothe over, to double-talk, to dilly-dally, to play for popularity, publicity and inspired acclaim. The reprimand, the correction, the dressing down, and punishment, the demotion, the sack — all this is unfamiliar stuff to the rulers of today. If the ruling Congress Party imagines that this complex country can be administered in this fashion, then it is headed for some shattering shocks!

The ruling party must learn to rule. If Indira Gandhi is of the view that this is not possible because of the party's many weaknesses, then even now it is not too late to think of a mid-term poll. It would restore health to Indian politics. And this is the urgent need today...

June 1

PERSPECTIVES

Keeping the Sights Low

THE final version of the Fourth Five-Year Plan contains few innovations; it closely follows the Draft Outline and the few changes made — consequential mainly upon bank nationalisation and the further shift in power towards the States — have been well publicised. The main interest in the document, therefore, lies in the insight into planning processes and objectives that it gives.

The planners' objectives now evidently have a low profile — in resource mobilisation, in planning investment and in bringing about structural changes in the economy. Second Plan investment was almost double that under the First; Third Plan investment was equal to the total investment in the first two plans. The accompanying Table shows that public sector outlay in the Fourth Plan is very close to the outlay in the preceding eight years (the Third Plan period *plus* the three annual plan years) both in the aggregate and for most of the individual sectors. In other words, in the Fourth Plan continuity in investment pattern takes precedence over innovation.

Mobilisation of additional resources for development more or less ceased under the three annual plans. The Fourth Plan clearly shows a simliar unwillingness — strikingly evident in what has been attempted in the Plan's first two years — to raise resources needed to make the economy move. The Plan claims that domestic budgetary resources will provide 78.2 per cent of resources required for financing public sector outlay against only 56.6 per cent during the last eight years, 1960-61 to 1968-69 (p 78). However, the sources for this additional effort are not identified. The major share of the increase in domestic budgetary resources is sought from the balance from current revenues (Rs 1,673 crores, against a deficit of Rs 116 crores in the last eight years) and the surpluses of public enterprises (Rs 2,029 crores against Rs 844 crores). But in both these areas the first two years' record hardly augurs well for the fulfilment of these ambitious targets. The proportionately reduced resort to external aid and deficit financing is directly dependent upon fulfilment of resource targets under these two heads.

Consistency Problematic

The consistency of the physical targets of the Plan appears to be even more problematic. The foodgrains target for 1973-74 implies an average annual increase of 7.5 per cent in output in the remaining four years of the Plan, to be achieved apparently by a 2 per cent annual increase in land area and 5 per cent annual increase in productivity. Consumption of nitrogen is expected to increase threefold, of P_2O_5 three-and-a-half times and of potash more than five times. On present indications none of these targets seem capable of achievement.

Power capacity is expected to increase by 8.5 mn kw and demand for railway wagons is to be 101,000 wagons (in terms of four-wheelers). These targets will not fully absorb the already established production capacity for power generation equipment or for wagons. Similarly, the outlay on water supply and housing is not expected to use fully the capacity for steel tubes, cast iron spun pipes and building materials. On the other hand, the growth in output of telephones, passenger cars and rail transport facilities for passengers will remain below requirements. Again, the Fourth Plan will have the distinction of making the smallest addition to steel capacity since the Second Plan. And almost no expansion in capacity is envisaged in metallurgical and other heavy equipment, coal and other mining machinery, cement and sugar machinery, turbines and power boilers, electric motors, glass and refractories.

In other words, even though the Fourth Plan states that "the basic strategy of Indian planning as defined at the beginning of the Second Plan is not at fault" (p 12), it gives little evidence of accepting its logic. The Second Plan strategy was based on accepting the role of heavy industries as the leading sector, with balancing provided by small industry for consumer goods to contain inflationary pressures. P C Mahalanobis had identified as leading sectors iron and steel and aluminium, with heavy machinery capacity for building one one-million-tonne steel plant every year.

Today's leading sectors would comprise, besides iron and steel and aluminium, possibly crude oil and electronics. In all these sectors, the Fourth Plan programme is deficient. This is because the Plan is not impelled by the vision of generating self-propelling growth. Its objectives are confined to maintaining stability and to moving towards self-reliance: "The Plan proposes to step up the tempo of activity to the extent compatible with maintaining stability and progress towards self-reliance" (p 28). Indeed, this is a far cry from the philosophy of the Second Plan.

Overall Deficiency

Overall, the Fourth Plan is deficient in two main respects: it does not provide for the full utilisation of resources already created in the last 18 years; and it does not provide a clear idea of the kind of society towards which it wants to take the country. The main elements in the long-term perspective should be two: to maximise the rate of growth and to pass on more than the proportionate share of benefits of this growth to the under-privileged sections of the society. To some extent these two objectives are inter-related, but conceptually it is desirable to keep them separate.

The perspective plan envisages an annual compound rate of growth of 6 per cent per year over the period 1968-69 to 1980-81. In other words, a negligible acceleration in growth rate is envisaged over the twelve-year period. The Plan itself has this to say about its long-term objectives: "With the revised perspective of long-term growth, the target of real income for 1975-76 envisaged in the Third Plan will be reached only three to four years later" (p 31). Evidently, even the rather imperfect paradise dangled before the planners continuously recedes.

It is in the Plan's social objectives that the deficiencies of the perspective become evident. Re-distribution of the benefits of growth has to be achieved through stepping up of public consumption rather than redistribution of incomes. One, therefore, looks to the social programmes (health, housing, water supply) to measure the impact of the Plan on social welfare. But all that the Fourth Plan has to say on this point is that "public consumption expenditure is estimated to rise *somewhat* faster than private consumption" (p 33, emphasis added).

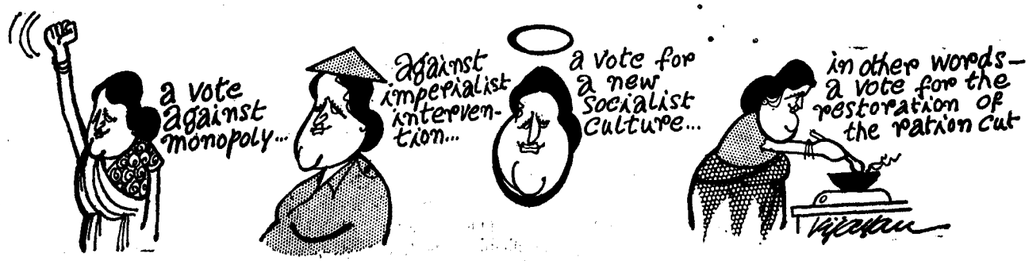
Planning is a continuous process of re-thinking — of having a long-term objective and adjusting immediate policies to meet it. This was the spirit in which P C Mahalanobis conceived his framework for the Second Plan. But since then planning has lost its elan and has become pedestrian. No new initiatives have come from the Planning Commission. The Fourth Plan, like the First, is a systematisation of continuing schemes. If the economy has retrogressed, so also evidently has the Planning Commission.

Table

(Rs crores)

Head of Development	Third Plan	1966-69*	Fourth Plan
(1) Agriculture and allied sectors	1089	1167	2728
(2) Irrigation and flood control	664	457	1087
(3) Power	1252	1182	2448
(4) Village and small industries	236	144	293
(5) Industry and minerals	1726	1575	3338
(6) Transport and communications	2112	1239	3237
(7) Education	559	322	823
(8) Scientific research	72	51	140
(9) Health	226	140	435
(10) Family planning	25	75	315
(11) Water supply and sanitation	106	101	406
(12) Housing, urban and regional development	128	63	237
(13) Welfare of backward classes	100	69	142
(14) Social welfare	19	12	41
(15) Labour welfare and craftsmen training	56	36	40
(16) Other programmes	173	124	192
(17) Total	8573	6757	15902

* Subject to final adjustments.
Source: Fourth Five-Year Plan, p 54.



FROM OUR CORRESPONDENTS

ANDHRA

The Power of the Panchayats

CONSIDERABLE excitement permeates the State with the approaching village panchayat elections which are to be held between June 7 and June 21. For, quite apart from the reconstitution of the village bodies, which is what the election will immediately effect, they also have long-term implications.

The Panchayat Sarpanches constitute the electoral college for electing the presidents of the Panchayat Samithis, of which there are 324 in the State. The Samithi presidents in their turn constitute the electoral college for the election of the chairmen of Zilla Parishads. So, despite the political parties' ostensible aloofness from and non-participation in the panchayat elections, they are in fact keenly interested in the results of this electoral exercise. The composition of these local self-government bodies will be an important factor in tilting the scales in favour of one political party as against another in the subsequent fight for power and influence that will take place at the village and district levels. And those who occupy key positions as Samithi presidents can play a crucial role in determining the chances of victory of particular political parties in the 1972 general election.

Peculiar Feature

A peculiar feature of the situation is that in a considerable number of villages, panchayat members are being elected unanimously. So far, in nearly 5,000 out of the 16,000 panchayat villages in the State, in the East Godavari, Kurnool, Mahbubnagar, Warangal, Cuddapah and other districts, members of panchayats have been elected without a contest, and more villages are likely to follow suit in the next few days. In the last election six years ago, the State Government had even offered an incentive by way of a cash award to villages which elected panchayat members unanimously! The rush for 'unanimity' was consequently so great that it committed the State Government to paying Rs two crores as awards — a commitment it has not been able to fully honour so far. It has, therefore, desisted from offering any such incentive this time; but clearly, as the results indicate, its preferences are well-known.

Though political parties are not officially interesting themselves in the panchayat elections, in many villages local partymen, particularly of the Congress and Communist parties, but also in some cases of the Swatantra and Jan Sangh, have been known to be backing particular candidates for the village Sarpanches. In Telengana, the Praja Samithi sees in the panchayat elections an opportunity to popularise the separatist slogan, but it has wisely refrained from backing candidates openly on that issue. The Samithi leadership's strategy seems to be to subsequently draw as many elected Sarpanches as possible into the Samithi fold so as to be able to use them as its agents for the separatist cause.

Meanwhile, the by-election to the State Assembly from the Khairatabad constituency in Hyderabad city has assumed more than usual significance with the Telengana Praja Samithi, under the leadership of M Chenna Reddy, making a separate Telengana the main issue in it. It has set up a candidate. The ruling Congress party has, on the other hand, nominated an integrationist as it candidate. In addition, there are two others contesting under the separationist banner, a Jan Sangh candidate, and four other independents.

Heavy Setback

The Congress candidate seems most likely to get through. The question remains, however, as to how convincing a victory this will be. A reverse in this constituency, which was earlier represented by the late B V Gurumurthy, an integrationist and President of the Pradesh Congress Committee (R), will mean a heavy setback to the separationists and may even prove the Praja Samithi's Waterloo. On the other hand, if the ruling Congress candidate is defeated, a blow will have been dealt to the prestige of the ruling Congress — even though it may not directly affect the overall picture of the party's majority in the legislature under Brahmananda Reddi's leadership.

The Electronics Game

(From a Special Correspondent)

WITH much fanfare and publicity the National Electronics Conference was held in Bombay from March 24 to 28, 1970. For the first time, industrialists, administrators, researchers and teachers connected with electronics, in all 500 participants, got together to discuss problems of mutual interest and to review the progress achieved after the Bhabha Committee report on electronics was published in 1966.

During the five days it lasted, the Conference held 9 sessions devoted to (i) Bhabha Committee Report, (ii) Industrial and Import Licensing Policy and Procedures; (iii) Foreign Financial Participation and Technical Collaboration; (iv) Research and Development; (v) Role of Small-Scale Units; (vi) Special Materials; (vii) Computers; (viii) Micro-Electronics; and (ix) Television Over 90 papers were presented.

The first session discussed the relevance of the Bhabha Committee's report and the developments after its publication. The Bhabha report, it was evident, had become something of a 'Bible' with participants quoting from it and lamenting that progress after 1966 had not taken place in the desired direction. Particular reference was made to the over-development of the entertainment sector and the poor progress, in comparison with targets of the Bhabha Committee, of defence and communications electronics and of raw materials production. The reasons for these imbalances in the growth of the different sectors were not, however, gone into in any detail and at the end of two-and-a-half hours of discussion on the Bhabha Committee report, the participants adjourned for lunch without coming to any conclusion.

The session on Licensing Policy highlighted the fact that Government policies were obsolete in the context of the fast-changing technology in electronics. The targets of capacity to be licensed should represent minimum levels to be reached rather than the maximum limits. And after establishing a particular capacity, Government must ensure that adequate raw materials are available and that foreign exchange scarcity does not curtail production.

Choice of Technology

A glaring failure of Government was brought to light in the sessions on Foreign Collaboration and R and D. At present Government has no policy with regard to the choice of technology, particularly in reference to import of technology and its relationship with indigenous R and D effort. The whole question of technological choice in electronics demands a clear policy on indigenous R and D effort and the extent of foreign collaboration and dependence desirable. Cost-benefit studies of even a rudimentary nature have not been carried out to evaluate import *vs* indigenous development of a particular technology. As a result, import of technology and R and D effort are progressing in different directions. The links between the R and D laboratories and the electronics industry seem to be minimal. Of course, this state of affairs is not peculiar to electronics, but in electronics the dichotomy is highly visible.

R and D in electronics is now carried on mainly under the aegis of three Government agencies: Department of Atomic Energy, Ministry of Defence and CSIR. There is no co-ordination among these agencies nor any appreciable interchange of personnel. There is considerable unnecessary duplication of effort. Moreover, the direction of much of the research effort is not determined by user requirements.

The Electronics Committee was set up in 1966 as an advisory body to formulate the guidelines for development of the electronics industry. It is an inter-ministerial committee, headed by Vikram Sarabhai, also the Chairman of the Atomic Energy Committee. The Committee consists of scientists and civil servants from Department of Atomic Energy, Ministry of Defence, etc. From the deliberations of the Conference, it became very clear that the Electronics Committee, which was supposed to direct and co-ordinate the development of electronics, had miserably failed. Many participants referred, directly and indirectly, to this failure. The reasons for the failure, as they emerged from the discussion, are:

(1) Rivalry among the three agencies concerned with development of electronics has progressed to such an extent that it has become impossible for the Committee to co-ordinate their efforts in any manner. They have almost become little warring kingdoms with the agency heads, who are represented on the Committee, refusing to take an overall view and instead trying to protect and expand the interests of their own agencies.

Data Gaps

(2) The Electronics Committee does not have a competent secretariat to generate the technical, commercial and economic information required for decision-making in electronics. There is total lack of primary data on production, sales, imports, R and D, technology transfer, developments elsewhere in the world, etc. Such a data base, which is absolutely essential for policy-making, can be built up only by the Electronics Committee. Unfortunately, it has not accomplished this task so far. It was comic to watch the various participants hurling at each other different figures of the value of the industry's production. Without a data base, the Electronics Committee can only take *ad hoc*, intuitive decisions or postpone decisions indefinitely. It takes decisions only when there is a crisis. The absence of a competent secretariat has rendered the Committee helpless in the face of market forces which it can neither predict nor contr[illegible]

(3) Another dr[illegible]back from which the Committee [illegible]ers is that it has no full-time mem[illegible]he members of the Committee a[illegible]members of perhaps 20 diff[illegible]t committees and have no time to [illegible]dy and reflect on the problems of the electronics industry. They are valuable because of their breadth of experience and the vantage positions they occupy in various [illegible]cies, but the Committee also needs at least 50 per cent of its members to be full-time in charge of production, R and D, computers, micro-electronics, etc. One of the papers presented at the Conference suggested the creation of a National Electronics Development Board to be constituted on these lines, but the idea did not find favour with the 'barons' of electronics.

As the Conference proceeded, it became increasingly clear that the major bottleneck in the way of the development of electronics is the present organisational set-up in Government in charge of the industry. The problems are both structural and inter-personal.

The weakness of the organisational set-up is reflected in the conflict between scientists and civil servants. Many a leading scientist pointed out at the Conference that the civil servant is obstructing the progress of electronic technology because he is bureaucratic and unimaginative and cannot appreciate the demands of a new technology. The scientist is perhaps equally to be blamed because often very competent scientists have been found to have poor administrative ability. Because real power in Government lies in the hands of civil servants, their association with policy-making or implementation (in electronics, as elsewhere) is inevitable. Scientists must reconcile themselves to this fact and try to understand the civil servants' approach and point of view.

Lack of Organisational Skills

It is tragic to find that a technology of the future like electronics is not allowed to grow because of lack of organisational skills and a committed leadership. Since the science organisation in this country is feudal and the general public and the scientific community do not have much lobbying power, we have to wait till the Cabinet decides to do something drastic to clean these Augean stables or till some more competent people take the reins of electronics.

The problem of personnel development in electronics, where the rate of obsolescence is very high, was not dealt with at all by the Conference. Education, training and re-training for development of creative personnel was not touched upon by anybody even though many educational institutions were represented. There was a paper on manpower which could be best described as an apology. It dealt with the [illegible]rn of colleges, etc, in a very superficial manner.

The last three days of the Conference were extremely informative and the theme paper in each session was fairly comprehensive. However, the important role of marketing was not perceived. Quite a few session chairmen did not seem to quite appreciate the value of marketing research in electronics. One of them very naively suggested that detailed design specifications and reasonably firm quantity requirements should be provided to the designer/producer at least five years ahead. This suggestion implies complete ignorance of the marketing process and the total reversal of the information-seeking behaviour of producers/designers. In an excellent paper on transfer of technology, a participant brought out very clearly the steps in the 'innovation chain' ranging from basic research to marketing of a pro-

duct. The paper pleaded for integrated planning for all the links in the chain. Unfortunately, once again, the Conference did not consider it worthwhile to spend time on this critical area.

Research and Teaching

Another malady which afflicts the electronics industry is the weakness of academic institutions like the universities and the institutes of technology where very little R and D activity is carried on. As a matter of policy, these institutions must be encouraged to undertake R and D work because they are the places where the future manpower for the industry is going to be trained. The experience of American universities under the Federal Contract Research Programme has shown very clearly that combination of research and teaching in one place is conducive to mutual growth. Unfortunately, in India we have divorced these two activities and in the process weakened both.

It was repeatedly suggested during the Conference that our present R and D effort is not adequate and that more funds ought to be allocated to R and D. But mere allocation of more funds is unlikely to improve the situation, unless a great deal of rethinking and ground-work are done. The Prime Minister must place before Parliament a 15-year perspective plan in the form of a "white paper" on the development of electronics outlining the relationship between import of technology and indigenous R and D effort, the proposed organisational structure at the top level for electronics and the commitment of funds. Unless such a comprehensive policy is formulated, other efforts will be largely in the nature of window-dressing to conceal the internally deteriorating electronic organism.

There are very few people in this country (none of them at the top) who have a good knowledge of the institutional, legal, commercial or financial aspects of Japanese or US growth in electronics. Here power groups are vying with each other for control of the direction of this technology of the future. The Department of Atomic Energy is fighting the Department of Defence Supplies, small-scale sector is fighting big business, private sector is fighting public sector and younger scientists are fighting old die-hards. All this fighting is mutually destructive as all these groups are highly interdependent. India has perhaps some of the most talented and skilled personnel in this area and we can grow rapidly if all these groups would come together. But, alas, this is a behavioural problem and hence difficult to resolve.

The corridors of the Homi Bhabha auditorium are silent again after the National Electronic Conference. The gentle breeze from the sea, the modern sculpture and paintings personally selected by Bhabha and the vibrating casuarina trees are all there. But what was the outcome of the Conference? For the answer we have perhaps to wait till the proceedings of the Conference are published and Government makes up its mind about the future course of action.

SIKKIM

No Longer Welcome

AFTER completing his term of office as India's Political Officer for Sikkim and Bhutan, N B Menon left here for New Delhi on the morning of May 8 in a flower bedecked palace car and escorted by the Commissioner of the Sikkim Police and other officials of India House and Tashiling. Menon had been Political Officer for India in Sikkim for 2 years and 10 months — a period during which many changes took place in this part of the world. Indeed, Menon's two speeches — his first and his last in Gangtok — are an index of this sea-change. On July 4, 1967, while replying to the welcome speech of Palden Thondup Namgyal, the Chogyal of Sikkim, at a lunch given in his honour, Menon had mentioned with enthusiasm the great Political Officers of the past, particularly Charles Bell and Bailey. Then, towards the end of his career, at a luncheon hosted by the "Vyapari Sangh" at Gangtok Thakurbari, Menon, while commending Indian merchants for their role in the past of filling up the economic gap in Sikkim, exhorted them to live according to the changing times and to assist the local people who were coming up in trade to take their rightful places. He also warned them that they should not compare the role and obligations of the Political Officer of today with what they used to be under British rule. Today's Political Officer was just a representative of the Government of India.

Though things had started to take a different shape and colour soon after the second marriage of the Chogyal to Hope Cook, issues between the Bada Kothi (the Political Office) and Chota Kothi (the Chogyal's villa) were nevertheless discussed openly in Gangtok and New Delhi during Menon's tenure. Such issues included the formation of the Sikkim Guard, the Sikkim Youth Study Forum, the Sikkim Red Guard, the decision to have a National Anthem, the renaming of the Residency to Bharat Bhavan (India House), and the anti-Indian demonstration of August 15, 1968, organised by the Sikkim Youth Study Forum. It was during Menon's tenure of office that the Chogyal was invited to pay a state visit to India and Gangtok was visited by the Indian Prime Minister and Deputy Prime Minister. Even President Giri might have visited Sikkim towards the end of Menon's tenure but for the fickleness of Himalayan weather which made the President and his party abandon their plans.

Apparently Menon was relieved at this forced change of programme, for he knew the kind of welcome that awaited the President had his helicopter touched down on Sikkimese soil and he was aware that that would do no good to Indo-Sikkimese relations. In Gangtok, up to the last minute there were no preparations to receive the President. In fact all the active members of Sikkim Youth Study Forum who hold high positions in Government were loud in their criticism of the President personally and of the Government of India. There were open hints too that the Chogyal had never invited the President and that the visit was forced upon Sikkim. It was reported that the Chogyal had not been prepared to receive the President, but that he had agreed to do so only when the Government of India compromised and suggested that the President's helicopter would land in the Palace grounds and not at the helipad in the Cantonment area. Nevertheless, the Sikkim State Congress led by Nahkul Pradhan, a Gurkhali leader, and the National Party, led by Gelong Netuk, a Bhuto leader, were given the means to organise a demonstration when the President arrived in Gangtok. Unlike the anti-Indian demonstration of August 15, 1968, it was not to be a mock demonstration. There were to be black flags and lively slogans demanding a revision of the treaty, withdrawal of Indian armed forces, withdrawal of Indian officers working on deputation with the Government of Sikkim and full independence. But all this failed to come off. The President's helicopter did not touch down on Sikkimese soil.

Soon after the Chogyal received the President's regrets from the Bhutanese capital, the Study Forum members jointly addressed a press conference demanding a revision of the treaty, freedom of trade with other foreign countries, abolition of the inner-line permit system and full independence. They threatened violence if these demands were not fulfilled soon. The elite Study Forum members also took the opportunity to criticise the political parties of Sikkim for their failure to raise their voice against "Indian imperialism". They were more critical of Sikkim National Congress leaders for having declared during the recent election campaign that their party was not in favour of a revision of the treaty or withdrawal of the Indian armed forces as that would imply an invitation to China.

How touchy nationalist feelings are in Sikkim is again made evident by a minor incident. Whenever the Chogyal goes out of Gangtok, even on a two-day shopping mission to Calcutta or Hong Kong, the business community composed of Indians settled in Sikkim for the past four to five generations, is expected to erect welcome gates right from Rangpo, a border town touching the Darjeeling District of West Bengal, to his palace. They also decided to erect a welcome gate in honour of the President. It was on their own that the Bhojpuri and Marwari communities of Gangtok erected a welcome gate near Bazar Post office on behalf of the "Vyapari Sangh". But the welcome slogan made the grave *faux pas* of putting "India" first and "Sikkim" later. The Study Forum group, led by senior government officials of Sikkim, were livid and threatened the Bhojpuris and Marwaris with dire consequences, forcing them to change the sequence to the liking of the Palace.

LONDON

An Interim Phenomenon?

AFTER the date of an election has been announced, there is inevitably a lull. Parliament has bits of unfinished business to tidy up; the parties have to write their manifestoes; and the party leaders engage in a kind of phoney war, exchanging generalised abuse about their respective records, while the true battle lines are being drawn up. The press is left with nothing very precise to report except the results of the latest opinion poll, which it supplements with profiles of otherwise obscure party workers and with laments over the absence of fundamental issues by which one party might be distinguished from the other. Consensus politics is seen, briefly, as the dead thing that it is.

Opinion Polls

Two weeks later, as polling day approaches, the tedium of the early exchanges will be forgotten. Yet, in the context of the general election which has been called for June 18th, there is something to be learnt from this preparatory interlude which is worth setting down on paper, to be remembered when the mounting election campaign has created an illusion of significance in what the party leaders say.

First, it is worth looking at those public opinion polls which have become such a large element in the measurement of political fortunes. In the weeks before the decision to call an election was taken, the polls recorded a sharp and large swing towards Labour. The inevitable Conservative accusation that Harold Wilson, the Prime Minister, was guilty of opportunism was met by the equally inevitable response that his intention to call the election at this time was of long standing, and was part of a carefully worked out strategy. Meanwhile, the *Sunday Times* has carried the debate to its ultimate absurdity, with a "poll of polls". (This opens up interesting possibilities. "There are five principal public opinion polls. Which do you think is most likely to win the election?")

Given that a prime minister has the power to fix the timing of an election, it is really not very surprising that he should choose a date favourable to his own party. All that has changed in recent years is that the proliferation of public opinion polls makes public the data on which such decisions are taken. Even that, however, is a change of some significance, for it focuses public attention on the technical competence of politicians in the business of winning elections, to the exclusion of more substantive issues. In addition to the familiar problem of the impact of opinion polls on voting behaviour (the self-fulfilling prophecy), there is a more fundamental question concerning the extent to which a preoccupation with electoral performance dilutes the content of political debate.

Issues and Non-Issues

The cynic might reply that there are in fact no substantive issues to be debated. The distressed middle-class liberal, like the frantic radical, tends to look at the two main parties as "Tweedledum and Tweedledee", "a choice of evils". If that is the right way to look at them, the technical competence in the business of winning elections and managing the economy is indeed the only possible basis of choice. This was the line taken by *The Times*, which, jumping as enthusiastically as ever on the stationary bandwagon of yesterday's fashion, took three columns to declare that "the record is the issue".

But it is not necessary to be so crass. Both the main parties, during the past two years, have been groping for some kind of ideological re-definition of their roles. As the *Financial Times* pointed out in a shorter and more thoughtful leading article than the one in *The Times*, the Labour Party has yet to face the problems of its relations with the trade unions, of the role of a possible expansion of public ownership, or of how to expand the social services to meet real needs, with or without selectivity. The Conservatives have yet to face the problem of how to reconcile tax cuts and a more competitive economic system with commonly accepted norms of social equity. Then there is the fashionable complex of issues loosely tied together under the heading of "the environment", or sometimes "conservation". The Conservatives are in an awkward position here, because the environmental movement has hitherto been conspicuously focused on the preservation of essentially middle and upper class amenities. "Save our grouse moors", or even "Save our architectural heritage", are slogans unlikely to move large masses of the electorate. For Labour, the problem is how to reconcile environmental concerns with its carefully nurtured image of hard-headed managerial competence; so its answers at present are confined to

studies, and yet more studies, and letting its more talkative ministers make remarks about the importance of the problem.

Beyond Mere Competence

If, in the course of the election campaign, the debate does move along such lines, it will be a sign that a new phase has begun in the style of British political life. Such phases tend to go in decades. From 1957, when Macmillan took over from Eden, to 1966, when Harold Wilson consolidated the small majority that he had won in 1964, was the era of what one commentator has called "the competence mandate", when elections were indeed won on the basis of a general assessment of managerial ability, without any very clear delineation of the purposes to which that ability was to be applied. Heath and Wilson are perhaps the last relics of that age, for events since 1966 have constituted one long reminder that politics is about real issues, that management, whether of a party or of an electorate or of an economy, is little more than a trade skill which politicians must possess in order to survive, but which can only be justified in terms of the policy objectives which it serves. The major failures of the Labour administration, which stand apart from the numerous minor promises which one is now constantly reminded have been kept, are not failures of competence. In race relations, immigration, foreign aid, education, employment, the failures have arisen from an absence of clearly defined objectives, so that there has been no test by which competence might be assessed.

Has anybody noticed? The swing to Labour recorded by the public opinion polls appears to be largely attributable to a general sense of self-confidence engendered by having "got the balance of payments right" (competence once more), supplemented by more particular and sectional satisfactions over the sharp wage increases that have followed the collapse of the prices and incomes policy. But, as the *Financial Times* again observed, these factors do not suffice to explain the major swing that the polls record. Such instability in the electorate is a new phenomenon. It is also probably an interim phenomenon, while Britain waits for the politician who will set the style of the next ten-year phase.

THE FOURTH ESTATE

In High Dudgeon

Nireekshak

WHAT with the Parliamentary duel — it can scarcely be called a debate — between the Prime Minister and the Jan Sangh leader, Atal Behari Vajpayee, Indira Gandhi's air dash to Bhiwandi and Jalgaon, the meetings of the National Integration Council and of the executives of both factions of the divided Congress party, the air has been thick with blood-curdling calls to end communalism. To this the Press has added its own voice — not the voice of editors and commentators only as usual, but also that of the All-India Newspaper Editors Conference.

This most inoffensive of all professional organisations, not content with its genteel rhetoric as per custom, has actually decided to send a study team to Bhiwandi and Jalgaon to investigate and report on the riots. This is one report which, whatever other practical utility it may or may not have, I shall await with interest. AINEC has also asked editors to form local "editors' emergency committees" in areas affected by communal disturbances "to harness the press media for peace", which is excellent in the context of so much public criticism that a section of the press has been fanning the flames of communalism. However why, in view of these decisions, AINEC has sought to prejudge the riots by ascribing them to the "exploitation of parochial, communal and regional passions by unscrupulous politicians" is somewhat more difficult to appreciate.

Coming to individual contributions to the discussion, G K Reddy of *Hindu* wrote what was probably the least biased commentary on the parliamentary debate (May 19). Reddy commenced his analysis by wondering if the 'poignancy' of the theme (of communalism) had not been "lost again by the empty rhethoric of political oratory and a bitterly partisan approach to what is basically a heart-breaking human problem". He then cited the speeches of Indira Gandhi and Atal Behari Vajpayee to illustrate this partisan approach, eventually to conclude that "unfortunately all the major political parties in India, including the Congress and the communists, have been guilty of exploiting communal passions and prejudices at one time or the other to gain some momentary or lasting advantage". Arguing that communal violence was only one aspect of the "present atmosphere of violence" Reddy went on to say: "While nobody can really doubt Mrs Gandhi's sincerity or sense of high purpose in making a frontal attack on communalism, one can legitimately ask at the same time whether the Government is doing everything possible to tackle this problem in its wider context by awakening the people to the growing dangers of violence on various fronts. . . The latest debate in Parliament has also shown that the urgent need at the moment is for prompt and imaginative action, not high oratory on the evils of communalism or parochialism."

Nirad Chaudhuri, who writes a regular column for *Hindustan Standard*, discussed the subject at another level, not unpredictably bringing in Kipling to support his thesis. The increasing incidence of communal violence, Chaudhuri said (May 19), is "producing two opposed mental reactions: fatuous escapism or increased fanaticism". He went on to say how "in the best days of British rule" the authorities were "extremely alert about the possibility of trouble", quoting at length Kipling's description of a Hindu-Muslim riot to prove his point. Finally the *obiter dicta*: "Of all the nationalistic myths that have been popularised by our nationalism none is more false and mischievous than the theory of the oneness of the Hindus and Muslims, and the complementary theory of there having been an Indian culture created by the synthesis of Hindu and Muslim cultures . . . Any effective policy of making the different communities in India live together in peace must be based on a recognition of the fact created by history that there are many communities, if not nations, in India who must co-exist by frankly recognising one another's right to self-hood and distinctive life." After which no one may say that Chaudhuri's own "self-hood" and distinctive character have been left in any doubt.

Discussing the riots in Maharashtra against its purely local background, *Statesman*'s man in western India, S Viswam, suggested (May 23), that "Bhiwandi and Jalgaon are only the nemesis that overtook those who permitted the poison [of "aggressive communal forces"] to spread because it suited their political interests". He placed the onus of responsibility squarely on the Naik Government which "failed to anticipate that temporary political gains would lead to permanent social separatism and an entrenchment of divisive forces". For example, "did the Congress have to become so morally obliged to the Shiv Sena [for support in the 1966-67 elections in North Bombay] that it had to turn a blind eye to the anti-Muslim postures of that fanatical group? Or soft-pedal every charge made against it [the Sena] to such an extent as to give the unmistakable impression of 'an unholy alliance' with it?" Apart from the Naik Ministry's "encouragement" of the Shiv Sena, another contributory factor was the "inadequacy of the Government's intelligence services". If Bhiwandi has any lesson for Maharashtra, concluded the writer, "it is that it is wiser to anticipate rather than react to communal violence".

Narayan Swamy of *Deccan Herald* similarly argued (May 14) that it was the Naik Government's complicity in creating an "atmosphere of permissive violence" that was responsible for the riots. "It is naive on the part of the State Government to believe that it can prevent a Bhiwandi so long as it does not crack down on the Shiv Sena or stamp out communal propaganda... It is this dithering with communal and sectarian forces that is ultimately responsible for tragedies like the Bhiwandi riots."

Apropos my earlier reference in this column to inadequate investigative reporting of the riots, I am glad to note that since that was written some newspapers, notably *Hindustan Times* and *Statesman*, have more than made up for the initial lag. I liked particularly Upendra Vajpeyi's series in *Hindustan Times*. Strangely enough, however, the criticism remains valid in the case of the Bombay Press!

While on the subject of reporting, it was good to see some Indian bylines in the reporting of the recent Jakarta conference on Cambodia. *Hindu's* V T Sambandan and *Deccan Herald's* K C S Pillai, who is presumably Malaysian more than Indian, were particularly conspicuous. (Pillai reported from Singapore). Among the others, neither B K Tiwari of *Indian Express*, who briefly visited Cambodia to report the American invasion, nor G M Telang, the *Times* man in the area, seems to have visited Jakarta for the conference. [Tiwari, incidentally, has obtained a scoop (May 26) in the form of an "interview" with Prince Sihanouk, the first obtained by an Indian journalist since Sihanouk's deposition and perhaps the first obtained by anyone. Though the interview was conducted (by post?) from Tiwari's base in Hong Kong, without a personal meeting, it nonetheless showed some journalistic enterprise.]

The Jakarta conference was declared by *Hindustan Times* to have been "a measured appeal for a return to peace" though "it might not bring an immediate halt to the war in Cambodia". *Free Press Journal* thought the conference was "unproductive" while *Searchlight* believed that "the initiative taken at Jakarta has to be continued" in order to ensure that "the United Nations does not act so supinely on Cambodia as it has been doing in the case of Vietnam". All three newspapers thought a wider Geneva-type conference was necessary for any effective solution to the Cambodian crisis.

REVIEWS

The Disowned

Pradip Nayak

A History of the Asians in East Africa c 1886 to 1945 by J S Mangat; Oxford at the Clarendon Press; 1969; pp xvi + 216; 55s.

AT a time when the vogue in Nairobi, Kampala and Dar-es-salaam is to underplay, if not ignore, the contribution of the Asians in the development of the East African countries; when London, because of racial exigencies, chooses to break its promises and forget a people who assisted the old Imperial Government in opening up this part of the "dark" continent; and when Delhi, in the interest of maintaining "good" relations with the African countries, unashamedly professes ignorance about the vital role that the people of Indian origin fulfilled in introducing the East African countries to the "civilised" world in the last decades of the nineteenth century and the first half of this century, J S Mangat's book deserves wide circulation amongst all those who wish to express opinions on the present plight of the Asians in Kenya, Uganda and Tanzania. It is rightly pointed out in the preface that existing literature relating to Asians in East Africa is almost entirely unsatisfactory because it leaves many important gaps in the overall assessment of the economic, social and political implications of their immigration into those countries during the colonial period, and because there is a wide divergence between the Asian tradition of their past there and the views expressed about them in the written accounts. For example, not much has been written or said about the significance of the officially sponsored immigration of the Indians which in fact initiated voluntary emigration from parts of India, particularly Gujarat and Punjab which had had no previous contact with East Africa; but the subsequent role of the Asians can almost entirely be explained in terms of the expansion of the activity of these immigrants in the two fields of commercial enterprise and subordinate employment.

"Outpost of India"

The author has accumulated a wealth of detailed information about Asians in East Africa from parts of the nineteenth century which are outside the defined scope of the book to the end of the Second World War, and has chosen to divide the period between 1886 to 1902, 1902 to 1923 and 1923 to 1945. It has to be appreciated that history cannot be satisfactorily discussed within any well-defined limits of time; 1886 saw the Partition of East Africa and the years upto 1945 represent the "crucial years of the historical process whereby the scattered Asian commercial population along the Coast was transformed into a major Asian settlement in the interior". Perhaps, the weakest part of the book is the Epilogue ("The Road to a Dilemma") which is sketchy; an important opportunity has been thereby missed to interpret the data displayed in the preceding chapters. The weak ending leaves one discontent-

ed and with an unmistakable feeling that the shortness of the chapter was an unfortunate sacrifice for the sake of brevity.

Indian traders were involved in the Indian Ocean trade from the earliest times, but unlike the Persians and the Arabs they did not establish any comparable or permanent settlements. Their trade languished during the Portuguese rule in parts of East Africa and later because of the monopoly enforced by the East India Company. The revival in the 19th century was due to the recovery of their former influence in Zanzibar by the Imams of Muscat; by the establishment of British rule in India and by the emergence of British naval supremacy in the Indian Ocean because the Indian merchants began to trade under the British flag. The British Consul in Zanzibar in 1841 was appointed and paid by the Bombay Government; Zanzibar was regarded as "an outpost of India". Indians began to provide the main banking and financial services for the commercial enterprises, for the British officials and explorers, and for the Sultan. One of the firms even acquired control of the important post of custom collectors at an annual rental of $ 110,000 in 1835. The British Consuls were lavish in their praise for the Indian traders' reputation for "punctuality of payment and probity".

Influx of Immigrants

The Partition of East Africa in 1886 and the resulting direct British involvement made the interior accessible to Indian labour and enterprise to an unprecedented extent. The question of settling indentured Indian agriculturists was much canvassed since it was felt that the climate and the presence of the Indian commercial community would work in favour of such a move. Nothing came of it. The major non-commercial push came in the form of indentured workers to build the Uganda Railway, particularly after 1896. Upto 1901, about 32,000 workers had been recruited for service on the Railway on three-year contracts at an average overall cost of Rs 30 per month per coolie. Every aspect of the Railway organisation necessitated the employment of additional Indian staff ranging from assistant surgeons to water-carriers. But the real significance of this Indian presence in what was regarded as a hostile interior lay not only in the construction of the Railway but in the impetus that this officially sponsored immigration provided for the future Indian immigration into East Africa. The influx of Indian immigrants and troops provided a stimulus for the rapid expansion of the commercial activities into remote areas even where the prospects of trade and security were virtually non-existent. British officials reported that Indian traders dealt in "anything and everything which tended to develop the country's resources". By introducing the Africans to a variety of imported goods and to the rupee currency, the traders provided the necessary incentive to greater local production and also speeded the transition from a barter to a money-based economy. Even the first newspaper was started in Mombasa by an Indian. A Special Commissioner in Uganda during 1899-1901 wrote that to the Indians he could "only wish unlimited success, since they trade under the British flag, and create trade, first in a small way and then in a large way, where no trade had hitherto existed". A far cry from the statements that were made later.

The period roughly between 1902 and 1921 saw a considerable increase in the Indian participation in the process of opening up the interior. Unfortunately, the decades also saw the growth of European prejudice and hostility because of the success of the Indian immigrants in different fields. The skilled and semi-skilled immigrants, the businessmen and the petty traders contributed not only to the establishment of a standard currency all over East Africa, but also to the introduction of Indian laws and the British Indian methods of administration. Some of the officials still cherished hopes of East Africa becoming an "America of the Hindu" but the sponsorship of the White Highlands policy in Kenya encouraged the Europeans to demand the restriction of Indian immigration. The conflict between the races had begun. For example, a senior official recommended the lowlands as "practically reserved for Indians" because of their unhealthiness, while it was recommended that transfers of land to "Indians or natives" should be absolutely barred in districts suitable for European colonisation. The Highlands were "unsuited to the Indian agriculturist", and the enforcement of racial segregation in the towns was "necessitated" for the maintenance of proper sanitary standards especially since the Secretary of State believed that most of the Indians were of low-caste origin and prone to insanitary habits. The now familiar accusations of the unscrupulous business methods of the Indians also began to be levelled and the Indian influence on the Africans was described as deplorable. To support such puerile statements, missionary evidence was summoned; considering the anti-Indian bias of the missionaries in East Africa, it was hardly surprising that they dwelt at some length on the ill-effects of intercourse between the Asiatic and African races.

Economic Rivalry

The major factor underlying the rapid change of European attitude was the growth of economic rivalry. This was true in British as well as German East Africa. To the Germans, Indians were racial antagonists and a source of national danger because they were British subjects. There was no parallel campaign against the Indians in Uganda and Zanzibar but there was a marked change in official policy. The formal declaration came from the Kenya Governor in 1919 that the "country was primarily for European development and ... in all respects the European must predominate". The ineffectiveness of the Indian Association can be judged from the fact that this statement was made to the Association without any fear of the possible repercussions. Indian political effort was sporadic and haphazard and, on the whole, unsuccessful. After 1919, the East African Indian National Congress was revived and it presented lengthy petitions to London. Examples of evident injustice were pointed out. Demands for a common electoral roll based on property and educational qualifications were made while pointing out that separate representation for different communities would perpetuate and intensify racial antagonism. There is evidence that the Indians sought to make common cause with the emerging African political organisations — particularly with the Kikuyus in Kenya and the Bagandas in Uganda. Indian newspapers started publicising African grievances over land, labour and wages policy; and also helped print articles and pamphlets in Swahili. African leaders had free use of the Indian Association offices and financial assistance was also probably given. The Europeans saw these as sinister contacts and accused the Indians of complicity in the 1922 riots in Nairobi. Indian agitation did not solve the problem of racial inequality but a major victory came in 1923 when a declaration was made that African, not European, rights in the country were paramount. The African leaders today do not like to give this particular declaration much importance but it has to be realised that it not only reversed the previous declaration of European paramountcy but also ensured that Imperial control of the Colony would continue. This frustrated settler efforts to be granted self-government. This was a major achievement for the future because a potential Rhodesia was avoided.

The 1923-1945 period showed the significant contrast between the various Indian political and racial disabilities in East Africa and their social and economic progress. Adaptation to British institutions initiated far-reaching changes within their society, but at the same time their weak political position (since they neither had equality with the Europeans nor had the long-term political security that the African majority had) led to their general isolation. This was due mainly to the stratification of the society on racial lines, and partly to cultural differences. The process of adaptation and settling down resulted in a greater East Africanisation and the gradual decline of the particularly strong links with India. The Indian settlement showed an unmistakable parallel to that of the Jewish communities elsewhere — though constantly under scrutiny, they played a crucial role in the general development process.

Indian political agitation during this period could have been more effective since it was based on a policy of non-co-operation and the insistence on a common electoral roll, but internal dissension within the community took its toll. The growing rift between the Hindus and the Muslims in India affected relations between the two main religious groups amongst the Indians in East Africa. A divided Indian community could hardly be expected to effectively fight the problem of racial inequality.

It is important to note that much of the restrictive market legislation introduced in the 1930s prevented, in the long-run, the rise of an African commercial class, although, paradoxically, the main justification for it was the need to protect African interests. African leaders ought, periodically, to be reminded that the blame for the lack of an effective African commercial community today cannot be laid only at the door of the Asian trader.

Mangat briefly discusses the role of Indians in founding African trade unionism: the assistance given in printing Swahili newspapers [particularly *Muigwithania* which was edited by Johnstone (later Jomo) Kenyatta]; the efforts to ensure African participation when the Highlands were discussed; and the repeated demand that Africans should be given direct representation on the Legislative Council.

The amount of detailed information, together with cross-references, that Mangat has brought together between two covers for the first time is a tribute to his scholarship. It has become possible now after reading this volume to evaluate the role of the Asians in East Africa and, perhaps, understand how the present difficulties of the community are not entirely the result of the commercial self-seeking that is attributed to it by the African governments. It would be absonant to expect gratitude from African politicians or public but one is justified in expecting at least some word of acknowledgement for the services rendered to the African cause by the East African Asians. I hope it would not be impertinent to suggest that Mangat could prepare a follow-up volume to complete the historical analysis of Asian participation up to the granting of independence to the various East African countries.

Self-Help by Developing Countries

Rajendra Kumar

India and Regional Development: The Case for a Common Market by H T Parekh; Vora; 1969; pp 90; Rs 6.

PUBLICATION of this collection of some eight articles written by the author in the 1960s on the subject of an Asian common market is timely. The less developed countries' disenchantment with the Development Decade and foreign aid is turning their attention increasingly to the possibilities of economic co-operation and trade among themselves. The author is aware of the practical limitations of an Asian economic region. But he makes his case boldly and at the end he challengingly invites counter-arguments: "Why not an Asian common market?"

Parekh's scheme for an Asian common market covers seven countries: Burma, Ceylon, India, Malaysia, Nepal, Pakistan and Singapore (Indonesia is also referred to as a likely participant). To start with, the author argues, bilateral trading and financing arrangements on preferential lines must be promoted, with countries with a trade surplus extending credits to their trading partners. This effort at free trade needs to be coupled with measures like liberal tourist facilities and increased cultural and educational exchange. That would provide the setting for a well co-ordinated effort at evolving common production and marketing programmes, so that overlapping industrialisation in the region is avoided and a more efficient allocation of resources achieved.

The present reviewer has long held the view that regional economic co-operation and integration are essential to the economic survival and rapid growth of less developed countries (see his "Free Trade Area in Asia", *The Economic Weekly*, March 25, 1961). A purposive drive towards freer regional trade has to be inevitably the starting point in this direction. In view of its large size, India may simultaneously enter into more than one regional economic arrangement so as to derive the full benefits of international trade and specialisation. It may be argued that such regional arrangements are trade-diverting, but in fact in the case of less developed countries they are more trade-creating than trade-diverting.

Recent moves such as the Government of India's trade talks with Nepal, Ceylon and Burma, and the meeting in Colombo of eight Asian non-aligned nations point to a favourable change in governmental attitudes. Yet one cannot rely on governmental action. The initiative is still with non-official agencies, in India as much as elsewhere. In India the Society for International Development and the Council of World Affairs are suited to the task of organising the necessary effort. Alongside, feasibility studies and research in specific areas of intra-regional trade and economic co-operation should be intensified. Also, our various institutions of technology must enrol larger number of students from neighbouring countries.

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Student Politics at Allahabad University—I

Walter Andersen

Alok Pant

This is a detailed study of the social composition of Allahabad University and the effect of sociological factors on student politics. The reasons for student alienation are seen to emanate not only from within the University but also from the general social and economic deprivation prevalent in Allahabad and the rural areas of eastern Uttar Pradesh.

Student politics at the University is regarded as the "intervening variable" between violence and alienation. The psychological need for such violence becomes apparent within the context of student frustrations. The various political groups, their connections and their leadership are analysed. Finally, there is a full account of the University's student union elections in the second half of 1969.

I

IN early November, 1969, the Allahabad University Student's Union formally accepted a compromise worked out by the Faculty and student leaders, presumably restoring peace to the campus. Less than one month later severe violence returned to the campus. The sensational details that set off the student violence brought Allahabad to the attention of newspaper readers all over India. However, strikes and violence are not a new thing at Allahabad (or eastern Uttar Pradesh for that matter.) The authorities, both on and off the campus, have sought to understand the phenomenon. Dozens of articles have appeared in both the local English and vernacular newspapers. Seminars are held on the topic each year at the University. A facile attempt is made to show that students are misused by unscrupulous politicians who hope to capitalise on student discontent. Both on or off campus politicians are not chiefly responsible for the alienation and violence. They are simply the intervening variable between violence on the one hand and student alienation on the other.

Students are from an age group when they must face a series of new crises in the process of building a new adult identity for themselves. They experience new biological urges as well as face new situations and responsibilities. They must remould themselves, using their past experience and new objective circumstances. Many students come from backgrounds which makes this extremely difficult and the university environment creates obstacles in what is always a very painful process.[1] This is a case study of one of the larger universities of eastern Uttar Pradesh.

II
The Setting

Allahabad University traces its origin to the throwing open of the British covenanted services to the natural born subjects of the Empire in the latter half of the 19th century. Institutions of higher education were needed to train these officials.[2] In 1872, the fourth University in British India was established at Allahabad, then the capital of the United Provinces. Its administrators and teachers were largely British. They created an institution purposely modelled on the lines of Cambridge and Oxford, where many had received their education. The spirit of that era can still be seen in stone. Across from the University Library is a hostel built during the Victorian era. Unlike the Indo-Persian architecture of most later buildings, this building looks British. It has two large courts, to this day called Oxford Court and Cambridge Court. Many of its alumni now teach at the university and speak nostalgically of the warm relationship between faculty and students in those days.

The new school attracted scholars from all over central India. Most of the students came from the literary castes — the Kayasths and Brahmins among the Hindus and the Shaikhs and Syeds among the Muslims. Most came from the middle classes, the sons and daughters of civil servants and shopkeepers. Remarkably few agriculturists sent their children to the university.

Following the First World War the University underwent fundamental changes. It became a full-fledged teaching university, rather than a largely examining and degree granting institution. The teaching and administrative staff was gradually Indianised. By 1940, it was almost exclusively Indian.[3]

Following Independence, this elite institution, noted for its high standards and high proportion of higher government civil service alumni began to become a more democratic institution. Its enrolment greatly increased. The social base from which it drew its students also broadened. In 1939, there were 2,362 students. Five years later this grew to 2,878. Nine years after Independence, it had expanded to 6,823,[4] and rose to 8,823 for the 1968-69 academic year.[5] This increase has not been matched by a growth in either staff, facilities, or government grants. The hostel facilities have also not expanded to keep up with this great expansion. In 1924, 80 per cent of the students lived in hostels. By 1934, it was down to 60 per cent. Shortly after Independence it was down to 40 per cent. In 1956, it further declined to about 30 per cent.[6] In the school year 1968-69, 1,770 students lived in hostels or slightly more than 20 per cent of the student body.[7] Some 80 per cent lived either at home or in rooms that tend to be cramped and dirty, in the older sections of the city. Hostels provide the opportunity of inter-caste living and a new experience for many students from caste-conscious eastern Uttar Pradesh. The students in town often live with their caste fellows or with families of the same caste. The liberalising influence of the hostels plays a less important role as increasing numbers of students live outside them. Hostels also provide friendship to students, who are often away from home for the first time, and sports and entertainment facilities in a university notable for the scarcity of both. The non-hostel student often lives a lonely life, devoid of extra-curricular activities. This large group represents the poorest and most violence-prone section of the student body. The present student body president comes from among them, and to a large extent, owes his election to them.

Another related effect of the growth has been a declining amount of money spent per student. In 1968-69, the university received Rs 6,722,455.[8] from the government or about Rs 761 per student, a very low figure by any measure. A common complaint heard in the Science Block is the lack of modern equipment or even sufficient equipment. Other disciplines share the same fate. The State government of UP, did not grant the full amount of Rs 5,733,552 as expected for the 1968-69 budget and only allotted Rs 4,145,867. This meant that already tight budgets had to be drastically curtailed.[9] The Vice-Chancellor has stated that the University gets less than full sympathy from the State government, who place a much higher priority on food and primary education than on the needs of higher education.[10] The problem of extreme scarcity of resources has prevented the administration from fulfilling many of the students' demands, and has created serious tension between students and the administration.

Since Independence, the University of Allahabad has become a progressively parochial institution. Once it drew students from throughout middle India, with a sizeable number from eastern India as well; the University now draws its students almost exclusively from eastern Uttar Pradesh. Di Bona, from a sample of admission forms for 1962-63, noted that 48 per cent of the students then came from Allahabad district, 20 per cent from districts contiguous to Allahabad, 22 per cent from other eastern districts of UP and 9 per cent from the rest of the State. Only 6 per cent came from outside the State.[11] We took a 10 per cent random sample survey of the admission forms for 1969-70. The sample was taken from entering arts, science, and commerce students. The total sample was 277. There are slight differences from Di Bona's figures in 1962-63.

The number of students from Allahabad district itself has increased from 48 per cent to 55 per cent. Those from contiguous districts has shown a slight decline (to 16 per cent). There is a marked decline in the number from the remaining eastern districts of Uttar Pradesh, down to about 89 per cent. This might result from a difference of definition as to what constitutes eastern Uttar Pradesh, between Di Bona's study and ours. Conversely, the number from the rest of UP has gone up from about 9 per cent to almost 20 per cent. Most of these came from east of a Kanpur-Lucknow axis, though we cannot document this fact scientifically, as we did not keep an exact record of residence patterns in districts to the west of Allahabad district. There is one other noticeable shift and that is the number from outside UP. In our survey, it is down to 2 per cent. In Di Bona's, it was 6 per cent. In comparison with science students, a significantly higher percentage of arts and commerce students come from Allahabad district, adjacent districts, and from other eastern districts of UP — 81.76 per cent of the 181 arts students and 90.62 per cent of the commerce students in comparison to only 62.5 per cent of the science students. Girls, both in arts and science, tend to remain close to home. If one removes the girls from the science students, then 34 of the 57 science boy students (59.64 per cent) come from outside the eastern districts of UP, as we define it. The fact that they travel from further distances leads one to suspect that they tend to come from families with a better income than the arts students.

Table 2 gives a breakdown of the total sample of 277 students. 65.34 per cent are arts students, 23.10 per cent are science, and 11.55 per cent in commerce. Note the preponderance of boys over girls (77.26 per cent to 22.74 per cent). The percentage of girl science students to total science students is considerably lower than the similar relationship on the arts side (10.93 per cent on science side to 30.93 per cent on arts side).

Greater enrolment on the arts side of not a new thing at Allahabad. Allahabad University was originally established to train persons suitable for colonial civil service. The education felt to be more suitable was on the arts side — namely one that would produce the humane lectic. While it cannot be accurately documented, it is fairly safe to conclude that the academic level of the arts student has declined perceptibly since the British left. Table 3 shows the Intermediate marks of the sample.[12] Note that some 60 per cent of the arts students score less than 200 points. Only about 7 per cent of the science students fall in this category. Commerce (at 30 per cent) lie somewhere between the two. For science students at the high school level, the modal category is 301-400 points. The arts modal category is 201-300 points.

The caste composition of the university closely follows the caste population of Allahabad district. The dominant Brahmins and Kshatriyas are slightly overrepresented and the Scheduled Castes and Muslims slightly underrepresented. It is difficult to accurately document caste membership from the records, except in the case of the Scheduled Castes. Di Bona made an attempt, but admitted the problems in accurately determining caste from the names on the admission forms. For example, the name Singh is now coming into fashion in eastern UP. This name was once the possession of Kshatriyas, but recently many Backward and Scheduled Castes people have been adopting the name. Di Bona made the calculation that 42 per cent of the students were Brahmins, Kshatriyas were 14 per cent, Vaishyas 13 per cent, Scheduled Caste 5 per cent, Kayasths 22 per cent, Thakurs 1 per cent, and others 3 per cent.[13] We are not sure why he placed Thakurs separately from Kshatriyas as Thakurs are Kshatriyas. Moreover, we think he underestimated their number and overestimated the Vaishyas and Kayasths. We also kept a record of names, but because of the great difficulties of assigning a person a caste by his name, gave the task up as hopeless. We do have the exact figures for the Scheduled Castes and they closely correspond with Di Bona's figures (4.3 per cent). Note from Table 5 that 83.33 per cent of the Scheduled Caste students are enrolled in the arts. Undoubtedly, this is a function of their non-English education, as science requires a greater command of the English language. Not one is in commerce, a calling far removed from their traditional occupations. Most seem destined for minor clerkships in positions reserved for them. We did observe that the large majority of commerce boys were from the Vaish Jatis, the commercial subcastes.

Table 6 presents the religious distribution on the campus. The Muslims formed 9.34 per cent of the sample, a percentage close to their percentage in the total population of eastern Uttar Pradesh. As with the Scheduled Caste students, the large majority were studying arts (80.77 per cent) with only small percentages in the other two areas. Unfortunately the Muslim arts students cannot hope for a reserved seat in government positions, unlike their Scheduled Caste compatriots. A large number will undoubtedly join the growing ranks of Arts graduates who are unemployed. Muslim students often claim that they are discriminated against in jobs and that their future is bleak. They tend to be more radical in their political views than do the scheduled

TABLE 1: RESIDENCE PATTERNS

	Arts	Science	Commerce	Total	Per Cent of Total Sample
1 Allahabad District	57 AB 50 AG 107 (70.40)	22 SB 4 SG 26 (17.10)	19 CB 0 CG 19 (12.50)	98 B 54 G 152	(54.87)
2 Adjacent Districts	29 AB 1 AG 30(68.18)	7 SB 0 SG 7 (15.91)	7 CB 0 CG 7 (15.91)	43 B 1 G 44	(15.88)
3 Eastern UP	11 AB 0 AG 11 (52.38)	5 SB 2 SG 7 (38.33)	3 CB 0 CG 3 (14.29)	19 B 2 G 21	(7.58)
4 Rest of UP	25 AB 4 AG 29 (54.54)	22 SB 1 SG 23 (41.81)	3 CB 0 CG 3 (5.45)	50 B 5 G 55	(19.85)
5 Delhi	1 AB 1 AG 2 (100.0)	0 SB 0 SG 0 (0.0)	0 CB 0 CG 0 (0.00)	1 B 1 G 2	(0.72)
6 Rest of India	2 AB 0 AG 2 (66.67)	1 SB 0 SG 1 (33.33)	0 CB 0 CG 0 (0.00)	3 B 0 G 3	(1.08)

Note: Total sample is 277. The figures in parentheses are the percentages of the total for any particular row. AB=arts boys; AG=arts girls; SB=science boys; SG=science girls; CB=commerce boys; CG=commerce girls. These abbreviations shall be used in all subsequent Tables.

TABLE 2: TOTAL SAMPLE

	Boys	Girls	Total	Per Cent of Sample
Arts	125	56	181	(65.34)
Science	57	7	64	(23.10)
Commerce	32	0	32	(11.55)
Total	214 (77.26)	63 (22.74)	277	

caste students, as their future is less hopeful. However, they have not joined the mainstream of student politics which is the reservation of caste Hindus. Muslims have their own hostel on the campus and they mix but infrequently with other students. They have recently made overtures to the Scheduled Caste students for an alliance, but as we shall show, it has had only marginal success. Their alienation must remain largely encapsulated within their own community as they have so few opportunities to present their case to the larger student community and few student leaders are willing to champion their cause.

In Table 7, the number of students preferring English instruction is given. Only 22 of the 181 arts students (12.15 per cent) prefer English whereas 48 of the 57 science students prefer English instruction (84.21 per cent). The commerce students also show a low percentage favouring English instruction (12.50 per cent). It is commonly stated by instructors that the English classes at the university have the superior students.

Hindi was introduced as a medium of instruction at the undergraduate level in 1951 at Allahabad and now a large majority take their classes in that language. Most science students take their classes in English sections. Their command of the language opens up to them a rich intellectual heritage closed to the student conversant only in Hindi.

The general trend at Allahabad has been one of declining academic standards. Over the years, both politicians and students have demanded lower percentage marks for both division standing and entrance requirements. To a large extent, the academic authorities have been forced to acquiesce. The low level of performance of college students in UP was summarised in the 1960 UP Public Service Commission Review of Examinations for the Civil Service, Police Service, financial and accounts services. The report revealed that only 20 candidates out of 701 who appeared at the examination could secure more than 50 per cent marks in the general knowledge section. They also reported that only 6 women candidates appeared and none got a place; that only 4 of the 77 Scheduled Caste candidates who appeared were able to score high enough to fill the five vacancies reserved for them.[14]

The reason for the decline at Allahabad is due to more than just lowered point requirements for admission. There are two other significant factors. The student body is now drawn from a largely rural background and from social groups with little education and little appreciation of its benefits. In other words, from families where the tradition of learning has not been strong. Note Table 8, which relates to Father's occupation 35 per cent of all students come from families whose occupation is agriculture. A higher number come from families in the service category (42.96 per cent). Professions (7.58 per cent) and Business (14.44 per cent) trail far behind. This is a reversal of the pre-Independence situation. Note the lone entry for labour. Undoubtedly, more should be placed in this category, but preferred to list their father's occupation as service or agriculture, as physical labour is considered somewhat undignified in India. Many in the service category live in villages. In Di Bona's analysis of the 1962-63 admission forms, he was able to trace 43 per cent of the students to rural backgrounds and 23 per cent to urban. Thirty-two per cent could not

TABLE 3: INTERMEDIATE SCORES

Score	Arts	Science	Commerce	Total	Per Cent of Total
1 101-200	75 B 32 G 107 (91.45)	3 SB 1 SG 4 (3.42)	6 CB 0 CG 6 (5.13)	84 B 33 G 117	(44.31)
2 201-300	46 AB 23 AG 69 (51.11)	47 SB 5 SG 52 (38.52)	14 CB 0 CG 14 (10.37)	107 B 28 G 135	(51.13)
3 301-400	0 AB 0 AG 0 (0.00)	7 SB 1 SG 8 (100)	0 CB 0 CG 0 (0.00)	7 B 1 G 8	(3.03)
4 401-500	2 AB 0 AG 2 (100)	0 SB 0 SG 0 (0.00)	0 CB 0 CG 0 (0.00)	2 B 0 G 2	(0.75)
5 500 and above	2 AB 0 AG 2 (100)	0 SB 0 SG 0 (0.00)	0 CB 0 CG 0 (0.00)	2 B 0 G 2	(0.75)

Total Sample is 264.

be classified (pp 148-9). From analysing the data in the admission forms, we feel the figure for students from a rural background is considerably more than one half the total.

54 of the 63 girls (85.71 per cent) come from families in service or business. As stated above, only 6 of the girls came from families engaged in agriculture (9.52 per cent). Two factors, we believe, are responsible for this low figure. The rural areas of eastern Uttar Pradesh are still quite traditional in their view of the role of a woman in the family. Child-care and the kitchen are regarded as the proper spheres for women. Secondly, a girl's standing on the marriage market is not improved by sending her off to college. So that expense is avoided by most families in the villages. Girls belonging to the service and business families are in a different situation. There, an education does improve one's marketability. An even cursory glance at any marriage column in an Indian newspaper will demonstrate this fact.

The second factor responsible for declining standards is the sudden switchover to Hindi at the University. Most of the students today can neither read English nor follow lectures in the language. An anguished professor wrote the following words about neighbouring Gorakhpur University. "...[academic life] seems so completely cut off from cultural currents and intellectual adventures that come from the outside world."[15] He blames the academic stagnation to the sudden switch to Hindi. It is not only that there are so few text-books and academic journals in Hindi, but he adds that an equally debilitating circumstance is the lack of interest in what is happening in the larger academic world. "A new generation of students and teachers is springing up whose horizons have not been lifted beyond the confines of their own little villages and outworn traditions and orthodoxies."[16] The knowledge explosion comes to Indian scholars and students primarily via English. Academic conferences are almost exclusively in that language. An increasingly large number of students and teachers in eastern UP are finding themselves unable to have access to this knowledge.

Table 9 gives the age distribution of the students. Almost one half of the entering student body is 18 years or younger. What surprised the authors of this article were the large number over 18 years. It is often assumed that one of the problems of Indian universities is the youthfulness of the student. Yet,

TABLE 4: HIGH SCHOOL MARKS

Score	Arts	Science	Commerce	Total	Per Cent of Total Sample
1 101-200	3 AB 0 AG 3 (42.86)	1 SB 0 SG 1 (14.28)	3 CB 0 CG 3 (42.86)	7 B 0 G 7	(2.81)
2 201-300	87 AB 40 AG 127 (79.38)	15 SB 2 SG 17 (10.62)	16 CB 0 CG 16 (10.00)	118 B 42 G 160	(64.25)
3 301-400	25 AB 9 AG 34 (46.58)	35 SB 3 SG 38 (52.06)	1 CB 0 CG 1 (1.36)	61 B 12 G 73	(29.31)
4 401-500	0 AB 0 AG 0 (0.00)	4 SB 1 SG 5 (100)	0 CB 0 CG 0 (0.00)	4 B 1 G 5	(2.00)
5 500 and above	1 AB 2 AG 3 (75.0)	0 SB 1 SG 1 (25.0)	0 CB 0 CG 0 (0.00)	1 B 3 G 4	(1.60)

Total Sample is 249.

TABLE 5: SCHEDULED CASTE STUDENTS

Arts	Science	Commerce	Total	Per Cent of Total Sample
9 AB 1 AG 10 (83.33)	2 SB 0 SG 2 (16.66)	0 CB 0 CG 0 (0.00)	11 B 1 G 12	(4.3)

TABLE 6: RELIGION

	Arts	Science	Commerce	Total	Per Cent of Total Sample
1 Hindu	107 AB 46 AG 153 (62.70)	54 SB 7 SG 61 (25.00)	30 CB 0 CG 30 (12.3)	191 B 53 G 244	(88.08)
2 Muslim	15 AB 6 AG 21 (80.77)	3 SB 0 SG 3 (11.54)	2 CB 0 CG 2 (7.69)	20 B 6 G 26	(9.38)
3 Christian	2 AB 1 AG 3 (100)	0 SB 0 SG 0 (0.00)	0 CB 0 CG 0 (0.00)	2 B 1 G 3	(1.08)
4 Others	1 AB 3 AG 4 (100)	0 SB 0 SG 0 (0.00)	0 CB 0 CG 0 (0.00)	1 B 3 G 4	(1.44)

these figures show that the entering student is probably older than the entering American college student. The modal category for arts and commerce is 18. 102 of the 181 arts students (56.35 per cent) are 19 years or older whereas only 17 of the 64 science students (26.56 per cent) fall in that range. Commerce shows the higher number in the 19 and above categories, namely 20 out of 32 (62.50 per cent).[17]

III

Prior to Independence, Allahabad University was famous for its academic excellence and lack of revolutionary fervour. The two characteristics no longer apply. Since the early 1950s, sporadic outbursts of violence have rocked the campus, sometimes bordering on civil war between the student union and the administration. The leadership in the protest movement has always come from the union leaders. There has been no outside agency nor any other student organisation that has served as an effective nucleus of support. No strike is possible without the support of these union leaders. They have a charismatic quality that serves to mute opposition. One does not have to stay long on the campus of Allahabad to see why the union leaders receive such a loyal following. For one thing, the faculty and the students have only marginal contacts with each

other. The students feel they cannot get a sympathetic hearing from the faculty and that the faculty is not concerned about their welfare, whereas the union leaders have demonstrated their concern and the ability to deliver the goods for them. Another factor is the almost complete lack of other organisations on the campus (either academic, social or sports). There are many that are on paper, but the number of students who participate in them is infinitesimal. The few that do function are largely restricted to the tiny anglicised elite. They provide one of the few opportunities for the opposite sexes to meet. Union activities offer one of the few chances for the mass of students to meet each other and release youthful enthusiasm. Erik Erikson has pointed out that one of the dangers at this stage is role confusion — the problem of defining who you are. "To keep themselves together they [youth] temporarily overidentify ... with the heroes of cliques and crowds."[17] In their clannishness, the students often become intolerant to those who are different and stereotype themselves and the supposed enemies. With so few other organisations on the campus, the union and its leaders become the institution which they use to satisfy their inner urge to belong. The union is the "in-group" and the president is its leader; the enemy is the administration.

The union has undergone vast changes since Independence. Prior to 1947, it was primarily a debating forum and a cultural organisation. Since 1947, it has come to be virtually a shadow cabinet to the administration. The union leadership has shifted from one student group to the other over the last 22 years. In the early years, the Communist youth wing, the SF (Student's Federation) dominated the union and carried out some particularly violent strikes. About 1957, the Youth Congress began to replace it as the premier youth organisation on the campus. The YC indulged in less overt activity against campus authorities. Following this relatively calm interregnum, the socialist's youth front, the SYS (Samajvadi Yuvak Sabha), ousted the Youth Congress and has had a near monopoly over the union during the last several years. There is one other major student organisation on the campus, the Vidyarthi Parishad. It has had a history of ups and downs. It was established on the campus soon after Independence to counteract the communists. Its first leaders and ideological inspiration came from the militantly Indian nationalist

TABLE 7: PREFERENCE FOR ENGLISH INSTRUCTION

Arts	Science	Commerce	Total	Per Cent of Total Sample of Boys, Girls
17 AB 5 AG 22 (22.72)	45 SB 3 SG 48 (64.87)	4 CB 0 CG 4 (5.41)	66 B 8 G 74	(30.84) (12.70)

TABLE 8

	Arts	Science	Commerce	Total	Per Cent of Total Sample
1 Agriculture	69 AB 6 AG 75 (70.12)	14 SB 0 SG 14 (14.59)	7 CB 0 CG 7 (7.29)	90 B 6 G 96	(34.65)
2 Service	40 AB 40 AG 80 (67.23)	26 SB 3 SG 29 (8.40)	10 CB 0 CG 10 (8.40)	76 B 43 G 119	(42.96)
3 Professional	7 AB 2 AG 9 (42.86)	8 SB 1 SG 9 (14.28)	3 CB 0 CG 3 (14.28)	18 B 3 G 21	(7.58)
4 Business	8 AB 8 AG 16 (40.0)	9 SB 3 SG 12 (30.0)	12 CB 0 CG 12 (30.0)	29 B 11 G 40	(14.44)
5 Labour	1 AB 0 AG 1 (0.62)	0 SB 0 SG 0 (0.00)	0 CB 0 CG 0 (0.00)	1 B 0 G 1	(0.36)

TABLE 9: AGE DISTRIBUTION

Age	Arts	Science	Commerce	Total	Per Cent of Total Sample
1 17	15 AB 11 AG 26 (47.27)	24 SB 2 SG 26 (47.27)	3 CB 0 CG 3 (5.46)	42 B 13 G 55	(19.85)
2 18	29 AB 22 AG 51 (62.96)	17 SB 4 SG 21 (11.11)	9 CB 0 CG 9 (11.11)	55 B 26 G 81	(29.24)
3 19	32 AB 9 AG 41 (71.92)	8 SB 0 SG 8 (14.04)	8 CB 0 CG 8 (14.04)	48 B 9 G 57	(20.57)
4 20	26 AB 8 AG 34 (80.95)	4 SB 1 SG 5 (11.91)	3 CB 0 CG 3 (7.14)	33 B 9 G 42	(15.16)
5 21	9 AB 4 AG 13 (65.00)	2 SB 0 SG 2 (10.0)	5 CB 0 CG 5 (25.0)	16 B 4 G 20	(7.22)
6 22	10 AB 2 AG 12 (80.0)	1 SB 0 SG 1 (6.67)	2 CB 0 CG 2 (13.33)	13 B 2 G 15	(5.41)
7 23	0 AB 0 AG 0 (0.00)	1 SB 0 SG 1 (33.33)	2 CB 0 CG 2 (66.67)	3 B 0 G 3	(1.08)
8 24	2 AB 0 AG 2 (1.11)	0 SB 0 SG 0 (0.00)	0 CB 0 CG 0 (0.00)	2 B 0 G 2	(0.72)
9 25 and above	2 AB 0 AG 2 (1.11)	0 SB 0 SG 0 (0.00)	0 CB 0 CG 0 (0.00)	2 B 0 G 2	(0.72)

organisation — the Rashtriya Swayamsevak Sangha (or RSS). As long as the communists controlled the Union, they could rally non-communist elements around themselves and they were an organisation to be reckoned with.[18] With the coming of the Youth Congress, they shriveled as an organisation and today are a very ineffective group. There remains only one well organised student group at Allahabad and that is the Samajvadi Yuvak Sabha (SYS). The Youth Congress has been split by the nation-wide Congress bifurcation, the larger number following the lead of the Bahuguna family, a prominent family in the local Congress organisation, and backing Congress (R).[19] For all intents and purposes, the SF remains unorganised. At Allahabad, it takes a strangely Gandhian view toward violence, while at the same time espousing rather pure Marxism-Leninism. It has remained rather free of regionalism and casteism. This has not added to its strength at Allahabad.

There is a student council, composed of elected representatives from the hostels and delegacies.[20] The council in fact does nothing of significance and is not a factor to consider in campus life. When strikes are called, the council is almost entirely ignored. When students have a grievance, it is to the union inner circle (the President, Vice-President and Secretary) that they go. So to this small group of men flow a multitude of grievances and is reposited the responsibility of implementing a range of demands that covers all aspects of life on the campus. This small group is advised unofficially by former presidents of the union, who take an active interest in student affairs and whose advice is respected. Most of the recent presidents belong to the SYS and they have enormous influence in it. They had a controlling voice in selecting the Presidential candidate when a split developed within the local SYS unit. Local SSP politicians also are consulted and are influential. The same can be said for the Youth Congress. The Youth Congress candidate for Secretary, admitted, in an interview, that it was Kamla Bahuguna that had the most influence in determining the Youth Congress candidates for union positions. Except for this Congresswoman, no woman occupies a position of influence in student political wings or in union offices. The turbulence of it all has probably driven them away. There was a time when some women (including several members of the Nehru family) controlled student organisations, some of them revolutionary in nature.[21] But that was when a different kind of student attended Allahabad. Most of the students from eastern Uttar Pradesh now expect the women students to remain in the background, as women in their own villages. If a woman shows too much competence in academics or takes an interest in social and political affairs, she challenges their traditional view of male superiority. It is not uncommon to hear scurrilous remarks made about women who have demonstrated excellence or taken an interest in student politics.

IV

In the fall of 1968, soon after the student elections, the President of the student union called a general house meeting to discuss long-standing student demands. Union leaders have usually relied on general house meetings rather than the student council as forums to discuss important decisions. A general house meeting can be much more easily manipulated than the council. Moreover, it is usually packed with supporters of the union leadership. We have attended several such meetings and it is our impression that most of the people in attendance were delegacy students, though this is a bit hard to prove statistically. In any case, we shall briefly list the major demands, as they were to be the source of much conflict. At that meeting on October 31, 1968, the President demanded: student representation on the University's Executive Council (i e. the chief policy making body) and the Proctorial Board by co-opting all student leaders, except those denied cooption on moral grounds; permission to open up post-graduate classes in all degree colleges; prominent sportsmen to be given exemption from fees, etc.[22] The students marched off to the nearby office of the Vice-Chancellor, who was given 24 hours to fulfil the demands. A 24-hour hunger strike was begun on November 1 by the President and a few other leaders. Open rumours spread about the campus that the SYS was divided on the wisdom of a strike. It was generally said that its then Secretary (and the 1969-70 union President) took a more radical activist stand than the union President himself and forced his hand in this matter. He did, in fact, openly disagree with the technique of a hunger strike, presumably favouring something more direct, but at the same time felt the demands should be increased. He suggested the lowering of second division marks from 48 per cent to 45 per cent in undergraduate commerce, more facilities for students, etc[23] to be included in the demand sheet. The strike was called off on the fourth, when the Vice-Chancellor appointed a committee to look into student's demands. On November 7, the strike was renewed, on the grounds that the Executive Council did not fulfil the demands. They were particularly condemned for announcing a rise in examination fees by Rs 10. Some organised resistance to the strike did appear. A group called the Rashtriya Shosit Sangh appealed publicly to the sons and daughters of poor farmers, field labourers and the landless to ignore the strike call and concentrate on their studies.[24] This is an organisation with Scheduled Caste leadership. There are two reasons for Scheduled Caste resistance to strikes. One is that they have guaranteed jobs waiting for them, unlike most other students. The other stems from the claim of their leaders that union activities are largely a Brahmin-Thakur affair, run for and by them. They also claim they use the union as a training ground for a political profession, a profession denied to the Scheduled Castes in eastern UP, where the various political organisations are controlled by caste Hindus.

Predictably, violence broke out on November 9 when the President was arrested. The police were called in. The police behaviour on the campus in the past had been marked by bloody confrontations with students. Two years before, they had forced their way into the compounds of two hostels close to the campus, dragged students out of their rooms, and beat up a large number of them. A storm of protest swept the city then. The brutality of the police has only served to strengthen student support for their leaders. In this particular strike, the police even threatened to beat up some teachers, thus angering a large part of the faculty. Twenty teachers signed a public petition protesting against the behaviour of the PAC personnel.[25] The students tended, however, to view the faculty as part of the enemy. A few faculty leaders, including the leader of the Faculty Association, tried to reason with the students gathered on the campus grounds. They were shouted down and stones were thrown at them, hospitalising at least one. Other teachers were chased into classroom buildings, which were then stoned by the gathered students. They threatened to set fire to the Proctor's office. Police eventually had to rescue the beleaguered

teachers.[26] The University was closed on November 13 and permanent PAC patrols were stationed on the campus.

As the political parties have intimate connections with the students' groups, it did not take long for Allahabad politicians to get interested in the events on the campus. The General Secretary of the SSP, for example, called for a round table conference to deal with the issues.

One common tactic used by student leaders is to mobilise outside support, either official or non-official, against the administration. A delegation of student leaders visited Triguna Sen, the then Education Minister, on November 16 in New Delhi, requesting him ". . . to inquire into the financial bunglings, administrative partialities, group politics of the university teachers, the Vice-Chancellor's favouritism and his maladministration . . ."[27] A week later, union leaders staged a demonstration before the Chancellor's residence in Lucknow (i e, the Governor), imploring him to force a favourable settlement at Allahabad.[28] Student leaders and their supporters have even taken their complaints against the Vice-Chancellor to the Prime Minister.[29]

The Registrar issued an interesting booklet during the strike, explaining the Administration's position. It addressed itself to each of the demands. The Registrar stressed that the University was willing to listen to the demands, but would not be a party to the lowering of the academic standards of the university, which he apparently felt would occur if all the demands were granted.[30] "It cannot agree to a course of action which would defeat . . . [the academic] objects — the pursuit of knowledge and research, the maintenance of a high academic standard. . ." He stressed that many of the demands could not be met, as the University was without the funds to implement them. This in an objective fact that few students seem to realise. They have blamed the administration for the lack of funds, but the blame for this situation lies elsewhere. The Registrar in that pamphlet ruled out automatic admission of all students who passed out of local colleges to graduate school as academically unwise and beyond the staff and physical facilities. The Registrar also touched on the explosive fees question. He observed that the excess of expenditure over income in 1966-67 was Rs 151,000 and it rose to Rs 185,000 for the 1967-68 school year. Hence the necessity of increased fees in a university already troubled by a scarcity of funds.

In his presentation of arguments, the Registrar overlooked the fact that it is not academic excellence that the students seek, but the degree. That degree is a prerequisite to a job and higher status. By limiting enrolment, the institution was limiting the number of students who could compete for the better jobs requiring a university degree. The demand for higher enrolment takes on much emotional content as many of the prospective entrants are friends and relatives of the student body at Allahabad University. The students also overlook the fact that the administrators cannot legally grant many of the student demands. For example, the government of Uttar Pradesh must give its approval before the University can permit its affiliated colleges to conduct post-graduate classes.

Many of the student leaders sought to connect the students strike with the demands of the then striking secondary teachers of Uttar Pradesh, who were demanding higher wages. This strategy might well have been determined by the local unit of the SSP, as it was also championing this cause. In any case, nothing much developed.

On December 10, 1968, it was reported that one of the leading SSP politicians in Allahabad sent a compromise proposal to the Vice-Chancellor and it is widely believed that this formed a basis for negotiations.[31] On December 29, 1968, the Vice-Chancellor set up a consultative committee of teachers, administration, and student leaders to discuss the demands. An agreement was reached and the university was reopened in early January with no more violence for that academic year.

Notes

1 See a discussion of the problem in Erik Erikson, "Childhood and Society," Second Edition, (New York: W W Norton and Company), 1963, pp 275-402.

2 Joseph di Bona, "Elite and Mass in Indian Higher Education: The Case of Allahabad University," pp 131-171 in Philip Altbach's "Turmoil and Transition", (Bombay, Lalvani Publishing House), 1968. Much of the historical data that we will use is taken from this piece.

3 *Ibid*, p 141.

4 *Ibid*, p 155.

5 The Annual Report of the University of Allahabad, 1968-69, p (i).

6 Di Bona, *op cit*, p 157.

7 Report, *op cit*, pp 40-56.

8 *Ibid*, p 140.

9 *Ibid*

10 Interview with Vice-Chancellor A B Lal on January 27, 1970.

11 Di Bona, *op cit*, p 145.

12 The total sample is 264 as 13 people did not have attached marks on their admission forms; 26 people did not have attached forms for high school marks.

13 Di Bona, *op cit*, p 147.

14 *Leader*, December 16, 1961, p 3.

15 Professor P T Chandi, "Higher Education in East UP", *Northern India Patrika*, December 31, 1968, p 9-10.

16 *Ibid.*

17 We would add the proviso that the figures are likely to be slightly inaccurate due to the common practice of deliberately recording a birth date later than it actually is. This is done so that the student can study longer to prepare for examinations that have age limits.

17 Erikson, *op cit*, p 162.

18 Interview with Allahabad Political Science teacher S N Mittal on January 16, 1970.

19 Shri H N Bahuguna is a General Secretary of the All-India Congress Working Committee (R) and his wife has long been active in local Allahabad politics and has had enormous influence over the local youth wing of the Congress party.

20 Delegacies are geographic divisions of the town, representing students living outside the hostels.

21 Interview with P K Malaviya, editor of *Abhyudaya* and active in student revolutionary activities in the 1920s and 1930s.

22 *Northern India Patrika*, November 1, 1968, p 3.

23 *Ibid.*

24 *Northern India Patrika*, November 1, 1968, p 3.

25 *Northern India Patrika*, November 14, 1968, p 4.

26 *Northern India Patrika*, November 10, 1968, p 3.

27 *Northern India Patrika*, November 18, 1968, p 4.

28 *Northern India Patrika*, November 27, 1968, p 3.

29 Interview with Vice-Chancellor A B Lal on January 27, 1970.

30 The then Registrar, ironically, was the brother of a leading SSP politician in Allahabad and one noted for his close friendship with the Allahabad University SYS.

31 *Northern India Patrika*, December 10, p 3.

(To be concluded)

Import Substitution in Copper

V A Avadhani

This paper seeks to examine the extent and nature of import substitution in copper in the context of the operation of the world copper market.

The nature of import substitution in copper is different from the usual one, viz, the substitution of imports by domestic production of the same commodity; in copper it is a case of substitution of imports by domestic production of substitute products.

Import substitution of this type is important in developing economies in view of structural rigidities. Due to the operation of diminishing returns and the high capital intensity of production in the agricultural and mining sectors, certain lines of production in these sectors cannot expand as rapidly as is desired by a policy of import substitution. In such a situation, expansion of domestic production of products which substitute for the imported commodity may serve the objective of foreign exchange saving equally well.

THE object of this paper is to inquire into the extent and nature of the import substitution in respect of copper in India in the backwash of the operation of the world copper market, so as to throw light on the demand and supply aspects as well as on the nature of import substitution. Section I is introductory. We deal with the operation of the world copper market in section II, examine the nature of import substitution in section III, and set out the outcome of the study in section IV.

I
Introduction

Copper is an important non-ferrous metal used for various industrial purposes. It has a high electrical and thermal conductivity, malleability and corrosion resistance, which make it uniquely useful in the electrical and cable industries, building, transport and engineering industries. In most countries, the use of copper is growing with industrialisation. Production of copper ore is not, however, growing at the same pace.

Production of copper is concentrated in the US, Canada, Chile, Peru, Congo and Zambia, which together account for about 80 per cent of total world production. Production in India was only 10,846 tonnes in 1968, constituting less than one per cent of the world total.

The main consuming countries are the US, Canada, UK, Germany and Japan. While consumption almost doubled in Canada and Japan over the period 1960-68, consumption in the US showed just a modest rise. Consumption in the UK and West Germany, however, declined in the last two or three years, presumably because of substitution by other metals and rising prices of copper. It is against this background that the demand for copper in India has to be viewed.

II
World Copper Market

The international copper market is well-knit and has some unique features. A study of the international copper market is useful for an understanding of the nature of demand and supply of the metal. The major sources of supply and the agencies of demand may be set out first.

Developed countries produce about 50 per cent of the world output of this metal and developing countries the rest. Among the developed countries, the main producers are the US and Canada. Among developing countries, the principal producers are Zambia, Chile, Peru and Congo. Together, these six countries produce almost 80-90 per cent of the world supply of the metal.[1] The major consuming countries are the developed countries, *viz*, the UK, the US, Canada, Japan and West Europe. While almost all the production by the developed countries is for self-consumption, about 80 per cent of the production of the developing countries is for export. Developing countries, therefore, provide the bulk of the supplies for the export market, while the developed countries are the main agencies of demand.

As can be seen from the Figure, demand shifts as, for example, from DD to dd are quite common depending on the genuine industrial needs and stockpiling activities. Such demand shifts necessitate a supply curve which exists separately for each firm under oligopoly conditions such as SAC_1, (Social Average Cost Curves) SAC_2, etc. Under such conditions, the price leadership of the dominant firm is the rule. The dominant firm will fix its price P_2 and allow the smaller firms to sell as they wish at that price.

Oligopoly is the major characteristic of the world copper market, dominated by a small number of large firms which operate across national boundaries. In fact, there is a high degree of concentration of production in a few countries, which enables them to fix their own prices. But this does not debar the existence of a free competitive market for copper side by side with the oligopoly. The London Metal Exchange price is the free market price and it differs from the producers' fixed prices. The latter is the price fixed and secured by the major producers — a practice discontinued, however, since 1966 — while the former is the price received by the small producers.[2]

In view of the disparate rates of growth of production and consumption, the international copper market suffers from an imbalance between supply and demand. The imbalance was caused by excess supply prior to 1964 and by excess demand after 1964. The price fluctuations have been rather sharp in the short periods. These problems were accentuated by the peculiar nature of copper production, *viz*, the high cost of developing the mines and the long gestation periods required for starting production in the new mines. These factors are also responsible for the emergence of semi-monopoly elements in the industry.

The imbalance between supply and demand referred to above is reflected in a persistent gap as shown in Table 1. The gap by itself is not very significant in percentage terms. The data on stocks with the US Government and other producing countries are relevant inasmuch as the gap can be increased or reduced by the operations on these stocks. But no authentic data on these stocks are available. The US Government stock disposals for the last few years are given in Table 2. These disposals have been used to stabilise the US domestic price of copper. Similarly, the stocks of many copper producing countries were also reported to have been used in their intervention in the

TABLE 1: WORLD PRODUCTION AND CONSUMPTION OF REFINED COPPER

('000 metric tons)

	Production	Consumption	Gap
1964	4760	4925	—165
1965	4990	5040	— 50
1966	5200	5380	—180
1967	4965	4910	+ 55
1968	5250	5115	+135

Source: Review of Non-ferrous Metals by the British Metal Corporation (1968).

TABLE 2: US STOCK DISPOSALS

('000 metric tonnes)

1964	60
1965	380
1966	210
1967	140

Source: UNCTAD, Commodity Survey 1968.

LME to stabilise the price.

Despite the fact that consumption is outstripping available supplies, producers have been following a cautious expansion policy to forestall possible oversupply in future as had happened before 1964. The huge investment required for mine development was also a deterrent to growth in mining activity and increase in supply. To meet the problems of the supply and demand rigidities, the producing and exporting countries have since 1961 operated a scheme of production cuts to synchronise with the trends in demand. But absolute synchronisation between demand and supply could not be achieved due to year to year variations in the rate of growth of consumption. Besides the normal demand for industrial uses, the demand for the metal is also influenced by the stock-piling activities of the US Government, inflation psychology, and the war activity particularly in Vietnam. From 1962, the producing countries provided funds in addition to the use of stocks to intervene in the LME and to prevent a possible fall in price below the 30 cents a pound level.

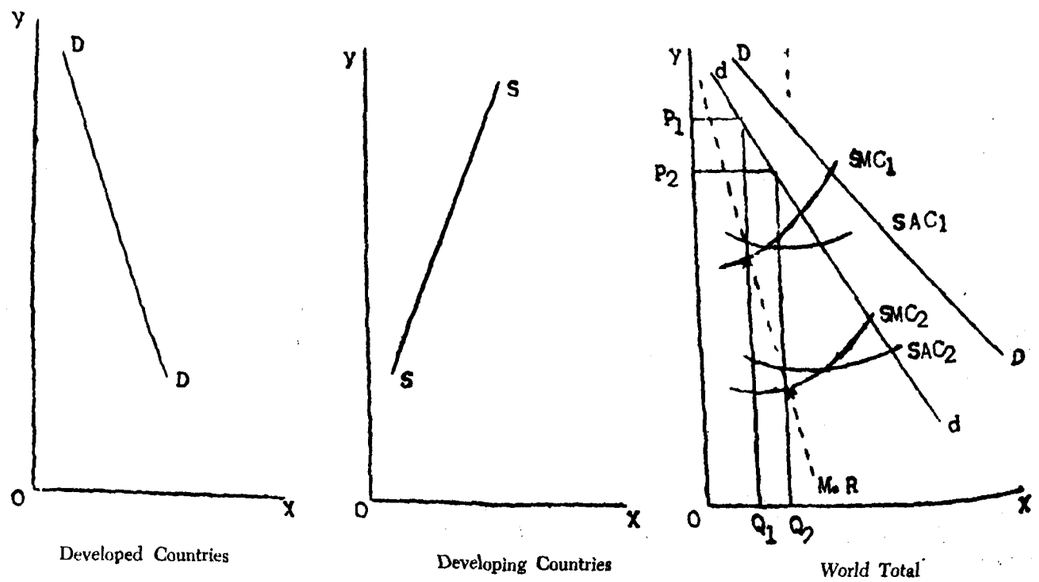
Since mid-1964, the supply and demand imbalance was transformed into one of shortage of supplies from one of surplus. The pressure of demand began to grow faster after 1964 due to the Vietnam war and the world economic boom. Strikes and continued political difficulties in some of the producing countries, such as Chile, Australia and the US, added further fuel.[3] Some of the difficulties were, however, partially alleviated by releases from stocks, accumulated by the copper producing countries in earlier years. Besides, the producing countries began to plan the expansion schemes in regard to their mining activity and these will materialise in the years to come. The increase in production after 1964 took place mainly in North America.

The rigidity in supply and demand curves and the imbalances between them led to a sharp rise in prices. The price in LME rose from 29.7 cents per pound in January 1964 to a high of 86.4 cents per pound in April 1966.[4] Since then there has been a slight down-trend. Still the pressure of demand persisted with the price in LME at around 71 cents, per pound in October 1969.

The LME price shot up high despite the intervention by the producing countries. The intervention is not effective for two reasons: First, the stocks with the producing countries are reported to be inadequate for stalling the undue pressures of demand. Secondly, and this follows from the first, the intervention may itself be half-hearted as the major producers make their sales at the producer-fixed prices and not the free market prices of the LME. It is only the smaller producers and the smaller consumers who will be affected by the London Metal Exchange prices. The LME price, which is a true competitive price, does not appear to be a simple reflection of supply and demand gaps. The speculative forces also appear to govern the price vitally in the case of primary products and mineral products and copper is not an exception to this rule. The monthly average settlement prices on the LME, showed very wide fluctuations evidencing these speculative forces.[5]

The developing countries could not benefit as much as the developed countries could from the sharp rise in prices noticed above. First, the developing countries could not expand as rapidly as developed countries due to high investment costs involved in expansion.

DIAGRAM



They cannot, therefore, expand their production adequately to keep up their share in the markets. Secondly, the price that the developing countries get is also dependent on their bargaining strength *vis-a-vis* the developed countries which are the major consumers of the metal. As their bargaining strength is poor and as even the financial interests governing the mining operations in the less developed countries are represented partly by developed countries, the interests of the developing countries suffer to an extent. The economies of Zambia, Chile and Congo are dependent on exports of copper to the extent of 50 to 90 per cent of their export earnings.

III

Imports and Import Substitution

In Section II we have noted the factors governing the international copper market. India enters the world market on the demand side and not on the supply side. It produces, hardly 10,000 metric tonnes of virgin copper, which is grossly inadequate for its domestic requirements. The question of exports does not, therefore, arise. On the other hand, it imports copper and alloys, the quantities of which vary from year to year.

Imports are a function of our domestic requirements, internal production and international prices. Domestic requirements are growing rapidly with the process of industrialisation, but production has not shown any rise over the last decade, except when the Copper Corporation of India started production of electrolytic copper in 1960.[6] Prior to that, all its copper requirements in this regard were met by imports as Indian copper was not suitable for electrolytic purposes. The Development Council for non-ferrous metals estimated the domestic requirements of copper at 150,000 tonnes in 1965-66 and about 240,000 tonnes in 1970-71. As against this, the total supply including domestic production was 91,000 tonnes in 1965 and about 75,000 tonnes in 1968.

As noticed earlier, production did not show any significant rise in India. We have, however, plenty of untapped copper reserves estimated at about 340 million tonnes.[7] At present only the Ghatsila mines in Bihar are worked out. The copper mines at Khetri in Rajasthan are expected to start production by 1971-72. The Khetri copper project has been set up with French aid in the public sector (Hindustan Copper Corporation) at an estimated cost of Rs 80 crores. The reserves of Khetri are estimated at 28 million tonnes and the annual production is expected to be 21,000 tonnes. The rest of the mines are in an exploratory stage. For example, additional deposits were found in the Rakha area in Bihar, in Agnikundala in Andhra Pradesh, and in Daribo in Rajasthan. A scheme for developing the copper mines in Andhra Pradesh with American collaboration is being worked out. Negotiations were expected to commence shortly with Soviet Russia for the development of Rakha mines in Bihar. In Sikkim, the Rangpo mines were estimated to have reserves of 0.35 million tonnes. These will be exploited by the Sikkim Mining Corporation which is a joint venture of Sikkim Government and Government of India.

Admittedly, the potentialities for expansion of copper production are limited. Even if all these reserves are exploited, we may not reach self-sufficiency in copper. We presently import copper, both refined and worked, in various forms such as copper alloys, sheets, strips, foils, tubes, rods, etc, valued around Rs 35-40 crores per annum.

The value of copper imports rose from Rs 16.5 crores in 1957-58 to Rs 35.5 crores in 1967-68. There was a further rise to Rs 39.2 crores in 1968-69. In quantum terms, imports rose from 524 lakh kg in 1957-58 to 753 lakh kg in 1962-63, but declined later to 430 lakh kg by 1968-69. The decline was particularly marked since the devaluation in 1966, which raised the value of imports by about 57 per cent in addition to rising international prices of copper. The unit price of our imports has shown a sharp rise, particularly in the last few years, partly due to devaluation. The domestic price of copper scrap, as quoted in Calcutta market, rose from Rs 715 per quintal in 1964 to Rs 980 in 1965, Rs 1040 in 1966, and Rs 1430 by end of 1969.[8]

By import substitution we mean a shift in the source of supply from imports to domestic production. That is, the importance of domestic production in the total supply of the commodity should grow. Besides, the production levels should change along with the change in import levels. Import substi-

TABLE 3: IMPORT SUBSTITUTION

(in metric tons)

	Total Supply (1)	Domestic Production of Copper (of all Forms) (2)	Import Substitution (Ratio of 2 to 1). (3)
1957	62,816	10,416	16.5
1958	57,620	11,220	19.4
1959	63,536	10,536	16.6
1960	97,440	34,740	35.6
1961	107,524	36,324	33.7
1962	108,984	33,684	30.9
1963	106,456	31,956	30.0
1964	91,332	33,132	36.2
1965	83,556	25,056	29.9
1966	58,192	23,592	40.5
1967	68,316	29,316	42.9
1968*	75,442	32,442	43.0

* Provisional.

Notes: Data on imports relate to financial year and production to calendar year.

Total Supply = Imports + Domestic Production

Source: DGCIS and CSO.

TABLE 4: DOMESTIC PRODUCTION AND IMPORTS

	Production	Percentage Change over Preceding Year	Imports	Percentage Change over Preceding Year
1958		+ 7.7		—11.5
1959		— 6.1		+14.2
1960		+229.7		+18.3
1961		+ 4.6		+13.5
1962		— 7.3		+ 5.7
1963		— 5.2		— 1.1
1964		+ 3.6		—21.9
1965		—24.4		+ 0.5
1966		— 5.8		—40.9
1967		+24.2		+12.7
1968		+10.7		+10.2

TABLE 5: PRODUCTION OF VIRGIN METAL

(in metric tons)

	1955	1956	1957	1965	1966	1967	1968
Copper	7,400	7,754	9,156	9,360	9,362	8,904	9,486
Aluminium	7,339	6,608	7,913	61,584	65,304	96,432	120,135

Source: CSO Monthly Statistics of Production of Selected Industries.

tution in India, as in all developing countries, is primarily a phenomenon accompanying economic development. It arises out of increasing domestic production to meet domestic needs in substitution of imports. Factors governing import substitution in India are scarcity of foreign exchange and the need to develop the domestic industries. The uniqueness of import substitution in respect of copper, as will be seen below, is not that of development of the copper industry in India, but of development of substitute industries for copper, such as aluminium.

The usual measure of import substitution is to take the ratio of production to the total supply in the economy. It would be pertinent to compare the rate of increase in production to the rate of increase in imports, as import substitution relates to the substitution of imports by domestic production of the same commodity.[9] Table 3 presents a measure of import substitution in terms of domestic production as percentage of total supply and Table 4 compares the rate of change in domestic production with that in imports.

As will be seen from Table 3, the ratio of domestic production to total supply, termed here the ratio of import substitution, broadly showed a rise over the last decade; the ratio rose from 16.5 per cent in 1957 to 43.0 per cent in 1968. It is interesting that total supply rose up till 1963, but declined thereafter. The sudden spurt in the ratio of import substitution in 1960 was due to the commencement of production of electrolytic copper referred to earlier. This to some extent reduced the need for imports. It may, therefore, be concluded that there was some import substitution with the starting of production of electrolytic copper in India in 1960.

Import substitution cannot be considered as a once for all operation; it is a continuous process. The ratio of import substitution showed a further rise after 1964, but in the absence of a corresponding change in production levels, this cannot be considered true import substitution as defined above. There were import cuts imposed by the Government for considerations which are partly domestic and partly international. The domestic consideration is the need to encourage the product substitution of copper by aluminium in view of the limited reserves of copper. The international consideration is the soaring prices of the metal after 1964. Secondly, there was no increase in copper production or substitution of imports of copper by domestic production. What actually happened was a sharper cut in imports than the fall in domestic production, with the result that the importance of domestic production in total supply rose after 1964. It will be seen from Table 4 that there is no correlation between the rate of change in production and that in imports (coefficient of correlation is + 0.20). The behaviour of these two series of data indicates no inter-relation bewteen them.

In the strict sense of import substitution, *viz*, substitution of imports by domestic production, there is therefore no import substitution after 1964. But there is import substitution, if we take a wider definition of the term, *viz*, the substitution of imports by domestic production of not only the same commodity but of the substitutes for that commodity. In the case of copper, imports of copper are replaced not by the domestic production of copper but by domestic production of substitutes for copper, *viz*, aluminium and plastics.

The data also do not indicate any saving in foreign exchange expenditure which is the main object of import substitution.[10] The import bill on copper is showing a continuous rise. If domestic copper requirements are growing, however, imports can be cut — and still there might be no saving in our import bill. It would then mean that the import bill is less than it might have have been had there been no import substitution.

What actually happened can be termed as 'import economy' and domestic substitution of copper by other metals, but this can be termed import substitution in its broader sense, defined above, and not in the narrower sense defined by ECAFE,[11] Table 3, indicating a measure of import substitution, can thus be explained in terms of import cuts due to domestic factors as well as due to the developments in the international copper market which led to the soaring prices of the metal. The import cuts in respect of copper are the result of the general import policy of Government, mainly dictated by the availability of foreign exchange.

Along with other non-ferrous metals, copper was imported by the STC up till 1964 and by the MMTC after 1964. The MMTC takes into account the needs of actual industrial users within the overall limits set by the import policy. The needs of industrial users have, of course, been drastically pruned by the replacement of copper in the industrial uses by the substitute metals, principally aluminium. It is well known that in the electrical and cable industries as well as in coinage, copper is being increasingly replaced by aluminium. Although it is difficult to measure the extent of such substitution, the following production figures of the virgin metal of copper and of aluminium will bear out the increasing use of aluminium in almost all the uses of this metal including those in substitution of copper. While production of copper did not show much rise, that of aluminium rose almost 15 times (Table 5).

IV

Conclusions

The world copper market may ease in the seventies with the likely ceasefire in Vietnam and the flow of additional supplies materialising from the planned expansions now under execution. The copper producing countries can meet the normal increase in demand without any difficulty through their own concerted action. The ties among themselves are closed and they have a research body, *viz*, International Copper Research Association for promotion of copper uses in consuming countries. They already co-operate on a programme of production cut-backs and a common price target.

As regards the price target, producers desire to stabilise the price at a reasonable level of 37-41 cents per pound, which adequately covers their costs of production. The present market price of 71 cents is, therefore, considered to be high. There are semi-monopoly elements in the industry which do not respond easily to the normal stimuli of price mechanism. The present high prices cannot therefore, be brought down in the immediate future. If the high prices continue for long, there is, of course, a danger of substitution of copper by other metals such as aluminium and plastics on a larger scale than at present. Between 1947 and 1954, the use of copper for industrial purposes declined by 14 per cent while that of aluminium rose by 104 per cent in the US.[12] Copper is being increasingly replaced in all the countries by aluminium in the electrical engineering industry which consumes about one half of the world supply of copper. In tube makings and domestic water systems, the principal, competitor to copper is plastics.

In India too, copper is being increasingly replaced by aluminium in the electrical industry and cable industry and by brass and stainless steels in the utensils industry. Copper is also being substituted by plastics in some of its other uses. The major import substitution is by aluminium in the electrical industry. The limit to this substitution is set only by technological factors but the Government is all out to encourage such substitution. Thus, while the consumption of aluminium has itself gone up 10 times from 12,000 tonnes in 1951 to 124,000 tonnes in 1967, its use in the electrical industry rose from 20 per cent of total aluminium consumed in India in 1951 to 50 per cent in 1967.[13] As noted already, while the production of virgin copper remained almost stationary, that of aluminium has shot up by more than 15 times over the past decade. The ban on the use of copper and brass in the utensils industry helped in the effort towards import substitution.

The nature of import substitution in the case of copper is different from the usual one, *viz*, the substitution of imports by domestic production of the same commodity; it is a case of substitution of imports by the domestic production of substitute products in the economy. The latter equally subserves the goal of economic development and conservation of foreign exchange reserves. It is, in fact, more germane to the case of agricultural and mineral products whose supply curves are less than unit elastic.

Import substitution of this type is important in developing economies in view of the structural rigidities, the lagging primary sector, and the advancing industrial sector. Due to inherent trends in the agricultural and mining sectors, *viz*, the operation of diminishing returns and the high capital intensity of production, certain lines of production in the sector cannot expand as rapidly as is desired by the import substitution policy. In such an event, the expansion of domestic production of the substitute products of the imported good may serve equally the objective of foreign exchange saving. Besides, the initial stage in the process of promoting economic development takes place through stimulation of domestic industrial growth substituting imports. The secondary stage, namely the promotion of export potential of the industry substituting the imported good may or or may not take place in the process of import substitution because the industry which promoted to replace the imported good is not the same industry but a substitute one.

In the context of the present high prices of copper in the international markets, we should continue to substitute copper by other metals in the short run and develop our copper production potential in the long run by further exploitation of our geological recources. Though the reserves are limited, there is further scope for exploitation.

NOTES

1 American Bureau of Metal Statistics, Year Book 1969.

2 UNCTAD, Commodity Survey 1968. Clair Wilcox lists the non-ferrous metals including copper as being characterised by price leadership in his "Competition and Monopoly in American Industry". Temporary National Economic Committee Monograph 21, pp 121-132 (1940). See also L Tarshis "The Elements of Economics", Chapter 13, Competition and Monopoly in the US.

3 Review of Non-Ferrous Metals, by British Metal Corporation (1968).

4 UNCTAD, Commodity Survey 1966.

5 American Bureau of Metal Statistics, Year Book 1969.

6 Domestic production of electrolytic copper was 15-20 thousand metric tonnes in recent years.

7 H R Kamani, Prospects for Non-ferrous Semis, *Commerce Annual* 1968.

8 *Commerce Annuals*, 1964 to 1969.

9 Economic Survey of Asia and the Far East, UN 1963, pp 28-29.

10 A C Minocha, 'Industrialisation via Import Substitution in Developing Countries', Countries', *The Asian Economic Review*, November 1968.

11 *Economic Bulletin for Asia and the Far East*, Volume XIV, Number 4.

12 V S Swaminathan, 'Perspective on Copper'; *Commerce Annual* 1964.

13 A L Sabharwal, 'Growing Demand for Aluminium', *Commerce Annual* 1968.

Management Change in Companies

A Comment

K T Merchant

THE controversy about National Rayon Corporation (*Economic and Political Weekly*, April 4 and 18, pp 584 and 624) raises issues of far reaching importance for the entire management pattern in our industrial structure. Leaving aside the reported methods used by those attempting to take-over companies to finance their purchases of large blocks of shares — these have relevance to the lacunae in Company Law, the dubious credit policies of banks and the laxity in Income Tax administration — the crucial problem is how, except by purchase of large blocks of shares, can the entrenched management of a company be replaced? In the past also similar methods have been used to finance acquisition of control over companies. To cite only one example, in the fifties Ram Ratan Gupta purchased Meyer Mills in Bombay and with its resources obtained control of the Discount Bank. Through the Discount Bank he managed to get control of Empire of India Life Insurance with working funds exceeding Rs 6 crores.

THE CHARMED CIRCLE

Entry into management or the removal of the existing management can be effected only through acquisition of a majority of shares through the stock exchange or of proxies of a majority of shares. Otherwise, unless one belongs to the 'charmed circle' of the family or friends of the existing management which, more often than not, has only a minor share interest in the company, one has no chance whatsoever of becoming a director, however competent one might be. Hence the only legitimate method available to anyone to crash into management is by buying up the requisite number of shares. This is dubbed as 'cornering' as if it were *per se* wrong. But so long as one is able to invest a large sum of money to buy up shares, it cannot be considered wrong in the existing socio-economic framework. One is reminded of the

famous case of Century Mills in which the Birlas acquired a majority holding and dislodged the managing agents (Sir C V Mehta) almost overnight. One does not know if in that instance forward trading on the stock exchange was banned to stop the take-over on the plea of preventing a runaway boom generated by unhealthy speculation. There have been in the past bullish and boom periods on the stock exchange without any action being taken by Government.

Whether, in the present instance, the Kapadias are speculators or not is not relevant at all; for, most industrialists, especially Marwari industrialists, have been and still are speculators. Speculators and industrialists have been almost synonyms in our country.

One wonders why the Chinais accepted the Kapadias as Directors of NRC last year. Is not a director part of the management? Or is a director a dummy supposed to merely rubber stamp all that is proposed or done by the management? Or is he to be a sharer in the spoils to an extent only and not beyond?

No Voice for Shareholders

The shareholders — the owners — have no effective voice in modern corporations. That they select the directors and management is a myth. They cannot even reject the nominees of the management as directors. The nominees are duly proposed and, being always "eligible for re-election", offer themselves for re-election, irrespective of age or competence. With the effective control that existing managements have, they always carry the day at the annual general meetings which are for all practical purposes a formality. Even the provisions of Company Law obliging Special Resolutions for certain items are not an effective curb on managements. Hardly any new blood is injected into management except when the new entrant belongs to the 'charmed circle' in which case qualifications are of no consequence. Unless there is a split in the management and a 'dog bites dog' situation arises and there is a proxy war, the poor shareholders do not come into the picture at all. The only right they enjoy is that to walk out by selling off their holdings in the stock exchange.

All this applies as much to the so-called 'professional management' that is now supposed to be replacing the managing agency system. This 'professional' management retains most of the features of the old system, especially the characteristic of being a family preserve. The mere fact of having been there for a long time is regarded as *the* qualification to retain control — a sort of divine right to continue in management and, when necessary, to select one's own replacements. Except in the case of *gross* mismanagement, which is very difficult to expose, it is impossible to replace the existing management. Only Government intervention can achieve it and that too perhaps after paying huge compensations as the right of management is regarded as a property right under the present law. As Edward S Mason rightly observes: "Almost everyone now agrees that in the large corporations the owner is, in general, a passive recipient; that typically control is in the hands of management; and that management selects its own replacements" ("The Corporation in Modern Society", 1960).

Profits Siphoned Off

Management gets voted for itself fantastic salaries and perquisites which are completely out of tune with our general economic conditions — and that with the blessings of the Company Law Administration which does not seem to have yet realised that the country has accepted the socialist pattern of society as its goal. Terms and conditions of appointment which were specifically meant for foreigners are being automatically applied to Indians. Thus management not only gets fat salaries but lives throughout at the cost of the company, which means ultimately at the cost of the community as the entire burden is passed on to the consumers in the form of higher prices (*cf*, the proposed salaries and perquisites for the president and vice-presidents in NRC, *Times of India*, May 30, 1970). No wonder that we have continuously rising prices and absence of any economies of scale despite great increase in the volume of production. Costs are continuously inflated by devious methods and then everything is blamed on Government and on inflationary conditions. Taking advantage of the assured sheltered market that they enjoy, our industrialists have not by and large shown any cost consciousness or made conscientious efforts to economise. We have a merry-go-round of higher production, higher costs, higher prices and higher profits. If profits are not higher or if losses are shown, this is mostly the result of accounting manoeuvres. For, one must remember that the 'reported' profits are not the 'actual' profits. Managements have evolved techniques of siphoning off profits; a part of profits is absorbed in excessive salaries and perquisites of a variety of sorts and in various commissions. Management always flourishes irrespective of the fortunes of the managed company or companies. This is how business in our country discharges its 'social responsibility'!

One management may be replaced by another by bribing shareholders with promises of bonus shares. But no improvement in the overall position is likely to occur in the existing scheme of things. Company Law, which has been a paradise of lawyers, needs drastic overhaul and simplification. The Company Law Board should consist of persons who can take an independent and objective view of the interests of the community as a whole and not merely of those of managements and/or shareholders (who are generally passive and content with good dividends and an occasional bonus issue even when the management is known to be not honest and larger social interests are sacrificed).

Change in Voting Rights

To prevent abuses, the lending policies of banks should be thoroughly overhauled; Income Tax administration must be extra strict and LIC, Unit Trust, etc, should be more circumspect. In the case of take-over bids, law should require, as it does in other countries, that the high prices for shares are offered to all shareholders. It is also necessary to make a radical change in the voting rights of the shareholders, except the public financial institutions whose votes should be limited to a maximum irrespective of the number of shares held by them. The present system of voting rights enables management to carry all resolutions proposed by it through proxies — even when by chance they are lost at the annual general meetings of shareholders. Government's powers of freezing voting rights under Section 250 of the Companies Act and of ensuring the continuance of the existing board of directors under Section 409 should not be allowed to be invoked in every case where there is a threat of dislodgement of the existing management. The danger of political pressure has to be guarded against by vigilant public opinion.

It must, however, be remembered that no amount of legislation can ultimately take the place of honesty and integrity and a sense of civic obligations. Social responsibility of business is not something to be just talked about from platforms and in seminars or something to be forgotten after framing so-called codes of conduct; it needs to be honestly discharged in practice. To prove its bonafides, management should begin with a drastic reduction in its remuneration and perquisites by, say, at least 50 per cent. As it is, the private sector is under a cloud for well known reasons. Getting into the good books of politicians and the powers that be through handsome donations — open and surreptitious — can and perhaps will earn private business at the most a little longer lease of life. But unless business identifies itself with the new social currents and gets rid of its greediness, there will be no future for it.

MARKETS

Agonising Dullness

Nishtar

IT has been one more week of agonising dullness for stock markets though trading has not been altogether without some bright spots. With the temporary 'freezing' of over Rs 20 crores of investible funds in the new issues, a decline in turnover on the stock exchanges was not unexpected. This apart, there was very little in the week's news which could give the market a big push either side. Corporate news, though encouraging on the whole, provided a mixed fare. Most of the time equities drifted aimlessly with a subdued tone it was only near the weekend that the market turned steadier on selective support, with LIC named as one of the buyers. However, despite the weekend rally, net changes over the week showed a mixed pattern, reflecting the prevailing mood of indecision.

The spectacular recovery on the crisis-ridden Wall Street, though essentially technical, had a steadying influence on the general trading sentiment. Stock markets also derived some comfort from the deliberations at the Paris meeting of the Aid India Club. For apart from more favourable assessment of India's economic progress, the Consortium's reported decision to step up the rate of aid authorisation will ensure a larger amount of assistance within the unchanged aid target of $ 1,100 million approved for the current year. Markets also seemed pleased with what Indira Gandhi told her critics at the recent meeting of the Congress Party's Parliamentary wing. Replying to strong criticism of the slow implementation of the socialist economic programme, she reminded the radical elements in the party that "much faster as the Government would like to move in the directions prescribed in the Bombay resolution, there are inherent difficulties in moving faster". This is interpreted as an indication of her pragmatic approach to economic issues. While details are awaited with keen interest, the reported move to regularise unauthorised excess capacity built by industrial units has generally been welcomed.

Public response to the new issues has been very encouraging. Reckitt and Colman has been over-subscribed 20 times, Indian Organic 19 times and Zuari Agro Chemicals 9 times. The heavy over-subscriptions indicate that there exist considerable funds seeking investment in equities which hold out the promise of capital appreciation. The capital market is in reasonably good shape; only the entrepreneurs seem to be lacking in enterprise.

Interest at the moment centres mainly on New Delhi's likely verdict on the expert committee's report on forward trading in shares. The committee is said to favour resumption of forward trading with certain restrictions designed to check unhealthy speculative activity. How long Government will take to announce its decision is anybody's guess. One only hopes that uncertainty in this regard will be ended soon.

Stock markets seem to be quite undecided about their next big move. Perhaps no decisive trend is likely to emerge for some time. There are many uncertainties to reckon with. The Union Cabinet has approved the principles which should form the basis for a draft legislation to impose a ceiling on urban property. The ceiling has been tentatively fixed at Rs 5 lakhs and the family is to be treated as one unit in appraising the value of urban property. The imposition of such a ceiling is likely to create many problems and can have a far-reaching impact on investment intentions. The aid outlook has become uncertain following the drastic cut in the US foreign aid Bill. The industrial prospect is improving, but many industries continue to experience one difficulty or another — raw material shortage or labour unrest or lack of demand. The biggest bull factor for the stock market is the continuing shortage of good scrips.

Only a Minor Reaction

THE oilseeds market displayed a slightly easier tendency last week. Only castor and castor oil held firm and recorded new highs; elsewhere, prices beat a small retreat from the previous weekend record high levels. The spot quotation for groundnut oil declined from Rs 5,350 to Rs 5,175 and other oils were down by Rs 50 to Rs 75 per tonne. Linseed futures moved down from Rs 186 to Rs 177.50 (per quintal) but castor futures held firm between Rs 139.50 and Rs 141.25.

The decline in prices is too small to call for an explanation. Since the preceding rise had been much too steep, technical considerations alone could produce a much bigger setback. But trading sentiment was also influenced by certain other factors such as good pre-monsoon showers in most of the groundnut producing areas, raids conducted by the Forward Markets Commission in Delhi where illegal speculative activity is known to have assumed serious proportions and Government's decision to import an additional 20,000 tonnes of soyabean oil and 25,000 tonnes of rapeseed.

It would be rash to read too much into last week's small setback in oilseeds and oil prices. It might turn out to be only a minor reaction in a rising trend. The proposed additional imports of soyabean oil and rapeseed are too small to make any significant impact on the market though they will come in handy to feed the vanaspati industry with cheaper oil in the lean period ahead. The prevailing high prices of vegetable oils point to a wide gap between the country's requirements and available supply. It seems unlikely that the timely onset of monsoon alone would induce stockists to release the goods.

As for the raids conducted by the Forward Markets Commission they are nothing but a farce. Rarely do these

raids yield any useful information. Perhaps the Commission is incapable of taking action which the situation demands. It is a sad commentary on the affairs of the Commission that the volume of illegal speculative activity should be very much larger than the activity on the recognised forward markets. People who indulge in illegal forward business are no ordinary traders.

At long last New Delhi has announced the various incentives on exports of groundnut extractions effected during 1969 and between January and April 1970. Reports are that Government is seriously thinking of giving special cash assistance of Rs 20 per tonne on all exports to the UK, Continent and Japan, effective from April 1. Formal announcement is expected shortly. In order that influential exporters do not exploit their official contacts, it is desirable that export incentives are not given a retrospective effect. That the overall export target for groundnut extractions for 1970 to qualify for assistance should have been reduced from 7.5 lakh tonnes to 6.5 lakh tonnes speaks poorly for the country's export effort.

Reconciled to High Prices

REPORTS from New Delhi indicate that India will soon import another 2.40 lakh bales of US cotton. This is in lieu of wheat under a PL 480 agreement signed last October and expiring at the end of this month. Fresh imports of cotton under the new agreement envisage shipment by August. Neither the prospect of additional imports nor reports of good pre-monsoon showers from cotton producing areas have had any noticeable effect on the market. Imports are unlikely to relieve current shortage and every one seems reconciled to high prices. Industry is in no mood to observe self-discipline and the Textile Commission has neither the will nor the ability to enforce discipline on trade and industry.

Interest has now shifted to clandestine sales and unauthorised loans of global cotton which are taking place on a large scale. The Textile Commissioner has failed to enforce the ban on the sale or loan of global cotton without valid permission. And unable to deal with its own members firmly, the Indian Cotton Mills' Federation has recommended to Government that the ban on the sale of global cotton should be strictly enforced and that the erring mills — buyers as well as sellers — should be debarred for three years from getting any foreign cotton quotas.

A section of the industry has suggested that if strict enforcement of the ban on sale or loan of global cotton is not possible then the distribution of global cotton in the new season should be done on the basis of the quotas actually availed of by the mills during any of the past three seasons. But there are not a few who would like the allocation to be made on spindle basis with the option to mills to sell such cotton freely in the market.

COMPANIES

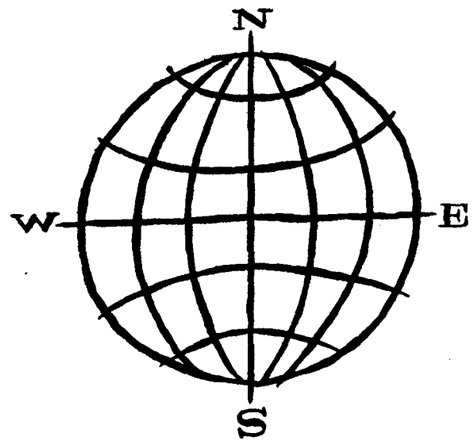
Profitable Diversification

Hansavivek

CENTURY SPINNING, one of the industrial giants belonging to the Birla group, which has already widely diversified its activities into quite a few lines, is going farther into yet newer fields. Not content with its large textile mills, and rayon, tyrecord and caustic soda plants, it is setting up a cement factory in Madhya Pradesh for which land has been acquired on lease from the State Government. A salt manufacturing unit has been acquired to "ensure continuous supplies of good quality salt to the caustic soda plant". A running textile unit, situated at Thana, engaged in the manufacture of blankets has been purchased from Vallabh Textile Mills. Apart from blankets, the sophisticated machinery of this unit can produce many varieties of fancy fabrics. Government permission is being sought for endorsement of the relevant industrial licence in favour of the company. Meanwhile, an industrial licence has been obtained for expanding the weaving capacity for tyrecord fabric, from the original 50 to 75 per cent. After final negotiations with the authorities for the supply of necessary raw materials for the proposed rayon grade pulp factory in UP, Government has been approached for approval of the scheme. Also, Government approval is awaited for the seamless steel pipes project. During 1969, 213 auto looms, 43 ring frames and other ancillary machinery were replaced; and another 60 looms are to be replaced this year. Moreover, orders for 204 auto looms, 51 ring frames for replacement and other ancillary machinery worth about Rs 92 lakhs have been placed, mostly on deferred-payment basis under the IDBI scheme.

Century's 1969 accounts show a substantial increase in profitability, with about 20 per cent jump in gross profit, from Rs 10.33 crores to Rs 12.35 crores, following only a seven per cent rise in net sales from Rs 39.01 crores to Rs 41.75 crores. The directors, however, still grumble that costs of production continued to increase "on all fronts". Net profit was Rs 4.45 crores (Rs 3.21 crores) providing a threefold cover to dividend maintained at 40 per cent and to give a return of 16.3 per cent on total funds employed in business. A one-for-one free scrip issue has also been proposed. Exports of cloth amounted to Rs 1.18 crores, and of tyrecord more than 10 per cent of production. The report, though illustrated with pictures and graphs, is silent on the production of various divisions and their contribution to the company's turnover and profits — without which it is difficult to make a comparison with other units engaged in the same lines. Out of the company's revenues, Rs 24 lakhs have been contributed for research purposes including Rs 20 lakhs to the Birla Institute of Technology and Science, and Rs 2,84,771 have been donated to various institutions of which Rs 50,000 have gone to MPCC.

BOMBAY OXYGEN experienced notable increase in margins during its ninth year ended December 1969 despite an "illegal" strike at the factory. Gross profit advanced from Rs 15 lakhs to Rs 22 lakhs, following increase in sales from Rs 49 lakhs to only Rs 52 lakhs. With no tax liability as before, net profit amounted to Rs 16 lakhs (Rs 10 lakhs). After writing off preliminary expenses, the surplus was reduced to Rs 14 lakhs, which covered dividend stepped up two points to eight per cent barely 1.1 times. Entire production of oxygen is now being sold and sales of nitrogen gas is being made to bulk consumers in cylinders mounted on trailers with a common manifold — a new mode of transportation. The company expects soon clearance of its applications for substantial expansion.



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ECONOMIC AND POLITICAL WEEKLY

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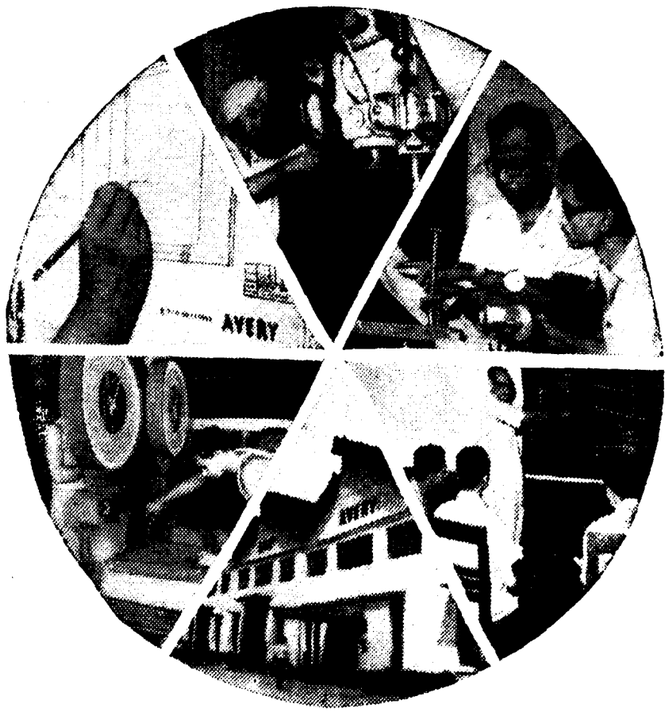
TROUBLE IN TAMIL NADU

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Skylark 284 Frere Road Bombay 1
Phone 26 60 72

Editor
KRISHNA RAJ

Assistant Editors
Rajani X Desai, Jawid Laiq

Business Manager: A Fernandes
Circulation Manager: Shiv Patil

Editorial Staff
Colin de Souza, Haresh M Advani,
Shireen Heerjee, Ashok Rao,
Ranjeet R Chandi

Congress Is the Same

IT will not do for critics of Congress (R) to pretend that the run of by-election victories that the party has notched up is no more than what had been expected or that it does not reflect a significant improvement in the party's political prospects. Of the 35 by-elections to State Assemblies and the Lok Sabha held since the Congress split, Congress (R) has won 20 of the 26 it contested. These successes have not, it is true, made a decisive difference to the party's position in any of the States or in the Lok Sabha. Yet their cumulative impact has been profound on morale in the party. Except for Mysore, Gujarat, Tamil Nadu and perhaps UP, Congress (R) seems to be rapidly recovering the position enjoyed by the united Congress. The by-election successes will also make easier the party's task, in the coming session of Parliament, of preserving the informal coalition of leftist and regional parties which saw it through the Budget session. It is in a better position now to face the prospect of a possible alienation of CP(M)'s support as a result of developments in West Bengal and Kerala.

Most deflated by contrast is Congress (O) which, outside of its few strongholds, should in future by-elections be more concerned with saving the security deposits of its candidates than with their winning. Apart from Congress (O), two other parties of the Right have also lost ground in the by-elections: Jan Sangh, especially in Madhya Pradesh, and Swatantra — though in its case mainly to Congress (O) in Gujarat.

While this, the positive, side of its performance in the by-elections is important, Congress (R), especially its central leadership, has to recognise that there is another side to the matter. Clearly, the price that the party's central leadership has had to pay for the election victories is having had to leave things, from the choice of candidates to the management of the campaigns, very much to the party's State bosses. The role of the Central leaders — including that of Indira Gandhi, for all her mass popularity — has been minimal in these elections. In the circumstances, most of the elections turned out to be not so much contests between all-India parties as between local-level leaders exploiting local issues and sentiments and caste affiliations of voters. This is as much true of the other parties as it is of Congress (R). Thus the decision to set up a Congress (O) candidate for the Durg parliamentary seat in Madhya Pradesh was taken by the party's local boss, M C Deshlehra, in spite of the opposition of the party's central leadership. Similarly, even in the case of Jan Sangh the decision to forge an alliance with the Rajmata of Gwalior and other feudal elements in Madhya Pradesh was evidently largely that of the party's State leaders.

To return to Congress (R), the point is that the party's success in the by-elections is to be attributed not so much to any sharpening of the party's ideological profile following the Congress split as to its success, no doubt largely because it remained the ruling party at the Centre, in retaining the loyalty of most of the powerful State and lower-level leaders who had been the united Congress party's vote-banks in preceding elections. For all the emphasis on ideology and a programmatic approach that one finds in the speeches of Congress (R)'s central leaders, and the Prime Minister particularly, all evidence suggests that the party is getting to be more and more like the united Congress: a coalition of local factions, depending primarily on the non-politicised — quite wrongly described as the 'centrist '— sections of the electorate.

Given this organisational structure, it is inevitable that Congress (R) should remain, as the united Congress was, an a-ideological party. Those who now provide the party's leadership at the State and lower levels and who continue to be the party's real election-winners have a stake in preventing the politicisation of the electorate. It is, therefore, entirely to be expected that the highly political resolutions and programmes adopted by the central councils of the party should find little reflection in the party's functioning at the grass-roots level.

This should be a matter of some concern for those leftist parties who continue to be optimistic about all that can be achieved through pressurising the central leadership of Congress (R) by offering to extend support to the Central Government or threatening to withdraw it. The most effective pressure that can be brought to bear on Governments at the Centre and in the States for, say, giving security of tenure to the tenant or improving the condition of landless labour remains, as it always was, the political organisation of these sections of the population. This is a task which Congress (R), the way it is now organised, can be depended upon not to attempt. It is a task which the

leftist parties also appear to have given up attempting, over large parts of the country, because of, among other reasons, exaggerated ideas of what can be achieved by playing palace politics in New Delhi.

Towards Secular Palestine?

THE renewed outbreak of fighting between the guerillas and the Jordanian Army is a precursor to change not only within the guerilla forces but in the Arab countries surrounding Israel. The Jordanian King and part of the leadership of the guerilla organisations have called for a halt in the fighting between the army and the guerilla forces. This appeal for a cease-fire has been ignored by both sides. It is quite apparent that the Commander-in-Chief of the Jordanian Army and other senior army officers wish to eliminate the guerillas because they see them as a threat not only to the present regime in Jordan but to the existence of Jordan as a state, till now, largely controlled by Bedouin Arabs, quite distinct from the Palestinian Arabs.

The Palestinians in Jordan and also in Lebanon are no longer willing to continue as pawns in the larger Arab-Israeli struggle. The guerilla forces have been extremely successful in the first step of any potential people's war, which is the inculcation of pride and self-confidence among their own people. So far, the Palestinian struggle cannot be called a people's war, as the largest guerilla organisation, Al Fatah, has only been concerned with carrying on a nationalist rather than a revolutionary struggle. The enemy have been just the Israelis and not the hierarchical structure of Palestinian society in Jordan as well as the occupied West Bank.

The flare-ups in Amman and in Lebanon indicate a hardening of the leadership of the guerilla groups. The Popular Front for the Liberation of Palestine which sees its role as fighting Western and, to a lesser extent, Russian interference all over the world and has been responsible for hijacking and attacking American and European airliners, seems to be in the forefront of the recent fighting in Amman while Al Fatah has kept more in the background. It seems very likely that Al Fatah will have to increasingly adopt the same philosophy as the PFLP if it is to remain in the vanguard of the liberation struggle. Compromises with the royalist Jordanian regime and with the very cautious Lebanese government in Beirut, whose main concern is the continued prosperity of the Lebanese business and commercial community, are no longer possible, if Al Fatah wishes to retain its support among the ordinary Palestinian. Yasser Arafat, the leader of Al Fatah, has been a consolidator whose primary aim has been to bring about a semblance of unity among the guerilla forces. This phase is now over. A tougher breed of leaders will now take over as happens in most liberation struggles, men who are more concerned with overthrowing oppressive social systems and not worrying too much about unity. Increasing armed struggle has its own logic of creating discipline and practical rather than theoretical unity of purpose.

The Israeli policy of massive retaliation, whenever the guerillas carry out even a minor operation, plays into the hands of those who not only want change among the Palestinian people but also wish to change the existing regimes in Jordan and Lebanon and also in the two other front-line Arab countries, Egypt and Syria. These regimes are too hesitant in pursuing the war and even more reluctant to radicalise and mobilise the populations of these four countries, in case the resultant increase in political awareness demands a society which is more egalitarian, both in economic and social terms, and leads to their overthrow.

The Israelis think they can bomb the Arabs into coming cap-in-hand to the negotiating table. Their increasing use of air power and armed action is bound to sharpen Arab resistance, change ossified Arab societies and in the long-term (15 to 25 years) force Israelis to think in terms of a secular, bi-national state of Palestine, as the more thoughtful Palestinian leaders like George Habash (of the PFLP) are already doing. There are very small groups in Israel and Israeli emigres in London and Paris who, surprisingly, find that they have much in common with a segment of the Palestinian liberation forces. This fellow-feeling has not reached the stage where Israelis of Jewish origin are accepted and trained as guerillas. This will probably be the next step if the guerillas are to carry on a successful struggle against the established Arab regimes as well as an Israeli state, based on the outdated concept of religious exclusivism, which could not survive without American and Western European economic backing.

In the final analysis, there is only one realistic solution — the creation of a bi-national Palestinian state where Arabs and Jews find their communal origins irrelevant. This will take years of political education and military struggle, but is there any other acceptable solution, apart from total subjugation by one side of the other?

New Activity in Steel

PLANNING for steel is once again being taken up in earnest. The Mahalanobis idea of adding one million tonnes of additional steel capacity every year may now be implemented — 10 years behind schedule. Three new public sector steel plants are to be set up in the Fourth Plan and the Steel Ministry has initiated discussions with the State Governments involved regarding the location of these projects and the programming of their construction. Even some tentative decisions have been arrived at. Vizag is to have a capacity of 1.5 million tonnes; Salem is to be a special steels plant and the site for it has been more or less finalised; Dasturs may be appointed consultants to two of the three plants; finally, and this is significant, the plants will be essentially indigenous in design and manufacture.

Many ticklish problems remain unresolved. One concerns the organisation for the new steel plants. Following the Bokaro example, the new steel plants are favoured to be set up as independent companies so as not to strain the capacities of HSL management which, in any case, has enough on its plate. But even Bokaro may not be a suitable prototype, especially if the State Governments are to participate in these projects in some form or the other. The local pressures and consequent inefficiencies which State Government participation will inevitably spawn will have to be faced. The compounded delays and inefficiencies of two bureaucracies, the Central and State, will have to be coped with. That apart, the plant at Vizag might contain some seeds of future problems. Its location is to be more inland than the port-based site originally thought of, and it will not have enough water facilities to take it to the optimum four-million-tonne capacity.

There are two points on which planning of these steel plants should concentrate right from the beginning. One is the need to standardise equipment to the maximum extent possible and the other is that to gear HSL to the routine job of manufacture and of keeping to supply schedules.

Who Is What—and When?

A Correspondent writes :

WHY is it that Reserve Bank Governors feel an urge to assess their role in the economy just about the time of

quitting office? Is it that clarity of vision comes only with intimations of official mortality? Or is it that they wish to leave a verbal trust to their successors? It is hard to tell. At any rate, H V R Iengar's last speech as the head of the Reserve Bank, way back in 1962, was a carefully researched exposition of "Central Banks and Governments" with strong, brave arguments for the preservation of the Reserve Bank's autonomy. Many eventful monsoons have since passed — and, it seems, washed away some of the Bank's powers. All the same, B N Adarkar — who leaves the Bank in a few days — found occasion to revert to the theme when speaking last week to the Bombay Rotary Club.

The independence of the monetary authority is indeed a vital issue. A central banking institution has not only to maintain freedom from political influence in the management of monetary affairs, but also preserve and exercise the right — duty even — to advise Government in economic policies. But like all rights in unequal partnerships, this too is revokable by the senior partner, the Government. The history of central banking has sufficient instances of serious clashes with Government that have ended with the resignation of the Governor. Short of this point, the extent to which the independence of the Central Bank is respected is principally a matter of tradition. And in building up this tradition, the stand taken by the Governor himself is of no small importance.

In India, where "tradition" is almost a bad word and official wisdom is concentrated at the Capital, the "independence" of the Reserve Bank has come to be of academic interest. Iengar, in his farewell speech, had defined four "areas" where "accommodation of ideas" between the Reserve Bank and the Government might be needed. Adarkar took up only the most important of these, the familiar theme of deficit financing. The significant point, however, is that he spoke, not of Reserve Bank credit to governments but of money pumped out through the commercial banks, by way of refinance for loans that cannot be provided out of deposits and taking on of securities banks are unable to hold. Attuned to the new situation, Adarkar was careful to point out that the Reserve Bank did not ask for immunity from public and parliamentary criticism. Indeed, he felt that the Bank benefited from such criticism. His unexceptionable point was merely that the Bank "should remain free to exercise its own judgment in framing its monetary policy".

A new and important dimension has been added to the well-worn issue of Central Bank autonomy. Following bank nationalisation, the banking system — which has the Reserve Bank at its apex — is being subjected to diverse, severe pressures which are difficult to withstand. Adarkar obviously had this in mind, though he did not come out and say so. The only oblique reference made was to the acceptance of doubtful loan propositions by banks on the strength of State Government guarantees. That is only one of the many pitfalls facing the new banking policy. A strong and independent Central Bank now has meaning not merely from the restricted new point of monetary policy but for the broader aim of a strong and effective banking system.

Short Walk to Long War

THE American intervention in Vietnam has been one long exercise in wishful thinking. It displays a long, dreary list of short-cuts which have failed to pacify Vietnam. Was Nixon's decision to invade Cambodia yet another attempted short-cut to end the war in Vietnam? Some political observers maintain that Nixon is cynical enough to have decided that the Vietnamisation programme was going badly and, seeing that there was no prospect of American withdrawal without handing over Vietnam to the Vietcong, calculated that the only way to go back on his pledges of a phased American withdrawal was to expand the war into Cambodia. This would give him a plausible excuse to keep American forces in Vietnam at least till the Presidential election in 1972.

This theory could be valid, but looking at the pattern of American failure in Vietnam, it is more than likely that the American Administration supplied with the usual, optimistic, quick-kill advice of their military advisers, saw the overthrow of Sihanouk as a heaven-sent opportunity to wipe out Vietcong strongholds in Cambodia and, hopefully, inflict a grievous and possibly mortal blow to Vietcong operations in Vietnam. Once more the American policy-makers thought they could find a military short-cut to end the tenacious political loyalties which the Vietcong have engendered over decades of patient political work among the people of Vietnam.

The consequence of this penchant for short-cuts is very likely to be a lengthening of the war in Vietnam. Since an unconditional American withdrawal was never on the cards the only hope was a successful implementation of the Vietnamisation policy, which is the building up of sufficiently strong South Vietnamese military forces to counter Vietcong incursions without too much American help. Now with about 40,000 South Vietnamese soldiers, sailors and marines intervening in Cambodia, the South Vietnamese armed forces are even less likely to be able to look after the Vietcong in their own country. In the meanwhile, the American Army will continue to do the job in Vietnam which the South Vietnamese Army was meant to do.

It is also quite clear that the American and South Vietnamese invasion of Cambodia and the extravagant military tactics of indiscriminate bombing and shelling which they use, will turn many Cambodians who hitherto had no sympathies for the communists, towards the Vietcong and their Cambodian allies, the Khmer Rouge. Of course, the Cambodians will be largely spectators or victims while Vietnamese of both hues fight over their soil. This confirms that the only sane policy for Cambodia is the one that Sihanouk was following — a careful balance between the two sides.

What about Gearing from Within?

IN his Presidential address to the Association of Indian Automobile Manufacturers, A H Tobaccowala repeats the industry's claim to a fair return, a fair price and a road transport policy — and promises in return a quality product. He underscores the hackneyed point that taxes account for a large part of the price of an automobile. But he does not mention that in European countries petrol prices are higher. Nor does he explain why the road transport industry should not be taxed. Lobbying by automobile manufacturers and the road transport industry on these issues has not succeeded in the past; will constant reiteration of the same points pay off in the future?

Besides, the industry has no one but itself to blame for its present condition. A crude attempt to take short-term advantage of its favoured position in the fifties has led to its high-cost, low-quality and unprofitable operation today. It is true, as Tobaccowala claims, that there are no complaints about the

quality of jeeps and trucks, but then may not that be precisely why Telco, Mahindra and Ashok Leyland are the only profitable units today? Why must Tobaccowala defend the incompetent and the inefficient?

The suggestion that the development of the automobile industry should be based on a long-term automobile policy sounds odd, coming from the Association of Automobile Manufacturers. In 1953 the Tariff Commission did lay down a policy for the industry, following its first inquiry. Government generally accepted the Tariff Commission's recommendations but left their implementation to the discretion of the bureaucracy. This made it possible for automobile manufacturers (with the exception of Telco) to induce deviations from the overall policy to suit their various practices.

The industry's problem areas lie elsewhere. What is needed is a restructuring of the industry, disintegration of products subject to economies of scale, maximum standardisation of parts and a thinning out of the number of assemblers. This is the logical answer to the industry's call for a new automobile policy; would the members of the Association accept it?

BUSINESS

Evading Decontrol at What Cost?

AT the joint meeting, recently, of the Cement Controller, the cement industry, and representatives of the Planning Commission and STC, some of the stickier areas of cement operations were only gingerly touched on. There are in fact no signs of any basic sprucing up of the industry.

The industry's predictable request for a price hike because of a rise in costs — particularly freight which may be increasingly difficult to cover with the fast depleting Cement Regulation Fund — earned the well-deserved reply that cement movements could be rationalised. With the concentration of cement capacity in the South most cement movements are cross-country. The movement pattern is determined today by *ad hoc* judgment as to shortest and quickest delivery, when this could be done by operations research or even be computerised. Inevitably, there is more than inertia in the industry against such rationalisation. Cement units have their stockists and supply networks well-established and are averse to jilting business colleagues who can fetch large stable orders for them. Yet such rationalising would help make some economic sense of the freight equalisation pool, to the scrapping of which there has been strong resistance from the industry — particularly, as is to be expected, from the Southern units.

Now that cement has been brought within the scope of the Industrial Development and Regulation Act, 1951, the Cement Controller will look into the economics of the new cement units' locations. While units that are already committed to expansion will be allowed to carry on, those that have not started to implement the plans may well be asked to site their units in the deficit areas. Such relocation may, in fact, prove as uneconomical as that fostered by the existing systems of uniform price specification and freight equalisation pool. It could well be that the advantages of raw material, power and transport availability in the South more than outweigh the advantages of being located nearer the market in the deficit areas — a possibility made credible by the fact that, even with anticipated decontrol earlier this year, several efficient units continued to expand away from the deficit areas and even the Cement Corporation is setting up its two units in Mysore and Madhya Pradesh. A blanket policy, envisaging new units in the deficit northern and eastern areas, may prove equally far removed from national calculations of costs and benefits. If the present system of uniform price to the producers is to be maintained, for whatever reasons, then Government may have to entrust to the Planning Commission cost-benefit analyses of location. But no such plans are evident.

There seems to be a consensus on exports. The Fourth Plan expects one million tonnes to be available for export in 1973-74. This year the industry expects to export half a million tonnes, ACC, Digvijay and India Cements being the major exporters. Last year, exports had dipped sizeably, from 2.5 lakh tonnes in the previous year to 1.6 lakh tonnes. So the quick pick-up is reassuring. But how reassuring is the export aspect for cement? True, as the meeting stressed, the production base is definite and the product is standard. That by itself does not assure a legitimate role for exports. Exports have had to be subsidised against competition, and have been viewed ever since the first export took place in 1966 as a siphoning off of surplus stocks. If the current rate of demand expansion — which in these past two years has been higher than estimated by the Cement Controller — continues, then by the beginning of the Fifth Plan the cement supply position may indeed be tight. Many of the projects now indicated as already taken up have in fact been hurriedly window dressed with the specific purpose of automatically acquiring go-ahead licences that have been promised. But the entrepreneurs are not necessarily committed to these projects which may fail to materialise by the end of the Fourth Plan.

In all this it is difficult to discern the economic logic of Government taking on the multiple responsibilities for the cement industry that it willy nilly has to under the present system of controls. It has been repeatedly argued that the present comfortable supply position of cement is precisely the time to decontrol the industry, allow its units to compete and to expand wherever — under the rigours of competition — they find it cheapest to produce. Competition may even induce economies such as the compounding of slag (from the steel units) with clinker, in the 40:60 proportion, to form more and cheaper cement for consumption in the deficit northern and eastern areas. These are economies of scale and chemistry that the present control system gives no incentive to exploit.

Indian Capitalism's Civil War

A Correspondent writes:

THE battle, till now verbal, between Chinais and Kapadias for control of National Rayon provides some insight into the mental processes of our capitalists. Kapadias compare National Rayon's performance with that of Century Rayon and Baroda Rayon. Chinais, besides their obvious reluctance to be compared with Birlas, argue that the comparison is not valid but they do not explain why. One may question whether the profit rate — and that too for one year — is the best index for comparing efficiency and investment prospects; quite clearly, growth record, liquidity, stability of earnings — all these should go into such a comparison. Moreover, Century is almost a textile conglomerate; and even as between Baroda Rayon and National Rayon, Baroda Rayon's activities are confined to viscose yarn (and that too to the more profitable lower and finer deniers — going down to 30s in which it has a local monopoly) while National Rayon produces, besides viscose yarn (mainly in deniers of 80s to 120s), also tyre cord and caustic soda (and chlorine, not all of which is saleable today). National Rayon has also grown by fabricating its own plant.

From this kind of inter-firm comparison the battle shifts to arguments about sources of finance. Much is made by Chinais about their "hard-earned" money but it is apparent that neither protagonist can claim that their money was earned the "hard" way. Those who had put in hard-earned money are the small investors who have been reduced to the role of silent spectators in this battle of the super-virtuous. If Chinais rest their moral case on their "hard-earned" money, Kapadias have become concerned about democracy and majority rule in corporate finance. They argue that with their claimed majority holdings of shares and proxies, they are entitled to take over management. But extending the application of the concept of democracy, one may ask: what about the rights of minorities?

This issue of majority control seems to have provoked a debate on corporate democracy. First, a majority can be claimed by one person holding 51 per cent shares. But Kapadias' claims arise out of some large holdings of National Rayon shares by "their" companies. This is money plurality and not democracy, and K T Merchant, joining in the fray ('Management Change in Companies', June 6, 1970, p 920), suggests that it might be desirable to curb excessive voting rights with single shareholders (other than public institutions). Secondly, Kapadias do not hold out any promise regarding the quality of future management. While Chinais can at least claim that investors bought National Rayon shares out of faith in their management, the shareholders would be left to an unknown management under Kapadias.

Here Merchant raises a second question — whether companies are to be traded in like chattels. Since Kapadias do not hold 100 per cent of National Rayon's shares, their recent moves do raise an issue of public welfare. Incidentally, is a large holding by management necessarily desirable? Merchant argues that it is, since it would give management a stake in the company. This argument can be extended to justify an anti-professional-management position by implying that owners have a right to day-to-day management and not merely a right to "choose" management. If management were required to invariably have a large stake, it would become hereditary and impervious to outside control.

Merchant also raises the broad issue that in Indian corporate history Kapadias have illustrious predecessors who traded in companies. The question is: should such practices be allowed to go on undisturbed or should they be subjected to criticism? To one anxious to see capitalism bury itself, such practices are an expression of the inherent conflicts in the system which should bring its welcome demise a little nearer. Precisely for the same reason some worthy upholders of capitalism are gravely disturbed by this phenomenon. They fear, not the end of capitalism, but at least Government control of it. Accordingly, editorial comment in the financial Press has deplored the slanging match between Chinais and Kapadias. But would private enterprise be private enterprise without this kind of competition?

STC 1970-71, as It Sees Itself

IN its forecast of operations for 1970-71 and 1971-72, the State Trading Corporation has maintained that exports will rise from Rs 55 crores in 1969-70 (estimated) to Rs 75 crores in 1970-71 and that imports (excluding transfers made to MMTC) will rise from Rs 106 crores to Rs 190 crores. Operation costs are expected to rise marginally, and with better use of capital interest costs are expected to be small. STC anticipates that profit before tax will rise from Rs 12.4 crores in 1969-70 to Rs 14.5 crores in 1970-71.

The shortfall in exports that occurred in 1969-70 was essentially in chemicals and wagons. In 1970-71 exports of agricultural products, engineering goods and wagons are expected to rise. In imports, targets were exceeded in chemicals and engineering goods in 1969-70. In 1970-71 all categories of imports are expected to rise, with about Rs 30 crores of imports being "industrial raw materials" and "new activities" — items which do not appear in earlier years. STC is evidently taking on new "responsibilities".

Changing trends in international trade and transfers of lines to other public sector trading agencies, makes STC's figures not strictly comparable from year to year. Yet some trends are noticeable. STC's operations are essentially import-oriented — a trend that will be strengthened in the future, judging by current projections. In 1969-70 though exports fell short of the target by Rs 5 crores, they formed one-third of the turnover; in 1970-71



exports are expected to form less than 27 per cent of total turnover. STC is taking over the easier importing business, but it is still not geared to playing a leading role in exports.

STC's practice of forecasting is certainly useful. It indicates that performance is constantly checked against budgets; targets of performance thus become meaningful since management goals are laid down in relation to which management can measure its success.

LETTERS TO EDITOR

Tariff Commission on Automobile Prices

M KRISHNAMOORTHY'S letter ("Tariff Commission on Automobile Prices", May 30, p 861) raises some broad issues relating to distributors' margin, which need examination. There are two separate sets of conditions — free and controlled market, buyers' and sellers' market — with reference to which the distributors' margin has to be considered.

Where there is no control on the price and balance between demand and supply, there is a free market situation in which the margin gets adjusted to the distributor's function (in the automobile and other durable goods industries, this includes selling and servicing the product sold). When the price is controlled, it becomes necessary to control the distributors' margin in order to prevent evasion of price control. In a buyers' market such evasion might not take place (as happened for a short time in 1966 and 1967 when, while truck prices were not controlled, there was no demand for Dodge and Bedford trucks). On the other hand, when price control and a sellers' market co-exist, control has necessarily to extend to the distributor's margin. Moreover, in a sellers' market, no selling needs to be done, and there is no justification for the element of selling in the distributor's margin — beyond the cost of money tied up between purchase and sale and the initial pre-delivery servicing and setting.

The major element in a distributor's margin is for servicing during the warranty period. There are no reliable cost estimates available for this, despite the attempts made by the Tariff Commission to obtain these. Krishnamoorthy refers to Rs 250 as the cost of extending the warranty to one year or 16,000 km; on this basis, the cost in the first six-month period should be a little higher, since most car-buyers seek to get all defects corrected during the warranty period. It is not proper to charge capital cost of servicing facilities only on cars sold, since the equipment would be needed in automobile service business even without a selling agency for a car. Consequently, even without assuming any make-up from sales or servicing, the distributors are not losing on the Rs 1000 margin. Significantly, no car distributor has given up an agency as being unprofitable.

The main effect of price control has been to reduce quality and service, where possible. This has happened to cars, and that must have put some strain on car distributors (though TVS who are agents for Premier Automobiles have not mentioned it). Distributors' servicing too has deteriorated — though here again TVS's record is unexceptionable. The main impact of a sellers' market is a certain disregard for the consumer. Under such a system the efficient producer or distributor (like TVS) is at a disadvantage as against the more unscrupulous ones.

I do not consider distributors to be parasites, or distribution to be unimportant — particularly in a durable goods industry. I can appreciate the discomfort of a genuine distributor like TVS under the present system. But this is the fault of the system, not of its critics.

ARTHAGNANI

Bombay
June 8

A Management Problem in Co-operative Farms

IN his article "A Management Problem in Co-operative Farms" (May 9, 1970, p 782), S H Deshpande contends that "the management problem in co-operative farming societies of the 'genuine' variety is of a special nature not shared by other forms of co-operation or business organisation". This is a surprising statement to make. A little reflection will show that the problem of management in co-operative farms is by no means of a special nature and is identical with what prevails in all types of workers' co-operative societies such as industrial co-operatives, labour construction co-operatives and forest workers' co-operatives. In all workers' co-operatives the workers are also 'members'. In other words, they are employees as well as employers and in the latter capacity they are managers of their own enterprises. They elect a Board of Directors to manage the enterprise on their behalf. The Board in turn hires a technical manager whose position is exactly analogous to that of a manager of a co-operative farm.

Deshpande points out that such a manager is an employee of the farm and at the same time the superior of the members of the farm. A similar situation would prevail also in the case of a manager of an industrial co-operative society. Deshpande, however, is wrong in feeling that there is necessarily a contradiction in this position. There is a clear difference between the function of policy formulation and that of implementation and in implementing the policy the manager is hardly acting as a superior to the members. In the ultimate analysis no organisation can function without a certain functional discipline. It may appear that the manager is instructing the members of the society. He is in fact doing nothing more than enabling them to carry out their own decisions. A proper understanding on the part of all concerned of the role of the members, the Board and the hired manager and their relationships would ensure that there is no contradiction in the functioning of any workers' co-operative.

Deshpande is wrong in assuming that it is open to a co-operative farm to hire the labour of non-members or of outsiders on considerations of optimum efficiency. A co-operative farm becomes co-operative not by pooling of property but by pooling of labour. A co-operative farm would not be worth the name unless members themselves participate in farming operations. The question of hiring the labour of non-members, therefore, simply does not arise in normal conditions. On the other hand, in peak periods the society may have to hire some additional labour on the basis of payment of wages. But this may be considered to be a strictly temporary expedient. It cannot be a permanent feature, consistent with the working of the farm on a co-operative basis.

P R DUBHASHI

Poona
June 6

Tax Evasion

THE Papers carried an interesting news item that the Direct Taxes Inquiry Committee had issued a 106-point 'Comprehensive' Questionnaire covering all aspects of black money and tax evasion. In this news item it is stated "The Questionnaire also touches on Doctors, Lawyers, Architects and other professional men who allegedly do disclose their income in full".

The purpose of this letter is to request the Inquiry Committee to kindly include in their list of 'suspects' also Labour Union Leaders. I understand huge amounts of black money are being held in banks in the names of the wives of certain top labour leaders in India. These bank accounts are in addition to colossal landed property, buildings, gold bricks, etc. And strangely enough these persons have not paid even a paisa as tax!! Let us, without wasting any time, book these crooks!

Madras JINNI CHARI
May 26

INSURANCE

Managerial Problems at LIC

LIC has held out promise of fresh thinking in three major areas of its operations: unclaimed policies, labour and investment. All these raise issues about LIC's management policies. When T A Pai took over, LIC had unclaimed policies aggregating Rs 24 crores on 1.2 lakh policies (against a total business in force in India of Rs 5,606 crores under 1.33 crore policies). The excuse offered by LIC is that in many cases addresses are not found — an explanation that fails to convince since policy-holders evidently go on paying premia till the claims become due under whole-life and endowment policies. The real reason may be that LIC's procedures are cumbersome and that its records of addresses are not properly maintained. Clearly, LIC needs to streamline its claim settlement procedures — relying, for example, on employers' or JP's certificates for identification or proof of death and on indemnity bonds for settling claims.

LIC's second major problem has been employee relations. The new Chairman had promised on assuming office that he would handle the problem personally. What he did was to involve the Finance Ministry, thus sharing and shifting responsibility to some extent and splitting the LIC employees' trade unions. The impact of the settlement is sought to be fuzzed by mixing up payments for past periods with recurrent payments. To that extent the figure of Rs 4.80 crores as the annual benefit accruing to employees is misleading. In any case, immediately at least, the new initiative does not seem to have had the desired results. Besides, the attempt to involve the Finance Ministry in the negotiations, whatever the motivations for it, might have adverse long-term consequences.

LIC is reported to have set up a committee to review its existing investments. Here the new Chairman has made some moves which need to be noted. He has announced some large investments in public utilities — small municipalities, State electricity boards, etc. Secondly, he has proposed a more activist role in private investment. Thirdly, he has announced some new directions in housing finance. There had been some attempt to shift investment to public utilities even before Pai took over — apparently to earn a 0.5 per cent higher return than on straight investment in Government securities without incurring any greater risk since Government guarantees of some sort or the other are involved in such loans.

One of the purposes of making public utilities depend on institutional finance instead of getting their finances entirely from out of Government budgets is to subject them to some external financial scrutiny and discipline. Municipalities and State electricity boards have been notorious for their poor justification of projects and their poor maintenance of financial records. So some questioning by LIC might do a lot of good. Yet, it appears that Pai looks upon LIC loans to these bodies mainly as some kind of budgetary support to them and not as financial outlays to be justified by returns, and that he would depend upon Government guarantees to safeguard his investments. A proper examination or analysis would require the setting up of facilities for cost-benefit analysis of loans to public utilities. LIC still shows little inclination to grasp this nettle.

On corporate financing Pai seems to have decided to continue the activist policy of the earlier administration. LIC is thus emerging as a major countervailing power in the corporate sector, seeking to professionalise corporate management. Pai also proposes to go in for direct financing of industry — a move which should help IDBI particularly.

It is on housing finance that LIC has some new moves in store. Real estate financing by LIC has been small till now. In fact, despite a real estate boom in metropolitan areas, in the few ventures it has undertaken for urban building LIC fixed values that would yield to it a fixed low return, thus passing on the major benefit of urban building to its lessees. But LIC is already a large urban landlord and needs to seek to improve its return on urban investment. In the past, insurance companies built buildings for upper class residents, on which rents have now been frozen. The social welfare involved in such rent control is marginal, and LIC needs to raise its return on such investment by making out a case for removing rent control on high-rent buildings — premises fetching a pre-War rent of Rs 200 per month would today earn Rs 800 or more. The new move that LIC has announced is into low-cost housing. Proper development of large estates for this could be a major means of improving urban living and so could prove a major social welfare measure. Pai is in fact making the right moves by planning urban housing on architectural and civil planning concepts.

LIC wants to sell off the housing estates it builds on an individual ownership basis, which is a novel practice. One assumes that LIC will link such sales to life insurance policies to generate some additional business. But sale on ownership basis could lead to lack of maintenance and reversion to slum conditions — unless there are proper management arrangements for the estates. Moreover, LIC's need is not to cash in on its investments but to seek to keep its cash invested. Housing for sale does not meet its investment problem. If it is to compensate for the low rental return that Pai plans to go in for urban housing for sale, he needs to give thought to other means of improving housing profitability. LIC has set up a separate housing department. This is the right approach. Such a department could institutionalise provision of housing finance, retain archi-

tects town planners on retainer basis, improve the return on existing real estate investment of LIC, and take major initiatives in housing finance.

LIC's biggest problem remains that of managing its vast organisation. The main business of LIC is to sell life insurance and to this LIC seems to be giving little thought — for example, to problems of linking life insurance cover to cost of living or of taking life insurance to the new rural rich. LIC needs to build up a team of high level professional executives, specialising in staff and line functions and carrying adequate power and responsibilities.

FROM OUR CORRESPONDENTS

SOUTH

Trouble in Tamil Nadu

Mohit Sen

THE closure of Standard Motors has implications far beyond the simple fact of stopped production and retrenched workers. First and foremost, it is another glaring example of the utter baselessness of the myth of the so-called "efficiency" of the private sector — foreign collaborationist private sector to boot. There is not a shadow of doubt that the company was grossly mismanaged, ran far below capacity and was absurdly recalcitrant when it came to some very elementary demands of its workers. What was produced was also so shoddy that the Supreme Court judges had some most unjudicial flings at it. One could imagine the concerted howl that would have been raised had the unit concerned been in the public sector.

Next in order of importance comes the revelation as to how difficult it is for the State Government, or the Central Government, to take over a closed-down factory in the interests of production and of the workers. It appears that only the Centre can take over an industry declared a relief industry by an Act of Parliament. There are doubts expressed as to whether only one unit of a particular industry can be taken over on relief grounds. Built-in delay is also provided for in that an official report has to be prepared which would provide the ground for the take-over. Such are the ways of the laws of our land — and then there are complaints about dogmatism when Marxists point to the class character of the State and Constitution !

As a matter of fact, the trouble in the Standard factory should help the Government at the Centre to muster courage and announce the take-over of the entire automobile industry. Properly run and disconnected from quick-return motivations, this industry could help to increase Central revenues in a non-regressive manner. But there are no signs of any such move on the part of the Centre. On the contrary, all its efforts are in the direction of counselling caution to the Tamil Nadu Government.

There is yet another aspect to this affair. And this relates to the relations between the DMK Government and industrial labour. It is an understatement when one says that "industrial unrest" is reaching a new high in the State. In any event, it is of a dimension that would certainly challenge comparison with the state of affairs in West Bengal. Once again, the partisan character of our so-called "public opinion" reflectors is exposed. What an outcry about the nature of things in one State and a curiously muted notice of what goes on in another.

Ambivalent Attitude

A specific feature of the Tamil Nadu situation is the ambivalent attitude of the DMK Government. Its trouble is that it has to be all things to all persons. It came to power on the basis of being a party of the oppressed, of the injured and the insulted. And whatever some Marxist-influenced commentators might say, the industrial worker in India continues to fall within that category. The DMK was, therefore, regarded by the workers and regarded itself as a friend, even a champion, of the industrial proletariat. At the same time, being essentially a Centrist party with Left potentialities, it was anxious that Tamil Nadu should continue to enjoy the reputation of being a haven for industrialists — a reputation that it had earned, more particularly, under the stewardship of Kamaraj. Circumstances have now made the maintenance of this ambivalence extremely difficult, if not impossible.

The DMK Government is, therefore, compelled to combine the tactic of social manoeuvre with increased repression. The most important feature of the social manoeuvre is the spread of DMK unions on a much more extensive scale than hitherto. And the repressive aspect is the resort to humiliation wherever possible — humiliation on the basis of declaring strikes illegal and the like. An example of the latter was the insistence on loyalty declarations from the engineers of the State Electricity Board *after* they had called off their strike. Whatever may be one's opinion of the tactics employed by the leadership of the concerned union, this act of humiliation is as unprecedented as it is outrageous.

Industrial labour apart, another challenge to the *bona fides* of the Tamil Nadu Government is looming up from the rural areas. As part of its all-India campaign the State unit of the CPI has announced its intention to lead the peasants in occupying cultivable wasteland and to take over in some areas the lands of big landlords who have holdings well above the legal ceiling. The Chief Minister has reacted to this initiative by thundering about law and order and the upholding of the rule of law. But it would have been much wiser had he responded to the challenge by taking up agrarian reforms in earnest as is being done in the neighbouring State of Kerala. If agrarian reforms of the Kerala type are announced and implemented as expeditiously as is being done by the Achutha Menon Ministry, there is no doubt that not only would Karunanidhi secure the co-operation of the CPI and other Left forces, he would also redeem the reputation of his party. But intimidatory statements are only going to boomerang.

Everybody who is part of the developing Indian revolution, should realise that recent political developments on a nationwide scale have only served to heighten the sense of impatience of the downtrodden, particularly the youth. If appropriate leadership is not forthcoming the forces of counter-revolution will be able to turn this mass discontent not only against the Left but also against the Centre. Therefore, while strenuous efforts should be made to make the DMK ranks, cadres and leaders to realise the justice of the demands of Tamil Nadu's tillers, there can be no waiting for their seeing the light.

LUCKNOW

Policing Education ?

DISORDER and threats have not been uncommon practice during examinations in the past. But when, on May 9, as a sequel to a physical assault on an invigilator by an examinee, the Lucknow University Teachers' Association decided that the teachers would boycott invigilation because it had degenerated into a problem of law and order and had ceased to be pure academic duty, a new dimension was added to educational unrest in the country. The boycott continued for four days, and the teachers resumed work only after the Vice-Chancellor, in a written letter to the Association, and Government on the floor of the House, had assured the teachers that adequate protection would be given to them and that the guilty students would be firmly dealt with. The preceding violence was looked upon as a culmination of the authorities' negligence in maintaining discipline. A section of student leaders had obviously begun to feel that tactics of threat, intimidation, and terrorism, would work to get almost anybody who applied for admission admitted — especially to the Faculty of Law — and to get permission to appear for examinations almost without having any attendance to one's credit. Consequently, as the next natural step, students came to the examination halls in the belief that resort to unfair means in answering papers was passable. Generally intimidated teachers took the safer course of "seeing no evil", and those who insisted on stricter invigilation got the violence. Now, the campus is covered by the police. Even the City Magistrate is there, in response to the teachers' request, to direct operations. Resort to unfair means has been minimised. But how long can education be imparted with the help of the police?

If universities are not to degenerate into coaching shops with diverse standards — which is especially likely with the adoption of the regional language medium — the UGC will have to discharge its statutory function of "co-ordination and determination of standards in institutions for higher education or research and scientific and technical institutions" much more seriously and meticulously. It may have to lay down, for instance, a national minimum standard for: (1) admissions to the various faculties; (2) percentage of attendance required for qualifying to appear for examinations; (3) the content of the courses; (4) the levels of the examinations. Such steps need signify neither unification nor rigid control; they are a necessary first step in educational planning.

★

The Committee appointed by the State Government to make recommendations on the take-over of sugar mills in the UP has submitted its report. On the face of it the Committee has failed to outline the impact of the sugar mills' nationalisation on the State economy. The *National Herald* editorially pointed out that: "Although the machinery of most mills is as good as junk, the State is legally bound to pay compensation to the industrialists when the mills are taken over." (June 2, 1970). And this compensation is estimated to be not less than Rs 10 crores, calculated on the basis of the stock exchange values of shares. It has been further estimated that twice this amount may have to be invested in renovating the sugar industry — and that too by a State Government which has a deficit of comparable magnitude! What will the gains to the State be? The Committee should have done some exercises to project the impact of nationalisation of the sugar mills on the rate of growth of the State's economy; also it should have pointed out how the approximately one lakh workers employed in the industry and the over two million farmers growing sugarcane would benefit from the proposed nationalisation. At the present level of development of UP, not sentiment but economic calculus alone can justify the recommended mode of nationalising the sugar industry. The alternatives could have been either take-over of the managements of the existing mills so that the burden of compensation could have been avoided (as in the case of Calcutta Tramways); or the setting up of new up-to-date units by the State so that the existing 'junk' units would die a natural death in the face of competition.

KATHMANDU

Disturbance with the Monsoon

IT is once again June when the monsoon breaks out in this part of the lovely Himalayan world, and white and black clouds start playing with the greenish peaks of the Nagarjuna and Mahabharat Lekhs. The days are usually bright with sunshine, but the calm of the nights is interrupted by the pouring showers. And this June again, as in last June, there is deeper disturbance in Nepal's public life. Student leaders are behind bars and their followers are on the streets demanding their release.

What has happened this year is only a follow-up on what happened last year. The seeds of student and youth unrest were sown during and after last year's Tribhuvan University Students' Union elections when the 'democrats', after dealing a crushing defeat on the pro-Peking elements, set out to fulfil their pledge to the Nepal Students' Organisation that they would prepare the country, especially the younger generation, for achieving the fundamental rights and the democratic set-up that would give greater meaning to their lives. At that time the students had been rounded up and put behind bars for having expressed their purposes through the statement of their General Secretary. Before the situation could worsen, the authorities had released them. Their release and the 'good gesture' of the government scarcely changed things. The atmosphere was far from pleasant and the situation remained tense for the rest of the year. Soon after their release the students had gone ahead with their plans. Instead of sitting down to their books in the university hostels, they had gone round on hectic tours of almost every nook and corner of the kingdom.

One outcome was a well-attended conference of student delegates from all over Nepal a couple of weeks ago. The first day of the conference, which was inaugurated by Krishna Prasad Bhattarai — former Speaker during B P Koirala's government —, is said to have gone well except for the slight trouble of having to shift the venue from Chawel to Swayambhunath in order to avoid police eyes. The second day, when over 150 student delegates from all the 14 Anchals of the kingdom converged on the open chowk of Ramamandir near Pasupatinath Temple to

pass the constitution and draft a 'party programme and policy' (an unknown exercise in the party less system of Nepal), the police appeared as if from nowhere and some 60 students were taken into custody. They were charged with having violated the Class Organisation Act. The delegates had tried to shift the venue of their plenary session from one bush to another in the hope of dodging the police, and, while they did not completely succeed in doing so, they did manage to achieve the other aim they had hoped to. By the time the 60 students were goaded into the police station, the constitution and draft party programme and policy had been passed. What is more, the remaining delegates went ahead on the following day with the elections for President, Secretary, and other office bearers of the organisation. So, though the founder fathers of the organisation may be behind bars, the association seems to be on its feet and all set to reach the corners of this mountainous kingdom.

Nor is the basic unrest that prompted these meetings confined to the students. Last June had seen a tussle between the former Nepalese Prime Minister Kirtinidhi Bista and a senior Rashtriya Panchayat member Rishikesh Shah. The two had even challenged each other to open debate under the *pipal* tree on the national issues involved. Now a similar war is on between Nepalese Home Minister Sailendra Kumar Upadhyaya and Tulsi Giri who is a member of the Special Advisory Council. The issue being discussed may indicate that a new vista has opened out in Nepalese body politic. For Sailendra Kumar Upadhyaya and Tulsi Giri have come out openly for and against, respectively, the broadening of the direct base of the electoral system. In Nepal this is almost an ideological debate, witnessed for the first time in 20 years since the termination of the *ancien regime* of the feudal Ranas. Even the otherwise strictly controlled Press has evinced a lively interest in a blatantly political issue — for the first time since the royal takeover in 1960. It is as though the openness of the debate has at last given it the long-desired outlet to express its opinion freely. This 'saturnalia' of political discussion in Nepal is rather reminiscent of Mao's slogan of "Let the hundred flowers bloom" in the China of 1956 and it, therefore, makes one rather sceptical about the outcome of this (palace-sent?) opportunity to freely discuss the political system.

Thus *Dainik Nepal*, considered the mouthpiece of Surya Prasad Upadhyaya, who had deserted the hard-liners of the now outlawed Nepali Congress led by B P Koirala, editorially called Tulsi Giri the 'villain' of Nepalese politics. Though it admitted that Giri's pronouncements at the Janakpur meeting last week on broadening of the electoral system had some significance, it dealt with Giri's past — stressing his early links with the Rashtriya Swayam Sewak Sangh, and reminding its readers that he had been imprisoned for the first time in connection with the Mahatma Gandhi murder conspiracy case. It accused 'opportunist' Giri of having always "tried to create misunderstanding and distrust between the people and the King". A more biting, and somewhat more relevant, criticism of Giri's stand came from Sailendra Kumar Upadhyaya himself. Said to have been a member of the former Nepalese Communist Party's politbureau, and presently Nepalese Home Minister, Upadhyaya naturally sees Giri as a 'reactionary' on this issue of making the elections more direct. Addressing the concluding session of the Nepal Journalists' Association's Annual Conference, he went so far as to say that opposition to the broadening of the direct electoral base for the Rashtriya Panchayat was indicative of a reactionary and narrow outlook. Today only the members of the district panchayats, who themselves are elected by village panchayat representatives, form the electoral college of the Anchals and elect members of the Rashtriya Panchayat. The proposal which is being debated publicly suggests that, instead of the Anchals, every village should have a direct say in the election of Rashtriya Panchayat members from among whom the King today nominates his ministers.

In an article published in *Matibhumi*, believed to have been started by Giri, Giri, writing under his own name, made capital out of Sailendra's communist past, hinting through the use of a Nepali proverb, *'Jo Sita Ayutako Kanch Gita Arkako Gaudch'*, that he was an 'agent provocateur'. More relevantly, he asked in the article, "What will be the proposed reform's circle *(Paridhi)* ?" Has it to be gradual ? Will it lead to its logical end that is universal suffrage? If it is to be so, are not we going to the 1959 general election once again? If we don't want to go back to the 1959 system then what will be the fate of our partyless system? Is there any difference between a direct and fuller election system and a partyless system? In the absence of fuller parliamentary democracy, will not merely broadening of the electorate base be only half complete?" Then again he has raised another basic point: "Is there any difference in the political character of the Council of Ministers formed under the crown and another formed under the leadership of a people's representative? Unless there is an answer to this fundamental thing, and unless these questions are answered fully to the satisfaction of the crown and people, the political nature of the partyless panchayat system will not be clear."

Answering Giri's points, Sailendra Kumar Upadhyaya in a signed article has said that there is no point in confusing the limitations of the elections held under the panchayat system with the fundamentals of the system. Certainly in any given society when progress comes, its new aspirations are fulfilled only when an atmosphere is created in which every individual who is to benefit from the progress of that society is made aware of and is prepared to accept the present system keeping in view the changes taking place around him for achieving those aspirations. Upadhyaya is not in favour of having only 14 discussion centres — meaning thereby the 14 Anchals — and bases of elections to the Rashtriya Panchayat as this limits the aspirations of the people. To direct the fate of the kingdom he wants that every one of the over 4,600 panchayat villages be able to take lively interest in its fate. Significantly, he is also not in favour of students being debarred from participation in politics.

It is not without significance that, while this great debate is on, the palace, which alone today decides the course of events in the kingdom, is silent. Is this a way to silence genuine opposition by quietly sponsoring a controlled public debate? There is another group which thinks that the debate has been initiated just to pave the way for a *rapprochement* between the crown and the Nepali Congress leader B P Koirala who has lately been persuaded by the current party chief, General Subarna Shumshere to come to terms with the realities of today — meaning the panchayat system and the legitimate role of the crown. This group believes that something of this kind will be achieved in the coming budget session of the Rashtriya Panchayat which is to meet by the third week of this month.

BRUSSELS

European Anniversary

MAY is the month of anniversaries — such as that of the student revolt which two years ago nearly brought down the Fifth Republic in France. This year it is also the 20th anniversary of the Schumann Declaration, a document which the future United States of Europe is certain to venerate as its Declaration of Independence.

Yet the statement which the French foreign minister Schumann (no relation to the present French foreign minister), read to the press on May 9, 1950, although obviously important, did not strike his listeners as in any way historic. Winston Churchill had already called for a United States of Europe as far back as 1946, while five West European countries (Belgium, France, Luxembourg, the Netherlands and the UK) had agreed in January 1949 to set up a Council of Europe.

According to Article 1 of its statutes, adopted just a year before Schumann made his now famous declaration, the purpose of the Council was "to achieve a greater unity between its members for the purpose of safeguarding and realising the ideals and principles which are their common heritage, and facilitating their economic and social progress . . .". The German Federal Republic had been made an associate member of the Council in March 1950 (although it was not to become a full member until the following year).

Schumann's offer to pool French coal and steel resources with those of West Germany in an organisation open to all European countries could have been dismissed as a French attempt to curb the growing industrial strength of the Germans. The foreign ministers of the US, the UK and France were scheduled to meet in London on May 11 to deal with the "German problem" — that is, to take further measures to integrate Adenauer's Germany into the Western alliance.

It was clear to Paris that the end of the Allied occupation of Germany was in sight. It was only a question of time before the restrictions on her coal and steel production were scrapped. Once this was done, the renascent German industry would probably overwhelm the antiquated, run-down French industry. It was only too easy, therefore, to see the Schumann offer as a shrewd tactical move to tie the hands of the Germans while the invitation to the other European countries to join the proposed coal and steel pool, and thus lay the foundations of a European federation, could be dismissed as an attempt to sugar the pill.

But in 1950 the movement for the integration of Europe was in full swing. On June 3 Paris was able to announce negotiations between France, Germany, Belgium, Italy, Holland and Luxembourg for the creation of a coal and steel pool along the lines proposed by Schumann—that is to say, with its own institutions, including a high authority independent of the member governments (and eventually its own tax income). The decision could have been announced even earlier had it not been for French efforts to persuade the UK to join the "Six" in the first supranational venture of its kind.

Common Market Critics

If the 20th anniversary of the Schumann Declaration has been celebrated throughout the Common Market it is only because subsequent events have proved the former French foreign minister right. On April 18, less than a year after the French offer, the Treaty setting up the European Coal and Steel Community was signed in Paris by the Six, although it was not until 1953 that coal and steel could move freely within the frontiers of the new Community. Two years later the Six decided to extend their efforts at integration to the economy as a whole, and in March 1957 they signed in Rome the treaties setting up the European Economic Community and the European Atomic Energy Community (Euratom). Nine months later both treaties were in force.

It is unnecessary to narrate the story of the first 12 years of the European Common Market. By the end of 1960 the Six had already speeded up their programme for the elimination of tariffs between the member states. A year later the outlines of the common agricultural policy had been drawn. The sudden collapse of the negotiations for Britain's entry into the EEC inevitably prevented further progress for a time. However, in 1966 the member states duly agreed to move from the second to the third and final stage of the transitional period, thus keeping to the time-table drawn up ten years earlier. In 1968 the customs union was completed, 18 months ahead of schedule.

In December 1969, a few weeks before the Community entered its definitive stage, the Six held a summit conference at the Hague to plan their strategy for the coming years. A solution was found at last to the problem that had bedevilled the EEC almost from the beginning, that of its eventual enlargement. At the two-day summit the six heads of state and government hammered out a compromise under which the French agreed to open negotiations with the UK and three other applicants for membership provided there was agreement on how the common agricultural policy was to be financed and on measures to strengthen the Community.

By May the compromise was working so well that hardly anyone doubted that the timetable fixed at the Hague for the opening of negotiations with the British would be respected. Not only had the financial regulations been signed and delivered (although they must still be ratified), the Six had also managed to begin work on a plan for monetary and economic union by the end of the 1970s.

Critics of the Common Market — and they are to be found within the Community's frontiers also — will argue that this is far too rosy a picture of European integration. In their view the record of the last 20 years is anything but encouraging. Progress has been both slow and in the wrong directions. Both the Coal and Steel Community and Euratom have virtually disappeared from the scene, while after more than 12 years the EEC is little more than a customs union and has an agricultural policy which is proving ruinous. Western Europe remains divided into two camps, and there is no guarantee that the enlargement of the EEC will end this division. In any case, the emergence of a 10-member Common Market is likely to give rise to the hostility, veiled in the one case, open in the other, of the US and the Soviet Union.

But such a picture is not very faithful either. The truth is that if the idea of European integration is gaining ground, progress during the last 20 years has been extremely uneven. It is probably true to say that by 1958, when the EEC was set up, the first wave of enthusiasm for the unification of Europe was largely spent. Once the economic reconstruction of Europe was over, national rivalries reasserted them-

selves once again.

The return of de Gaulle to power in France certainly contributed to the resurgence of European nationalism. His refusal to allow Britain into the Common Market was not due to any fears for the Community itself but from a belief that such a move was contrary to France's own interests. But the resurgence of French nationalism was, partly, at any rate, a response to the steadily growing German nationalism. De Gaulle had hoped to restrain the Germans by embracing them (hence the Franco-German Treaty of Friendship). Confronted with the failure of this policy Pompidou has decided instead to seek the help of the British, even if this means enlarging the Common Market to include them.

It is unlikely, therefore, that Britain's entry into the EEC will speed up the process of European integration. Faced with the threat of American domination of Western Europe (*vide* Jean-Jacques Servan-Schreiber) the enlarged Community will probably move towards economic integration somewhat faster; but even in this field progress will remain slow. Although the President of the European Commission, Jean Rey, has forecast a European currency for 1980, the professionals (the bankers and economists) remain sceptical.

But it is patently unfair to judge the results achieved by the advocates of European integration in terms of their goals. Rather, one must compare the achievements (and failures) of the last 20 years with those of the inter-War period. Viewed against the background of the past even the failures of the last 20 years appear as striking achievements.

Seen from Asia the prospects of an integrated Europe may seem alarming. There is no doubt that a 10-nation Common Market (to which the other West European nations and much of Africa will be closely linked through a network of agreements of all kinds) represents an overwhelming concentration of economic power. Should the Europeans succeed in setting up a political union as well, Western Europe will assume the role the developing countries once hoped to play, that of the Third Force in world politics.

It is difficult to say what the consequences of such a development will be. However, it is significant that both the US and the Soviet Union regard the current moves towards the enlargement of the EEC with apprehension. The Six themselves are so preoccupied with current problems that they have not undertaken any long-term planning or even indulged in speculation as to their future role. Elsewhere, the nervousness which European moves towards integration have given rise to is tempered by a feeling that the process may stop far short of completion.

The Tanzam Railway

A K Essack

IN 1967, Kenneth Kaunda, President of Zambia, startled the Western world by announcing that China had agreed to construct and finance a railway line to connect his country with neighbouring Tanzania. An agreement between Zambia, Tanzania and China was soon signed and the following year saw the arrival of Chinese technicians and workers in the two African countries. The work on the railway was divided into three stages: (1) preliminary survey; (2) detailed survey; and (3) construction.

The Tanzam railway will run from Dar-es-Salaam in Tanzania to Kitatu and then to Tanduma, linking with Zambian railways at Kapiri Moshi which is near the copperbelt of Zambia. At Tanduma the railway line will run near the Malawian border. This is an area of possible future confrontation because Malawi has laid claim to the entire region. The route is to be 1,125 miles long and the tentative cost has been put at $ 300 million.

In the first two phases of the project, 600 Chinese personnel were involved, one group being engaged on the Zambian side while the other worked in Tanzania. The Zambian group was further subdivided into three teams, each working on one section of the route. By early 1969, the most advanced unit had already completed its surveys and left for Peking and by November both the Zambian and Tanzanian groups had completed their surveys. The speed with which this was done astonished many observers, but to those who had watched these teams at work this was no surprise. According to a report in the government-owned *Zambia Mail*, the Chinese used to be up at dawn and stopped work only when light began to fade. (They, however, found time to continue their political education and study Mao's writings!)

Many doubts had been raised in the West about the ability of the Chinese to construct the railway line. Critics pointed out that certain sections of the route "were slippery and treacherous" and argued that the Chinese did not have the resources or the technical knowhow to overcome the problems this would raise.

While acknowledging that the terrain in certain sections of the route was indeed "slippery and treacherous", the Chinese maintained that these difficulties were small compared to what they had had to face on occasions in China. Two memorable feats in this field are the Chantu line and the Nanking bridge which was completed only in 1968. The Chantu line in northern Szechuan had to go through more than a hundred tunnels because of the mountainous terrain. The Nanking bridge, constructed at the height of the Cultural Revolution, is three miles long across the Yangtse river, and is wide enough to take both road and rail traffic. The Chinese claim that this is the largest railway bridge in the world. All parts of it, from the giant caissons to the last nut and bolt were Chinese designed and built. Both Japan and United States had thought of this scheme before the revolution in China, but had not proceeded with it because they envisaged great engineering difficulties. The Chinese encountered many obstacles, particularly in the early stages when in a supposedly calm period the Yangtse rose and swept away the giant caissons.

Thus, if the Tanzam railway is not finally completed, it will not be for want of will or skills on the part of the Chinese. Political developments may yet intervene, as for instance they did in Mali where the Chinese were compelled to suspend their work on a rail link with Guinea because of the coup which ousted the Keita government. The new military junta made it clear that the Chinese presence was not welcome in Mali any more and so the project was shelved.

When Britain granted Zambia independence, its economy and communications system were completely tied to Rhodesia and Portuguese Angola, ruled by white minority regimes. Being landlocked, Zambia had to rely on railways running through Rhodesia and Portuguese Angola, for its export of copper and for its imports. When Ian Smith seized power in 1965, he tried to blackmail Zambia into recognising his regime. When the Zambian government refused, Rhodesia began systematic sabotage of Zambia's communications system. Goods destined for Zambia were suddenly lost, damaged or delayed in transit. Supplies of oil were withheld in particular and the position deteriorated to a point where Zambia had only one week's supply of fuel left. Its entire mining industry would have come to a standstill had Tanzania not stepped in and offered all the reserves of oil that it had. This action averted the collapse of the Zambian economy, but it also made Zambia realise the urgency of finding an alternative route which would not be at the mercy of the white minority regimes. If Zambia was to forge ahead as an independent state, it was imperative that the Tanzam railway be built as soon as possible. President Kaunda expressed the feelings of the Zambians when he said "All we want to see is the railway line being built, so that we are never again dependent on the route from the south". Zambia first approached the Western powers and the World Bank for assistance, only to be told that the project was not economically feasible. It was then that China was approached.

The decision of the Chinese to build the railway line upset the Western powers' strategy in southern Africa which was based on the white minority regimes playing the dominant role on behalf of the West. By virtue of its wealth, technical skills and industrial potential, South Africa was cast in the central role. For instance, the grant of a £ 4 million loan to build Malawi's capital at Lilongwe was enough to persuade Banda to open the doors to South Africa and agree even to the stationing of a South African military attache in Malawi. If Zambia and Tanzania continued their policy of defiance, they could always be brought to heel by encouraging secessionist tendencies or overthrowing the governments by military coups.

The Chinese presence has altered all that. In Tanzania the army is being trained by the Chinese and white officers trained at Sandhurst are being fast replaced. How obviously this threatens to alter the balance of power in the region was reflected in Banda's reaction to the announcement of the Tanzam Agreement: "I fear the Genghis Khans and Kublai Khans of Peking." *The Times of Zambia* owned by Western interests, was openly sceptical: "The Chinese have reportedly made a study of the proposed railway line and have made noises about building it. Whether the recent upheaval in China [the Cultural Revolution] affected their interest remains to be seen." *The East African Standard*, organ of the multinational corporation, Lonhro, commented: "Whether the Peking agreement will have far reaching political implications for East and Central Africa must await events. It is possible that Western reluctance to undertake the project may prove a parallel with the refusal to finance the Aswan Dam which brought the Russians into the Middle East and drastically altered the balance of power in that region."

The attitude of the West to the Tanzam railway had been one of more than mere reluctance. The World Bank had, for instance, argued that "90 per cent of the population of Tanzania still live on the land and the new railway will bring little or no benefit to them. The same is broadly true of Zambia". However, when it became clear that Tanzania and Zambia were going ahead with China's help and when subtle pressures to dissuade them had failed, the Western powers changed their tactics. They now offered three alternative routes. The first was a railway line, to be built by a consortium consisting of Japan and Britain, to connect the two countries with the Port of Matadi in Congo (Kinshasa). The second route, to be built by the Portuguese, would connect Zambia with Angola directly and thus avoid the present situation where the railway has to run through the Katanga region of Congo (Kinshasa) before proceeding westwards. Finally, Banda, who had earlier laid claim to the whole of eastern Zambia and the Isoka region, now offered Zambia a railway line through Portuguese territory to the East coast. Malawi which has had a financial deficit ever since independence and which is kept solvent by the loans it gets from South Africa and Britain did not indicate where it would get the money for the project from. Zambia, while appreciating these gestures, indicated that it was going ahead with the Tanzam scheme.

In the colonial era, imperialism managed to spread anti-communist ideas amongst the African intelligentsia. This tends to colour the judgment not only of the top layers of the civil service but also of sections of the leadership of the national movement which after independence now occupy leading positions in governments. The arrival of the Chinese technicians was viewed with caution and reserve by some of these elements in Zambia and Tanzania. The people watched too, but for a different reason, as their experience with expatriate technicians had been none too happy in the past. In a short time the Chinese made an impact on the local population, particularly the peasantry. Zarco Milosevic, a journalist, writing on this aspect in the Yugoslav journal *International Affairs* said, "The Chinese working in Africa consistently made a deep impression on the local population because of the modest way of life and their direct approach ... they are more close to the African people than the experts from the West who gave the impression of being bored and stayed in the best hotels."

The Chinese expressed their intentions very simply. As the deputy leader of the Chinese technicians working in the Zambian section of the Tanzam railway put it, "This is a great project and our Zambian friends would like to see it constructed as quickly as possible. Over the next two years many Zambian workers will be required to work alongside the Chinese. We hope that the Zambian technicians will learn from the Chinese technicians as they go along, so that they will be able to build their own railroads in the future" (*Times of Zambia*, September 19, 1968).

What began as a response to Zambia's desire to get an outlet to the sea independent of the white minority regimes has, by the logic of events, become a struggle between East and West. The success of the Tanzam railway line will mean the victory of the ideology of scientific socialism over capitalism which parades in Africa as "African socialism". The rest of Africa is watching. The success of the project will inspire other countries to look to the socialist countries instead of the West for assistance for their development.

But imperialism will not allow this area, hitherto part of its "sphere of influence", to opt out so easily. Pressures have now taken different forms. In December last year, an oil pipeline was blown up near the Malawian border at Tanduma, reminding Kaunda of his vulnerability. And South Africa's Minister of Mines has let slip that one of the conditions of the loan to build Malawi's new capital at Lilongwe was that Banda would allow South Africa to use the airport for military purposes.

A South African military attache has been in Malawi for the last two years. Banda's warlike utterances laying claim to vast chunks of territory when he has not even a battalion to his name can be traced to Vorster's agents planted in Malawi. South Africa has transformed Malawi into an advance base in order to "thwart communism and check guerilla infiltration". This would mean increased military activity in the Tanduma area. These are but rehearsals for the final act of striking at the Tanzam railway.

THE FOURTH ESTATE

Publish—and Be Damned!

Nireekshak

FREEDOM of the Press is an overworked phrase these days and it also seems to mean different things to different people. The Press itself is not above abusing its freedom on occasion or misinterpreting its rights, while public authorities as well as advertisers tend sometimes to interpret Press freedom differently from the journalist. Yet there are issues of freedom and threats to freedom which are above controversy.

A newspaper's right to refuse advertisements for whatever reason is surely one issue which ought to be above all controversy or at least on which disagreement should be minimal. Whether advertisers have an equal right to withhold or withdraw advertisements from a newspaper with whose editorial policy they may happen to disagree is less clear. A distinction is also to be made here between private advertisements and advertisements disbursed from public funds for public purposes. These issues have been posed once again by the recent decision of the Delhi Municipal Corporation to withhold advertisements from two newspapers, *Patriot* and *National Herald*, for their refusal to publish certain notices and advertisements issued by the Corporation during the sweepers' strike early this year, and by the Haryana Government's decision to withdraw advertisements from *Tribune* for reasons not apparently stated at the time of withdrawal.

Advertisers as a class do not place advertisements in newspapers in order to uphold the freedom of the Press; so it is far from certain whether the withdrawal of advertisements from any newspaper under certain circumstances can be regarded automatically as constituting a threat to Press freedom. However, in regard to advertisements placed by public authorities out of public funds, the position is somewhat different; public funds ought not to be used under any circumstances to influence editorial policy. Where such attempts are made or seen to be made the charge of interference with Press freedom is *prima facie* a valid charge. Having not had the opportunity of seeing the notices and advertisements issued by the Delhi Corporation, which *Patriot* and *National Herald* refused to publish, I cannot comment on the merits of the refusal, except to say that the newspapers concerned are fully entitled to refuse publication for whatever stated or unstated reason. Whether the Corporation's subsequent decision to withhold other advertisements from these newspapers in the circumstances is an act of unjustified reprisal, or whether such withdrawal constitutes a threat to Press freedom, must however remain a matter of interpretation.

In the view of *National Herald*, "the issue is whether a newspaper should bind itself to publish whatever advertisements come from a corporation or any other public authority, including the Government, or from even organised advertising or other media, if it is to continue receiving advertisements, or it has the right to refuse to publish advertisements to which it has objections and continue to receive other advertisements". This is clear enough, but one question not posed here remains to be answered: who is to decide whether a newspaper should continue receiving advertisements even after it has refused to publish some? Quite obviously not the newspaper alone.

"It would be odd for any individual advertiser," says *Herald*, "or advertising agency to threaten a newspaper that other advertisements would be withheld from it, if it refused to publish a particular advertisement, apart from those which it must reject according to advertisement codes." Maybe odd, but hardly criminal in the absence of a commonly agreed code covering such contingencies. *Herald* concedes that in the specific case in question "the objection could be to refusal to publish the authorities' view of a sweepers' strike" though not to "refusal of anti-sweeper advertisements". What is meant by "anti-sweeper advertisements" here is again a matter of opinion and interpretation for, quite obviously, the Delhi Corporation which issued the advertisement is unlikely to accept, as a matter of fact, that it is "anti-sweeper" even though a newspaper or a citizen may be fully entitled to regard the advertisement as such.

What, therefore, seems to be required to obviate such clashes in the future is for newspapers and public authorities to lay down certain agreed norms for disbursing advertisements from public funds. It seems an elementary principle of fair-play that if a newspaper has the unfettered right to refuse advertisements, an advertiser has an equal right not to advertise or advertise only in the newspapers of his choice. What is to be determined is under what circumstances each may exercise this right without detriment to freedom of the Press or the common good. It may be mentioned in passing that the political colour of the Delhi Corporation, to which *Herald* has more than alluded, is not a relevant issue, for a Corporation dominated by any party other than the Jan Sangh should be regarded as being equally capable of issuing advertisements that some newspapers may regard as undesirable from their point of view.

The case of *Tribune* stands on a different footing. Here the withdrawal of advertisements followed the publication by the newspaper of two editorials which, as *Statesman* notes in its editorial of May 31, "were highly critical of the *sine die* adjournment of the Haryana Assembly when a motion of no-confidence had been tabled against the Bansilal Ministry, and of the subsequent expansion of the State Cabinet, *prima facie* in an attempt to buy off opposition". Apparently the Haryana Government adduced no reasons for its decision at the time it was made. It was only subsequently that the Chief Minister suggested, in answer to questions from reporters, that the high rates of advertisement charged by *Tribune* were the cause of withdrawal. However this did not convince even as an alibi for, as the Editor of *Tribune* quickly pointed out, advertisement rates for newspapers are fixed under certain accepted rules common to all newspapers and not arbitrarily. Here was a clear case of wilful political vendetta or a premeditated attempt to coerce a newspaper into political submission to the ruling government. This is evident also from the editor's further complaint that the Government was placing other obstructions too in the way of the newspaper. "The Chief Minister has not confined his offensive to the stopping of advertisements only," the editor said in a letter to the All-India Newspaper Editors Conference. "He has issued instructions to the D Cs and S Ps in the districts to see that no Government servant reads the *Tribune*. Our taxis have been obstructed from plying in Haryana, some of them have also been impounded on flimsy grounds." A very grave charge indeed which, despite the Chief Minister's denial and other explanations, needs to be inquired into by an impartial authority.

Finally, it would be interesting to know if any of the parties involved in these controversies has approached the Press Council for its opinion. That neither the Delhi Corporation nor the Haryana Government had thought of doing so is obvious enough. Surely it would have been best if the Delhi Corporation, for example, had approached the Press Council before taking a unilateral decision of its own, especially as it had some kind of a case to argue. What of the newspapers themselves? It would seem to be in the best interest of Press freedom if controversies of this nature are remitted to the Press Council so that it may be helped to evolve a suitable code acceptable to all parties.

REVIEW

The Personality of an Indian City

N R Sheth

Ahmedabad, A Study in Indian Urban History by Kenneth L Gillion; University of California Press, Berkeley and Los Angeles and the New Order Book Company, Ahmedabad; 1968; pp viii + 195; price not mentioned.

THE travellers, administrators and local historians of the past in India have left a rich heritage from which urban social history of current relevance can be reconstructed. But few attempts have so far been made to understand the socio-cultural patterns of the various urban centres in India in a historical perspective. In this sense, Gillion's recent study of Ahmedabad is to be much welcomed.

Well-Knit Structure

In the local parlance, the term *Amdavadi* (a person from Ahmedabad) is used to refer to a quiet, practical, conservative, spend-thrift businessman driven to a fault by the spirit of capitalism yet honest and religious. Gillion has drawn this *Amdavadi* image on a broader canvas, showing that old Ahmedabad had a well-knit corporate structure that gave the city a distinct strength against the powerful impact of Pax Britannica. The book under review is an attempt to show how Ahmedabad has retained this fundamental cultural-structural feature while accepting modern industrialisation as soon as it became available in India and developing into one of the largest industrial centres in the country. In fact the corporate structure of the city seems to have determined Ahmedabad's cautious response to external forces at various stages in its history. Ahmedabad did change over the centuries, but without experiencing the social and political upsurge that marked the process of change in most other cities. Much of the change that took place in Ahmedabad was in response to the felt needs of the local community. Moreover, unlike in other places where outsiders acted as torch-bearers of change such as industrialisation, the change in Ahmedabad was engineered by the local elite.

Commercial Centre

Ever since its inception, Ahmedabad has built up the personality of a centre of trade and industry. Gillion has caught this spirit of the city in a pointed *Amdavadi* statement (p 15): "People came to Ahmedabad to do business". (In fact, it seems to this reviewer that the author's style throughout the book is in keeping with the mood of his subject — frugal with words yet rich in thought and analysis. It was a pleasure to read this short monograph.) The traders and bankers wielded strong influence over the population through the institutions of the *mahajans* (guilds) and the *Nagarseth* (city head). The *mahajans* controlled the activities of their members and also performed civic duties. The *Nagarseth* presided over *mahajan* meetings and enjoyed respect of all. He and the *Kazi* (city judge), along with the *mahajans*, constituted the local self-government which could withstand the vagaries of the political overlords.

The city suffered a temporary setback (decline in textile production, depopulation, communal strife, depreciation of currency, etc) from the seventeenth century till the beginning of the British rule due to powerful economic and political factors in the environment, such as competition from other towns and the political uncertainties following the weakening of Muslim rule over Gujarat. However, the Marathas who followed the Muslims could not replace the latter in terms of political leadership. The Gujarati businessmen retained their hold over the city's trade and wealth. The corporate structure of the city continued in the face of serious political and economic challenge from outside.

Ahmedabad's survival as a town of trade under the impact of the British rule (while other equally prosperous trade centres collapsed) is attributed to its corporate social structure as well as to the caution and modesty with which the British entered Ahmedabad. The British administrators were interested mainly in providing an "umbrella for good government" rather than in exploiting the city's wealth. In fact, the British officers made positive efforts to revive the old handicrafts which had decayed by reducing import and export duties to boost the city's trade with the outside world. On the other hand, the British officers and Westernised Indians needed new types of goods and services; hence the local traders had opportunities to take up new lines of business. Thus the coming of the British meant growth in Ahmedabad's industry and trade.

No Interference

The British administrators never interfered in the city's internal affairs. They encouraged the continuance of the old hereditary offices (like *Nagarseth*) and the other cultural legacies. The authority of the traditional guilds declined but very slowly and Western education and ideology spread at a snail's pace. Social and religious reform movements did take shape following contact with the West, but, except in the case of female education, the success was moderate. The success of social reform in India is usually attributed to the dominance of the Western over the native culture but, in Gillion's view, this success in Ahmedabad was due rather to the lack of resistance to the new ideology on the part of the local population.

It was only with the coming of the railway that several basic changes occurred in Ahmedabad. The railway enabled people and goods to travel faster and more easily. Hence the importance of the large business firms was weakened. The railway also made outside commodities accessible to the people of Ahmedabad. Hence the near-monopoly of the local textile and other goods was gradually broken. The old pillars of Ahmedabad's economy were thus shaken. The wealthy people in Ahmedabad had to find alternative means of business.

Advent of Textiles

One alternative was then easily available — recourse to modern textile production. Although the physical and geographical conditions in Ahmedabad were least favourable to the textile industry, the wealthy Ahmedabadis took to modern textile manufacture as a profitable proposition from the investment point of view. Gillion argues that the nature of the indigenous culture of Ahmedabad was much more instrumental than the contact with the Western culture in the process of industrialisation. The population of Ahmedabad possessed several characteristics favourable to the success of industrialisation (especially textile production), such as an inflexible perseverence, capital, economic mobility, a respected middle class, absence of strong sentimental attachment to land, a convention on the part of the wealthy to finance trade and industry, experience with a well-developed monetary and commercial system, a relatively stable and committed labour force, etc. In short, Ahmedabad was far removed from the prototype of a traditional non-industrial society whose institutions are believed to create major hurdles in the path of industrialisation. Once again, the elements of Ahmedabad's corporate structure appear to have been instrumental in the city's acceptance of an alien culture.

At the beginning of the nineteenth century Ahmedabad had lost its mediaeval splendour. As the city grew in size and complexity, the inevitable problems of urban concentration began multiplying. People lived in overcrowded *pols* (residential blocks) irrespective of their wealth and were more concerned with their customs and conventions than with civic amenities. A section of the elite pleaded for improvement of civic life through increased taxes, but the conservatives opposed any increase in taxes. The business-minded people of Ahmedabad were jealous of their traditional rights and found it hard to reconcile themselves to levies such as house-tax for municipal activities. Apart from the financial implications of civic reform, the municipality became unpopular for its "interference" with the people's domestic life.

The provision of underground drainage and piped water supply posed a serious challenge to the municipal officials, involving social and religious prejudices and personal jealousies. The people showed a singular lack of interest in non-business matters such as sanitation, art, recreation, etc. There seems to have been a single-mindedness about the *Amdavadi's* pursuit of business.

The prosperity of Ahmedabad's mill-owners during and after the First World War is explained in relation to factors such as a stable labour force, personalised management and low overheads. The quiet, arbitration-oriented labour movement that followed the labour-management tensions during 1918-20 is attributed to the legacy of peaceful settlement of disputes among the trade guilds in the city. Similarly, Gandhi's attraction to Ahmedabad as a place of launching his life's work and the success he achieved are discussed in the context of the corporate spirit inherent in the personality of the city. This spirit dominated the political attitudes and behaviour of the Ahmedabadis in the form of a strong support to the Congress. The same spirit turned against Sardar Patel when he tried to enforce unpopular civic measures such as acquisition of private property in the public interest.

In Gillion's understanding "the most tragic problem of modern Indian political history — the communal problem — has fortunately played only a small role in the history of Ahmedabad" (p 171). This observation, true to form, has been attributed to the corporate spirit of "sensible compromise and tolerance". Some stray tensions recorded in the eighteenth century have been explained in relation to commercial rivalry and religious feelings regarding the slaughter of animals, etc. The riots that took place in 1941 and 1946 have been ascribed to non-Gujarati elements in Ahmedabad. One wonders what the author would have to say about the communal riots in Ahmedabad in 1969.

Gillion has collected good evidence to show that Ahmedabad's legacy of the last four or five centuries has been a vital force shaping the activities and responses of the Ahmedabadis. But even such a vital force may lose its vitality in the face of increasing heterogeneity and complexity. The author is well aware of the recent changes in the city. He speaks of Ahmedabad as a "metropolis" which has "leaped forward" during the last decade. He mentions the increasing attention being paid to arts, architecture, education, health, recreational services, etc. He also mentions industrial diversification. One may add to this list the recent political and communal rivalries in the city. One wonders what has become of the corporate structure of Ahmedabad under the influence of these forces.

Two Ahmedabads

Many Ahmedabadis now think in terms of two Ahmedabads — one to the east and the other to the west of the sands of the Sabarmati. And, there is a constant intermingling between the two Ahmedabads. Is the old personality of the city, its corporate spirit, still alive. If it is, where are its manifestations? If it is not, is the crushed corporate spirit in the process of finding desirable or dangerous outlets? Gillion's book will have done a great service to Ahmedabad and to India if it helps us raise such questions on Ahmedabad. The book deserves to be looked upon as a path-finder for useful studies in Indian urban history.

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Student Politics at Allahabad University—II

Walter Andersen

Alok Pant

This is a detailed study of the social composition of Allahabad University and the effect of sociological factors on student politics. The reasons for student alienation are seen to emanate not only from within the University but also from the general social and economic deprivation prevalent in Allahabad and the rural areas of eastern Uttar Pradesh.

Student politics at the University is regarded as the "intervening variable" between violence and alienation. The psychological need for such violence becomes apparent within the context of student frustrations. The various political groups, their connections and their leadership are analysed. Finally, there is a full account of the University's student union elections in the second half of 1969.

[In the first part of this article published last week there was a short historical sketch of Allahabad University followed by a detailed survey of student backgrounds. The student union's workings from 1947 to 1968 were also examined. In this second and concluding part, there is a comprehensive review of student political groups and candidates involved in the 1969 union elections. Responses to questions answered by candidates and an analysis of voting patterns are included.]

V

IN late August, 1969, a new flurry of activity took place as the various student groups went about nominating candidates for the various positions to the union. For most groups, the nomination procedure was rather straightforward. However, the SYS was the scene of an intense internal struggle. Two strong personalities, antagonistic to each other, were struggling for control of the organisation. One was the former union President and the other was the Secretary of the local unit. The latter hoped to be the new President, but the former favoured someone else. The former had the reputation of a radical activist; the latter was considered moderate. On August 28, each candidate's supporters bought the required registration forms.[32] The conflict was still not resolved by the final withdrawal date and it seemed that a major split would occur in the ranks of the SYS and its long hold on the union presidency would be broken. The SYS called a general meeting of its members, in which several ex-presidents of the union participated. Three of them supported the 1968 Secretary.[33] A considerable number of SYS members supported the other person. When a conflict of this type develops, SYS rules specify that the issue will be resolved by the State level of the organisation. State leaders came to Allahabad and prominent local SSP politicians also participated in the decision-making process. The final decision was taken to support the 1968 Secretary. The other man accepted the verdict and withdrew from the race. We received conflicting views as to how much influence the local politicians and SYS State leaders had in the final decision. But apparently, their influence was crucial, for it was Mukhtar Anis, State Secretary of the SYS, who publicly announced the final verdict on who would be the official SYS candidate.[34] A few introductory remarks about the candidates as a whole will be given before analysing the major ones more closely.

The first three positions are almost completely monopolised by Brahmins and Kshatriyas. 11 of the 14. These are the positions that really mean something. It is only with the latter two less important positions that other castes have some representation.

As it turned out, four of the five winners were Brahmins; they won all three key positions. The one non-Brahmin was a Vaishya.

Law and the Arts predominate (86.2 per cent). Law students won the positions of Secretary and President; arts students captured the other three. Science and commerce candidates all lost. We shall show below that science students show little interest in campus politics and vote in small numbers.

The same picture emerges if one observes the student council candidates. We had to judge the caste by the names.[35] We checked the accuracy with several student politicians and believe that our list is fairly accurate. There were 48 candidates. Of them 15 were Brahmin (31.25 per cent); 8 were Kshatriyas (16.66 per cent). 8 were Vaishyas (16.66 per cent); 5 were Backward Class (10.41 per cent); 5 were Kayasthas (10.41 per cent); 4 were Scheduled Castes (8.33 per cent) and 3 were Muslims (6.25 per cent). Most of the Scheduled Caste and Muslim candidates came from the communal hostels established for each community. The separation of these two communities isolates them from the mainstream of campus life and politics. Several hostels have a very poor record of accepting Muslim and Scheduled Caste applicants. One effect of this is to encourage bloc voting, as we shall explain below.

28 of the council candidates were in arts (58.33 per cent), 8 in science (16.66 per cent), 7 in law (14.58 per cent) and 5 (10.41 per cent) in commerce. 19 of the candidates were from the 12 hostels and 29 from the 14 delegacies. 5 of the 8 science candidates were from the hostels as were 4 of the 5 commerce candidates. That means that almost half the hostel candidates were non-arts students, whereas 25 of the 29 delegacy candidates were in the arts (86.2 per cent). This tends to support our belief that the science students tend to live in the hostels, as they come from a further distance and wealthier families and that delegacy politics is the preserve of arts students.

Let us look more closely at the chief contenders in the election.[36] We will start with the four presidential candidates. This is by far the most important position. Candidates for other offices try to attach themselves to one of these people. These alliances sometimes cross student party lines, as we shall show. For the sake of anonymity, we shall give our candidates code names, P1, P2, P3 and P4.

P1 is 25, a Brahmin and a Ph D candidate in Chemistry. Of all the candidates, he is most proficient in English. He comes from a large family of 7

children and his family owns a farm of 40 acres. His family strongly opposed his entrance into student politics, as they thought it would harm his career. He has long been active in student affairs, being class representative for five years running, served as a social secretary of a hostel for one year, and was an unsuccessful vice-presidential candidate in the union in 1968. He was the only active athlete in the group. Among other things, he was the kabbadi captain of Allahabad University, and a member of the all UP kabbadi team, as well as a member of the Allahabad University (AU) basketball team. While claiming that he does not belong to any political group, it is a well known fact that he has close ties with the Youth Congress, who sponsored him in the election. After graduation, from college, he would like to teach. But in common with all the other candidates, his real aim is to take part in active politics.

P2 is 22 years old, MA in mediaeval history and now doing his first year in law. He is a Thakur (Kshatriya) and his family owns a very large farm of 400 acres. Like P1, his family thinks politics a waste of time. Also like P1, he has not had any formal attachment to any student political group, but has had close relations with the Vidyarthi Parishad in the last year and was their candidate for the presidency. In 1968, he was the AU Vice-President, ran as an independent, and won handsomely. In 1968, he became the Vice-President of a unique Jan Sangh students organisation, the Rashtriya Yuva Abhiyan.[37] According to him this was formed to fight the Congress in the elections and the agitational tactics of the SYS in colleges. P2 is an excellent speaker and was frequently utilised by the Jan Sangh during the 1969 by-elections in Allahabad. He intends to enter politics.

P3 is 24, a Brahmin, and holds a Ph D in Hindi and is now a first year law student. His family owns a small farm of 12 acres. He has long been one of the active organisers of the Student's Federation (Communist Party of India's student affiliate at Allahabad). He comes from a religious family and his grandfather was an astrologer. However, he feels that religion will and should wither away at this stage of human development. His family did not oppose his participation in student politics. After graduation, he had intended to teach, but he feels now that his being a communist will make this impossible. Consequently, he enrolled in law school, with the intention of entering politics. P3 is a Marxist with a difference. A biographical sketch of him in the *Varsity Journal* of Allahabad University[38] portrays him as a revolutionary without a gun. He was quoted as saying "We'll capture the government through constitutional means, like Namboodiripad (sic)".

P4 was the winner. He is 25 years old, a Brahmin, and is now studying for a law degree. Unlike the other three, his father is not in agriculture, but an employee in the railways. He has also taken a much more active role in student politics than the other three. He encountered serious parental opposition to this activism. They argued that his chances for government service would be hindered by such involvement. He also believes this is true. As he is too poor to go into business, he believes that the only alternative left to him after graduation is politics. For this he has groomed himself by actively doing yeoman duty for the local unit of the SSP for several years. He has been Vice-President of the union and a secretary of the local SYS.[39]

None of the four are ideological radicals or revolutionaries of either the left or right variety. All maintain that Hinduism needs to be reformed to remove untouchability and caste exclusiveness. None are religious. We had each respond Yes-No to a series of statements which we thought would tap their thinking on various campus issues as well as larger political issues in India. In Table 12, the responses are given.

Note that the communist candidate often takes surprisingly conservative views, i e, on strikes and nationalisation. On No 8, he felt that this was a form of state capitalism that should be avoided. P4, the winner, takes a stand for change on almost every issue. His SYS running partner (S1) for the Secretary's position takes a similar stand for change. P1 and P2 are the two who were known as the two conservative candidates. P1 takes more of a "leftist" stand than does P2, the most conservative of the candidates. P1, for example, is in favour of nationalisation of large-scale industry, and favours the abolition of the individual farm. P1's running mate on the Youth Congress side (S2) was slightly more conservative. He was one of the two people interviewed who also favoured the retention of English as a language of instruction.

From this brief analysis, a few tentative conclusions can be drawn. The SYS takes a consistently more radical stand on issues. The Youth Congress candidates were moderately conservative and the Vidyarthi Parishad sponsored candidates came out as the most conservative in the group.

One conclusion that emerges from

TABLE 10

	President	Vice-President	Secretary	Assistant Secretary	Publishing Secretary	Total
Brahmin	3	2	3	3	2	13
Kshatriya	1	1	1	0	1	4
Kayastha	0	1	0	0	0	1
Vaishya	0	0	0	0	3	3
Backward Class	0	1	0	1	0	3
Scheduled Class	0	0	1	1	2	4
Muslim	0	0	0	1	0	1
Other	0	0	0	0	0	0
Total	4	5	5	6	9	29

TABLE 11

	President	Vice-President	Secretary	Assistant Secretary	Publishing Secretary	Total
Law	3	1	3	1	2	10
Science	1	0	0	0	0	1
Arts	0	3	2	4	6	15
Commerce	0	1	0	1	0	2
Other	0	0	0	0	1	1
Total	4	5	5	6	9	29

our talks with the candidates is that there are a number of factors for their moving into politics. Social consciousness is only one. As they feel that other avenues of success are denied them, they have chosen the arena of politics. Political parties are not the prime moving forces in student politics. Rather, they are used by student leaders who need money, present political support as well as future political contacts to help them in their future political careers.[9]

The campaign itself was a loud, noisy affair. The rules were openly flouted, but no one was overly concerned. Approximately Rs 1,000-1,500 were spent by each presidential candidate. The SYS and YC sponsored candidates had more money and the SF had the least. Candidates for other positions spent less. The candidates themselves were expected to raise a part of the sum. The rest was donated by "friends". Often these friends turned out to be local political leaders. Donations were not always in the form of money. Often a jeep would be loaned, or pamphlets would be published.

The winning presidential candidate made the "anti-student policy" of the administration his main issue. He admitted making a strong plea to the poor students from rural areas and felt his victory was due to their support, which was in large part, correct. He pledged to fight to keep fees down and promised to use his influence to distribute scholarship funds (called Students Aid Fund, which the President has a determining voice in distributing).

The most conservative of the candidates, P2, made a strong appeal to the students to oppose candidates who had connections with political parties. He was the candidate of a student organisation (Vidyarthi Parishad) that has long taken that viewpoint. He also questioned the moral character of some of his opponents. Such charges of impropriety were common in the campaign, but were most publicly indulged in by P1 and P2, who felt they had the most to gain by it.

P3 perhaps made the least open appeal to caste and regionalism. He spoke on the issue of keeping colleges open at all costs and felt the poor students were the ones who suffered most from a strike. If the administration became too oppressive, then the students themselves should run the university, he felt.

P1 attacked the recurrence of "politically motivated" strikes. He felt that the aims of the university were being ignored and the campus becoming a mere training ground for budding politicians. He protested against the lack of cultural and educational programmes sponsored by the union and alleged misuse of thousands of rupees of union funds. He also alleged that the SYS was raising money from known "goondas" of Allahabad.

All the candidates sought the support of the major groups on the campus and their leaders. Several candidates ate or slept at the hostels of the two minority communities. This is perhaps the only time in the year when those hostels were so honoured. The Muslim hostel's student councillor tried to forge an alliance with the Scheduled Caste students.[40] One of the presidential candidates was ruled out all together — the one sponsored by the Vidyarthi Parishad. He had received a large number of votes last year, running as an independent, but this time, he was running with the support of a group that both Scheduled Caste and Muslim students feel is antagonistic to their interests. The leaders of the two communities were in a quandary as to which of the other three candidates to support. If they could forge an alliance, then some 15 per cent of the vote would be a deciding factor in what was already reported to be a close race. Their informal alliance was successful in getting rather unified support for a Muslim candidate for Publishing Secretary and a Scheduled Caste candidate for Secretary, though both men lost in the election. The alliance broke down in relation to the position of Assistant Secretary, where there was both a Scheduled Caste and a Muslim candidate. The consequence was that a popular Muslim was narrowly defeated. In the presidential contest, leaders of both groups favoured the communist candidate. However, it was rumoured that he had no chance of victory and the Vidyarthi Parishad candidate was likely to beat the other two serious contenders. No agreement could be reached and the result was that the vote was split, the Muslims tending to vote for P1 and the Scheduled Caste for P4.[41]

Given a Brahmin *vs* a Kshatriya, most of the Brahmins would vote for their fellow caste man. Three of the four presidential candidates, however, were Brahmins, and their vote was split. Most believe the larger number went to P4. The Rajputs (Kshatriyas) voted largely for P2, but there was a marginal defection to P4. Some Rajput friends of a Rajput vice-presidential candidate disliked P2's informal alliance with a Brahmin vice-presidential candidate and shifted their support to P4. The Rajput vice-presidential candidate even came out openly asking for his supporters to vote for P4.

We have stated that the science student is more committed to his work, has better educational qualifications, and comes from an economically superior background in relation to the arts students. But it is the arts students who dominate the union. Estimates of the number of science students who vote varies from 10 per cent to 25 per cent (the overall voting average is about 39 per cent). This is undoubtedly quite low. This worked against P1, a science student. Among science students, P4 admits to doing poorly (and probably came last in their choice). It is also the consensus of opinion that P1 did well in the elite A N Jha Hostel (where many of the best students of the university live) and poorly in Hindu Hostel, a hostel filled with mainly rural arts students.

The delegacies went largely to P3 and P4, the two more radical candidates. P4 himself attributes his victory to them. He lives in a congested area of the city whereas P3 lives in a hostel. He also has a history of representing poor delegacy students before the police and university administrators and has gone to jail several times, fighting for their causes. He is something of a charismatic figure for these people.

Like the science students, few girls participate in campus politics and a small number voted. They voted for the law and order candidates, P1 and P2. Allegations concerning the bad character of P4 lost him support in the girls' hostel, but less so among delegacy girls.

The voting turnout was rather low, in fact lower than the proportion voting last year.

There are 14 delegacy circles. No statistics for voting were kept for numbers 9-14 as there was no contest for the student council of the Union. But we can deduce the vote and the percentage from the total delegacies. Some 630 more in the remaining delegacies voted. The total delegacy vote is then 2,054 or about 58 per cent of the total. We can also deduce that some 29 per cent of the delegacy voters voted, a percentage considerably lower than that for the hostels. However, the delegacy voters considerably outnumber the hostel voters and any winning candidate must get the support of this group. Low delegacy turn-



OUR BRANCHES IN MAHARASHTRA

BOMBAY: 1) 25, Sir Pheroz Shah Mehta Road, Bombay-1; 2) 307-309, Kalbadevi Road, Bombay-2; 3) 13, Pedder Road, Bombay-26; POONA: 1) 16, Connaught Road, Poona-1.

OUR BRANCHES IN GUJARAT

AHMEDABAD: 1) 13, Relief Road; 2) 4142-4149, Maneck Chawk; 3) Imperial Restaurant Building, Lal Darwaja; 4) Hirabai Market Building, Dewan Ballubhai Road.

out can be explained by the large number of women students resident in Allahabad as well as the fact that students whose families are residents in Allahabad tend to take a less active interest in politics than those who move in from the villages.

The Muslim and Harijan hostels (Nos 1 and 11) have the highest hostel turnout. Hindu Hostel, where many rural upper caste arts students live, had the lowest. The high turnout for the two minorities is due to a combination of circumstances. There have been a series of communal riots in Uttar Pradesh (and a bad one quite recently in Allahabad itself) and this has made the Muslim student more conscious of the need to protect his interests. The Scheduled Caste students have several dynamic leaders who have given them a solidarity of purpose and a keen interest in campus events. Leaders of both groups who were interviewed felt that campus politics was largely a caste Hindu affair — hence their recent attempt at electoral understandings. They also expressed considerable disagreement with the frequent student strikes, requests for lower academic standards and the insistence on the exclusive use of Hindi. Many of them frankly view knowledge of English as a tool to enlarge their social position. To deny them this, many think, is an attempt to block their movement up the social ladder. Their argument is that the caste Hindus can afford to indulge in student strikes and receive a poor education as they have parents who can support them now and help them in the future. The economically depressed minorities have neither, though the Harijans are better off in terms of future jobs than the Muslims.

Below are the voting figures for all candidates for the top three positions, including those who were not interviewed. The SYS was split in the first and second positions and the result was that the vote was rather close in both and the winner received nothing like a mandate from the electorate. In the case of the Secretary, his percentage more accurately reflects the strength of the SYS on the campus. The strength of the Youth Congress is distorted in the top two positions as each of these men benefited from the SYS split and received support from other groups. The Youth Congress vote in the Secretary's contest probably represents a truer picture of their strength. The Vidyarthi Parishad, after several years of not supporting candidates, is back in the midst of student politics. It has much potential for growth, but is plagued by an inactive leadership at Allahabad University. The Vidyarthi Parishad membership is drawn largely from more serious science students. The SF is almost completely unorganised. It can gain some measure of support from the Scheduled Castes and the Muslims, but other than that, it has very limited appeal. Other potentially active student groups exist, as students wings of the BKD and the Congress (O), but both lack dynamic leadership and hence are rather dormant.

TABLE 12

Statement	President			Vice-President		Secretary	
	Yes	No	DK*	Yes	No	Yes	No
1 The strike is a useful and legitimate means for the students to use in expressing dissatisfaction with the administration.	P2 P4	P1 P3		VP1 VP2	VP3	S1	S2
2 The traditional Indian custom of having parents choose the bride is outdated and the boy should choose his own wife.	P1 P2 P3 P4	—		VP2	VP1 VP3	S1	
3 Religion (of either the Muslim, Christian, Sikh, or Hindu variety) has slowed the development (social and economic) of India.	P1 P2 P3 P4	—		VP1 VP2 VP3		S1	
4 When a boy marries, he should live separately from his parents.	P2 P4	P1 P3		VP1 VP2 VP3			S1 S2
5 Student representatives should help form faculty and administrative policy and be represented on the Faculty Senate.	P1 P3 P4	P2		VP2 VP3	VP1	S2	S1 S2
6 Students should have a voice in choosing teachers and drawing up their curriculum.	P1 P2 P3	P4		VP2 VP3	VP1	S1	S2
7 Students academic performance should be evaluated by teachers rather than taking annual examinations not marked by your own teacher.	P2 P3	P4 P1		VP2 VP3	VP1	S1	S2
8 All large-scale industry in India should be nationalised by the State.	P1 P4	P2 P3		VP2 VP3	VP1	S1 S2	
9 In a developing country such as India, too much civil liberty prevents the government from acting with the speed and force required to solve major problems. They should be curtailed and the government made stronger.	P1 P4	P2 P3		VP3	VP1 VP2	S2	S1
10 Individual farms should be abolished and in their place large co-operative farms organised in India.	P1 P3	P2	P4	VP2 VP3	VP1	S1	S2
11 Hindi should be the *sole* medium of instruction in Allahabad University and for administrative work.	P1 P2 P4	P3		VP1 VP3 VP2		S1	S2

* DK = Dont Know.

VI

Soon after the campaign ended, a strike was called on the campus, as it had been almost every year after an election. There were still demands left over from the previous year and a few new ones as well. The new leadership also decided to champion the cause of the local Inter-College students, who were protesting against an extra course in their curriculum. This protest caught the popular imagination and was the cause of much joint activity between the union leaders and the Inter-College leaders. The local SSP Secretary, as in the past, backed their cause and opposed the change in the curriculum, stating that such a change would ". . . bring undue hardship to the students, particularly those who had failed in the last year, while the Government . . . should reduce the burden on the students by minimising their hardships in the examinations; it seemed to be determined to 'kill their career' by introducing more subjects

TABLE 13: VOTING STATISTICS

	Number Voting	Per Cent	Total Voters
Hostels			
1 Muslim Bd House	68	81.92	83
2 G+J Hostel	124	66.31	187
3 Hindu Hostel	124	58.40	250
4 S N Women's Hostel	93	53.14	175
5 Sir Sunder Lal Hostel	133	60.45	220
6 D J Hostel	110	64.32	171
7 A N Jha Hostel	109	60.55	180
8 S D Jain Hostel	47	71.21	66
9 KPUC	206	50.74	363
10 P C Banerjee Hostel	147	73.50	200
11 Ishwar Saran	80	76.19	105
12 Holland Hall	163	72.44	225
Total	1426	64.08	2225
Delegacy Circles			
1 Muttiganj-Attarsuiya	209	47.60	439
2 Bairana-Hydganj	117	35.67	328
3 Colonelganj	105	54.12	194
4 Allenganj	292	52.89	552
5 Lukerganj	81	30.91	262
6 Daraganj	309	38.19	809
7 Mumfordganj	120	38.09	315
8 Old Katra	191	49.48	386
Total	1424	43.34	3285

TABLE 14: STATISTICS BY POSITION

	Caste	Votes	Per Cent of Total	Sponsoring Group
President				
P1	Brahmin	1116	32.13	Youth Congress (with BKD and some RSS support)
P2	Kshatriya	714	20.58	Vidyarthi Parishad (RSS support)
P3	Brahmin	478	13.70	Student's Federation
P4	Brahmin	1165	33.54	SYS
Total		3473		
Vice-President				
VP1	Kshatriya	820	23.89	Indep (with some SYS support)
VP2	Brahmin	1023	29.80	Vidya Parishad and Youth Cong (with RSS support)
VP3	Brahmin	375	10.92	Independent
VP4	Backward Class	443	12.90	Independent
VP5	Kayastha	771	22.46	SYS
Total		3432		
Secretary				
S1	Brahmin	1445	42.27	SYS
S2	Brahmin	315	9.21	Youth Congress
S3	Brahmin	76	2.22	Independent
S4	Kshatriya	640	18.72	Vidya Parishad
S5	Scheduled Caste	942	27.55	Stu Fedn + Jt support of Muslims/SC.
Total		3418		

and making it more *stiffer (sic)* for them."[42] This statement gives a clue as to what kind of political pressure the academic establishment is up against in India.

As in previous years, the student council was by-passed and a general house meeting was called on September 25 to proclaim a strike. It agreed. There was resistance to the strike; more strongly than in many years. Sentiment against strikes had been an issue that nearly led the Youth Congress presidential candidate to power in the student election. There is a growing sentiment among a certain segment of the students against the recurrent strikes. The student union leaders were able to persuade the arts students to boycott their classes, but the science students stoutly resisted the call. Anti-strike slogans appeared in the science block. The Research Scholars in Physics, in a resolution, implored the students not to be ". . . misled by so-called leaders who seek to disrupt academic life by putting up useless demands".[43] Over 400 science students presented the Vice-Chancellor with a memorandum informing him of their opposition to the strike.[44]

In an effort to generate enthusiasm, the strike leaders adopted a more radical posture. An effigy of the Vice-Chancellor was burned before the Senate Hall and a general house meeting was called again. It was decided that the Vice-Chancellor and the Registrar should be removed because of their "anti-student" activities. They would not be allowed to enter the campus and if the demands were not soon implemented, the students would themselves take over the administration.[45] Meanwhile, a 28-point memorandum of demands (later expanded to 31) was delivered to administration officials. The students were divided in their response to the strike. Classes and research continued on the science side (which incidentally is removed several hundred yards from the arts and commerce buildings), while it ceased on the arts side. The strike was called off on September 28, as the students were not wholeheartedly supporting it. The administration and student leaders sat down to discuss the demands and in early November, a compromise solution was reached on all of them. Strangely, this news went almost unreported and caused hardly a ripple of excitement during those placid November days. The emotional issue of the extra course in Inter-College classes had been removed, as the State government had already drastically modified its ruling. Few students are even yet aware of what the compromises are or that they were even made. One is left with the impression that it is not the demands that are important, but the strike. Fanon, the philosopher of much of the Third World, in his "Wretched of the Earth", felt it was the struggle against the oppressor that created a feeling of pride and manhood for colonial peoples often treated as inferior. For students often denied the chance to verify their manhood and struggling on the verge of real poverty with a bleak future to look forward to, the strike may be a very therapeutic event.

Those 31 demands could be grouped into three categories. Demands: (1) proposing expanded enrolment and lower academic standards (e g, lowering the Second Division limits for B Com and B Sc students, permitting all affiliated colleges to open graduate and law classes; giving failed law students the right to take the examination again); (2) seeking greater power for union officials (e g power to union President to appoint student representatives to conferences); (3) expanding facilities (e g more athletic facilities, more and better equipped hostels, better mess provisions).

These demands represent primarily the interests of the caste Hindu arts and law students, the group that controls the Allahabad Union. Completely missing are the demands relating to alleged discrimination of Harijan and Muslim students, a complaint frequently voiced by the minority students' leaders. Eight of the demands relate directly to the arts whereas science has only four and all but one of them is coupled with a demand relating to the arts side. None touch the larger issues of nationalisation, socialism, foreign affairs, or minority rights.

Life settled back to normal and there was little advance warning of the violence that was to break out on December 4, 1969. On November 30, the driver of a very prominent university professor was alleged to have lured a girl student to the professor's office on the campus and made an attempt to molest her. The alleged event leaked out to the student leaders, but was not widely known until the morning of December 4th, when the English language *Northern India Patrika* published an account of what happened. By the afternoon, a wave of violence rocked the campus and brought all academic life to a standstill. The news item in the *Patrika* was reported to have come from "reliable" university sources.[46] As matters turned out, it came from the union President himself.[47] The article claims that the university authorities were attempting to suppress evidence in the case. It mentions the details in very lurid language and concludes by stating that the girl was asked to leave the hostel and the university and return to her village. It reported that "A humiliated and sore father, trembling with rage . . . left the hostel with the remark that poor men could not expect justice." On December 6, the Registrar declared the university closed, to prevent further destruction and suspended several of the student leaders, many of whom were soon to be arrested and not released from jail until the school reopened in January. The student leaders were ultimately released in January, their suspension orders withdrawn by the Vice-Chancellor, and an inquiry commission established to look into the whole affair. The university reopened with the distrust of the faculty and administration stronger than it had been for a long time.

We began by stating that student politics at Allahabad is an intervening variable between the violence itself and the unsatisfactory creation of a new identity, resulting in a feeling of alienation and frustration. We believe that the inability of many students to cope with a new environment has led to a disposition towards violence. A majority of the students at Allahabad come from the villages of eastern Uttar Pradesh. The style of life and the traditional values in those villages are beginning to change. Nevertheless, social values remain quite conservative. Poverty delays the speed of change. Moreover, the schools in most of the villages of eastern UP are bad. The university represents one avenue to greater social standing for these people. A degree in itself gives prestige and is the prerequisite to a white collar job, however menial that job may be. However, the past experiences of most students have not adequately prepared them to appreciate education as such nor to adapt to a situation radically different from their village. They are on their own as they have never been before. The expense of university education severely taxes the very limited resources of most people in rural Uttar Pradesh. Scarcity of funds often means that such students are forced to live in filthy rooms, have few books and almost no entertainment, and eat inadequate diets. All around them are movies, books and other students advertising a life style that they cannot have. Moreover their job prospects are poor and their education seemingly completely irrelevant to what they will do later. It is not surprising they feel oppressed and turn to leaders willing to go out and fight "the dragon" on their behalf. They seem happiest during a strike when they have a chance to strike out against the enemy — the authorities. The Muslim student might join rank with them, but Muslim students feel too isolated from the political mainstream and the existing leadership has done little to bring them into it. At Allahabad, the SYS has consistently represented these people — typically male arts students who live in the delegacies. The Youth Congress and the Vidyarthi Parishad stand for reconciliation of faculty, administration and student. These are views that are not popular with the alienated and the appeal of these two groups is limited to the science students, the urban students and the wealthier students.

A simple ending of student politics will not end the violence or the alienation; it will express itself in another form and perhaps more destructively. Perhaps, the solution depends to a large extent on prior political action. The government must make education relevant to employment prospects and improve the living conditions at the universities. This in itself is probably not enough. The objective conditions in the villages of eastern Uttar Pradesh, from which most of the students come, must also change. The politicians must also decide whether the university is primarily an institution for status mobility or whether it is primarily an educational institution. By forcing the schools to lower standards and expand admission, without expanding facilities, they have until now shown a preference for the former.

NOTES

32 According to the "Allahabad University Union Programme of Election", all candidates must buy these forms on this day. If any withdrawals were to be made, it had to be done by September 2, 1969.

33 Interview with Ashok Kumar Saraswat, union president, on February 3, 1970.

34 *Northern India Patrika*, September 5, 1969, p 3.

35 See *Northern India Patrika*, September 4, 1969, p 3, for listing.

36 We interviewed 9 of the 14 contenders for the top three positions; the material we shall give here is from those interviews.

37 This organisation is unique as the Jan Sangh has always officially opposed the formation of student groups directly affiliated with political parties. There was some misgiving in Jan Sangh circles over the wisdom of such a group. As a matter of fact, it disintegrated soon after the 1969 by-elections concluded.

38 *Varsity Journal* of Allahabad University, Vol IV, No 2, February 1970, p 3.

39 One reason many qualified students do not participate in student politics, we discovered, is the commonly held fear that such participation will stand in the way of a career, particularly one in government service. This could partly explain why so few science and First Division students participate in student politics. It is the preserve of those students whose future is rather bleak and whose record at the University is often less than excellent.

40 In Allahabad district, a Muslim-

Scheduled Caste political alliance was forged during the last by-election and it was to secure one MLA seat in the district as well as ensure the defeat of several prominent Congressmen, including H N Bahuguna himself.

41 These estimates of support are all estimates of the opinions of the candidates interviewed as well as several leaders of various campus political organisations.

42 *Northern India Patrika*, September 15, 1969, p 3.

43 *Northern India Patrika*, September 27, 1969, p 3.

44 *Northern India Patrika*, September 28, 1969, p 4.

45 *Northern India Patrika*, September 27, 1969, p 4.

46 *Northern India Patrika*, December 4, 1969, p 3.

47 Interview with union president on February 3, 1970.

Chemical Warfare in Vietnam

Navroz Mody

The effects of "advanced" techniques of warfare on people and their natural environment is documented in detail. Quite apart from the slow torture inflicted by napalm, gases which are called "irritants" by the US Army often have fatal consequences for their victims, many of whom are innocent civilians.

Defoliant spraying kills vegetation as well as animals and its side-effects include deformed babies. Long-term changes in soil and weather conditions are not yet known.

ONE of the most disturbing aspects of the war in Indo-China is the little-publicised chemical warfare waged by the US. The Geneva protocol and the Hague Convention of 1907 both ban the use of chemicals and gases of the types used in Indo-China. The US insists, however, that the ban does not apply since the agents it employs are non-lethal and are not used against the civilian population.[1] Scientific and circumstantial evidence of the short-run effects of chemical warfare contradict the American argument, and it has been urgently pointed out by many scientists (including Dr Meselson of Harvard who was appointed by the American Association for the Advancement of Science to study the effects of the chemical war in South Vietnam) that the long-term effects seem to promise an irreversible devastation of the region's ecology. The US government responded by claiming that the long-term effects were unknown and that it looked forward to the end of the war before any analysis could be made. That is like a doctor prescribing death for a patient in order to arrest the disease.

The chemical agents the US is known to have used in Vietnam are napalm, gases (CN, CS, DM) and herbicides. Of all the weapons in the US arsenal, the most feared is napalm. Its horror lies not in its capacity to inflict death, but in the agony of those who survive the initial bombing. The igniting substance used in napalm is white phosphorous, described by a French physician, A Behar: "Phosphorous has the particularity that inside the wound or burn, it burns slowly. On occasion this slow combustion lasts up to fifteen days."[2]

The method employed in napalm bombing is — as the *Washington Post* (March 13, 1965) points out — "Pilots are given a square mile on a map and told to hit every hamlet within the area". Areas known to be under NLF control are declared "free fire zones", i e, anything that moves becomes a target.[3] This tactic is meant to persuade the civilians that the US "refugee camps" may be less hazardous than their own homes.

In 1968 the US Defence Department revealed the quantity of napalm used in Vietnam: 1963: 2,181 tons; 1964: 1,777 tons; 1965: 17,000 tons; 1966: 54,000 tons; and in 1968, it was estimated that the Air Force alone dropped more than 100,000 tonnes. (This does not include figures for Laos and Cambodia).

Of the gaseous agents employed, CN has been in extensive use around the world for many years. But the US characterisation of CS and DM solely as "irritants" or "harassing" agents is contradicted by its own Army Field Manual 3-10 which warns that: "DM alone is not approved for use in riot control, or as disperser, in any operation *where deaths are not acceptable.*" (emphasis added.) Besides the inherently lethal effect of the gas, the Defence Department has said that the gas was being used to flush out "the enemy" from bunkers, caves, tunnels, etc, prior to B-52 raids. Of course, it is hard pressed to explain how civilian men, women and children will remain immune to the gases and invulnerable to the air-raids. In such uses it cannot be argued that even the CN and CS are used merely as "irritants".

Alje Venneme, a Dutch doctor heading the Canadian medical mission to Vietnam, 1964-1968, has provided ample evidence of deaths caused to his patients by CS. He explains the particular vulnerability of the Vietnamese to the gas: "The Americans try to force the NLF soldiers out of their tunnels with CS. This causes vomiting, and tear gas in the tunnels works like pulmonary poison — the more so with the Vietnamese because half of them have tuberculosis. They get pulmonary edema which kills them. I treated a little boy who had been sitting in a tunnel, but I could not save him. His sister I was able to save, but her lungs will remain severely damaged. Only if they can get out of the tunnel within 30 seconds will they be safe."[4]

The use of herbicides in Vietnam dates back to 1961. Since then the programme called Operation Ranch Hand brandishing its motto, "Only We Can Prevent Forests", has launched a progressively intensified campaign to destroy forests, plantations and farm land to deprive the NLF of food and shelter. Han Swyter, a former aide to McNamara, testifying before the Foreign Relations Committee (December 2, 1969) revealed that since 1962, 100 million pounds of herbicides had been used over 4 million acres in Vietnam (figures for use over Laos, Cambodia and Thailand are not known).

Of the three types of herbicides used — orange/purple-phenoxy-acetic acids (2, 4-D and 2, 4, 5-T), bluecacodylic acid, white-pilcoram — the first two have been banned totally in the US since January 1, 1970. The Bionetics Research Labs Inc reported to the State Department that offspring of animals fed 2, 4, 5-T showed 100 per cent birth defects and 2, 4-D requires further studies. A Japan Science Council report says that to date nearly 1,000 peasants and 13,000 livestock have been killed as a direct result of herbicide poisoning.[5] A more macabre result of the herbicides is the enormous number of deformed children born since 1967 in areas of the most intense "defoliant" spraying.[6]

These dramatic horrors are only the immediately perceptible ones. The anticipated horrors will be more discreet but far more devastating.[7] Farmlands are expected to remain sterile for at least fifty years. The effect on forests and plantations is expected to be either permanent or last several centuries. The poisoned top soil from this area through various forms of erosion will be carried for hundreds of miles around and no one really knows the effect of all this on other plant and animal life in South-East Asia, or how the changes in ecology and weather conditions would effect the rest of Asia. In fact the better part of the South Vietnamese rural economy, affecting almost one-third of its population now living in the concentration-camp conditions of the "refugee" camps will require capital that no post-war government is likely to have access to. In addition, the social dislocation of a rural population forced to urbanise overnight promises a traumatic future for Vietnam in peacetime. Only sections of American business have something to be optimistic about. As *Business Week* so often points out, behind every bayonet is a businessman, and the availability of "pacified" rural Vietnamese as cheap industrial labour will be a great attraction for US investments after the war.

NOTES

1 *US Army Manual* (FM-27.10) para 37.

2 Quoted in Neilands, "Chemical War in Vietnam", *Asian Survey* Vol 10, No 111.

3 For further documentation see Frank Harvey, "Airwar Vietnam", Bantam, 1967.

4 *Guardian*, New York, January 3, 1970.

5 *I F Stones Weekly*, December 15, 1969.

6 US National Cancer Institute Report, *Scientific Research*, November 10, 1969.

7 Seymour Hersh, "Chemical and Biological Warfare", Bobbs Merril, New York, 1968.

Doing without a Food Policy?

H Laxminarayan

At the National Development Council meeting in Delhi, the Chief Ministers took decisions on food policy for the Rabi season that once again went against the recommendations of the Agricultural Prices Commission.

As usual, with a good crop the tendency is to refuse to lower the procurement prices and to liberalise the food zones. Yet there is an excellent economic case, this article argues, for scaling down the prices of foodgrains and for retaining the zonal system as a necessary evil for some time to come.

THE Chief Ministers who had assembled in Delhi for a meeting of the National Development Council met on March 22 to consider the Agricultural Prices Commission's Report for Rabi Foodgrains for 1970-71. This meeting took a number of decisions on the recommendations of the Agricultural Prices Commission. Though some of these decisions were not technically sound and went against what the public expected, there were not many surprises in them either. Even last year, the Chief Ministers had not accepted the recommendations of the Agricultural Prices Commission in such matters as fixation of foodgrain prices. Similarly, except for keeping out Maharashtra and Gujarat from the wheat zone, they had expanded the wheat zone so as to include Madhya Pradesh, West Bengal (excluding Calcutta), Bihar and Rajasthan. Nevertheless it would be useful for us to consider the implications of some of these decisions.

In their Report on Rabi Foodgrains for 1970-71, the Agricultural Prices Commission suggested that there should be a reduction in the procurement price of Mexican and indigenous common white wheat from Rs 76 to Rs 72 per quintal. The price of the indigenous red variety should be maintained at last year's level of Rs 66. The Chief Ministers turned down this suggestion and recommended that last year's procurement price of Rs 76 a quintal should be maintained. They did not bother to have a critical look at the fact that, in the last five years the issue price of wheat had more than doubled from Rs 37.51 to Rs 78 per quintal. By refusing to bring down the wheat prices even marginally as recommended by a technical body, they seem to have given greater importance to non-technical factors. There are many dangers in keeping foodgrain prices high and if this game goes on for long we may do irreparable damage to our economy from the long-term point of view for the following reasons:

(1) If procurement prices are kept high the choice will be between food subsidy or selling foodgrains at high prices. Both alternatives are equally undesirable. It would be difficult to withdraw the food subsidy if farmers are used to it for too long. A continued food subsidy will mean encouraging the growth of inefficient agriculture. Similarly, high foodgrain prices not only go against the interests of the consumer but also against the development of the economy in desired directions.

(2) Normally, whenever subsidies are given on agricultural commodities they are either input-oriented or output-oriented. But in India we have input subsidies (while fixing fertiliser prices) and also output subsidy (in fixing foodgrain prices) side by side with numerous other concessions, such as the unwillingness to mobilise resources fully from the agricultural sector for economic development and keeping taxes on the agricultural sector at a low level.

(3) We have a situation where the relationship between the supply of foodgrains and demand for foodgrains is not taken into account while fixing foodgrain prices. While agricultural production, particularly output of wheat, has increased substantially in the past few years, agricultural prices have more than kept pace although one

TABLE : PUBLIC DISTRIBUTION OF FOODGRAINS

(million tonnes)

	1966	1967	1968	1969
Opening Stock	2.1	2.2	1.9	3.8
Procurement	4.0	4.5	6.8	6.2
Imports	10.3	8.7	5.7	3.8
Issues	14.2	13.4	10.6	9.5
Closing Stock	2.2	1.9	5.8	4.4

would have expected them to decline. The index number of wheat production has increased from 154.4 in 1965-66 (Base : 1949-50 = 100) to 258.7 in 1968-69, and the wholesale issue prices of common white wheat have increased from Rs 70 in 1965 to Rs 85 in December 1968.

(4) Keeping procurement prices at Rs 76 will mean that the issue price of wheat distributed through the public distribution system will be Rs 78 per quintal while the retail prices will not be less than Rs 95. The retail prices may go up further as the proportion of imported wheat to the proportion of domestic wheat in the public distribution system may go down from 60 per cent to 50 per cent, or even less, as the country is thinking in terms of doing away with PL 480 imports from 1971. It may be mentioned in this connection that imported wheat is cheaper than the *deshi* wheat.

(5) The outlay on the Fourth Five Year Plan has been more than doubled to a level of Rs 24,888 crores as compared to the Third Plan. The Fourth Plan lays considerable emphasis on schemes of rural works which will generate additional pressure on demand for foodgrains.

(6) The deficits in the budgets of the Central and State Governments are likely to generate more inflationary forces in the economy. Even normally when the governments have planned for surplus budgets the dosage of deficit financing has always been higher than planned. With the deliberate creation of deficits in the budgetary proposals themselves the inflationary situation may worsen.

(7) If foodgrain prices are allowed to remain at a high level for a long time through deliberate policies followed by Government, it will distort the relationship between foodgrain and non-foodgrain prices. If this happens the area under foodgrains will grow at the cost of the area under cash crops.

So there should not be much controversy on the need for bringing down the foodgrain prices. Unless we are able to bring down foodgrain prices it will not be possible to bring down the cost of living and thereby stop the spiral of high costs and high prices. If we cannot bring down the prices now there are even fewer chances of our being able to do the same in the future because, with the general election due in 1972, the necessary political conditions may be even less present for initiating a policy of price control. In addition to this, there are a number of reasons why we should deliberately initiate a policy of bringing down foodgrain prices. First, it is necessary to give price relief to the vulnerable sections of the population such as small farmers, agricultural labourers, and fixed income groups. Secondly, our internal prices should bear some relation to international prices in case we generally want to maintain our competitive position in the world market. One of the main reasons for Indian goods being priced out of the international market is that our cost structure is rather heavy. Not only are the international prices of wheat lower but also they have shown a tendency to come down. Thirdly, we had almost a decade of 'green revolution'. Unlike in the case of rice, the 'green revolution' has helped in pushing up the output of wheat and also in lowering the unit cost of production. If 10 years of green revolution have not resulted in transferring a part of this benefit to the consumer, there is no point in Government talking about a wheat revolution. Fourthly, during the last four years the situation on the food front has improved. This is reflected in the opening and closing stocks of foodgrains and food procurement. There is also a decline in wheat imports and a decline in issues from the public distribution system. These trends can be seen from the accompanying Table. These trends are particularly applicable to wheat. In the case of rice the trends are not so apparent.

Most of the economic indicators therefore lead to one inescapable conclusion, *viz*, the need to bring down foodgrain prices.

The Chief Ministers also recommended the abolition on the existing wheat zones with a view to bringing Maharashtra and Gujarat at par with other wheat-eating areas of the country. This will virtually amount to free trading in wheat as trade in wheat has already been restored in most of the wheat-eating areas. One wonders whether the Chief Ministers took the right decision in abolishing wheat zones and whether they could not have waited for one or two years more. While making this suggestion I am fully aware of the fact that the zonal system has not come up to our expectations. This has not solved the problem of inter-State variation in consumption of foodgrains as reflected in the disparity between Andhra and Kerala in consumption of rice. Moreover, most of the State Governments tried either to exaggerate their deficits or to underestimate their surpluses. This has given rise to the 'zonal politics' in foodgrains. In spite of these limitations, it is best to treat the zonal system as a necessary evil at least for a year or two.

There are a number of reasons for maintaining the existing zonal system intact. First, Government is planning to do away with PL 480 imports by 1971. Since our public distribution system is largely based on imported wheat, we should have waited at least for a year after stoppage of PL 480 imports. This would have given us an opportunity to assess our ability to run the public distribution system on indigenous supply of wheat. Secondly, if wheat zones are abolished, it would be difficult for Government to procure foodgrains as foodgrain stocks might move to the deficit areas of Maharashtra and Gujarat. Thirdly, removal of zonal restrictions may lead to a rise in wheat prices. As compared to last year, when the wheat zones were enlarged, market prices of wheat have increased by seven per cent. It is difficult to accept the views of the Agricultural Prices Commission that this increase was due to the shortfall in output of grain. One cannot easily rule out the impact of enlarged wheat zones on wheat prices. Fourthly, we should accept the fact that the public distribution system has come to stay irrespective of variations in output of foodgrains. Even in years of good harvest it is necessary to maintain the public distribution system for supplying cheap food to the vulnerable sections of the population. Fifthly, maintenance of restrictions on movement of foodgrains except on State account will help us to implement a national food policy. If the national food policy is to be implemented successfully it is essential to make available the surpluses of the surplus States for meeting the food requirements of deficit States. Sixthly, there are certain reasons for keeping Maharashtra and Gujarat out of the enlarged wheat zones and these are as follows:

(1) Maharashtra, Gujarat and Kerala have always remained food deficit States as a considerable part of their sown areas is under commercial crops such as groundnut, cotton and plantation products. This situation is not likely to change in the near future.

(2) While in the case of most other parts of the country the bulk of the market arrivals of foodgrains are in the period April to June, in Gujarat and Maharashtra and Madhya Pradesh considerable market arrivals take place in the period January to March. In the period January to March, which happens to be a lean period, market arrivals of wheat in the country are at the level of 7.2 per cent while the period April to June accounts for 67.1 per cent of market arrivals. This is true in most of the other States also. In Maharashtra only 43 per cent of wheat produced arrives in the market from April to June, while nearly 30 per cent arrives in the months January to March. Due to the shortage of foodgrains in these two States the market arrivals increase sharply in the months January to March as the stock kept for speculation is unhoarded on the market. For the last few years in most States there has been sharp increase in market arrivals of wheat in the months of April to June. This is not equally true of Gujarat and Maharashtra.

(3) While market arrivals of wheat have increased considerably in the country as a whole, there has been no significant change for Gujarat and market arrivals have in fact declined in Maharashtra.

Due to the special circumstances prevailing in Gujarat and Maharashtra it will be better to maintain the *status quo* for a period of two to three years at least. If Government is very particular about establishing free trade in wheat it should at least have a procurement device for feeding the vulnerable sections of the population. It should be prepared to impose a compulsory levy on producers so that they are able to procure enough foodgrains for maintaining the public distribution system. This levy may be imposed only on big producers from whom Government can procure foodgrains at controlled prices while the small holders may be permitted to dispose of their produce in the open market at the market prices. In addition to what it procures from the large producers, Government could also procure from the open market at market prices along with the traders. If one goes by past experience it is doubtful whether Government is efficient enough to implement the compulsory levy policy successfully. After taking into account all these facts I am of the view that it is best to retain the wheat zones for at least two to three years.

The Chief Ministers agreed to increase the procurement target for wheat from 2.4 million tonnes in 1969-70 to 3.7 million tonnes in 1970-71. However, past experience indicates that actual procurement has been much below the target. This is one more reason why we should not have been hasty in abolishing wheat zones. If we want to abolish wheat zones we require a buffer stock of five million tonnes. Even a buffer stock of this magnitude may sometimes prove inadequate as one bad harvest could completely eliminate the stock. Besides, Government's machinery is not yet geared to building a buffer stock of even five million tonnes

UNIVERSITIES

American Campus Riots

Eunice de Souza

A FEW WEEKS ago an American magazine carried a letter by an American mother to her son, a drug-addict, entitled : "Dear Son, don't keep me out of Heaven". Apparently he would not qualify for entry because of his wicked ways, and Paradise just wouldn't be the same for her without him. A take-off on this sort of thing also appeared in the US, again in the form of a letter. "Dear Joe," it says to the undutiful son who never washes, dates girls from Africa (sic), spends his Christmas vacation in the library and the rest of his time in jail as a result of his conscientious protests of various kinds, "we knew you wouldn't be like Dad, but we hadn't figured on this". Nixon came to the point more bluntly when he recently dismissed the student protesters as "bums". All this indicates the extent to which American students are alienated from contemporary American society.

The immediate and militant action on university campuses sparked off by the Cambodia offensive made it clear that students can no longer be dismissed out of hand and there has been a considerable toning down, at least at the governmental level, of good, clean, red-blooded American rhetoric on the subject of student protest. To begin with, it is rapidly becoming clear that the US cannot afford to alienate the most dynamic, sensitive, courageous and concerned members of its society. More than this, the anti-war protest movement is no longer merely a *student* movement confined to the burning of draft cards and the breaking of windows. Liberal university administrations were quick to respond to student protest and closed down to demonstrate their sympathy with student opinion. The Yale faculty which that week had already joined its students in their agitation to obtain a fair trial for the Black Panthers accused of conspiracy and murder, also took the lead in giving support to the anti-war demonstrators. In addition to faculty support, a feature of the recent campus demonstrations was that moderates and even career-minded students not only joined the demonstrations in large numbers but were instrumental in preventing them from becoming more violent and disorderly than they were. Perhaps this accounts for the fact that Nixon has been on the defensive about his choice of vocabulary and has been at pains to invite the students to the White House to discuss their views and to arrange impromptu seminars for students with members of his administration.

It is unlikely that this wave of student protest will influence the basic American policy towards South-East Asia. But the significance of the protest cannot be underrated for this reason. American universities have never been excessively ivory tower in their approach to education and have concerned themselves with economic, social and technological research directly related to the needs of society. But it is in the sixties that the universities carved out a special role for themselves in politics, by questioning the basic political values of their society and by speaking out forcefully on national issues. They are, thus,

ıot merely passive purveyors of knowledge but spearheads of social change. Even on the racial problem it is the universities which have taken the lead in challenging established attitudes.

By contrast, Indian universities, though restless, and of late quite disorderly, play no constructive role in the processes of social and political change. The activists in our more turbulent universities are stirred into action by trivial issues. If they have remained aloof from politics it is not because of a scrupulous regard for academic isolationism but because of the lethargy of staff and students and their incompetence in formulating any clear value judgments on political and social issues. We have activism without political consciousness. As a result activist students are used by cynical politicians to drum up artificial support.

Despite the obvious differences of the societies in which they operate, one is tempted to compare the American students who comprise the New Left with the students in Bengal, Andhra and Kerala who are sympathetic and responsive to the Naxalite call of revolution. The New Left movement in the West has risen out of disillusionment with the affluent capitalist order and the Russian brand of Marxism. The Naxalites are disillusioned with all the leftist parties including the CPI and CPI(M) as well as the entire parliamentary system. It is this alienation bred from frustration with the established order that has led students to be attracted to the Naxalite movement. Again, the Naxalites, like the American New Left, encourage action and involvement rather than philosophising. Some may disapprove of the methods the Naxalites use to attain their ends, but the periodic tirades of public figures and vice-chancellors in India on the methods of student protest will continue to sound wholly unrealistic as long as Indian universities themselves fail to seize the opportunity to become the leaders and not the followers of social change. Nat Turner, the American Negro leader has described a slave as one who accepts his condition. Our universities, at every level from the VC's to the students fit this definition.

MARKETS

Towards Unexplored Territory

Nishtar

THE mood of hesitancy has given way to a feeling of optimism much sooner than expected. The stock market again presents a picture of confidence and it has pushed its way to its year's best level which is only slightly lower than its 1969 high. If the market could repeat this week's performance — which is not unlikely — it would be travelling in a territory which has not been explored for many, many years.

The week's news has not been all too bullish; there have, in fact, been a few depressants. The Government has turned down the cement industry's plea for a further increase in prices to compensate for the increase in costs of production since the last price revision and this is no solitary instance. Eight more names have been added to the list of 'large industrial houses' whose further expansion is not viewed with favour by Government. The Union Minister for Industrial Development has indicated that henceforth big industries will not be allowed to set up their own ancillary units and they will have to secure their requirements from the small-scale sector.

But the stock market took little notice of these unfavourable influences. It is the mood which counts and the mood has changed. Undoubtedly, the corporate news was good but it had been so even when the market had been inclined lower. Reports of widespread beneficial rains all over the country and indications of a good monsoon helped trading sentiment. But it was the hope of an early end of the year-old ban on forward trading which cheered the market most. With bears debarred from entering the fray, bulls thought that this was about the most opportune time to rig up prices and cash the gains later on the resumption of forward trading. Because of the improved technical position, the market responded quickly to even small buying. The rise in prices has been out of all proportion to the increase in turnover.

The possible resumption of forward trading has been the main talking point this week. Now that the committee on forward trading has submitted its report favouring forward trading with adequate safeguards, market authorities have urged Government to take a quick decision so that the stock exchange fraternity can heave a sigh of relief. But how can one be too sure that Government will readily oblige? Not that it has little reputation for taking quick decisions and for respecting expert advice. The radical elements in the ruling party who have seldom taken kindly to forward trading can now argue that the market's behaviour has given a complete lie to the point made by the stock exchanges that the ban on forward trading had shattered investors' confidence. The stock market is now standing near the highest level recorded for more than a decade and the recent new issues have been heavily oversubscribed.

But the fact remains that forward trading alone can impart liveliness to the anaemic stock market. And it should not be difficult to provide adequate safeguards to ensure that trading is conducted on sound and healthy lines. Of course, it is not enough to prescribe a strict code of conduct. Discipline has got to be strictly enforced.

While the stock exchange community is eagerly awaiting Government permission to resume forward deals, the resumption of forward trading need not necessarily prove to be a bull point. As it is, bulls are fully protected against "short" sales; this protection will disappear with the lifting of the ban.

Marking Time?

WHILE castor and castor oil have maintained their uptrend on sustained routine demand from exporters and soap manufacturers and also perhaps for adulteration purposes, the prices of other oilseeds and oils have kept fluctuating in a narrow range below the highest levels recorded in the last week of May. Since prices are only a little below their recent highs — the highest for the season so far — it is much too early to say whether the market is only marking time for a further advance or it is beginning to have some fresh thoughts on the future course of prices.

With the lean period still ahead, the market can easily scale new peaks though the upward trend is unlikely to regain its recent momentum. Bulls will perhaps prefer to toe a cautious line. For the monsoon has arrived well in time this year and most of the important groundnut producing areas

have already received good rains — in many areas sufficient for sowing operations. But for the very tight supply position, the very timely onset of the monsoon could have brought about a marked change in trading sentiment. As it is, it has only produced a mild chill.

Another restraining influence has been the Government's decision not to allow any increase in vanaspati prices. Government has sought to compensate the industry for the higher prices of indigenous edible oils through still larger allocation of imported soyabean oil at cheaper prices. There has been no increase in vanaspati prices since March 18. Despite increased supplies of cheaper soyabean oil, arrears of price increase due to the industry are said to be of the order of Rs 420 to Rs 520 a tonne. Since the use of soyabean oil has already been stepped up to the high level of 31.7 per cent to 35.2 per cent, depending on the zone, the scope for increasing its use still further is limited. Besides, soyabean oil in the pipeline and recently purchased is comparatively high-priced. In the circumstance, it will be difficult to clear the arrears without stepping up vanaspati prices. The question of prices apart, quite a number of units have had to curtail production as they have not received in time the soyabean oil allocated to them.

The Reserve Bank of India has done well to relax restrictions on bank advances to vanaspati units and registered oil mills. The exemption from the existing ceiling control is far more important than the reduction in minimum margin from 60 to 40 per cent in respect of advances against stocks of vegetable oils up to specified limits — equivalent to six weeks' consumption for vanaspati manufacturing units located in the northern and eastern zones and to four weeks' consumption for units located in southern and western zones. The exemption from ceiling control will prove to be a great boon to the units which have expanded their capacity or have gone into production more recently. Credit has been liberalised only in respect of vanaspati units and registered oil mills. There is to be no change in the control on advances to trade. Marketwise, liberalisation of credit facilities is unlikely to have any significant impact on prices.

Cotton Conference

EARLY arrival of the monsoon has not had any noticeable effect on the cotton market so far. Prices continue to rule firm a little below their all-time high levels. Quality cottons have been getting scarce with time and turnover seems to be limited only by the volume of offerings.

But who bothers about what is happening in the market when all attention is focused on the forthcoming All-India Cotton Conference in New Delhi on June 22 and 23. The Conference has been organised to protest against the Government proposals for wholesale trade procurement, canalisation of imports, continued ban on hedge trading and discriminatory credit controls.

Since the very existence of the cotton trade is at stake, all the 73 associations of cotton traders have extended their fullest support and nearly 2,000 delegates have expressed their desire to participate in the conference to ventilate their grievances. The conference is scheduled to meet in Vigyan Bhavan but the venue may have to be changed if the number of delegates exceeds 1,200 which is about all that Vigyan Bhavan can accommodate. Alternative arrangements are under serious consideration. Though the conference is being held in New Delhi, it will not be inaugurated by any Union Minister.

COMPANIES

Modernisation with Labour Trouble

Hansavivek

MAHABOOB SHAHI KULBARGA MILLS (M S K Mills) remained closed for over a year and carried a deficit of Rs 2.17 crores against its share capital of a little over Rs 71 lakhs, all in equity shares of Rs 10 each, as at the close of the 81st year to September 1968. By reducing the par value of shares to one-fourth, the outstanding deficit was reduced to Rs 1.63 crores. Moreover, Rs 90 lakhs out of the Rs 1.48-crore loan from Mysore government are proposed to be converted into share capital by allotting 36 lakh equity shares of Rs 2.50 each; at the same time borrowing powers are being increased from Rs three crores to Rs four crores. Equipped with only 15,000 spindles, a "sub-marginal capacity", and old machinery, the mills had to face "various teething troubles" and also suffer loss of production due to frequent breakdown or shutdown of electric power and labour absenteeism during 1968-69. Turnover expanded to Rs 1.25 crores from a mere Rs nine lakhs in the previous year and the outcome was a net deficit of Rs 13 lakhs (Rs 23 lakhs). After some adjustments, the accumulated loss stood at Rs 1.77 crores. The directors say that benefits of economies of scale will be available only after the rehabilitation and modernisation scheme is fully implemented. The first phase is already completed but the subsequent stages have not been taken up due to delay in drawing loans and deferred payment guarantee since the legal formalities are not yet over.

Meanwhile, the mills had to be closed for another two months during February and April last due to "serious labour trouble". Besides, profitablity has been affected by an "abrupt" rise in prices of cotton, stores, colours and chemicals and by dislocation of production on installation of new machinery in place of existing old machinery. Deficit apart, arrears of depreciation are placed at over Rs 32 lakhs. Also, no provision has been made for creation of sinking fund as per debenture trust deed amounting to Rs nine lakhs nor for redemption of debentures amounting to Rs one lakh.

ATLAS CYCLE has sponsored a scheme for the manufacture of 50,000 powered-bicycles per annum in technical collaboration with SACEM of France. The scheme will be implemented by a new company called Atlas Auto-Cycles in which the former intends to invest Rs 10 lakhs and also to manufacture for it such parts as it can in its factory. Meanwhile, Atlas Cycle attained new records in production and sales in 1969 — the former rising from 4,14,303 units to 4,26,459 units and the latter from 6.69 crores to Rs 6.94 crores. But with increase in costs, chiefly on account of steel products and nickel, gross profit fell from Rs 75 lakhs to Rs 58 lakhs. Net profit was Rs 15 lakhs (Rs 19 lakhs) to cover

the unchanged dividend of 12.5 per cent 4.7 times and to give a return of 7.14 per cent on total funds employed in business. The bonus shares issued on a one-for-two basis will participate in dividends from the current year. The company exported 23,708 bicycles and certain accessories to countries in the Middle-East, Africa and South-East Asia, and earned Rs 28 lakhs in foreign exchange.

BELAPUR succeeded in minimising the cumulative adverse effect of reduction in quantum of free-sale sugar, increase in excise duty, and drop in selling prices in the year to September last, by crushing a larger quantity of cane (2,61,806 tonnes against 1,85,978 tonnes) and by increasing the average sugar recovery (from 11 per cent to 11.31 per cent). Sugar production was stepped up from 20,458 tonnes to 29,616 tonnes, but sales fetched slightly less at Rs 4.49 crores (Rs 4.52 crores). With increase of about Rs nine lakhs in interest and dividend income, however, gross profit was up from Rs 65 lakhs to Rs 94 lakhs. Net profit was Rs 52 lakhs (Rs 23 lakhs). After providing Rs 25 lakhs for payment to MSFC by way of difference in sugarcane rates for 1967-68 and taking into account some refunds, net surplus came to Rs 27 lakhs, but this was insufficient to cover the recommended dividend of 22 per cent (inclusive of 4 per cent by way of bonus payment) which will require Rs 39 lakhs. Part of distribution will, therefore, come from reserves. A one-for-ten bonus issue has also been proposed to commemorate the golden jubilee year.

BLUE STAR was made public in June 1969 after amalgamation of its three wholly owned subsidiaries based in Bombay, Madras and Calcutta. Its 1969 accounts are, therefore, not comparable with those of the previous year. As it is, total turnover shows an increase from Rs 4.16 crores to Rs 7.05 crores and gross profit from Rs 14 lakhs to Rs 22 lakhs. Net profit was Rs seven lakhs (Rs five lakhs) which covered the 12 per cent distribution, payable at half the rate on 2,61,000 new shares, 1.3 times, and showed a return of four per cent on total funds employed.

HINDUSTAN ALUMINIUM holds a licence to increase capacity to 1,20,000 tonnes of primary metal per annum. The expansion programme from 60,000 to 80,000 tonnes was completed by May 1969, but further expansion has been held in abeyance under government directions. Meanwhile, certain additions and alterations to the plant are being carried out to achieve higher productivity. Production this year is expected to be 1,65,000 tonnes of alumina and 80,000 tonnes of aluminium against 1,53,250 tonnes and 72,231 tonnes, respectively, in 1969. During 1969, sales expanded from Rs 26.34 crores to Rs 34.25 crores and, with margins further widened, gross profit leapt from Rs 6.61 crores to Rs 10.30 crores. Net profit was Rs 6.46 crores (Rs 3.13 crores) to cover the maintained 10 per cent equity distribution 7.5 times and to give a return of 13.1 per cent on the total capital employed. But the directors complain that cost of production has been "rising continuously" and that Government has not allowed any increase in price for aluminium products which has been pegged at the post-1967 budget level. In the last budget, specific duty on aluminium products was replaced by a 30 per cent *ad valorem* duty, which burden has been passed on to the consumer. The company has contributed Rs 10 lakhs to the Birla Institute of Technology and Science and "donations and charity" were increased from Rs 34,211 to Rs 1,93,067. The recipients disclosed in the report were District Congress Committees (Rs 58,500), Nagaland Nationalist Organisation (Rs 10,000), Jan Sangh (Rs 3,000), and BKD and SSP (Rs 1,000 each).

TRAVANCORE RAYONS' production of both rayon yarn and cellulose film during 1969 was higher than in 1968; but was about a fourth short of the target because of the cumulative effect of delayed arrival of imported pulp and chemicals, shortage of cotton linters and non-starting of the cellulose film machine number IV. Although ready for commissioning as far back as last October, this machine has had to remain idle for "want of co-operation from labour" and the directors estimate the loss in turnover to be over a crore till mid-March. Completion of the cotton linter and moisture-proof plant expansion and modification schemes, delayed due to non-arrival of some foreign equipments and materials, is now expected by July or August next. TRAYONS' accounts show diminished margins, as reflected in a 23 per cent rise in turnover from Rs 6.19 crores to Rs 7.62 crores followed by only 10 per cent increase in gross profit (including tax credit certificates) from Rs 101 lakhs to Rs 111 lakhs. Owing to higher incidence of taxation, net profit actually slipped from Rs 32 lakhs to Rs 24 lakhs. The recommended 15 per cent equity dividend and the usual distribution on preference capital will together require Rs 22 lakhs. Return on total capital employed worked out at only 5.2 per cent. While reduction in selling prices of rayon yarn following the agreement entered into by spinners and weavers has already "considerably" affected the company, the levies under the Central and railway budgets and the increased electricity tariff in Kerala are together likely to add Rs 12 lakhs to the burden in a year. To make matters worse, the cotton-linter supply position continues to be "difficult" with prices reaching an "all time high".

PERMANENT MAGNETS achieved production of 170 tonnes of magnets during its ninth year to December 1969, despite shortage of raw materials, against the licensed capacity of 180 tonnes and actual output of 127 tonnes in 1968. Although there has been "some disruption" again for about three months, this year's target is placed at 210 tonnes. An import licence for expansion of capacity to 240 tonnes is awaited, and the increased capacity is expected to be achieved next year. Also, an import licence is being awaited for manufacture of 180 tonnes of ferrite magnets for which project the company hopes to get a foreign exchange loan from ICICI. A "rights" issue is also contemplated to find additional finance for the expansion. Production of burners, though not up to expectations, increased "considerably" during last year. During 1969, total sales rose from Rs 61 lakhs to Rs 91 lakhs and gross profit from Rs eight lakhs to Rs 15 lakhs, indicating widening of margins. Net profit was Rs six lakhs (Rs three lakhs) to cover the 10 per cent distribution 2.1 times. Net return on total funds employed worked out at less than six per cent. Current year's sales are expected to reach Rs 1.5-crore mark.

VICTORIA MILLS stepped up its gross profit from Rs six lakhs to Rs 22 lakhs in 1969 on a turnover marginally up from Rs 4.30 crores to Rs 4.38 crores, despite rise in costs and scarcity of water. Net profit was Rs nine lakhs against a deficit of Rs eight lakhs previously. Equity dividend of 15 per cent was covered nearly 1.7 times. Return on total funds employed came to 3.6 per cent.

FROM THE CHAIR

Alembic Chemical Works Company Limited

Speech of the Chairman, Shri R B Amin

THE following is the Speech delivered by Shri R B Amin, Chairman, Board of Directors, Alembic Chemical Works Company Limited, Baroda, at the 63rd Annual General Meeting held on June 4, 1970:

LADIES AND GENTLEMEN

I have great pleasure in welcoming you to the 63rd Annual General Meeting of the Company.

The Accounts for the year ended 31st December, 1969 and Directors' Report have been circulated to you and with your permission, I shall take them as read.

IMPROVEMENT IN RESULTS

You will observe from the Accounts as well as the Directors' Report that during the year under review, the results of the Company have improved considerably. Better results for the year are mainly due to the increase in sales of over 20 per cent. In the last ten years, the sales of your Company have gone up from Rs 26.1 million in the year 1960 to Rs 123.8 million during the year under review and the corresponding profit before taxation has gone up from Rs 2.4 million to Rs 10.9 million. The progress of the Company has been, therefore, sustained at a satisfactory level.

This year your Company offered for subscription 57,487 new Equity Shares to the existing shareholders in the ratio of one Equity Share for four Equity Shares held. The issue was very well received by the shareholders and was over-subscribed.

The production of Streptomycin has commenced on the pilot plant. The plant for manufacturing Erythromycin is ready except for the fermentator, fabrication of which is held up because the requisite stainless steel is still not made available to us. The collaboration agreement for Kanamycin is now approved by the Government of India and steps are being taken to complete the project. The implementation of the Carbaryl project is delayed due to non-availability of Phosgene, the basic raw material required for production. Your Company has applied to the Government for increasing the production capacity of penicillin from 20 mmu to 80 mmu.

Since the past three years we have intensified our efforts to reorient and broadbase the functions of our Agro-chemicals Division. It has now established itself not only as a reputed source of agricultural inputs but also as an active centre for expert advice for agriculturists both in Gujarat and outside. Information is sought and problems are raised in a variety of subjects and experts in the Division reply to these queries, many of them related to areas outside our pattern of production. In many cases, they visit the locations themselves and help the agriculturists. In the districts contiguous to Baroda, the advisory service is further strengthened by demonstration programmes. Another development deserving special mention is the distribution of Soyabean Seed and culture among farmers who are assured of the purchase of their entire crop at fixed prices. This project was started with an area of 40.47 hectares; this year it is expected to cover 404.7 hectares. In this way, we expect to secure assured supplies of Soyabean meal and oil of the right quality needed for our antibiotic plants and also promote the production of this important high protein crop in Gujarat. Similar programmes for groundnuts, fodder, etc, are also being planned and put through.

A PERIOD OF STRAIN

We are meeting at a time when the entire pharmaceutical industry is going through a period of unusual strain, perturbation and confusion. I shall try to review the position and to clarify the issues which are to be faced, considered and judged by you not only as shareholders of this Company, interested in its future growth, development and earning capacity but also as users of pharmaceuticals and responsible members of the larger community such as ours, with its vast problems of ill health, malnutrition and social distress. I wish to share with you my ideas at recent developments as one whose association and involvement with the growth of pharmaceuticals and medical services in our country goes back to more than a generation. We are facing some basic issues regarding industrial development and social responsibility as well as the role of Government in both these vital areas. It behoves us to examine them and judge them in a spirit of objectivity, commitment and concern for the totality of social growth and harmony. I am confident that what I say will not be misunderstood or taken amiss either because of the frankness of its expression or the conclusions of its analysis.

RESPONSIBILITY TO SOCIETY

Your Company has been always vigilant about its responsibility to the society in terms of providing it with the best quality of medicines throughout every corner of the country at the most reasonable prices possible. At the same time, we have to be aware that the Company as a supplier, like suppliers of other goods and services, is a commercial undertaking for which profitability is both an index to its performance as also a basic need for its future progress and increasing utility to the society. Viewed in this manner, the pharmaceutical industry is in special relationship to the society. The society — and more so the government — also have to recognise the need for allowing this essential industry to progress in such a manner that its production increases, diversifies and its vitality and capacity to innovate is not impeded or impaired.

In this respect, I could not do better than quote Dr B Shah, Industrial Adviser in Government of India who has been closely associated with the pharmaceutical industry for more than a decade.

"First of all, there must be adequate understanding and appreciation of the character of the industry as a research-based, high risk industry, which must plough back its earnings on research and expansions if it has to survive. A favourable climate in which these could be achieved needs to be fostered. If an industry is too rigidly controlled, it has many difficulties in ploughing back its earnings on expansions, undertake substitution measures, increase exports, and go on a big way on research. It should be borne in mind that the welfare of the industry as a part of the national economy is as important as the responsibility for obtaining drugs at the best prices."

The recent proposals regarding control of prices throughout the drug industry, unfortunately, do not seem to have taken cognisance of these vital

factors. They have been based on a number of premises which are open to question. They need to be scrutinised in terms of the larger interests of the society because the measures are put forward as a means to make drugs available to the people at lower prices. We have to ask if this objective is ever likely to be served through the recent series of proposals mooted by Government.

Basis of Misunderstanding

The first basis of misunderstanding is the statement that the drugs and pharmaceutical industry is making excessive profits at the cost of the common people. This is just not true. Naturally, one has to view this in terms of the comparative performance and profits *vis-a-vis* other industries. We also have to examine what proportion of the 2,300 pharmaceutical units in our country are making high profits. Compared with other industries, the data compiled by the Reserve Bank of India show that the average rate of gross profits is in the range of 15 to 17 per cent, which is in the same range as industries like non-ferrous metals, tobacco or silk and rayon textiles. If we take into account the fact that the Reserve Bank figures relate to a selected number of units in the organised sector, it is obvious that pharmaceutical companies making profits more than 15 per cent would be a very small proportion of the industry as a whole. That the average rate of profit has kept low all these years is not an accident, nor because of governmental supervision or controls. Profits are kept low because there is widespread competition which is effective and operative not only among and between the larger units but also between the larger and smaller units and among the smaller units themselves. This has also kept the prices of drugs and pharmaceuticals low. The increase of drugs and pharmaceutical prices has consistently kept far behind the rise in the prices of other industrial goods or of essentials like food articles. This, too, is not so much because of government controls. In fact, a declining trend was set up in the prices of drugs and pharmaceuticals during the mid-fifties when there were no controls similar to those imposed after 1962.

Let us now turn to the few units or some individual products in pharmaceuticals where the profit margin is significantly higher. What have been the causes for this? One can clearly trace back the origin to the system for licensing capacities and production by the Central Government. It is this which has meant arbitrary pre-emption of capacities for government units, smaller and less economic capacities for other units, retarded production because of procedural delays, less competition and hence shortages and high prices. Another factor in high prices is the operation of patents. The remedy for both these price-raising factors is in the hands of government. In any case, licensing has to be made more prompt and liberal. The legislation on patents which has been hanging fire for years should be passed at the earliest. If this is done, the resultant competition itself will take care of the prices of these few drugs, without any cumbrous intervention of Government in an area where its own entry and performance have not been a conspicuous success.

An Onerous Responsibility

The pharmaceutical industry, as it has operated so far, takes an overall view of things and arranges a pattern of production which balances the medical needs of the people and its own commercial viability. In doing this, it produces some drugs which are sold at a loss but which form an essential part of the pharmaceuticals which the public requires. This loss is made up by a little higher margin on other drugs and part of these earnings also goes into research and dissemination of information among medical personnel throughout the country. This latter responsibility is an onerous one, for the country is large and many parts of it are not easy of access. Any prejudiced view of the promotional costs of the pharmaceutical industry and attempts to scale them down by a mechanistic formula will permanently endanger the spread of medical facilities among our rural population.

Any rigid formula on a product-by-product basis will not work, *firstly* because it ignores the economics of drugs manufacture and the logistics of the distribution of pharmaceuticals and *secondly*, because the whole process and procedure will get bogged down in the intricacies, indecisiveness and delays of governmental procedure. It takes months even now to clear the price change in one product; one can imagine the chaos when thousands of formulations are to be cleared by hundreds of manufacturers.

In short, the new trend towards governmental master-minding and browbeating of our pharmaceutical industry is a dangerous portent. The future well being of thousands of workers, employees, dealers and millions of consumers is too large a stake to be used for a political effect which will itself be short-lived but this approach will deter the consistent and continuous spread of medical supplies and services among communities and locations needing them most. Government would want to avoid steps which would unsettle this process of continuous widening out and opening up of medical facilities all over the country. Nor would Government like to do anything which would interrupt the continuity of endeavour, enterprise, innovation and progress in the pharmaceutical sector of the Indian industry, which is without exaggeration, one of the few aspects of our industry for whose productivity, growth and service one could be proud as a nation. It is still not too late for Government to recognise the implications and effects of its proposals and to modify them so that its social objectives are achieved without damaging the fabric of our industry. I am personally confident that these issues will be reconsidered and the right steps taken.

Thanks

Before I conclude, you would like me to express our appreciation for the contribution made by the Managing Agents of the Company to the progress made by the Company. I also place on record our appreciation of the co-operation given and hard work put in by all the workers and members of the staff of the Company both at Baroda and at its various distributing centres throughout the country. I also wish to thank my colleagues on the Board for their support and guidance. I shall fail in my duty, if I forget to thank all of you, shareholders, for your support and goodwill.

I now commend the Annual Accounts and Directors' Report for your consideration.

Errata

In "Dim Light on Import Substitution" by V V Desai (March 21) the following misprints need to be corrected :

p 519, col 1, last line of first full paragraph : read "these" for "three".

p 519, col 3, line 8 from top : read "45 per cent" for "55 per cent".

The errors are regretted.

— Ed

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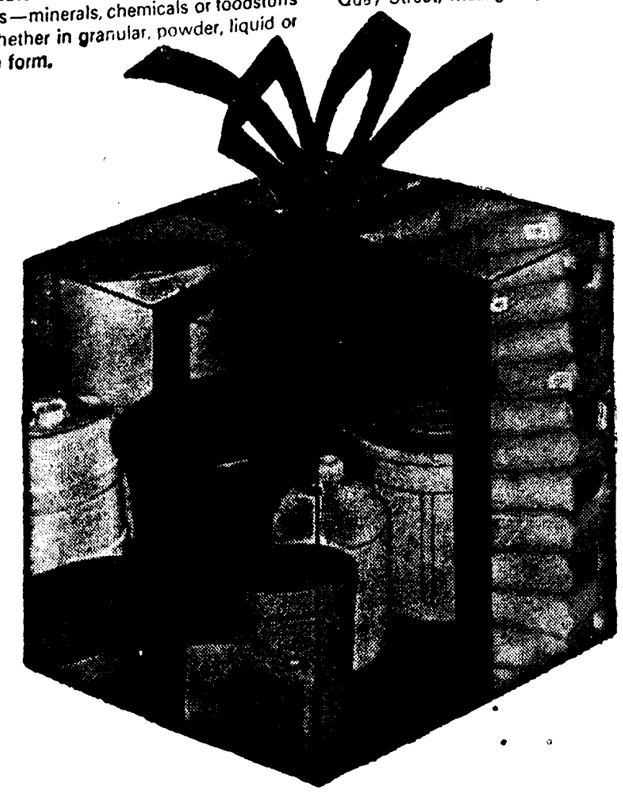
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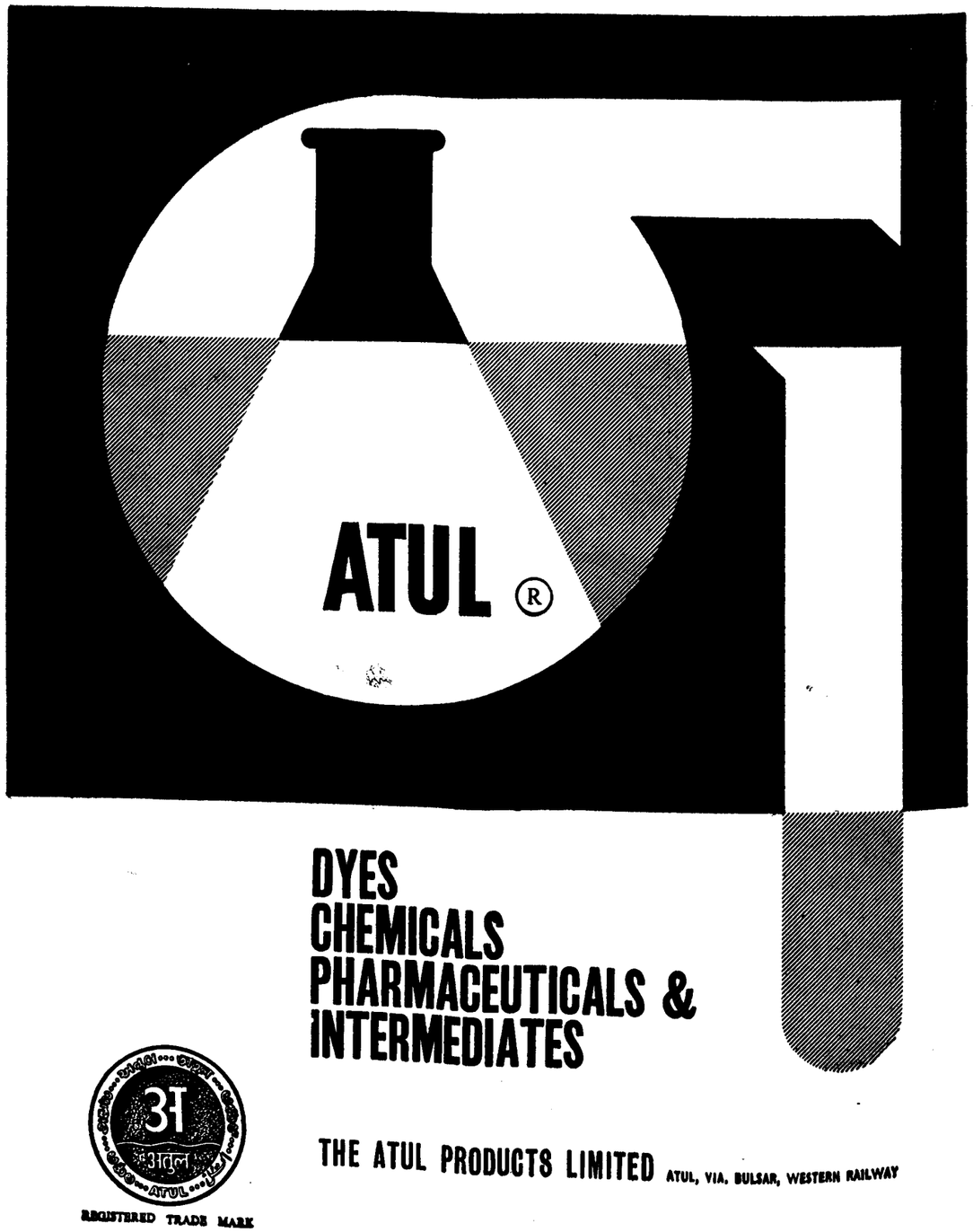
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June 13, 1970 Regd No MH—1393



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ECONOMIC AND POLITICAL WEEKLY

Sameeksha Trust Publication Rs 1.25 Vol V No 26 June 27, 1970

REGIONAL PLANNING FOR BOMBAY

TRACTOR SEEDING PROGRAMME?

CONFUSION OVER LAND REFORMS

THE WEAKER SECTIONS

REVIEW OF AGRICULTURE



Will India reap 130 million onnes of foodgrain by 1975?

at depends on the ideas she sows in agricultural elopment. Productive ideas will stress the d for plenty of water supply, use of high quality ds, ample fertilizers...

make the last a possibility, FCI are setting up tilizer projects in Cochin, Durgapur, Barauni, nrup...Each of these manufactures 600 tonnes ammonia and 900 tonnes of urea a day.

I have often called on L&T for sophisticated ipment for their various fertilizer complexes. ic design was from Montecatini of Milano. tail engineering was done by the Planning and elopment Division of FCI.

the fertilizer industry, L&T manufactures exchangers, pressure vessels, rotary driers, orator crystallizers in various materials of construction like stainless steel, carbon steel and alloy steel.

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Founder-Editor : **Sachin Chaudhuri**

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Skylark 284 Frere Road Bombay 1

Phone 26 60 72

Editor

KRISHNA RAJ

Assistant Editors

Rajani X Desai, Jawid Laiq

Business Manager : A Fernandes

Circulation Manager : Shiv Patil

Editorial Staff

Colin de Souza, Haresh M Advani, Shireen Heerjee, Ashok Rao, Ranjeet R Chandi

Foreign Policy Re-aligned

DURING the past week President Yahya Khan of Pakistan has been visiting the Soviet Union, seeking arms, money and sympathy. Last month, our Foreign Secretary, T N Kaul, was in Moscow at the head of a delegation seeking largely the same commodities. The Americans invade Cambodia. India makes muffled noises of disapproval. So does Pakistan. In West Asia, India and Pakistan condemn each other for their policies, yet generally follow the same policy. In Europe, both India and Pakistan aim at whittling down the Common Market's trade barriers so that they can export more of their primary produce and even more importantly, their textile and engineering goods. On the issue of British Asians from East Africa, India and Pakistan are equally indignant about British passport jugglery. India and Pakistan, for historical reasons, continue to be infatuated with and suspicious of each other, but international economic and political realities are impelling both to follow substantially the same policies, even though it hurts the pride of both nations to realise that our national self-interests in the wider world, outside the narrow sphere of Indo-Pakistan relations, are almost co-incidental.

The USA and the USSR wish to bring India and Pakistan together in order to keep China enthralled on her Himalayan flank while they play their own games in South-East Asia. Additionally, the Soviet Union would like to use India and Pakistan as a diversionary front so that it can deal more effectively with the Chinese on its Central Asian and Siberian borders. "Aid", which consists mainly of loans which are now being paid back with interest and which has much too often been nothing more than a subsidy for importing American and Russian goods, continues to be used as a bait to maintain a psychological, economic and political relationship of donor and recipient. All over the poorer segment of the world there is an increasingly articulate resentment of America and Russia grasping any means to further their economic interests or expand their political influence. While nation-states remain the basis for international relations, there can hardly be any moral objection to these two very powerful countries following their own interests which in many spheres, including the Indo-Pak subcontinent, are much the same.

It is about time public opinion and the policy-makers in this country also began to think in terms of our long-range national interests. The answer to this sort of exhortation is that there are far too many variables within India and abroad to even consider long-term foreign policy trends. There is much truth in this argument, but on the other hand, there are some very definite indicators which show that India, Pakistan and to a significant, but lesser extent, China, have complementary interests *vis-a-vis* the Soviet Union and the United States. Whatever changes or stagnation there might be in the internal socio-political systems of India, Pakistan and China, there is little doubt that on the international scene, our relative poverty together with our expanding industrial potential will lead us towards an economic confrontation with the USA, the USSR and other rich countries quite possibly before the end of this decade. The two UNCTAD conferences in Geneva (1964) and in Delhi (1968) showed the remarkable degree of divergence between the rich and the poor. The rich countries were meticulously careful about *not* conceding any meaningful share of their privileges to the poorer countries. No significant concessions were made to the plea of the poor that they be given a fairer price for their burgeoning agricultural exports or that tariff walls against manufactured goods from the poor countries be lowered so that these articles could compete on equal and open terms. Proposals for changes in the international monetary structure were shelved and most of the world continues to rely on the dubious stability of the dollar and sterling as reserve currencies. Changes to facilitate trade were made during the Kennedy Round and the GATT conferences, but these were affairs only for the richer nations. "Aid" is proferred in penny packets while an eagerness on the part of the poorer countries to pay their own way, if only they were allowed a fair price for their labours, is constantly and totally rejected.

The long-term political implications of this exploitation of the poor by the rich on an international scale are quite clear. It must be made clear to the two richest nations in the world that we in India and Pakistan do not owe them a living. India and Pakistan will have to learn to co-operate sooner or later, not for the sake of the Soviet Union and the United States, but because our interests demand changes in the international trade, financial, monetary and hence, political structure, while it is very much in the interest of the two big monopolist powers to maintain the favourable *status quo*. China has realised that she does not owe the Soviet Union and the United States a living

Whether India and Pakistan agree with her methods of internal social change or not, there can be little doubt that she has become conscious of the joint hegemony of the USA and the USSR over the world, while we have not. But before there can be any drastic rethinking about Indian foreign policy, our political system would have to become much more geared to the need for changing our own society, in which there is far too much exploitation of the poor by the rich.

Great but Not Wise

SUKARNO, the man, is dead. Sukarno, the politician, died five years ago. The man got a state funeral. The politician got utter humiliation and disgrace. The builder of a nation was presented by his pigmy successors as the wrecker of a nation. Westerners in their usual patronising manner wondered how he held Indonesia together. His successors found his dreams unbearable. They involved too much of sacrifice. They liked the swelling defence budgets but did not like the idea of alienation from the West. They liked the *Konfrontasi* with Malaysia as it placed heavy emphasis on the army. But they also disliked it because it was alienating them from their patrons in the West. The military-bureaucratic elite in Indonesia as anywhere else liked the soft, pragmatic, West-leaning way of life. They found Sukarno's rhetoric cutting into their interests. They had to liberate Indonesia of Sukarno's power dreams. Newly emergent elites in Asia do not like power. They prefer, instead, to manage it for the West. Sukarno's rhetoric was taking them to a point where hardships would have begun for them. During the last five years the elite made new ways of life popular. A dose of aid, a dose of foreign investment, soaring profits and a smiling, gentle and polished ruling elite was their vision of Indonesia. One must say they have made it. Indonesia has been de-Sukarnoised. Now the man is gone too.

He was the last of them: the last of the national leaders who were products of anti-colonial movements. The West had hoped that, as it left, its colonies would crumble; collapse as nations. This did not happen. So the West invented the patronising cliche that so and so held his nation together. They said this of Mao. They said this of Nehru. They said this of Sukarno. Lately this trend is on the decline. Ever since the Chinese atomic explosion they do not any longer say this of Mao. All the nonsense about "After Nehru — who?" is not repeated any longer. Sukarno was a defeated man. So you occasionally hear the cliche repeated about him. The Suhartos & Maliks would not probably mind if this compliment were extended to them. Nothing would please them more than a pat on the back of this kind.

Sukarno had a dream; a lofty one at that. He dreamt of bringing people of Malay stock together in one nation. The dream so enchanted him that he never realised how he should go about accomplishing it. He was a man of dreams, but not a man of vision. He probably never understood that the West would never permit a strong Asian power to grow. Therefore he could not see that a British-dominated Malaysia and the US-dominated Philippines could never be willing partners in an enterprise which, is the final analysis, would have challenged their benefactors' interests. "Maphilindo", the name of the proposed federation of Malaya, Philippines and Indonesia, was thus doomed to failure. Not being a visionary he did not see that more than "Maphilindo", it was self-reliant Asian societies which would end Western dominance in Asia.

He maintained, partly wrongly, that Malaysia was his problem. He thought, wrongly again, that his *Konfrontasi* against Malaysia would succeed. It seems he placed too much of emphasis on pan-Malay nationalism. The Tunku's Malays or Suharto's Malays were good nationalists against the local Chinese! But their nationalism sees nothing wrong in Western domination. Macapagal's Malays were quite happy with continued US patronage in the Philippines. The Tunku's Malays had swallowed the British story that their presence ensured Malaysia's security! They had no desire to get out of the grip of the West. Sukarno probably thought that an appeal to pan-Malay nationalism would work against this. It seems he too fell victim to the oft-repeated cliche that an age of resurgent Asian nationalism has begun. The truth is that it is nowhere in sight. China and Vietnam are exceptions rather than the rule.

The *Konfrontasi* resulted in heavier military budgets. Sukarno's major failure was that while he fed his officers he did not create a mechanism which would ensure civil or political control over the army. He never attempted to build a coherent body-politic equal to the task he wanted to accomplish. He played the politics of consensus for a while. When military influence looked like getting out of hand he tried to balance it with the PKI. Indonesian Communists swore by Mao's ideology but, in practice, had never even thought that they might have to fight. The result was that they were wiped out by an army which had become a huge uncontrollable machine. The massacre was a neat brutal operation. Since the dead were Asians, nobody in the West bothered about them! The army also politically killed Sukarno.

So five years ago Sukarno, the politician, lost the battle. His detractors got the better of him. Students who used to be out on the streets shouting slogans for him were out again shouting against him. The generals who prospered on the *Konfrontasi* budgets made quick work of finishing their former benefactor. A defeated, bitter and frustrated Sukarno helplessly saw his country becoming a near-satellite of the West. Now with his death, his personal tragedy is complete.

Promotion without Development

THE Second Annual Report of the Agricultural Finance Corporation for 1969 and V C Patel's statement as Chairman reflect the consequences of the window-dressing that banks attempted under social control. The window-dressing was intended to ward off nationalisation.

AFC reports impressively that it participated in 20 schemes which involved financing of Rs 90.06 crores — that is, an average of Rs 4.5 crores per scheme! AFC's own commitment was Rs 1.36 crores, and its disbursement in 1969 was Rs 79.51 lakhs. The balance sheet shows that of this as much as Rs 75.86 lakhs was advanced to State Electricity Boards (unsecured, but "guaranteed by the respective State Governments"!). V C Patel mentions that the schemes related to energising of wells — a kind of "agricultural" financing pioneered by Bank of India and Bank of Baroda in the social control days.

Since there is not much more to be said for its lending operations, it is not surprising that the AFC Directors' Report and V C Patel's statement dwell on the "other" activities of the Corporation. These relate to holding of seminars, processing of viability of proposals, discussions with agricultural inputs manufacturing units and promotion of research on credit problems.

The honest question to ask is: could not all this have been done without social control or nationalisation of banks? Was the financing of State Electricity Boards on State Government guarantee the *summum bonum* of social control or nationalisation? And if the official note on economic policy to the recent AICC (R) is to be believed, the Reserve Bank and Government are willing to whitewash this state of affairs. Why, then, all this talk of new thinking on economic and social policy?

Creeping Up Again

PRICES have once again shown a disturbing tendency to rise. Government efforts and assurances apart, the index for the week ended May 23, 1970, at 179.04 (1961-62=100), was 7.2 per cent higher than the corresponding figure of 167.2 for May 23, 1969. The price index, after relative stability between 1967 and 1969, took an upward swing for 1969-70:

PRICE INDEX — ALL COMMODITIES
(1961-62=100)

1962-63	103.8	1966-67	149.9
1963-64	110.2	1967-68	167.3
1964-65	122.3	1968-69	165.4
1965-66	131.6	1969-70	171.5

After a one per cent decline between 1967-68 and 1968-69, the price index rose by 3.7 per cent in 1969-70 — showing more than 70 per cent rise over an eight-year period.

The rise in prices over 1968-69, as a whole, was not alarming. What rouses suspicions of weakness on the price front is the monthly movement of the index. In April and May 1969, the price index was less than 4 per cent higher than the corresponding months of 1968. The difference then widened to 7 per cent during June and July 1969, to be brought back to less than 4 per cent in August 1969. For the next three months, September to November 1969, the difference in relation to the same months in 1968 was 2 per cent or less. Since December 1969, the difference began to widen, increasing from 4.5 per cent in December 1969 to 6 per cent by March 1970. On a weekly basis in the last six weeks, the difference has been continuously above 7 per cent.

Predictably, two major areas can be identified for the recent rise in the all-commodities index — food articles and industrial raw materials. Since December 1969, both these indices have grown faster than in the corresponding months of 1968-69. This has happened despite the Reserve Bank's attempts to curb commodity speculation through monetary control measures.

Two factors mainly responsible for this state of affairs are, the falling pace of the green revolution and the slack control on budgetary deficits. Government has taken the easy, but damaging, option of a loose budgetary policy on deficit financing without working out a long-term credit and monetary policy. Especially in the absence of a commensurately expanding foodgrains supply, it was inevitable that such laxity would start to inflate the price position.

Building on the Changed Context

AFTER the early optimism on aid prospects this year, calculations show that the aid vista is cloudier than anticipated. The US aid debate had presaged a serious cut in US aid contributions, so a reduced allocation of $ 160 million from the US (against $ 197 million optimistically estimated earlier) need not have come as a surprise to professional aid-seekers.

Against estimations of $ 850 million, the actual aid promise now works out to $ 822.4 million for 1969-70. Allowing for repayments of $ 550 million (excluding $ 75 million to IMF which is essentially a temporary balance-of-payments support loan), net aid for the year works out to $ 272.4 million.

With the disbursements increasing, the aid in the pipeline has been brought down from $ 2,700 million to $ 2,100 million ($ 1,600 million project and $ 500 million non-project). This clearly indicates the slow utilisation of loans—mainly the result of the slow progress of approved projects.

India's demand for rescheduling has tarnished its reputation for being able to meet its obligations promptly. Introduced to meet the temporary difficulties after the 1965 Pakistani conflict with the consequent stoppage of aid, rescheduling has now become an accepted part of India's aid-seeking diplomacy. Much worse is the equally abject psychological reliance on foreign aid to meet the country's development and balance-of-payments problems. Aid is not considered a supplement to the developmental effort but a critical element in the developmental strategy.

A foreign exchange crisis may be feared by September/October this year, but the agitation over aid is uncalled for. It is a fact that aid is no longer critical to our progress (see our Delhi Letter, "Too Much Aid?" p 999). What we need is to work out a clear planning strategy on the basis of domestic resources, including export potential, and then to weave in the aid available as a supplement to the developmental effort — which might even be forgone should aid-givers become difficult. Only such a strategy, based on fully utilising domestic resources, can be expected to pull the country out of its present stagnation.

BUSINESS

Tractor Seeding Programme?

IT is one of the minor ironies of the economic ties between the communist countries and India that while Leftist, particularly communist, opinion here has opposed mechanisation of agriculture for fear that large numbers of landless agricultural labourers would be unemployed as a result, practically all of our considerable import of tractors has come from communist sources. In a sense, the communist and the Western countries have thus worked in tandem to further the 'green revolution'. The communist countries could point to this as proof that they do not use economic aid to influence our, or any other country's, economic system. Or, alternatively, to a different audience they could cleverly point out they are in fact advancing the communist cause in India by helping to sharpen the 'contradictions' in the countryside.

But ignoring the various possible rationalisations and taking it that the communist countries' motives are primarily commercial, they cannot be exactly pleased at the recent $ 27.5 million IDA loan which will finance import of 8,000 tractors for use in Punjab. The credit will create the first opening in the Indian market for Western tractor exporters. IDA finance has achieved a similar purpose in Pakistan where a $ 30 million credit is currently financing the import for well known Western makes of tractors like Massey-Ferguson, Ford and International Harvester. Availability of aid, we know by now, often creates demand for the imports to be financed out of the aid. For instance, it was the liberal availability of aid rather than careful calculations of requirement which led to the large fertiliser imports of the last few years. The

IDA credit for import of tractors is another example of this kind of aid.

The other noteworthy feature of the IDA credit is that the tractors to be imported are to be used only in Punjab. Project aid of necessity benefits the State in which the aided project is located, but here is a case of non-project assistance — in essence the import of tractors is no different from import of, say, fertilisers — being earmarked for a particular State. Surely, this is yet another sign of the independence and initiative that State Governments are showing even in such matters as approaching potential aid-givers. Though formally the IDA loan is to the Government of India, much of the groundwork for it was done directly by the Government of Punjab.

In its efforts, the Punjab Government got powerful support from some of the foreign agencies, like the USAID and the Rockefeller and Ford Foundations, which are actively engaged in promoting the new agricultural strategy. These agencies have evidently decided to turn Punjab into a laboratory for experiments in intensive mechanisation of Indian agriculture as a follow-up to what has been achieved so far in terms of use of improved varieties of seeds and fertilisers. Tamil Nadu had also offered itself for this role. Its Government, too, had submitted a scheme, tied to World Bank assistance, for import of 3,000 tractors for use in the State. But evidently the foreign agencies decided that mechanisation would be safer to try out in Punjab than in Tamil Nadu where the CP(M) has been trying to launch an anti-mechanisation agitation. Besides, it has been pointed out that the average size of Punjab farms is roughly twice the all-India average; that the proportion of rural households relying on farm labour is smaller in Punjab than in any other State; and that the proportion of farm labourers who are entirely without land of their own is also the lowest in Punjab.

As with fertiliser imports, the tractor imports to be financed by the IDA credit will send a shiver up the indigenous tractor manufacturers' spine. Though internal production of tractors is small compared to demand, Indian tractors suffer from a whopping price disadvantage as compared with imported machines. As a result, even East European tractors, for all the hesitations about their quality and the problems of servicing and spare parts, command a large premium over their official price. Obviously, the well known Western brands to be imported out of the IDA credit will fetch even more attractive premiums. Government has been promising a tractor control order restricting resale of tractors, but nothing has materialised so far — thanks to the influence exerted by the Schumpeterian entrepreneurs who have been making little fortunes out of getting allocations of tractors and then selling them off.

So diverse have been the sources of import so far that we have by now acquired a menagerie of tractors. This has created impossible problems of servicing and spare parts supply. The imports now proposed out of the IDA loan will add to the variety. There is a case, therefore, for selecting for import brands that are already in manufacture here or are scheduled for manufacture. If this is done, then the imports may, incidentally, prove to be a seeding programme for the Escorts-Ford tractor.

Not So Iridescent

DESPITE the hopeful optimism of the President of the Indian Paint Association, conditions in the paint industry are far from stabilised or satisfactory. Units of the industry suffer from excess capacity and high costs of production.

Anticipating a sharp rise in the demand for paints and varnishes, the Third Plan had set a target for an installed capacity of 160,000 tonnes and production of 140,000 tonnes. The Economic Investigation Division of the Development Commissioner, Small-Scale Industries, had estimated the demand for paints and varnishes at 322,000 tonnes by 1970-71. Generous licensing therefore followed, and many new units were established.

Yet at the end of the Third Plan, in 1969, the production of paints and varnishes—at 60,338 tonnes—was the lowest since 1964. Production of paint and varnishes declined from 70,680 tonnes in 1965 to 67,860 tonnes in 1966, though it increased to 79,499 tonnes in 1967. In 1968 production was again only 68,189 tonnes, declining further to 60,338 tonnes in the following year.

The high cost of production resulting from excess capacity could not be mitigated either by greater utilisation of capacity for export purposes. Export did increase to Rs 311 lakhs in 1969-70 from Rs 26.49 lakhs in 1964-65, and a flourishing market for paints does exist in Africa and West Asia, but the Indian paints industry is unable to compete abroad also because of the high direct costs of production, and because it cannot easily get the raw materials in the first place. Paucity of raw materials, particularly mineral turpentine, continues to check production. The decision of the refineries in India to discontinue the production of solvent 2445, the indigenous substitute for mineral turpentine, has aggravated the raw material problem. Also, though the paint industry is treated as a priority one and is thus eligible to liberal import licences for raw materials, only those raw materials that go directly into the manufacture of paints are treated as priority items and the rest, however necessary, as non-priority ones. Import of intermediate items like red oxide, aromex, para-formaldehyde, etc, is thus denied to the industry.

While the underutilisation of capacity has on the one hand resulted in severe competition among the producers, it has not specifically helped the consumers through price reductions since the cost of production has risen following higher raw material costs as well as the low capacity utilisation which during the past few years has not crossed the 65 per cent mark. The working, in 1968-69, of the eleven big paint companies has revealed that, even with an 8.2 per cent rise in the value of sales, profits before tax declined by 6.3 per cent.

While certainly no new licences should be issued to the paint industry, some of the existing sub-standard units could be merged in the larger, more standardised units. The industry needs at present to concentrate on rationalising and standardising its products and on using more of its existing capacity through marketing efforts both here and abroad. If it can chalk out a definite plan of action for capacity utilisation and for export it could seek Government co-operation on regular raw material supplies. But it cannot do this by pretending to be in a stabilised position simply because it can more than recover its costs.

The Industrial Crawl

INDUSTRIAL growth continues at the mulish pace set in recent years. Even the hopes of a natural acceleration of pace as production increases have not been fulfilled, as the following statistics show:

GENERAL INDEX OF INDUSTRIAL PRODUCTION
(1960=100)

1961	109.2
1962	119.7
1963	129.7
1964	140.9
1965	153.7
1966	152.4
1967	151.4
1968	161.1
1969 (11 months)	171.0

Industrial production stood almost still in the three years 1965 to 1967. Since then, the growth has been at a constant 10 points every year or about 6 to 7 per cent.

The indices of production show that basic industries and intermediate goods have been making progress, having been throughout 1969 about 10 per cent above the levels of the corresponding months in 1968. It is capital goods and consumer goods which have shown a lagging tendency.

What is surprising is that the increase in production has not tended to feed upon itself—as it normally does. Many factors are responsible for this. The eastern region is fast becoming a drag on the economy. Even elsewhere industry remains hesitant because of political uncertainty. As for Government, so busy is it with problems of its own political survival, that industrial or economic growth is no longer a priority. Economic decision-making has been a major casualty of the political malaise.

Though the official series of industrial production is available only till November 1969, subsequent data on individual industries have given no indication of any improvement since then. The Budget, it is evident, has hardly made any impact on industrial demand from Government. It is time Government woke up to the economic malaise and recognised the need for concerted short-term policy measures to stimulate growth, unless this happens, Government had better be prepared for the inevitable political repercussions of economic stagnation.

Coming Out of the Woods

AFTER its long dark night of problems Mahindra Ugine is now tasting the fruits of its labour. So much is evident from Chairman Harish Mahindra's statement to shareholders.

Mahindra Ugine had its problems—cost overruns, delays and marketing difficulties—, most of them not of its making. During construction it was faced with problems caused by the devaluation of the rupee. When the project was completed, it found a market that was in recession and, moreover, saturated with imports.

Not that there are no problems now. The two problems Harish Mahindra had referred to last year—supply of scrap and increase in electricity tariff—have become more serious. The rise in electricity tariff became effective from November 1969. And, stung by its market experience, MUSCO has undertaken its own market research to assess future demand for alloy and special steels.

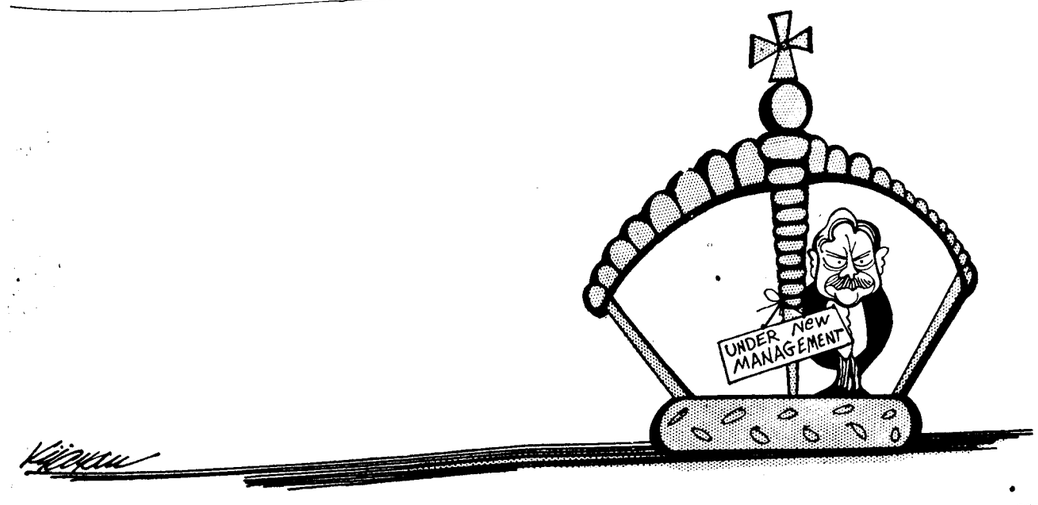
The performance of Mahindra Ugine justifies the pride the Mahindras have always taken in their professional management. Harish Mahindra can now look back on the past with some relief. He is in the midst of a balancing expansion programme and the market, with the recession receding and imported supplies worked off, is more than buoyant. The harvest that he foresees promises to be bountiful.

Making Ports Pay

GROWING resource-consciousness of Government is leading it to re-examine some of its once-holy tenets of pricing. The Commission on major ports has, according to newspaper reports, recommended that ports should earn a 12 per cent return—6 per cent towards interest charges, 3 per cent towards replacement and modernisation and 3 per cent towards reserves and repayment. Bombay port now earns 11½ per cent and Calcutta is expected to earn 12 per cent after 5 years.

The 12 per cent rate of return is, however, hardly a goal to crow about. First, if the 3 per cent towards rehabilitation and modernisation is excluded, the return is really 9 per cent which is no more than the current rate of interest. Moreover, this return is to be earned after various accounting adjustments—including, for example, subsidies on dredging at the Calcutta port.

Ports use real resources and, with increasing mechanisation of handling facilities, they involve large investment. It is necessary, therefore, that they justify the use of resources by an adequate return. This need not conflict with the ports' role as an infrastructure public utility or hinder them from fulfilling their broader economic obligations. For example, the rates on exports and imports should discriminate in favour of exports (unlike in the



British days when imports were favoured). However, in overall terms ports must be expected to earn an adequate return (*excluding* replacement), equal to the opportunity cost of capital.

This is possible only if port practices are improved and their accounting system revamped. As they are now managed, ports are a veritable thieves' paradise and port dues are only a part of the 'dues' that have to be paid to extricate goods. The ports' accounting practices are still based on old government systems of accounting. To calculate a proper return, a commercial system of accounting needs to be adopted and cost-accounting introduced for different kinds of cargoes. For calculating earnings, special subsidies need to be included as expenses—and their exclusion from costs justified by non-economic or social considerations. An occasional inquiry by a semi-political body is not enough. A regular check on performance needs to be made by an external professional body. This is the only way of professionalising our public utility authorities.

LETTERS TO EDITOR

American Campus Riots

EUNICE de Souza's article "American Campus Riots" (June 13, p 951) merits urgent consideration. She has done well to point out the failure of Indian universities in providing leadership in ushering in social, economic and political reforms in Indian society. The occupation of Indian students with peripheral issues is really deplorable. The chief characteristic of Indian student unrest is its mindlessness. It has no intellectual, social, and moral content. The unrest in Western countries is a response to economic inequality, social injustice and ideological conflict. None of our students have revolted against declining academic standards in our universities, falling standards of public behaviour, casteism or regionalism. But there are frequent outbreaks of violence and vandalism when students are not permitted to resort to foul means in the examination, or if they are not granted concessions for cinema tickets, or if the college fees are increased by a few paise! Genuine radicalism is as yet absent on Indian campuses.

Eunice de Souza points out that Indian students are not politically conscious. But is the ignorance and indifference of students in these matters not a direct reflection of the indifference of elders in our society? The average Indian student is permanently out of touch with current affairs. The affluent student spends his time at parties and movies and his poorer counterpart spends his time on the streets and roadcorners. A sense of values, a sense of responsibility and insincerity, are all conspicuous by their absence on the Indian campus.

A major part of the indifference of students is due to their total alienation from their educational system, which is remarkable for its irrelevance to the life of the student. Moreover, students are disillusioned with the present situation in the country — the political barbarism, the fear of unemployment, the social stagnation — all these factors do not contribute to a dynamic, healthy, and intelligent approach to problems. Cynicism is creeping in among students.

Eunice de Souza has done well to underline the fact that Indian students are being exploited by local politicians. But why blame politicians for that? The local politician who steps in merely to use the energies of students for his own ends, merely fills in the vacuum of leadership among the student community. Professors, principals, educationists, social workers of the area fail to provide any dynamic leadership to students and hence the field is thrown open to politicians.

The education system is in need of some radical reforms. Though there is plenty of talk and a plethora of seminars, articles, letters about the urgent need for reform, in actual practice, little is done. It appears that those running the present bureaucratic structure of the universities, have a vested interest in maintaining the *status quo*. Unless the advocates of the *status quo* are weeded out, there is little hope that education in India will be able to contribute towards growth and stability. Till then, few people can blame our students if they take to the streets and boycott their classes.

RAJENDRA K ANEJA
Sydenham College of Commerce and Economics
Bombay
June 19

A Management Problem in Co-operative Farming Societies

I AGREE with P R Dubhashi (June 13, p 930) that my statement regarding the management problem in co-operative farming societies of the 'genuine' type being of a special nature "not shared by other forms of co-operation or business organisation" (May 9, p 782) was wide off the mark. What I really had in my mind — my expression apart — when talking of "other forms of co-operation" were "co-operative organisations such as credit or marketing societies" to which I had made a specific reference earlier on in the third paragraph of my article. I can only plead that I was not unaware of the fact that workers' co-operatives would have the same kind of management problem. In an earlier article ("Labour-Pooling in Co-operative Joint Farms", *Indian Journal of Agricultural Economics*, Vol XVIII, No 2, April-June 1963, p 23) I had expressly indicated that the analysis of the problems of co-operative farming would be "applicable to all co-operative enterprises which carry on joint production by pooling the labour of members". However, I am thankful to Dubhashi for bringing to my notice the imprecision of my remark.

In regard to the management issue proper my purpose was to highlight the fact that labour-pooling changes the setting in which management operations have to be carried out. I do think there is sense in saying that the Manager in such a situation combines in himself contradictory roles. I have no doubt, as Dubhashi says, that "proper understanding on the part of all concerned" would ensure good manager-worker relations. I have myself said things to this effect. But I can't understand his reluctance to *recognise* the existence of a situation peculiar to co-operative farming (or workers' co-operatives). A problem does not disappear by wishing it away.

Dubhashi has misread what I had to say about engagement of hired labour by co-operative farms. I have considered it as one of the two "theoretical" possibilities. Also Dubhashi should know that many (non-genuine) co-operative joint farms of non-cultivating owners do engage hired labour. I pointed out that the management problem in their case is simpler.

S H DESHPANDE
Bombay
June 20

NEW DELHI

Too Much Aid ?

DOES the Government have a definite, clear policy on foreign aid? The question elicits very uncertain responses. In contrast to the strong sentiment against over-dependence on aid, evoked at the time of devaluation of the rupee and for quite some time afterwards, this important component of the overall developmental strategy has gone out of focus and is receiving very little attention these days. The result is a drift along, established conservative lines, especially on the part of officials who are left to handle matters without any direction from the political leadership. This was very evident from the annual ritual of the Aid India Consortium meeting and the work of our team of officials there.

The team had nothing significant or new to say on its return from the Consortium meeting. (The leader of the team, I G Patel, also had discussions with World Bank and IMF officials and with officials of the Governments of UK, France, Canada and USA, the four countries which he visited on this occasion.) The team was satisfied that India would be blessed with the same level of aid as last year. Some of the Consortium countries might give a little more but, the US position being uncertain, there will be no significant step up. For its part the team pressed for a larger dose of aid, in line with the assumptions and calculations of the Fourth Plan. World Bank representatives, who manage the affairs of the Consortium, were reported to be sympathetic to the request for more aid. In fact, they are credited with the view that aid requirements during the Fourth Plan period will be larger than the Rs 4,000 crores assumed in the Plan — if the growth targets laid down in the Plan were to be realised. They favour further liberalisation of import policy to spur industrial growth.

The World Bank's views notwithstanding, the outcome of the Consortium meeting was that India would receive about $ 850 million of fresh credits as against about $ 825 million last year. We have also undertaken to accept, in spite of our own very satisfactory harvests, food aid of the order of $ 250 million, the same figure as last year. Repayment obligations during the year are estimated at $ 850 million, so that the net inflow of resources by way of aid will remain steady at last year's level.

All of this is familiar ground. The noteworthy aspects of the latest aid canvassing effort lie in some of the side-issues that have cropped up. It is reported that the French remonstrated with the Indian officials for the slow utilisation of some of their aid. The Canadians, who are the largest aid givers after the US among the Consortium countries, were worried about how they would maintain the present level of aid after the food needs of India are met from internal production. Food aid has so far constituted the larger part of Canadian aid to India. These are but some indicators that India's aid absorption capacity has perhaps reached a saturation point. In case of rupee credits from East European countries it reached this point quite some years ago. A strenuous effort has been necessary — to the embarrassment of both sides — to find areas where pledged East European credits could be profitably used.

The gross foreign aid, including food aid, disbursed in 1966-67 stood at Rs 134 crores. Excluding debt servicing, the net aid flow stood at Rs 860 crores, of which Rs 338 crores constituted food aid. There was some increase in aid disbursement the next year, to be followed, however, by a sharp decline in 1968-69 when gross aid disbursed was Rs 896 crores. Though the bigger part of this decline was on account of food aid, which declined from Rs 408 crores to Rs 186 crores, the net aid flow exclusive of food aid also came down from Rs 452 crores to Rs 335 crores. This trend persisted in 1969-70 and there is no reason to think that it will be reversed during the current year. What these figures indicate is that, in spite of a substantial decline in gross aid after 1967-68, the country has been able to maintain a measure of external equilibrium even in the face of the growing burden of servicing old debts. If food imports are stopped in a year or two, in keeping with repeated official declarations, there will be a further sharp cut in gross aid, for food aid (Rs 185 crores this year) still constitutes a large component of the gross aid flow.

This sizeable reduction in the dependence in aid, it is worth noting, has been achieved even as there has been an impressive improvement in foreign exchange reserves. This development has not received the attention it deserves. After 1956-57, never has the foreign exchange reserves position been as satisfactory as it is now. Compared to total reserves of $ 884.5 million in 1957-58 (when foreign exchange stringency was first felt), reserves touched a rock bottom of $ 524.3 million in 1964-65, forcing the devaluation of the rupee. But by the close of 1969, reserves had risen to $ 925.6 million, and in March 1970 they stood at $ 1094 million — an improvement of over $ 300 million in a period of 12 months. Meanwhile, we have nearly liquidated our once large obligations to IMF; they now stand at $ 140 million, against the high figure of $ 450 million reached on several occasions in the past. This comfortable position is buttressed by the fact that we are entitled to $ 115 million of Special Drawing Rights in 1970 and 1971, and that we can look forward to the SDRs scheme being extended and enlarged.

These developments in the external balance of the economy pose important questions for policy-makers. The substantial narrowing of the trade and balance of payments gap in the last two years, the rising curve of foreign exchange reserves, and the decline in aid absorption, clearly make possible greater flexibility in our approach to the quantum, composition and terms of aid.

When exercises were initiated for framing the new Fourth Plan, after the prolonged plan holiday, the planners were clearly charged with the task of reducing dependence on aid. This was in response to the strong public sentiment that then prevailed against over-dependence on aid. When the Planning Commission announced that the Fourth Plan will aim at reducing foreign aid in the last year of the Plan to half the current level, it was widely welcomed. Subsequently, however, the resolve to reduce dependence on aid was sought to be whittled down. The slogan of halving the aid flow was retained, but its real intent was cleverly subverted by applying it to net, not gross, aid. Gross aid, it was now suggested, would have to remain at the prevailing level of $ 1100 million during every year of the Plan period to take care of the mounting burden of debt servicing.

As it has turned out, aid actually available in the Plan's first two years

has been substantially less than was considered necessary in the Plan and yet it has hardly hurt the economy or the developmental effort. Will the large quantum of aid assumed in the Plan then be really necessary (even if it were available, which appears problematic)?

Officials, specially of the Finance Ministry, and the planners appear to be under the spell of cliches. The trade gap, it is true, has narrowed in the last two years, mainly because of decline in imports (in spite of import liberalisation). But it is taken as axiomatic that this decline in imports has been due to the sluggishness of the economy and the stagnation in new investment. Once the investment climate improves and there is a spurt in industrial activity, it is argued, imports will shoot up and the trade and balance of payments gap will widen again. This is the main argument put forward by Finance Ministry officials who persist with efforts to get all the aid they can without being too finicky about its terms.

The argument deliberately plays down the import-substitution capability that has developed in the economy. The spectre of spiralling imports of raw materials and components is played up, even though actual imports in the last two years when there has been a distinct improvement in industrial activity do not justify these fears. When officials are asked to pinpoint the areas where they expect imports to rise steeply in the coming years, they find it difficult to do so, except for mentioning stock items like non-ferrous metals, crude oil, and components and parts in general. The assumption that imports will rise by 5 per cent annually in the Fourth Plan is clearly not based on any detailed study of the likely levels of imports of individual items after taking into account the extent of import substitution actually achieved and possible to achieve by strict economic criteria.

When the question is posed in this manner, officials tend to fall back on vague, general calculations. $ 2400 million of aid in the pipeline, of which $ 470 million dollars is non-project, "is hardly excessive they point out. Nor can a foreign exchange reserve of $ 1,000 million be considered adequate since it can finance just six months' requirements of maintenance imports. When pressed, the officials concede reluctantly that we can now afford to be more selective about aid than in the past. We are no longer accepting costly suppliers credits any more, it is pointed out. Also, we are pressing for improvement in aid terms. But all this is within a policy-frame which still takes a high level of aid to be a basic necessity.

Nobody seriously argues that all foreign aid should be stopped right away. That would be neither possible, nor desirable, nor even necessary. But surely the time has come to reassess actual aid requirements and to base our policies about the composition and terms of aid on such a reassessment. Considering our present stage of development, the extent of indigenous capability achieved in capital goods and engineering services, and the decision already taken that in future projects should not be set up on turn-key basis, it is possible for us to negotiate more favourable aid terms than have been available so far.

The key demand we should make is that none of the aid that we accept in future should be tied either to imports of particular goods or imports from the donor countries. Tied aid, in any form, unless it is part of a barter system such as is the case with rupee aid, is costly. This issue has already been raised, in a subdued form and rather apologetically, with the World Bank and the Consortium in connection with repayment of old debts. Now is the time to state our case clearly and firmly.

SOUTH

Telengana Again?

Mohit Sen

THE thumping victory of the Praja Samiti candidate in the Khairatabad constituency has taken everybody by surprise. The leaders of the Telengana Praja Samiti were expecting to scrape through; the Congress leaders believed that their candidate would get through after a stiff contest; others not directly involved thought that the outcome was very much in the balance. The electorate has confounded them all. A 14,000 majority in an Assembly seat contest is an enormous one by any standards.

What are the reasons for the sweeping victory? Nothing should obscure the fact that the sentiment for a separate Telengana is deeply rooted among wide sections of the masses. Facile views were expressed by some commentators, with a progressive background, that the Telengana agitation, lasting over eight months, was largely a hoodlums' movement, financed by Birla money. When the agitation failed to take on combative forms again, when militancy was no longer having that same appeal to the students, they came to the conclusion that their analysis was justified.

What they failed to perceive was that after eight months of mass movement and following the national split in the Congress, a certain lassitude had developed. A feeling had grown that a short and swift struggle would not now get them their hearts' desire. But their hearts' desire remained and the change was only in the form of its manifestation. These commentators mistook their own subjective wish for an integrated Andhra for the mood of the comparatively more quiescent masses.

Another factor which blurred the vision of many political analysts was the split in and fragmentation of the leadership of the separate Telengana movement. It will be recalled that, at one time, the separatists had two candidates in the field in Khairatabad — one backed by Chenna Reddy and the other by Konda Lakshman Bapuji. This certainly caused a measure of demoralisation and even dismay. It has to be said to the credit of V B Raju and Nakula Ramachandra Reddy that they were able to assess the importance of this factor and persuade the weaker candidate to withdraw. It could, of course, have happened that even with two separatist candidates the mass support for a separate Telengana would have crystallised around one of them almost exclusively. But that would have been far too great a risk to take.

Another missed point which cannot be too strongly stressed, with all the wisdom of hindsight but having some prescriptive value, is the fatal division among the integrationists, despite their having only a single candidate from the outset. And this was: integration, yes! Brahmananda Reddi, no! If the separatists were to be trounced to the greater glory of the present Congress leadership in Andhra, then many an opponent of separation would hesitate. This is precisely what seems to have happened. And this is a factor that will persist in the coming period. It should be realised that the no-change attitude of the Brahmananda Reddi leadership is not confined to the question of separation. It is an all-pervasive approach and sums up the philosophy of life of this *status quo* regime. The Chief Minister believes in getting by through manipulation. He believes that he can stave off change by mere political manoeuvring and sheer huckstering. Within a given balance of forces this skilful tactic of *immobilisme* may pay some dividends for some time. But any significant mass movement simply sweeps it aside.

What of the future? It is best to state the obvious at the outset — the Praja Samiti will receive an enormous boost in morale. A certain consolidation is likely to take place around the Samiti or around the Telengana United Front. The split and fragmentation may now be checked to a considerable extent. The leaders of the separatist movement are also likely to concentrate more on elections and the like and to avoid trying for more militant forms of action for which their supporters are not in a mood.

What of those who oppose both separation as well as the *status quo* stance of the present ruling Congress? Obviously they have to make their position of opposition to both quite clear. And they have to go on from there to initiating mass movements and actions precisely on social and class issues, compelling choice and polarisation around them. It may be that for some time they may not succeed on an all-Andhra scale but surely they would be able to consolidate their own bases and build them up so as to influence the course of developments throughout the State at a subsequent date. And Andhra abounds with such issues, the most pressing of which is that of shaking up the villages through resuming the battle for land. The Naxalites have shot their bolt but militant *mass* action can and must redeem Andhra as well as its reputation as one of the advanced outposts of the Indian democratic movement.

THE FOURTH ESTATE

The Wrong Keys

Nireekshak

LONG before Sukarno publicly declared his intention to rename the Indian Ocean as Indonesian Ocean (an ambition which, however, remained unrealised), it had been evident that many world powers were anxious to stake their claims to the waters that bear India's name. The Press was not slow to take note of the developments, particularly the 'intrusion' into the waters of foreign naval vessels which had so far kept away from the area, so much so that, largely as a result of the interest created by the Press, even Rotary clubs now take cognisance of the Ocean. Whether some of the learned articles published in the Press have not helped create an atmosphere of general scare, at least as much as some others have contributed to general enlightenment, is debatable. It was, however, quite natural that the Prime Minister's visit to Mauritius should have revived interest in the subject.

For, as A N Dar, *Indian Express* correspondent who accompanied the Prime Minister on her Mauritian visit, said in a subsequent article, Mauritius is "the key of the Indian Ocean". Mauritius's own national emblem declares the island to be "the star and the key" of the Indian Ocean. Dar narrated the historical background of naval battles for supremacy of the island fought between the French and British navies and how, after annexing it to the British Crown in 1810, Britain was finally able to ensure unquestioned dominion over the Ocean as well as India itself. "With the British withdrawing from the area" he wrote, "it is of great importance to India that its ties with the island keep on growing. Mrs Gandhi's visit, therefore, was of great value."

Hitavada saw in the Prime Minister's visit a good opportunity of "studying the possibilities . . . of collaboration among nations of the Indian Ocean area" in order to ensure that "the Indian Ocean always remains a peace zone and is kept free from any kind of use associated with nuclear weapons." In a lengthy editorial (June 7), the paper argued that the "likelihood of an unseemly contest among some of the leading nations to fill the 'vacuum' which the proposed British withdrawal east of Suez might create" has imparted a "sense of urgency" to the question of Asian collaboration. However, since in its opinion regional pacts tend "to undermine the status and the strength of the United Nations", it urged that "India would be serving the cause of peace best by trying to secure the objective of the security of nations of the Indian Ocean area through the medium of the United Nations and not through any regional pact".

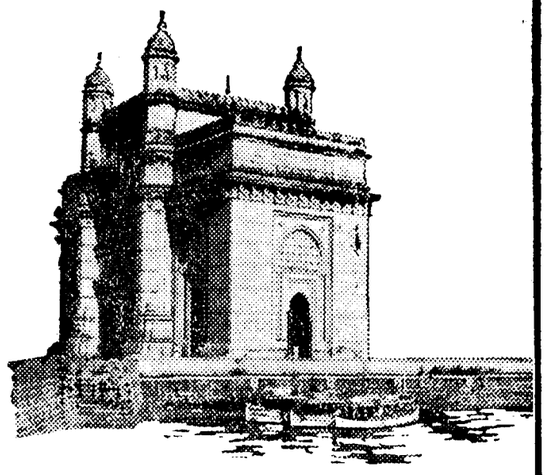
Most newspapers concentrated attention on Indo-Mauritian bilateral issues, however. *Economic Times*, for example, said (June 9) that "in essence the Prime Minister's visit served to enlarge and strengthen the area of economic and technical co-operation that had already existed" between the two countries.

Hindu made the curious observation that "India's interest in the small island of Mauritius which lies 500 miles east of Madagascar derives from the fact that two-thirds of its 8.00.000 people are of Indian origin" — as though nothing else mattered or was involved! After detailing the existing and proposed schemes of economic and technical collaboration between the two countries, the paper concluded its somewhat pedestrian editorial by saying "there would be a bright future for the country [Mauritius] if it decided to diversify its economy and improve its communications with the outside world."

There can obviously be no connection between the Indian Ocean and the development of a man-made gene in a laboratory in the United States, but Hargobind Khorana's scientific feat coincided with the Prime Minister's Mauritian journey. And it made almost as big a splash. Khorana being an Indian national, though now an American citizen, had always received the close attention of the Press ever since he was awarded the Nobel prize. And an element of national pride, however, undeserved in the circumstances, is noticeable in editorial comments. "In the march of science the first man-made gene is as much a breakthrough as the first successful test explosion of the atom in New Mexico in the Forties — perhaps more revolutionary an achievement", said *Tribune*. "That this was accomplished by Dr Hargobind Khorana and his research team naturally adds, for us Indians, a touch of pride to the thrill of the news." There were other thoughts also, besides pride. "Man's taking a hand in the genetic making of his fellow beings has indeed disturbing implications", *Tribune* conceded. "But, perhaps, behind the restless search of the molecular biologist is the subconscious urge of a species to correct a certain imbalance in its evolution."

Nagpur Times seemed more con-

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cerned with the man himself than his discoveries. "Rejected by India in 1956, Dr Khorana made his abode in America" it wrote. "What would have happened, had the Indian science bosses accepted him fourteen years ago?" What indeed? More particularly, "the Wisconsin University pays Dr Khorana Rs 3 lakhs (40,000 dollars) per year and he is one of the top-paid employees of the university". Yet, "no one in America calls him 'salary-oriented'". The Government of India, concluded the paper, "has yet to develop a 'scientific mind' without which it can't do proper justice to its men of science".

Meanwhile, communalism continues to agitate the public mind. *Amrita Bazar Patrika* has asked the ruling faction of the Congress party some awkward questions. Referring to the Working Committee's resolution on communalism, which said that "dark and evil forces are once again emerging", *Patrika* asked: "Wherefrom are they deriving sudden nourishment? Are we dealing merely with external symptoms without the much-needed pathological examination of the causes of infection? The Committee speaks of its 'historical responsibility to fight the forces of communal reaction'. Does it have no historical responsibility to probe its causes?" The paper argued that "violence is not the monopoly of 'Right Reaction', and it is violence of all varieties which threatens secularism, democracy and socialism."

Searchlight pointed attention to the difficulties of banning communal parties. "To seek to banish communalism by official bans on parties", it said, "is like seeking to banish communism by banning the Communist Party which has been tried in this country with results too well known to need elaboration. The effort is not going to be any more successful than it was with the communists." In the view of the paper communalism has two facets, one ideological and the other organisational. "A ban on a Hindu or a Muslim communal organisation will instantly make it a martyr in the eyes of the Hindus and the Muslims and the primary objective of fighting communalism as an ideology will be frustrated. If communalism has gripped the minds of many people in the country — and there is no doubt that it has — it has to be fought with an alternative ideology. But where is that ideology?"

PERSPECTIVES

Confusion over Land Reforms

West Bengal Experience

S Sengupta

THE issue of land reforms seems to have been revived within a brief period of its not-too-decent burial. Green Revolution optimism, backed by the theory of technological breakthrough, appears to have been subdued by a sense of alarm over "growing inequality in rural areas" and its political manifestations.

An analysis of the line of official thought on the issue of land reforms during the last two decades will clearly reveal that the issue has been always equated with the problem of equality, the problem of productivity being most often pitted against the former. The productivity *versus* equality posture has served as the rationale of our virtual inaction on such a vital problem for so long a period. Again it fell to a Ford Foundation expert, Wolf Ladejinsky, (a Ford Foundation team had in 1960 laid the approach of technological breakthrough in agriculture) to tell us that we could ignore the land reforms issue only at our peril.

Confusion in thinking on this issue is, however, not an official monopoly. The Left political movement has betrayed no less confusion in the matter though the dilemma besetting it is of a different order. Crudely put, the dilemma is whether to look at land reforms as a strategy for strengthening the production forces or as a strategy for revolution! In deeper terms, the problem is whether land reforms in the present phase is to be taken as essentially a democratic programme or as part of an imminent socialist programme.

The present paper aims at discussing in brief this aspect of the problem in the particular context of the recent experience of West Bengal on the issue of land reforms.

It will not perhaps be an over-simplification to suggest that, while the fall of the first UF Government in West Bengal in 1967 came about against the general background of industrial unrest, the second UF Government in 1970 fell in the midst of a wide unrest in the rural areas over the land problem.

The land reforms programme incorporated into the elaborate legislation on land ceilings, security to tenants and fixation of shares, in the early fifties by the Congress Government, had been literally put in cold storage and the fate of tenants left to uncontrolled economic processes. Their implementation awaited a movement. The bulk of the urban classes which had always backed the Left radical movement found little response in the rural areas till the fourth General Elections.

The (undivided) Communist Party of India, which had a few organised bases among share-croppers in some of the districts, found in the early fifties that its attempts to get the share-croppers' rights recorded had resulted in large-scale evictions. The bases had been seriously affected and the second General Election results showed the loss of quite a few valuable seats from these bases. So such class issues as might prove sectarian were carefully avoided since then and broad democratic issues brought to the forefront.

The chief target of attack of the peasant movement since the second General Election had been the official agencies in the rural areas and the issues were dry dole, test relief facilities for the rural poor, irrigation rates, irrigation facilities, fair prices of crops, credit facilities for the peasant classes and so on. Non-implementation of land reform measures on the part of the Congress Government was severely criticised — but the peasant classes were not mobilised for enforcing these measures. Sectarian politics of earlier years had made the Left movement weigh more carefully the balance of forces obtaining in the countryside.

Meanwhile, some positive changes were taking place in the rural economy. Abolition of the age-long zamindari system which was the first act of land reforms undertaken in the early fifties had met with little resistance in West Bengal unlike in Bihar or UP. While its immediate economic implications were very small, this relieved the peasant castes of West Bengal of a great social burden. This, coupled with adult franchise, was bringing the landed peasants increasingly into the political and social arena. Canal irrigation in some

areas, rapid improvement in communication, proliferation of official agencies in rural areas and, finally, rapid increase in the price of paddy — all these developments strengthened the economic position of the more prosperous section of the class and raised a wave of expectation among the others. While a speculative rise in crop prices and the continuing misery among the poorer classes acted as positive incentives to unproductive investments in hoarding of stocks and crop-lending for the richer ones, a typical middle peasant (owning anything between 5 and 10 acres) strove to increase his production through use of improved methods and at the same time sent his son to school and, resources permitting, even to college. Combination of more aware farming with modest non-agricultural employment, at least in a primary school, was sought to be achieved by this class. Improvement in communications provided them direct access to the market.

Landless Labour No Better Off

This particular process of change was operative in that part of West Bengal (south of the Ganges) where ownership cultivation was the dominant form and tenant farming, though existing on a wide scale, was mainly in the form of owner-cum-tenant farming. A very small farmer with an ownership area upto, say, 3 acres, sought to attain a viable unit through partial leasing-in. While no data on a large scale are available, village study data of the Agro-Economic Research Centre at Santiniketan reveal that leasing out in this area had decreased during the period between 1955 and 1963. While leasing out arising out of such constraints as widowhood, old age, meagreness of the size of holdings, or absenteeism, remained obviously unaffected, some resumption of land was there on the part of owners who found cultivation under personal management more profitable. The extent of resumption has not been perhaps too large but the increase in profitability from land had strengthened the bargaining position of the rent-receiver so that not only was the 60:40 share provision in the Land Reforms Act not operative, but the traditional 50:50 share was often replaced by a reverse share of 40:60.

Landless agricultural labour, who constitute a large force in the areas south of the Ganges, failed to achieve any improvement in their condition during this period. A nearly stagnant agriculture and very low use-intensity of land (owing to a near-absence of tube-well irrigation) provided little scope for increase in employment-days and wage rates increased at a much lower rate than in many parts of the country.

As for the areas north of the Ganges, *viz*, north Bengal, the processes of change earlier described were in the main not operative. This is an area where cash crops like jute and tobacco are grown on a wide scale under conditions of pure share-cropping and the middle peasant here, very much tied to the credit chain of the typical joredar-cum-money-lender, has failed to emerge as an independent social force. Pure share-cropping, which is the dominant form in this area, saw very little change during the period.

Emergence of Bangla Congress

Against the background of the economic processes described earlier, the rural political scene took a sharp turn with the emergence of Bangla Congress which, though it initially had some links with big landowners, showed all the potentialities of becoming a peasant party. The objective interest of the bulk of the peasantry lay in an order that would put an end to speculative prices, offer wider opportunities of irrigation, cheaper credit facilities, and also secure employment opportunities for the new generation of the educated. After the formation of the UF Government in 1967, the relation of forces began to change with revolutionary rapidity and the bulk of the peasantry, hitherto shrinking away from the Red Flag parties, combined with them in a common political platform. The sweep of the UF in the mid-term elections and virtual liquidation of Congress was possible under such a social alliance.

It is worth observing in this connection that while Congress was virtually eliminated from areas south of the Ganges, in north Bengal, an area of pure tenant-farming, Congress maintained a slight edge over the UF. The areas associated with a relatively high rate of progress in agriculture saw a nearly complete rout of the Congress. (In Birbhum, Burdwan and Bankura Congress secured 2 seats out of 50.)

Some parties took a very wrong lesson from this and saw in the elections a sign of growing polarisation of classes in the countryside. The sweep of the rural poor in such a changed relation of forces made them forget the social reality behind the United Front and its basic constraints. Landless labourers or the near-landless ones were organised for effecting hitherto unimplemented land reforms. Instead of tenancy reform and effective enforcement of ceilings, land to the landless became the major drive of the movement. The movement first took the form of acquiring rights over the surplus land vested in Government and then switched on to forcible harvesting from the land so long concealed by the big land owners. With a vast army of rural poor organised for acquiring rights over a relatively small amount of land, the inevitable result was in-fighting among different parties.

Although the bulk of the peasantry did not directly lose from a programme of acquiring surplus land, the movement lacking any perspective was bound to degenerate and even small landowners became apprehensive of their land being intruded on. The result was quick corrosion of the United Front.

The Kerala Example

This brings us back to our original question relating to the perspective of land reforms. If land reform is looked upon as essentially a programme of redistribution of land among the landless with a view to switching on immediately to a programme of a total co-operativisation and collectivisation, then its class implications are obvious. The so-called rural proletariat is bound to emerge as the vanguard of such a movement. If, on the other hand, land reform is essentially a *democratic* programme, under new conditions, the perspective becomes one of peasant farming with restrictions on emergence of capitalist landlordism. Rigorous enforcement of ceiling and securing of absolute right to the tenants become the major planks of the programme. The programme of land to landless agricultural labour becomes marginal in this context. This is borne out by the experience in Kerala where the Land Reforms Act of 1970 is mainly directed towards securing absolute right to tenants, including the share-croppers, and putting an end to tenant-farming. Agricultural labourers in Kerala have been granted proprietary rights over their homestead areas ranging between 5 and 10 cents of land (1/20 to 1/10 of an acre).

West Bengal's rural economy can be regenerated only with a proper perspective of change. The deeper reality behind the political situation in West Bengal indicates a situation where the bulk of the peasantry have to remain united with the tenants and the agricultural labourers under a common programme of democratic land reforms and a rapid rate of industrialisation.

Post-Modern Era in Social Anthropology?

John V Ferreira

Urgent Research in Social Anthropology by Behari L Abbi and Satish Saberwal; Indian Institute of Advanced Study, Simla, 1969; 235.

THE establishment of an International Committee on Urgent Anthropological and Ethnological Research was primarily due to the initiative and advocacy of Robert Heine-Geldern of Vienna, who was an ethnologist by unwavering conviction right up to the end of his days. Realising that industrial civilisation was spreading its tentacles all over the world and that its impact was being felt even in the remotest areas, entailing the rapid disappearance of primitive cultures as a consequence, he took upon himself the task of soliciting funds for the publication of a bulletin in which contributions from anthropologists and others would appear, drawing attention to urgent tasks of research in the primitive sphere. The first number of the bulletin appeared in 1958 and was followed by others as funds and anthropological contributions rendered them possible. Writing in the latest number (No 10 of 1968), the present editor of the series, Anna Hohenwart-Gerlachstein, rightly describes Heine-Geldern as the pioneer of salvage ethnology, and goes on to point out that his work survives, and will live not only in the present generation but will continue to do so in many generations to come.

Taking a cue from the ethnologists, the social anthropologists have now begun to talk of urgent research, too, and to hold conferences to decide on priorities in research. One such conference, for instance, was held at the Indian Institute of Advanced Study in Simla recently and the report of the conference entitled "Urgent Research in Social Anthropology" is now available to those interested in the subject. The report contains 26 contributions together with an introduction by the editors and a report of discussions terminating in resolutions and recommendations. The region to which the contributors direct their attention is India.

Heine-Geldern and those who supported him in his undertaking were mainly actuated by the desire of securing adequate descriptions of the primitive cultures, threatened by imminent disintegration, before it was too late. In particular, the word "*urgent*" was intended to apply to those primitive cultures which had not yet been described by trained ethnologists and to those aspects of the others which had not been adequately dealt with in existing ethnographies. While not entirely oblivious of literate peoples, the ethnologists in the Austro-Germanic sense of the term tended to concentrate until recently on the task of reconstructing the culture history of mankind in its preliterate phase. Many of them on the continent of Europe still confine themselves to this task. They endeavour to fulfil it primarily by comparing the data found in the available ethnographies and secondarily by utilising the findings of auxiliary disciplines like prehistory, social anthropology, Indology and so on. Therefore, descriptive ethnographies play a central role in the work of these ethnologists and the more they have of them, the more accurately can they work out their cultural relations (*Beziehungsforschung*). To these ethnologists, accordingly, it is not a very difficult task to say what is urgent in fieldwork and even to lay down a list of priorities in research. Is it as easy a task for the social anthropologists? The Simla report is a handy means of finding out.

In their introduction, the editors of the Simla report rightly point out that social anthropology suffers from a blurred identity today. What is this blurred identity due to? The question is obviously important because saying what is urgent research in social anthropology will depend largely on knowing why it has acquired a blurred identity today. According to the editors it has acquired this blurred identity for the following reasons: 1) Industrialisation and urbanisation have speeded up the rate of social change in the areas to which the social anthropologists had previously directed their attention in order to make their synchronic analyses; 2) The discipline has shown a renewed concern with vanishing traditions and has been drawn into studies of emergent institutions and processes; 3) Internal critical pressures have uncovered the inadequacy of its theoretical and methodological legacy; 4) In trying to comprehend problems of development, the social anthropologists have borrowed a good deal from other disciplines; 5) They now claim specialist competence in a broad range of new areas while attempting to retain their hold on the old; and 6) The more extreme forms of the functionalist standpoint, that is to say, the view that social systems constitute integrated wholes and that nothing survives without having a function has yielded ground to the realisation that certain parts of a system have a boundary-maintaining role, that when power, prestige and wealth are in asymmetrical distribution strife is the result and that there are other complexities in the interrelations of parts to one another and to the whole.

It is no doubt a matter of commendation that the social anthropologists have begun to expand the range of their interests, to borrow a good deal from other disciplines and to realise that socio-cultural reality is shot through with baffling complexities which render the nomothetic passion (to the outside observer at least) a stultifying vice, inhibiting growth in the proper directions. But why is there no attempt among them to advance beyond this stage towards the vital realisation that man is more than a mere complex part of the rest of nature (positivistically defined), that he is *Existenz* and person, that his decisions play a very significant part in the socio-cultural domain and that they are not all purely rational. Among some this hesitation may perhaps be motivated by the demands of tactics and strategy but among others it is very likely due to a secret hankering after deep and dark satisfactions. And yet has not the time arrived for the social anthropologists to stress the word 'anthropology' rather than the word 'social' in their discipline? And what after all is anthropology if not the study of *man?* What is it worth, if it does not study the *whole of man?*

Has not the time also arrived to take up another cue from ethnology? In the Austro-Germanic sense of the term the ethnologist is essentially a humanist. As such he emphasises the role and significance of creativity in human endeavour. He turns the spot-

light onto the particular and unique in constellations of socio-cultural events but without neglecting the limited findings of the 'scientific' approach. Indeed, the ethnologist stresses the priority of the idiographic over the nomothetic approach as a methodological rule. He is conscious of man as a historical being and of cultures as creations in time. As a historical being man has a past as well as a future and his creations in time are embodiments of tradition as well as pointers to the future. They point to the future by reason of their inadequacies and unrealised potentialities. Surely, then, in times of transition, of rapid change, such as today, the ethnological emphases have more than a mere academic value and significance.

When, therefore, the historian, Niharranjan Ray, tells us in his introductory address that socio-cultural anthropology (a better term than social anthropology) is as much the concern of the (scientifically inclined) anthropologist as of the historian, he does not go far enough for these changing times, for this acceleration of history, as Joseph Jollhet puts it, to which we are committed whether we like it or not. One would expect a professional historian who is, moreover, conscious of the changing cultures and diverse communities of India to emphasise the historical approach by downgrading the nomothetic one and to state the advantages of the former with greater vigour and eloquence. For, do not the fluidities and achievements of our time suggest that we are entering a post-modern age, that we are moving, in Michael Polanyi's picturesque phrase, towards an unthinkable consummation? And if that is so, is it not reasonable to encourage and stimulate with all the acumen that we can command the creative capacities in man rather than to pressurise him through our nomothetic pretensions into bondage to present-day structures and the limited regularities arising from them? The beginnings of a post-modern era in our times have been noted by writers like Romano Guardini, Geoffrey Baraclough, Kenneth Boulding, Daniel Bell and others. The post-modern, it appears, will be a happy blend and transfiguration of certain elements from the pre-modern and the modern. Among the elements from the pre-modern which will enter into the making of the post-modern, if of course we have the will and intelligence to lend our support to them, will be, one, a genuine sense of human brotherhood, or of *agape* which is one of the central elements in the religious outlook; and, two, an intensification of the psychic-ontological in man, unleashing parapsychological powers which will perhaps outshine the technological wonders of the modern age. Elements from the modern which foreshadow the post-modern are cybernetics, automation, the conquest of outer space and even advances in molecular biology. What I am trying to suggest is that the maximum utilisation of our will and intelligence will cause the jigsaw pieces of the world, man's place in it, and of the rest of reality to fit together into a wider and deeper form and pattern which is the prime condition for man's transcendence of his present self and environment. The post-modern age is the age of integral man, of etherealisation, of psychic-ontological plenitude.

And What of India?

But what of India which Arthur Koestler has recently called the most traditionalist country in Asia, pointing out that we are bogged down by the fact that our thinkers are less interested in factual knowledge than in essential being, or, in other words, more interested in consciousness itself than in the objects of consciousness and that sense-experience is rejected by them as illusory while the world of objects is regarded as having no reality independent of the perceiving subject? Is there, then, no hope for this vast country of teeming millions other than a slow and sticky advance towards modernisation or even no advance at all in any deep and comprehensive sense of the term? Doubtless, if our anthropologists were to grow much more concerned about ways and means of stimulating creativity and of working towards a creative synthesis with their eyes directed always on the emerging post-modern age, there would be less cause for pessimism and despair.

But this kind of concern is largely absent from the Simla report, as a rapid survey of the contributions in it so clearly and sadly indicates. Niharranjan Ray, for instance, interprets urgency in terms of theoretical and methodological requirements and of the obvious need to study vanishing and changing communities and their cultures in India. Our major problems, according to him, are those of social change, of national unity, of secular democracy and of an insufficiency of satisfactory information on politically sensitive areas and on the tribal peoples. This interpretation of urgency and statement of major problems suffers from a somewhat hackneyed generality and would have been redeemed by an exercise in creative imagination and a unifying and fructifying vision. Behari L Abbi gives us his 'impressions' on some neglected aspects of the North Indian family and also ventures to assess the nature and extent of change in it. He thinks that studies of this kind will provide an insight into the distinctive characteristics of our family systems and would also facilitate fruitful cross-cultural comparisons. In the meanwhile, however, one is likely to fall between two stools. A Aiyappan turns his attention to South India, indicates directions in which our ethnographic mapping is incomplete, and points out that our standards are low but says nothing about the 'colonial' status in which our anthropologists continue to remain, a status which is probably a prime cause of all our woes.

Gerald D Berreman thinks that the most urgent problems for anthropologists are poverty, ill-health, hunger, hopelessness, bigotry, oppression and war, and adds that anthropologists have a good deal to say on these vital problems. Accordingly, their most urgent responsibility is the popularisation of basic concepts and the making of efforts to see that what they know is used as a basis for public policy in view of the crises that confront mankind today. There is much in Berreman's article that is valuable, as, for example, the support he lends to Eric Wolf's notion that anthropologists have the obligation to create an image of man in keeping with the experience of our time; and also his view that, in imitation of C Wright Mills who denounced bureaucratic techniques and methodological pretensions in the social sciences, they should exercise the sociological imagination. Berreman also tells us that we have tended to focus on the Indian community and its norms and have neglected the individual in society and his view of the world. Thus in the field of psychological anthropology we have very little material for intensive and extensive studies. On the other hand, cognitive studies have evoked considerable interest in the USA where there is today an endeavour to distinguish what is recurrent *(emic)* from what is variant *(etic)* in

the efforts of members of a society to impose order on the world. These anthropologists, we are told, regard culture very much as scientific linguists regard language. The attempt to view culture as a language is the height of fashion today; and, as everybody knows, the well-known French anthropologist, Claude Levi-Strauss, has played a leading role in engendering this fashion. In this connection, however, we should like to raise two questions as follows: if culture is a kind of language, what is the purpose of language? Communication, no doubt. But, then, what is the purpose of communication? This is a question worth pondering over carefully and without prejudice. We might thereby rediscover that in the beginning was the word.

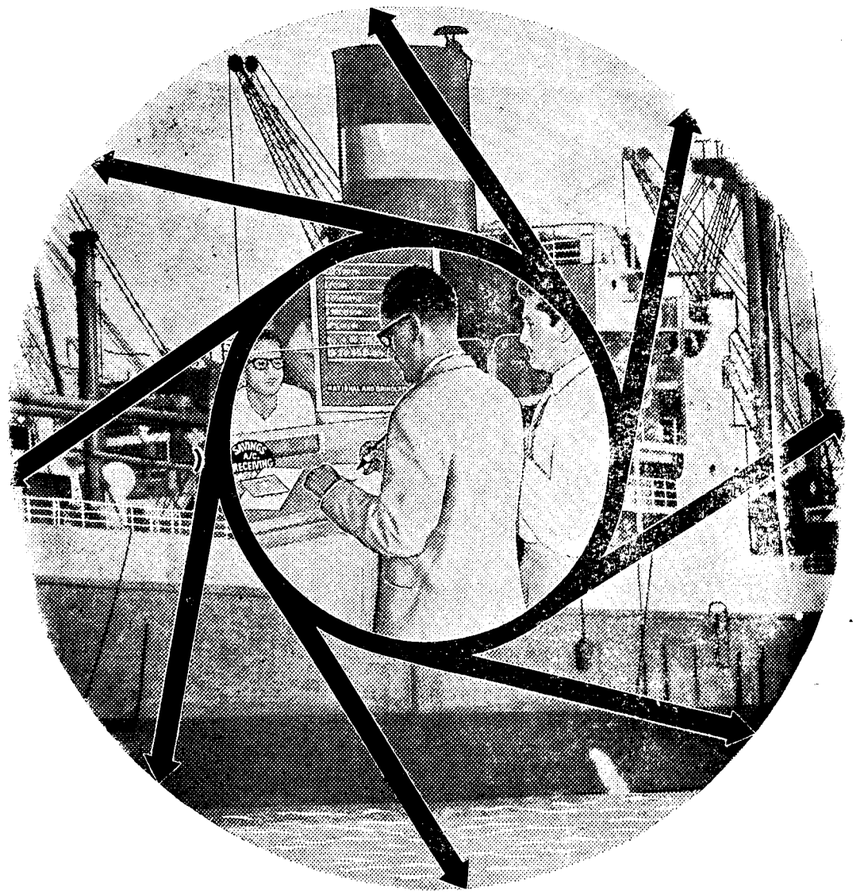
Ananda Bhagabhati has proposals to make in connection with anthropological research in the Assam region. He is of the opinion that there are many historical, sociological and practical reasons for undertaking research among the plains communities of Assam. And so there are to be sure, but this can be said as much of any other region as of Assam. S C Dube notes that in the developing countries the study of quaint and exotic little groups does not receive much encouragement but that the study of social and cultural phenomena relating to nation-building is thought of as urgent. However, it is good to hear that Dube is "old-fashioned enough" not to accord too low a priority to salvage anthropology. He makes five research proposals which bear on the political organisation of castes, the matrilineal societies of the Laccadives, the political system of tribal Bastar and tribes in an industrial setting. To Peter M Gardner the synthesis of Indian cultural materials is a matter of urgency. Edward J Jay gives us a brief summary of his current research in the Chhatisgarh region, outlines a possible approach to the study of regions as wholes with specific reference to Chhatisgarh and adds a short list of possible future research topics in this region. But he is doubtful if these topics can be called urgent in the literal sense of the word. Among other reasons, he favours the study of regions because the social anthropologist who is interested in the study of Indian civilisation as a whole must needs break it down into a series of regional studies. Irawati Karve writes with special reference to the tribes of Maharashtra and thinks that urgency refers to the rapidity of change and the necessity of recording what might vanish in a few decades. Such a record is necessary, she tells us, for two reasons: first, it gives us a glimpse into the cultural history of mankind; and, second, it unveils alternate ways of life. She prefers the rapid assimilation of India's tribes into the rest of the population. Why assimilation, we ask? Is not integration a sounder alternative?

Pandit—Muslim Relationships

T N Madan, a Kashmiri himself, focuses our gaze on Kashmir and informs us that the Pandits to whom he had earlier dedicated a book-length study have begun to manifest structural changes which merit urgent attention. Furthermore, since there are no anthropological studies of the Kashmiri Muslims, a study of Muslim social structure is urgently required. General studies, he says in addition, should be combined with micro-studies of certain Muslim occupational groups; and, as Pandit-Muslim relationships are changing fast, a study of them is equally important. To which we say most readily: no doubt at all! Turning next to K S Mathur's contribution, our attention is directed to urgent research problems in Uttar Pradesh. Mathur maintains that the anthropologist must study the retardation of developmental work and social change in those areas and among those peoples in which it occurs and that this is an urgent task. One can hardly quarrel with this view. T B Naik who has long worked in Madhya Pradesh proffers an inventory of tribes in the area which have, according to him, not been studied sufficiently in terms of descriptive or analytical ethnography. Among these tribes, it is somewhat surprising to find the Gonds. So far as the Korkus are concerned, I may state for his information that the ethnologist Stephen Fuchs has carried out field-work among them and that his ethnography of the Korkus awaits publication. Naik also lists other problems that have not yet been tackled and ends with a number of priorities which should prove useful to students in anthropological departments seeking subjects for doctoral dissertations. Ralph W Nicholas believes that what is most urgent for social anthropologists who are concerned with Southern Asia is "probably" not the salvaging of ethnographic data on vanishing cultures but rather the projection of data and theory derived from Indian research before the world anthropological forum. In other words, we must 'de-parochialise' ourselves — a thing which all of us would readily rush to do if we had theories of our own making to instruct the world. Appropriately enough, Nicholas then goes on to point out lacunae in the study of symbolism, of political anthropology, of field theory and of kinship. B K Roy Burman has two contributions in this report. The first concentrates on socio-political forces in India and the integration of the tribal societies; the second on the role of the census in ethnographic studies in India. In the first of these two contributions Roy Burman tells us that the integration of the tribal people into Indian society should be considered in the context of their historical relations, the genius of Indian civilisation and the emerging socio-economic situation in independent India: but in the second he affirms that the anthropologist should not be haunted by the "mirage of disappearing culture" lest anthropology itself disappear as a science. What, therefore, should the anthropologist attend to as his primary task? The primary task of the anthropologist, according to Roy Burman, is to take stock of emerging cultures and societies. But are not appearance and disappearance always connected together like the Siamese twins? And is it not true that which appears disappears and that which disappears makes possible that which appears? There is much else in Roy Burman of analytical interest, but we shall satisfy ourselves by saying that the four models of social integration which he examines for our benefit help to throw light on twilit places.

Both Sachchidananda and L P Vidyarthi deal with Bihar. The former interprets urgency in terms of theoretical significance and of social and administrative relevance, and sagely adds that some studies may be urgently needed from the standpoint of refining and testing newly developed concepts and theoretical formulations and others for closing existing ethnographic gaps. Problems requiring urgent attention in Bihar, he claims, are conflicts between tribals and non-tribals, group tensions, and the near failure of Panchayati Raj. Like Mathur, to whom we have already referred, R D Sanwal is also concerned with Uttar Pradesh, but narrows his focus onto the hill regions and in particular onto social stratification in those areas. He avers that this aspect of tribal life.

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has not received adequate attention from students of the subject. The Western Himalaya borderland is, as is evident, a politically sensitive part of India. Therefore, Biswajit Sen takes this area for examination from the viewpoint of urgent problems. Not unexpectedly the problems range over all the large segments of life and are of a social, religious, economic and political nature. A M Shah satisfies himself by giving us a brief enumeration of what he calls "points for discussion". These relate to certain aspects of religion, of caste, because we do not as yet have "a correct and comprehensive understanding of it", of field studies pertaining to various organisations and to nomadic groups, to data-retrieval and bibliographical work bearing on social anthropology in India. Malati J Shendge gives us for our delectation a note on the sociology of Buddhist Tantrism. The note terminates with the suggestion that it would be worth our while to consider the implications of youth movements in the USA — the hippies and yippies are mentioned as examples — and of "widespread" practices like those of wife-swapping in order to find out if they bear in themselves the germs of tantric practices.

Science and Swaraj

When the Viennese-American sociologist Paul Lazarsfeld was in Bombay recently, he was reported to have said that sociology in India must grow more Indian, or words to that effect. This lends J P Singh Uberoi's contribution on science and swaraj a high degree of interest. Referring to N K Bose's frank appraisal of our science as colonial in relation to schools in Europe and America and to J V Ferreira's allusion to our theoretical sterility, Singh Uberoi rightly and properly says : "The aim and method of science is no doubt uniform throughout the world but the problem of science in relation to society is not. The problem or problems of science in a rich, technologically satiated society are different from, even opposed to, its problems in a society of poverty lately liberated from colonial bondage. The two sets of problems and two situations cannot, without falsification, be placed upon a single continuum. It is scientism and not science which conceives of them along the single line of unilinear evolution". Turning next and with purpose to Surajit Sinha because he makes a plea for urgent anthropology in the perspective of the totality of Indian civilisation we note, first, that he plays down salvage anthropology because, in his view, it suffers from severe limitations; and, second, that he connects urgent anthropological research with the task of fully documenting the traditional core of Indian civilisation in terms of significant contemporary social and cultural forms. Sinha wishes to lay primary emphasis on the phasing of research in such a manner that certain programmes are first systematically completed on an urgent basis, thus enabling the taking up of the next stage of research on a sounder foundation. But how can one plan or phase research without first articulating the directions in which we wish to impel Indian civilisation in its totality? True that our constitution enshrines values like democracy, secularism and economic justice; but do we wish to make India into a carbon copy of Western industrial nations, or do we wish to make a contribution of our own to world civilisation by evoking a cultural image in post-modern terms and endeavouring to actualise it? Satish Saberwal entitles his contribution "Towards a Model of Indian Society", raising hopes that it will contain such an image, or, at the very least, intimations of it. Saberwal argues that insights into the macro-society are more likely to arise through the study of the free sphere of Indian society than though an intellectual concern with the caste sphere. He, therefore, recommends an enlargement of the units of study and concentration on changing stratification, mobility and social networks. Caste is an obsession in India and the more progressive-minded among us would be happy if a recommendation such as Saberwal's (and Yogendra Singh's to whom he is indebted for it) would rid us of this obsession. But what of the macro-society in the making? Of an image designed to shape the future? Saberwal has nothing to say about these matters.

Lack of Creative Imagination

Two ethnologists, both of whom were trained in Vienna, figure in this volume. They are Stephen Fuchs and C Fuerer-Haimendorf. Fuchs tells us that the most urgent task, in his opinion, is to accelerate research into the various tribes and castes of Middle India before they are assimilated by the national culture in the making. Other important tasks are inquiries into the poor results of Government efforts in tribal uplift, into tribal exploitation and unrest and the messianic movements arising as a result of them. Fuerer-Haimendorf stresses the urgency of research into the more primitive ethnic groups before they disappear altogether and into the processes by which the elite groups of India are transforming the country into a modern industrial nation. He also exposes the limitations of village studies. Ethnology thus emerges as the study of preliterate peoples on the one hand, and of the literate peoples on the other. It studies the first through the canons of quality and quantity and with the aid of a number of auxiliary disciplines. It studies the second by taking significance as its aim and empathic identification as its method. It is, therefore, clear that ethnology emphasises creativity, uniqueness and the cultural continuum. For this reason social anthropology, shorn of its nomothetic pretensions, is only an auxiliary discipline. Its blurred identity is further evidence in support of this view.

But to return by way of conclusion to the Simla report as a whole. What can we say of it in general terms? For one thing, it is extremely unlikely that the suggestions for urgent research contained in its pages will help to get rid of the blurred identity from which social anthropology suffers today. For another, the prime shortcoming of the suggestions pertaining to India is that they are pedestrian in character, that is to say, they lack wings, the wings of creative imagination.

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Without Camouflage

IT WAS a rare occasion this week when Government accepted with alacrity the recommendation, of the Agricultural Prices Commission, on prices for the 1970-71 kharif cereals. It involved an increase of one rupee per quintal in support prices. In fact, whenever in the past the APC argued for lower procurement prices than in the previous year's season, the most that the Central and State Governments condescended to was leaving prices at the previous year's levels. While successful execution of a food policy would understandably require that producers' and consumers' pressures and counter-pressures on the State Governments be taken into account, and a consequent compromise be made on price levels, there were indications that, even otherwise, Government looked upon the necessary elements of a national food policy as "temporary and pragmatic expedients [to be] dropped or modified as when they became dispensable" (broadcast on food policy on December 14, 1969, by Jagjivan Ram, Union Minister for Food and Agriculture).

Those elements had been carefully assembled and consolidated under the impact of the two difficult years of 1966-67 and 1967-68. The two successive failures of the monsoon had forced imports to be sizeably stepped up, procurement to be undertaken on a critical basis, and the public distribution network to be fortified. What that experience had underscored was that, despite the new agricultural technology, India's agriculture was still primarily subject to monsoon variations. Consequently, the procurement machinery, the distribution network, the building up of a significant buffer stock, and varying quantities of imports, would have to continue as semi-permanent features of food policy. The Food Corporation of India emerged as a major procuring arm of Government during this period, and the distribution network was gradually stabilised. It should have been easy to consolidate a longer-term food policy on such foundations. But, on the earliest signs of a good harvest, the States have generally shown impatience with the set-up, calling FCI to help only when prices needed support. Tamil Nadu and Orissa this year and Punjab in the past two years are examples. The food zones, initially demarcated to facilitate procurement and prevent grain from moving to deficit States, were progressively dismantled — the latest example being the wheat zone which was enlarged in the 1969-70 rabi season, to include the northern zone, Rajasthan, Madhya Pradesh, Bihar and West Bengal.

While much of the current self-satisfaction on the food front seeks to base itself on hopes of the high-yielding varieties programme and the multiple cropping schemes, it is in fact mainly based on the past two fortuitously good monsoon years and a third one that also promises plenty. Jubilation had even reached a pitch where Government confidently predicted that no food imports would be needed in 1970-71.

That ambition has now been relegated to the end of 1971. Optimism over buffer stocks has gradually softened to predict that, the 5-million-tonne target may not yet be achieved and that by October this year we will have got as far as 3.5 million tonnes only. Official statements put the area under high-yielding varieties at 11 million hectares which are to increase to 13.5 million hectares this year, and the area under multiple cropping at 8 million hectares. But these data lack precision and comparability among the regions. It is not even clear to what extent multiple cropping is going to knock itself against the limits of available intensive irrigation. The States, too, in their anxiety to protect themselves from any special agricultural tax, are eager to camouflage the extent of their produce coming from the new technology. The inconclusive disagreement between the Planning Commission and the Food Ministry on the production target that may be feasible in the current year also reinforces suspicions about the gaps in foodgrains statistics. It may, indeed, be these information gaps that have prompted Government to play safe and postpone the termination of food imports.

But continuation of foodgrain imports can be only one, and a comparatively marginal, element in the national food policy. A sustained distribution and procurement network, consistently maintained zones, buffer stocks to take the load of an expanding consumer market, and, above all, reliably broken-down data on foodgrains sources, are the other, necessary ingredients of a food policy for the Plan period. The step-up in investment and employment-oriented programmes are going to require that a food policy be a necessary part of the Plan. Already there are indications of the plateau on which the 'green revolution' has come to rest. Prices of foodgrains have been rising and have led to an overall price rise. This is no time for dismantling the control system. The aims of a food policy do not end with assuring food supplies. It has also to aim at providing cheap supplies to the vulnerable in society.

Too General Issues

H B Shivamaggi

The State of Food and Agriculture — 1969, Food and Agriculture Organisation of the United Nations, Rome ; 1969 ; pp ix + 196.

FAO's Annual Reports on the State of Food and Agriculture deserve to be held in the highest esteem for two important reasons. The first is that these Reports contain a wealth of data on the current food and agricultural situation in the world and there is no other source of comparable standing for these data. The second, and perhaps more important, reason is that they provide analysis on two issues in agricultural development which are of current interest. In fact, FAO has modified its programme of work according to the relative importance of these problems. At present, A H Boerma, Director General of the FAO, has selected five areas for special concentration. They are: (1) high-yielding varieties, (2) filling the protein gap, (3) war on waste, (4) mobilisation of human resources, and (5) earning and saving foreign exchange.

The 1969 FAO Annual Report on the State of Food and Agriculture contains — apart from a general review of world agricultural production, international trade in agricultural products, development assistance, production outlook, and a review by regions — two special chapters, one on agricultural marketing improvement programmes: some lessons from recent experience, and another on modernising institutions to promote forestry development.

A brief reference to the highlights of the Report may be made.

The rate of adoption of the new high-yielding cereal varieties has been very much faster in the Far East than in the other developing regions. This probably is not a coincidence because it must be noted that the most important single reason for the shift to technology in these countries has been the strong Government commitment generated by the urgency of the food shortage. While this is a welcome development, the problem of accumulation of foodgrains, particularly wheat, has again manifested itself in the last two years. By the end of the 1968-69 crop year, the combined wheat stocks of the major exporting countries were expected to reach the level only slightly below the all time peak of 1961. Earlier, the United States accounted for a major share of the stocks; in mid-1969 Canada, Australia and France accounted for about 60 per cent. These stock accumulations reflect the longstanding conflict in high-income countries between the effects of the technological progress and farm-income policy on the one hand, and the slow growth of the demand on the other. The problem faced by the world community is how to keep up increased production so that the problem of food hunger throughout the world is properly solved. Programmes such as development through food aid, freedom from hunger, etc, can be pursued more vigorously provided the food supplying countries — USA, Australia, Canada and France — are prepared to use this opportunity for the purpose of food aid through FAO in a more systematic manner than in the past.

The problems of agricultural exports of the developing countries remain unsolved. The basic reasons for the slow growth of agricultural trade are well-known: saturation levels of consumption of many agricultural products in the developed countries that constitute the main markets, increasing agricultural self-sufficiency in many of the high-income countries, various tariff and non-tariff obstacles to trade, subsidised export from developed countries, and difficulties experienced by the developing countries themselves in increasing the production of commodities for which demand has been growing.

The year under reference is also noteworthy for the role played by the World Bank (IBRD) in financing agricultural projects. Besides increase in the volume of assistance, there has been diversification in the Bank's investment in agriculture. For the first time, the World Bank financed in 1968-69 projects for forestry development and for the production, processing and distribution of improved seeds of high-yielding cereals. While irrigation projects continue to account for the largest proportion of the loans, general agricultural development including plantation has accounted for one-third of the number of projects.

The subject of agricultural marketing has assumed special significance because, first, the adoption of high-yielding variety has resulted in the problem of overall accumulation of stocks of cereals resulting in the falling foodgrain prices, and secondly, the food importing countries are now in a position to substantially cut their food imports and thereby save foreign exchange. The whole situation calls for judicious handling so that the falling prices do not have an adverse effect on production while at the same time the consumer is assured supplies of foodgrains at reasonable prices. The study on agricultural marketing improvement programmes has discussed various problems that need to be tackled to ensure that production, processing and marketing are properly integrated. Referring to the national objective of promoting co-operative marketing, the FAO Report has cautioned that "any government which promotes co-operative marketing as a matter of national policy is clearly under an obligation to take corresponding measures to see that standards of management and staffing are raised and that the producers' interests are faithfully served. The co-operative movement cannot be sustained merely by restricting competition from private traders, since this is likely to mean a further fall in efficiency, greater waste of resources and a heavier marketing bill for producers and consumers."

The subject of forestry is of special significance to the developing countries because more than half of the world's productive forest resources are found in these countries and the demand for forest products is everywhere rising rapidly. The forest industry thus offers the developing countries important opportunities in increasing export earnings. As the FAO Director-General has put it, "the fact that these opportunities are so far only partially exploited is to a large extent a reflection of defects of an institutional and organisational nature."

On the whole, the Report cannot be missed by anyone interested in the development of agriculture. FAO has been rendering valuable service in the field of agriculture by bringing out studies and reports which highlight the implications of the problems, dangers involved in different solutions, and possible lines of action.

The richly deserving praise of the FAO's Report made in the foregoing paragraphs does not mean that the Report is faultless or that there is no scope for further improvement from the point of usefulness. A few points from one of the two special studies published in the Report under review may be mentioned in order to show how sufficient light has not been thrown on some points which are of particular interest to countries like India.

(1) "A number of countries have pursued the more modest aims of building canning industries to serve their own domestic markets but, here too, lack of efficient marketing has frequently proved a fatal weakness. High distribution costs, poor quality products, inferior presentation and lack of sales promotion have restricted progress, even when a ready market existed . . . ". Had this been discussed with reference to specific countries, the picture might have been clear and concrete. For instance, in India, the canning industries have found that there is no ready market. People, even in cities like Bombay, do not go in for canned foods when fresh ones are available in plenty.

(2) "In a number of countries, marketing improvement must begin by facing the problem of chronic producer indebtedness". On this, one would like to know whether there are any countries where credit arrangement has been successfully deployed to institutionalise marketing, whether institutionalised credit and private trade can pull together in the interest of farmers, and how linking of credit with marketing has been made effective in some countries in respect of some crops. Has take-over of trade by the state improved the position of the chronic debtor?

(3) "In domestic crop marketing there has usually been less reason for governments to enforce marketing exclusively through official channels". But we would like to know whether a public policy to offer price incentive to farmers and increase crop output can succeed if trade is in private hands. What is the experience of countries like India, Pakistan and Ceylon in respect of foodgrains? The details are missed. We do not find any reference to the food procurement policy of India or to the role of Food Corporation of India.

Many points such as these can be pointed out to show how the Report whets our appetite without providing the full meal of indicative answers. Shall we hope that the FAO Annual Reports in future would oblige us with better fare? For this purpose a complete reorientation of the approach to these Reports would be necessary. In this connection it is relevant to ask to whom are these Reports addressed? Are they meant for the agricultural administrators? But then the content is too general to provide them with the detailed examples of success or failure. Agricultural administrators would surely like to have more details of the plan of action and experience in respect of each issue discussed. Are these Reports meant for member-governments? Even so, each country would be interested in country-wise details of those countries that are in the vanguard in particular fields. In the absence of a more objective and forthright assessment of their aims and achievements, many governments would find the Reports less useful. There is no doubt that the presentation of a frank and forthright assessment is a difficult and delicate task as the FAO, a body composed of member-governments, has to bear in mind the sensitiveness of its members. However, FAO can assign the task of detailed study of special issues to a group of experts whose expertise in the subject and integrity are above board, and it can publish the studies under their names in the Annual Reports. As to the reaction of governments, if Government in India, for instance, can appreciate and even quote Wolf Ladejinsky on the failure of tenancy legislation in some parts of the country, there is no reason why other countries should not appreciate honest and constructive criticism of their agricultural programmes and performance. Anyway, it would be better for FAO to be forthright and useful rather than general and inconsequential. It is high time that FAO makes attempts in this direction so that governments may start taking FAO Reports more seriously. In the absence of such orientation of the Reports, they have tended to become only a source of broad information and generalisations, mostly useful to students of agricultural economics.

As regards the themes for special studies included in these Reports, studies published since 1957 are:

1957 — (1) Factors influencing the trend of food consumption.
(2) Post-War changes in some institutional factors affecting agriculture.

1958 — (3) Food and agricultural developments in Africa South of the Sahara.
(4) The growth of forest industries and their impact on the world's forests.

1959 — (5) Agricultural incomes and levels of living in countries at different stages of economic development.
(6) Some general problems of agricultural development in less developed countries in the light of post-War experience.

1960 — (7) Programming for agricultural development.

1961 — (8) Land reform and institutional changes.
(9) Agricultural extension, education and research in Africa, Asia and Latin America.

1962 — (10) The role of forest industries in the attack on economic development.
(11) The livestock industry in less developed countries.

1963 — (12) Basic factors affecting the growth of productivity in agriculture.
(13) Fertiliser use: spearhead of agricultural development.

1964 — (14) Protein nutrition: needs and prospects.
(15) Synthetics and their effects on international trade.

1966 — (16) Agriculture and industrialisation.
(17) Rice in the world food economy.

1967 — (18) Incentives and Disincentives for farmers in developing countries.
(19) The management of fishery resources.

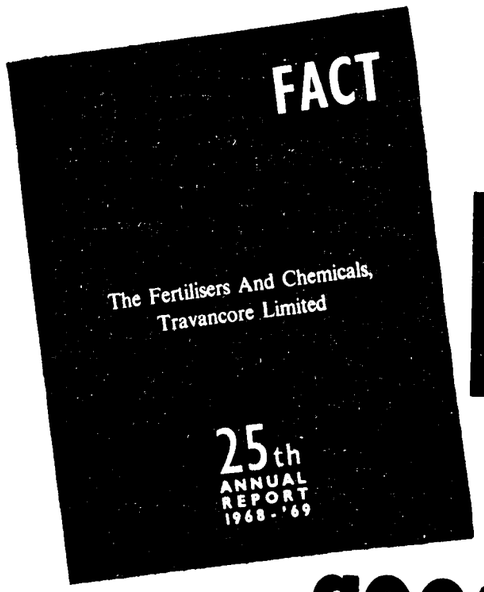
1968 — (20) Raising agricultural productivity in developing countries through technological improvements.
(21) Improved storage and its contribution to world food supplies.

The above list shows the wide coverage of subjects by FAO, keeping in mind the current importance of each issue. In this connection, FAO may consider taking up the following subjects which have posed a serious challenge to many developing countries.

(1) Foreign aid to agriculture in developing countries with special reference to (a) the role of FAO and (b) development through food aid in the present context of renewed accumulation of surplus stocks.
(2) Agricultural credit in countries at different stages of development.
(3) Problem of low-income farmers in countries with population pressure.
(4) Foreign trade in agricultural products — problems and prospects.
(5) Rural unemployment — Role of modernisation of rural industries and location of new (processing and other small-scale) industries in rural areas.

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Water Management in the Seventies

Donald A Williams

The problem of managing water as an agricultural input — along with good seeds, fertilisers, pesticides and mechanisation — is essentially that of effecting a change from the traditional to the modern. Against the traditional approach of using often scanty supplies of irrigation water as "something wet to put on a field", modern water management covers the integrated processes of canal intake, conveyance, regulation, measurement, distribution and use of water on farms as well as removal of excess water from farms in proper amounts and at the right time to ensure maximum crop production and water economy.

Intensification of agriculture through use of high-yielding varieties and fertilisers results in more exacting demands as to timing and amounts of water to meet the increased moisture stress in plants at critical growth periods. Irrigation projects of the future should, therefore, provide for delivery systems which are "controllable" with respect to their capability to deliver water when needed. Also, ground-water development should generally be integrated with surface water development to provide a comprehensive system.

Economies in the use of irrigation water should be a "built-in" feature of future development of irrigation. In essence this means careful selection of soil to be irrigated, cropping patterns with appropriate mixes of high and low water stress crops, methods of irrigation adapted to soil characteristics, slope, crop type and climatic factors, efficient delivery systems, minimisation of evaporation, timing of irrigation to suit crop stages and control of acquatic weeds. To achieve these objectives it will be necessary to pre-plan the interrelated features of agricultural production and engineering through a multi-discipline approach.

Agriculture and irrigation are State Government functions and not until States adopt and implement policies of modernising water distribution and application systems for efficient crop production will there be significant motivation for intensification of agricultural production. Perhaps the studies under way by the Irrigation Commission will focus attention on the need for organisational adjustments at State and Central Government levels to more adequately meet the challenges of efficient water management.

[The views expressed in this article are those of the author.]

AGRICULTURAL water management in India in the decade of the Seventies will likely receive more attention than ever before. This is so because of the growing realisation that both inadequate water when needed and too much water at times are limiting factors to agricultural production.

Surely the importance of water to India's agriculture is not new! Not after the centuries of building tanks, diverting water from rivers into canal systems, and all that! Cultivators and engineers have long worked at supplementing nature's monsoon rains on cultivated land with water transported from near and far. And more recently, with the advent of diesel power and electric energy, more and more water is being lifted from nature's ground water reservoirs in ever greater amounts. So, what's the problem?

Briefly stated, and somewhat overgeneralised, the problem of managing water as an agricultural input along with good seeds, fertilisers, pesticides, and mechanisation is to shift from the *traditional* to the *modern*. Traditional approaches of using often scanty supplies of irrigation water as "something wet to put on a field", rather than timed to crop needs and in amounts adapted to the varying requirements of plants, do not go with a modernising agriculture. The modern management of water for irrigation includes the integrated processes of canal intake, conveyance, regulation, measurement, distribution, application and use of water on farms, as well as removal of excess water from farms in proper amounts and at the right time to insure maximum crop production and water economy.

Need for Change Recognised

In a paper delivered at the International Water for Peace Conference in 1967, Hagan, Houston, and Burgy[1] stated,

> "Increasing crop production per drop of available water requires the skilful combination of accumulated knowledge in many professional fields including engineering; water, soil, and plant sciences; economics; and other social sciences. The preparation of project proposals, their appraisal, and also project implementation and management, call for experienced judgment based on a high degree of professional competence. It is hoped that all concerned will recognise that irrigation projects are complex agricultural development enterprises which require the distribution of controlled quantities of water to suitable areas of land together with a large number of essential complementary inputs if favourable crop production is to be achieved from limited water resources."

The need for change in India from the traditional to the modern is more and more being recognised. Cultivators are learning the value of controlling water supply from their private tubewells. The so-called "Green Revolution" in wheat production in the Gangetic Plain is a direct result of the integrated use of water from cultivator-controlled private tubewells along with new seed varieties and fertilisers. Both agricultural and engineering universities are beginning to give more attention to research and teaching about soil-water-plant relationships. Government officials are giving public recognition to the need for change. Note some of the following quotes.

P R Ahuja, Joint Secretary[2] of the Central Ministry of Irrigation and Power in a paper delivered by J S Kanwar, Deputy Director-General of the Indian Council of Agricultural Research, at the International Water for Peace Conference, said in part,

> "It is essential that whatever water is available is used most economically. Greater emphasis on the scientific water management is required so that every drop of water is used to the maximum advantage.
>
> "Water requirements of crops have been studied thoroughly only in the temperate regions of the world. There is great need for strengthening this work in the developing countries, especially under the conditions of fertiliser applications and use of seeds of high-yielding potential which are increasingly taking root in these areas. Thus as agriculture changes from unirrigated to irrigated, from extensive to intensive, from

subsistence farming to business enterprise, numerous problems of technology arise which require expert help."

The need for problem oriented research, training of farmers in irrigated agriculture, and demonstrations of improved cropping patterns and irrigation techniques was stated by Jayakumar Anagol[3] as follows:

"Properly directed research to find out the appropriate cropping pattern, suitable techniques for land levelling and the optimum utilisation of water should be carried out in the region under well or tank irrigation even before water is made available by the project. Demonstrations on farmers' field of the new techniques of land-shaping and the growing of irrigated crops by well water should be taken up during this period to train at least the pace-setters. Institutions for training of farmers in irrigated agriculture have to be set up and peripatetic training classes of short duration have to be organised on an intensive scale. The training of farmers is a key factor anywhere but more so in India where most of them are illiterate and cannot benefit from the printed word. As irrigation removes the moisture ceiling on crop yield, other management practices such as fertilisation, liming, use of improved varieties and insect and disease control become more critical. Hence demonstrations on farmers' fields have to be organised to illustrate the package of practices both before and during the period of development. Popular misconceptions such as that more irrigation is always better or that fertiliser application necessarily needs more irrigation, etc, have to be removed."

In its report of May 1969 on Modernising Indian Agriculture, S R Sen,[4] Chairman of the Expert Committee stated,

"Irrigation and drainage policies require to be oriented to the needs of modern agriculture. The outlook on irrigation as a means to ensure traditional production has to change and give place to the view that irrigation is an important resource for modernising agriculture.

"It is necessary to formulate long-term and short-term policies regarding water planning, development and utilisation for all purposes agricultural as well as non-agricultural. A review of the existing legislations on the subject and some amendments in them may be necessary.

"Analysis of the existing irrigation works and those currently in hand should be undertaken to examine all aspects of shifting them, wherever economically justified, from protective or "famine relief" concept to productive intensive agricultural use concept."

The Committee on Plan Projects of the Planning Commission in a 1966 report on minor irrigation,[5] among other things, recommended the following:

"There is a great diversity between the different States in planning, execution, and operation of state tubewells. It appears advantageous for a concerted policy for tubewell development in different States with a view to maximum production from the ground water resources.

"Tubewells provide a water resource all year round at the site of use. Thus it is possible to do crop planning on dependable patterns and carry-out scientific agriculture. A clear-cut policy in this direction needs to be evolved through collaboration of irrigation engineers and agriculture staff wherever tubewells are feasible.

"Irrigation is not only complicated but has wide implications impinging on agriculture, on co-operative movement, marketing facilities, transport development, and other disciplines. Keeping all such factors in view it will seem necessary to lay down some concrete policy decisions with regard to further development of irrigation. Further development of irrigation in the country, in fact, poses a variety of problems of unprecedented magnitude.

"It may seem expedient to get this important aspect of our national economy looked into by a high level Irrigation Commission who may study the problems relating to locations, quantitative assessment of resources, creation of irrigation potential, possibilities of its speedy utilisation along with agro-economic, administrative, financial, and other aspects of development of irrigated agriculture from an all-India point of view.

"The Commission's report may provide broad guidelines for further development of irrigated agriculture not merely in its literal sense, but irrigated agriculture oriented basically towards sustained increase in agricultural production."

Thus, we see from these several references that there is a growing understanding, at least at Central Government level, of the need for change in irrigated agriculture from the *traditional* to the *modern*.

Based on first-hand observations I made in India during six visits beginning in 1960 plus discussions with many present and former Indian officials and staff members, I set forth in 1968[6] my appraisal of water utilisation in India. My report, published by the Ford Foundation in December 1968, dealt with two subjects in particular—Unmet Challenges in Water Utilisation and Suggestions Toward Meeting Challenges. Those observations are still pertinent and so I reiterate some of them.

Unmet Challenges in Water Utilisation

Even though there are encouraging signs of progress and there are various activities underway with assistance from outside India on various facets of water conservation, development, and utilisation, only a beginning has been made in adapting water management to intensive agricultural development. But the beginning lends encouragement. India cannot achieve self-sufficiency in its agriculture unless its soil and water resources are developed and utilised. The task is huge. It will involve every level of Government, private enterprise, and the millions of cultivators who till the soil.

Some of the key challenges are as follows:

(1) *Policy.* There must be national, State, and district policy on water utilisation for intensive agricultural development.

(2) *Organisation.* Responsibility for policy decisions and actions on improved water management at inter-ministry, ministry, State and district levels must be fixed and interacting.

(3) *Administration.* Capable administrators for organisational units with latitude for action are essential.

(4) *Skills.* Thousands of professional and sub-professional workers must be educated and trained to do the essential teaching, research, investigation, on-site technical assistance, educational and leadership tasks. Cultivators must learn how to do the essential work on their farms.

(5) *Basic Data.* Inventories of soil suitability and water availability for districts must be assembled to guide planning and action.
   (a) Soil Survey mapping as a basis for valid interpretations must be improved in quality and quantity on a priority basis.
   (b) River basin and sub-basin water resources must be appraised for quality and quantity.
   (c) Research from soil-moisture relationships to water delivery, adapted to India's soil and climatic conditions, must be programmed, implemented and the results utilised.

(6) *Institutions.* Water users' organisations to serve community needs must evolve to develop, operate, and maintain water systems. Legislation at Central and State levels will be needed to enable such organisations to be formed with essential legal authorities.

(7) *Land Ownership and Operation.* Efficient delivery and utilisation of water necessitates viable farm units, the sizes and boundaries of which are consistent with essential water delivery and removal systems. Consolidation of fragmented ownerships will be needed in many instances.

(8) *Services.* The massive and urgent need for various inputs including personnel, materials, and equipment indicates the need for financial and implementing devices for the duration of developmental periods—district by district. Such devices must have competence of administration, integrity of management, and be flexible to the needs.

Suggestions Towards Meeting Challenges

It seems essential to long-term as well as short-term progress that consideration be given by the Government of India, and as appropriate by the States, to goals or targets to be established to:

(1) Provide by appropriate legislative actions policy objectives on water planning, development, and utilisation for all purposes—agricultural and non-agricultural. Legislation could provide for:
   (a) The inventory on water and related land resources on a river basin basis.
   (b) State or inter-State commissions for river basin planning.
   (c) A central GOI cabinet-level inter-ministry water resources commission or council to provide leadership to the GOI water planning functions.
   (d) Policy on the rights of use of water and devices and procedures for resolving inter-State water jurisdictional questions.
   (e) Provisions for creating viable Water Users' Organisations.

(2) Analyses of the completed major and medium irrigation works as well as those under construction to determine:
   (a) Physical limitations and opportunities for adaptation of works to permit delivery of water for intensive agricultural uses.
   (b) Economic implications of adaptations of systems including consideration of sale of water on a quantity delivered basis.
   (c) Social implications of shifting from famine relief concept of design and delivery of water to an intensive use concept.
   (d) Financial requirements for capital improvements to produce changes.

(3) Adoption wherever feasible as a basis for design of future major, medium and minor irrigation systems the policy of intensive agricultural uses of water wherein consumption use requirements plus delivery efficiencies adapted to soil characteristics, cropping patterns, and climatic factors are primary considerations.

(4) Accelerate the emphasis, now beginning, of university education of both agricultural and engineering students in soil-water-plant relationships and the concepts of conservation, irrigation and drainage.

(5) Move forward aggressively under Central Government leadership with water-based research.

(6) Organise and implement more effective on-site technical assistance to cultivators, including training of technicians in on-the-ground handling of water under varying soil and cropping conditions.

(7) At State level, fix responsibility, with latitude for effective administration, as between the Development Commissioner, the Director of Public Works or Irrigation, and the Director of Agriculture for action programmes to be carried out at district level with full recognition of the functions and capabilities of State universities for teaching, research, and education in agriculture.

(8) Provide for district level organisational competence to implement action programmes involving such devices as agricultural development centres as facilitating arms.

(9) Provide mechanisms, such as agricultural development corporations, for quick and adequate services of credit, materials, and equipment.

(10) Continue to encourage through financial support and administrative and programme leadership, the development of minor irrigation and drainage works wherein water users have access to water when needed.

(11) Encourage through appropriate leadership the formation of necessary water users' organisations to operate and maintain water supply and delivery systems.

(12) Aggressively pursue the strengthening of the soil survey at both Central and State levels.

(13) Provide leadership to State Governments to seek adoption of systems of land ownership adjustments to facilitate or make possible the efficient use of water or the drainage of water-logged areas.

The Irrigation Commission was established in 1969 to make a two-year study—the first in over 60 years—of India's present and future irrigation and allied subjects. It will, of course, have a wide diversity of problems to consider. Perhaps some of the following thoughts may be helpful to the Commission as it formulates its long look ahead.

Future Development of Irrigation

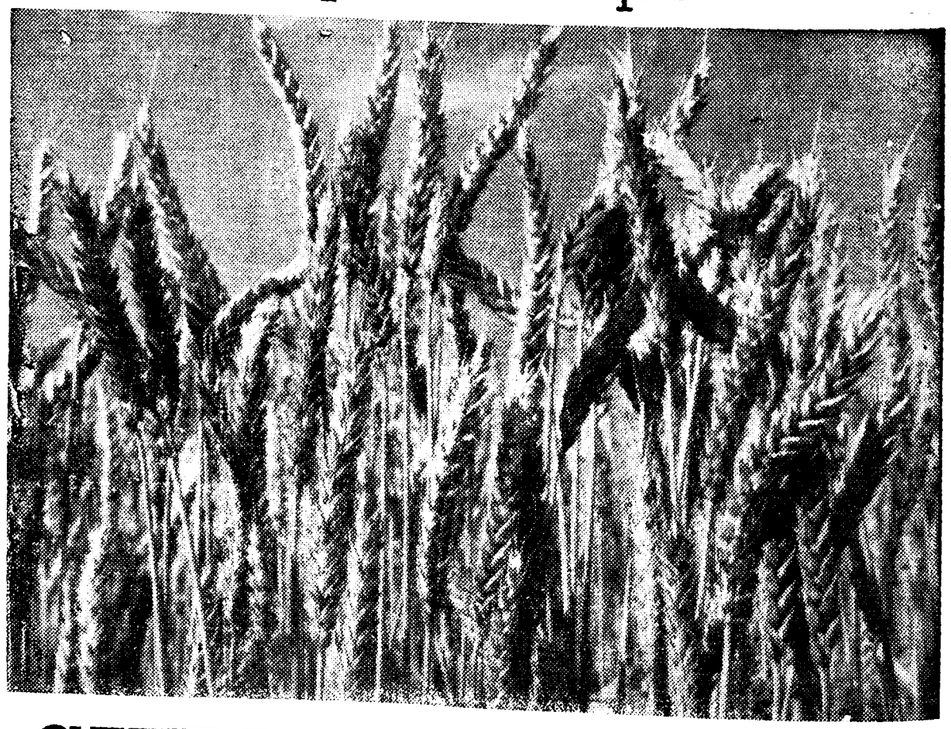
Irrigation projects of the future should provide for delivery systems which are "controllable" with respect to their capability to deliver water when needed. Flexibility in the delivery of water to farmers' fields should be an objective to permit to a greater extent the delivery of water when needed.

Ground-water developments should generally be integrated with surface-water development to provide a comprehensive system. Frequently ground-water reservoirs can be manipulated with heavy pumping during periods of ample surface supplies.

Tubewell development in the private sector in areas of favourable ground-water resources has been a phenomenon of the past decade. Cultivators have proven without doubt that when they can control their own water supply (a built-in demand system) they will use the water and will also use fertilisers, good seeds, and other inputs. The "green revolution" in wheat production has resulted largely in those areas where private wells have provided dependable water supply. No doubt this trend will continue where such wells are feasible. However, it places a high-priority premium upon obtaining reliable ground-water resource information.

Aggressive steps should be taken in those States with opportunities for tubewell developments to (i) obtain the facts about ground-water depletion, if any, and (ii) develop a programme of ground-water recharge to store monsoon season flood-waters for subsequent pumping. Such investigations and plans for recharge would not only provide "insurance" to protect the tremendous investments in a "tubewell economy" but would likely also point

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up opportunities for orderly further development.

In the light of the present and foreseeable technology, it appears that India will never have sufficient water to completely satisfy plant needs. Since water will continue to be a limiting factor of production, it is essential that existing and future supplies of water be used in an efficient manner. Water requirement determinations for future irrigation developments are of utmost importance. Such requirements should be determined not only on a seasonal basis but also on a crop stage basis for peak requirements. Too frequently planners have neglected to take into account the "total water disappearance" in estimating water availability. There are many factors which should be considered in making such determination.

Estimates should be made as to the cropping pattern by seasons with respect to high and low water requirement crops in the mix; the suitability of soils from water holding capacity and permeability viewpoints; unavoidable losses of water to deep percolation, runoff, etc; losses from wastage in field channels and from aquatic or other vegetation; losses in delivery to the farm, and, of course, the leaching requirement and the estimated consumptive use as related to evapotranspiration by monthly or more frequent periods. It should be remembered that the only water that produces crops is that used in the transpiration process. All other "disappearance" is a loss—either avoidable or unavoidable and is mostly undesirable. The objective of good irrigation water management is to reduce the avoidable losses to a minimum while at the same time supplying the varying needs of different crops and maintaining the productive capacity of the soils.

Compatible Drainage Systems

The irrigation water supply system must be supplemented with compatible drainage systems which will remove excess rainfall and the surface or subsurface losses anticipated from the irrigation development. These drainage and water disposal works should be planned along with the irrigation system even though some portions may not be built immediately.

Intensification of agriculture through high-yielding varieties and fertilisers results in intensified demands as to timing and amounts of water to meet the increased moisture stress in the plants at critical growth periods. It is, therefore, essential in estimating water requirements to consider not only one-crop intensification but also the opportunities for double or multiple cropping. If soil suitability and potential water availability are favourable, together with the necessary delivery and disposal system, the multiple-cropping approach should be used. These are basically technical decisions by agronomists, soil scientists and water-use specialists.

Once the engineer has been supplied with the information, or preferably participated in developing it, he can design a water delivery system to the farm and assist with determination by the cultivator of the method of water application—subsurface, surface, or sprinkler. Field channels to serve each basin or field together with essential land preparation can be made consistent with crops to be grown.

Economy in Water Use

Economy in the use of irrigation water supplies should be a "built-in feature" of future development of irrigation. In essence this means (1) selectivity of soils to be irrigated, (2) cropping patterns with desirable mixes of high and low water stress crops, (3) methods of irrigation on fields adapted to soil characteristics, slope, crop type, and climatic factors, (4) efficient water delivery systems, (5) methods of minimising evaporation, (6) timing of irrigation adapted to crop stages, and (7) controlling aquatic weeds. To achieve such objectives will require pre-planning of the interrelated features of agricultural production and engineering in a multi-discipline approach.

Not all soils respond alike to water and other inputs. This principle must be considered in any activities for increasing the efficiency of irrigation supply. In many projects there is more land available for irrigation than there is water. In such cases, in design of the project some consideration should be given to first supplying water to those lands which will give optimum response to inputs without damage to the land. The essential soil survey and land classification, when systematically and competently done, will show the location and extent of such lands.

The integrated use of surface and ground-water necessitates knowledge of availability and dependability of both sources of water supply. It implies use of surface water to replenish, by recharging, groundwater aquifers in times of excess surface flows so that pumping from the groundwater resource may be done in periods of surface water deficiency. But, recharging must be done on a sound professional basis related to geologic and soil information. Like any other water management feature it must be carefully planned.

Chronically Drought Affected Areas

The Ministry of Food and Agriculture has defined "Dry Farming" as the system of growing agricultural crops under low rainfed conditions through a system of soil and water management and efficient use of soil moisture. Available statistics indicate that of rainfed areas sown to crops, approximately 117 million acres are in the *low* rainfall area of 30 inches or less annually; about 73 million acres are in the medium 30 to 46 inch rainfall area; and about 104 million acres are in the above 46 inch rainfall area. It appears, therefore, that the "chronically drought affected area" is some portion of the 117 million acres in the *low* category.

The principles of moisture conservation on rainfed lands are quite well known. For low rainfall dry farming areas, programmes should be tailor-made consistent with soils, climate or rainfall patterns, topography and other permanent features. Such programmes would involve such things as (1) conserving rainfall through induced infiltration by mulches, tillage, and contour operations, (2) minimising evaporation losses, (3) adapting cropping and cultural patterns to moisture deficient conditions, (4) utilising seasonal opportunities for supplementing soil moisture in good deep soils by water harvesting and spreading, (5) reduction of evaporation from tanks and other water surfaces, (6) planning for and stimulating economically viable farm operating units, and (7) providing for community employment opportunities for operators of uneconomic farm operating units.

Adequacy of Water Supply in Major Irrigation Projects

The fact that in several major project command areas far less land has been irrigated than was originally contemplated is a result of several factors one of which is inadequacy of water supply at times and in amounts deliverable to cultivators' fields. No doubt in some cases the suitability of soils for irrigated agriculture was also an important factor.

With intensification of land use as a result of new crops and varieties, plus fertilisation, the water demand has, at least as to timing, changed and generally increased as to peak requirement. Thus fewer acres could be reached in a timely manner with adequate water from systems designed for small quantities to be delivered.

Also, it is likely true that in some instances the original computation of water requirements did not adequately consider likely cropping patterns and their consumptive use requirements together with delivery losses to the farms and avoidable losses on farms.

The net result of all factors was that there was too much land and too little water deliverable by the systems as installed. And, for most land only a small amount of water was available to the cultivator for supplementing an erratic monsoon. Many cultivators, therefore, chose not to gamble on getting irrigation water, for which they must pay, as the odds were against getting what they needed when they needed it.

'Optimum' Intensification

The concept of "protective" irrigation was not all bad — it has had a place in the past and will continue to have one in the future, especially in the higher rainfall areas where in some seasons kharif rainfall is ample. Conversely, the concept of "intensive" all season demand type of delivery is not all good — it has its place now and for the future and, if defined as permitting double or multiple cropping, must have an ever greater place than before. Much of the irrigated areas, however, will of necessity need to depend on an intermediate situation or "optimum" degree of intensification of water inputs for single, double, or multiple cropping patterns. Even this will necessitate "modernisation" of some irrigation systems in whole or in part.

The magnitude of India's present irrigation area, plus projects under construction, makes impractical any sudden conversion from rigid water delivery schedules to demand systems. Instead, a progressive programme of modernisation will be necessary.

Step by step modernisation will likely be more practical, as an initial action, than major redesign and overhauling of all canal systems. However, some of the old systems may also be progressively modernised to permit demand or more flexible deliveries by concentrating on units of the system such as distributories and branches.

Ayacut Development

The lag experienced in medium and major projects between the time canal water is available and the production of irrigated crops was, no doubt, caused by a number of interrelated factors. In addition to a basic problem of education of cultivators as to the benefits to be derived from the project, it has been recognised that the lack of field channels constructed in a timely manner to the farms, the problems and costs of land and farm irrigation system development, and the lack of skills needed by cultivators in growing different crops in an unaccustomed manner are among factors to be dealt with. Basic to the cultivators' problem is whether there will be dependability of water delivery at times and amounts needed.

During the period that the irrigation project is being constructed, work should go forward on the agricultural elements and preparations made to service the great number of farmers who will need assistance when the water is first delivered. Local organisations for construction, operation and maintenance of minor irrigation channels and drains need to be formed and the farmers need to be educated to an awareness of the changes that will be required when irrigation starts. Demonstration farms, if properly installed and managed, can be useful in showing the cultivators the benefits of irrigation and the techniques that must be adopted to use the water successfully.

Few States have adequate organisations or facilities to assist cultivators with the unique problem they have in preparing their land for irrigation and in applying water. Competent technical services should be available to cultivators. Since proper design of the on-farm irrigation facilities must also take into consideration requirements for subsurface and surface drainage, erosion control and protection from external sources of sediment and flood water, a technically competent organisation should deal with all the problems mentioned.

Agricultural Water Management

Agricultural water management requires that physical facilities for water control be incorporated in the project works and installed on the agricultural lands. These then must be managed and operated for the purpose for which the works were installed. Water management therefore may be broken into two elements, (1) that of providing the needed facilities and (2) the proper operation of the installation on the project or on the farm. The first can be attained by proper design and construction; the second will require the training of officials and cultivators to recognise needed changes in the moisture environment and to operate the works to attain the desired effect.

Management of water cannot be disassociated from the management of land. Soils and land are complex. With the use of a *classification system*, soils can be grouped into interpretive classes, their location mapped (on aerial photos), and their response to management under alternative cropping patterns can be predicted.

Many predictions of soil behaviour under irrigation can be made. Among the more important are (a) extent and location of areas suitable for irrigation, (b) crops that may be grown and yields that may be expected, (c) problems in drainage, salinity or alkalinity that may arise, (d) need for special reclamation practices, (e) water delivery requirement under alternative cropping patterns, and (f) soil and water management treatment needs.

Water Management for HYV

Traditionally in India, the water requirement for crops was primarily related to the plant itself rather than to climate. Hence the water requirement estimated for a crop in one agro-climatic region was sometimes considered applicable to other areas. In some cases water needs estimated for one command area were applied to other areas where soil, climate, and cropping patterns might be quite different. In the light of modern concepts and knowledge there is an urgent need to up-date concepts and practices in irrigation and water use.

The new, high-yielding varieties of crops are frequently of short duration although their potential yields are much higher. In other words, their productive capacity per day is considerably increased and the plant apparently operates at a much higher rate of physiological activity. Thus it is more sensitive to limitations in productive inputs, including water. Shortages, excesses, and poor timing of irrigations are likely to lead to more drastic losses in productivity than experienced with the older, less productive varieties. Water

management with respect to crop requirements becomes much more critical but the total amount of water used is not necessarily greater, provided water delivery and application methods are not wasteful. High-yielding varieties are generally more efficient in water use, that is they produce a higher yield per unit of water. Timing of irrigation operations in relation to crop requirements and climatic conditions, however, becomes extremely critical.

The efficient but practical application of water to the soil to meet crop needs necessitates using such surface methods as closed basins, border strips, corrugations and furrows, as well as sprinklers where applicable, adapted to the infiltration rate and water-holding capacity of the soil. Once the method of water application has been adapted to the soil and crop, the stream size or rate of water application needs to be adjusted to the method of application and controlled accordingly. In choosing among alternatives for recommending irrigation methods to cultivators, the professional must consider the benefits and costs (economics) as well as the efficiency of soil and water use.

Sprinkler systems are the best method for irrigation where soils are excessively permeable; or are of shallow depth insufficient for levelling; or for rough topography, or where only small quantities of water are available.

A modern irrigation system for rice production, in lieu of field to field overflow, would terminate at fields that have been consolidated, levelled, and graded. The field channels from the main source would be brought to the field and the drains would be extended up the slopes in a network of collecting ditches. As water would be conveyed separately to each field or plot, all fields could be flooded simultaneously or in sequence. By opening and closing field inlets, each field could be given an irrigation suited to its crop cover and stage of maturity. By allowing water to stand and be removed only by evaporation, transpiration, and soil percolation there would be a minimum loss of applied chemicals. Separate drains for each field would permit any field to be drained to allow the crop to ripen and be harvested regardless of the stage of maturity of crops on adjacent fields.

Modernising irrigation methods and cropping patterns consistent with water availability is a huge task and one that will require strong Central and State Government leadership and competence; organisational competence in technical assistance and cultivator education at the district, block, and village levels; and, the timely provision of associated inputs. But, the task can be done. Whether it gets done will, to a major extent, determine India's progress in modernising its agriculture.

Floods, Waterlogging and Drainage

The annual toll of floods in India in loss of life, property, agricultural production, and the damages to public facilities surely implies the need for programmes not now adequately in existence. Water which runs off from relatively flat fields because of soil compaction is needed in the soil for crop production; water from tributary streams causing flooding could be retained, on a planned basis, in reservoirs serving village communities for surface irrigation or, in some cases gradually released to the stream channel for groundwater recharge; flood waters from large catchments could, in part, be stored in multiple-purpose reservoirs or in groundwater aquifers as an integrated feature of river basin development. Denuded forest lands could be reforested for timber and fuel production and to reduce the rate of runoff and to stabilise sediment producing areas of catchments — sediment that is stealing away storage capacity needed now or in the future.

Combinations of soil management and catchment area treatment with small "upstream" self-operating reservoirs and major storage could put needed water and soil (sediment) to work in lieu of the havoc of unwanted water and pestilence. The proof of the benefits of such programmes is evident in many countries.

Drainage Problems

Drainage problems result from monsoon rains with intensities greater than soil infiltration and where there are inadequate disposal systems. Also, many irrigation projects fail because of the lack of drainage for excess water from irrigated fields and from canal leakage. When the underground water is too close to the surface, water rises by capillary action and evaporates at the surface, a residue of salt remains on the fields and the productivity of the land gradually diminishes. Drainage of excess irrigation water to permit salinity control is as important in the long run as providing irrigation water in the first place.

In some irrigated areas, where the geologic formation and soil permeability permit, open well and tubewell construction should be encouraged as a means of reducing waterlogging and to supplement gravity sources of irrigation water. Shallow tubewells or open wells are especially suited for this purpose. For soil areas and geologic formations which do not permit drainage by wells, the disposal of water by open drains will be essential to remove excess irrigation (and monsoon) water to prevent waterlogging and salinity.

The distinguishing mark of an inadequately designed irrigation project, which is doomed to failure, is that provisions for drainage are not incorporated into the project as a part of the total system.

The prevention or alleviation of monsoon rain drainage problems should first begin with inducing infiltration of precipitation into the soil by soil management or retaining of rainfall by broad base terraces or *contour* bunds to increase infiltration. Drainage outlets to relieve ponding will still be necessary in many soil areas. Surface drainage problems in many parts of India have been greatly aggravated by roads, railroads, canals and distributaries which cross natural channels forming barriers to normal drainage. Highway engineers and agriculturists might well co-operate to convert pits along highways into effective drainage channels.

Water supply forecasting and flood warning by river basins are services which can not only reduce human suffering and loss of life, but enable cultivators to better plan their farming operations without so much loss of production inputs. Reliable forecasting of the seasonal availability of water supplies for irrigation would encourage better farming practices thereby improving upon the efficiency of agricultural production.

Research and Experimentation

The need of and a plan for research on water use and soil management was reported[8] to the GOI in 1967 by a joint team composed of the Indian Council of Agricultural Research and the US Department of Agriculture under USAID auspices. That report is comprehensive as to needed water use research. Some of the recommendations in the report have been or are planned to be implemented. However, much greater attention and emphasis is needed on priority items.

The establishment of a Water Technology Centre at the Indian Agricultural Research Institute is a major step

to aid the Central and State Governments to focus attention and talent on needed research as well as in teaching and training. The WTC plans to work closely with the irrigation institutes as well as the State agricultural universities.

During the past two years much has been done by ICAR and its affiliated institutes, through All-India Co-ordinated Schemes, to reprogramme water research. The establishment by ICAR of a Central Soil Salinity Research Institute at Karnal and the Water Technology Centre at Pusa are strong evidence of intent to move forward with research, education, and extension in both soil and water management. The 1970s should see the implementation of interdisciplinary research of major significance to modernising agriculture. However, while there will be immediate benefits it is likely to be the subsequent decades that will mostly benefit from such technology as it evolves.

Role of State Governments

But, what of policy formulation and of putting into practice the available technology in the years ahead? The current studies by the Irrigation Commission, scheduled for completion in 1971, will likely give further emphasis to needed Government of India policies for improved agricultural water management. However, agriculture and irrigation are State Government functions. Not until the States adopt and implement policies of modernising water distribution and application systems for efficient crop production will there be highly significant motivation for intensification of agricultural production.

Cultivator education on improved water management is essential. While it is necessary for GOI and the States and their institutes and universities to exert more leadership for and provide more support to cultivator training, the task will of necessity involve the entire agricultural infrastructure.

There is also in India the great need for organised efforts of cultivators to manage the delivery of water and to operate and maintain distribution systems. Perhaps the studies underway by the Irrigation Commission will also focus additional attention on the need for organisational adjustments at State and Central Government levels to more adequately meet the challenges of agricultural production requirements.

Notes

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2 "Problems of Semi-Arid Zones", P R Ahuja, Joint Secretary, Ministry of Irrigation and Power, Index, Volume I, International Conference on Water for Peace, May 1967.

3 "A Strategy for Ayacut Development under Major Irrigation Projects", Jayakumar Anagol, *Economic and Political Weekly*, Volume IV, No 26, Review of Agriculture, June 28, 1969.

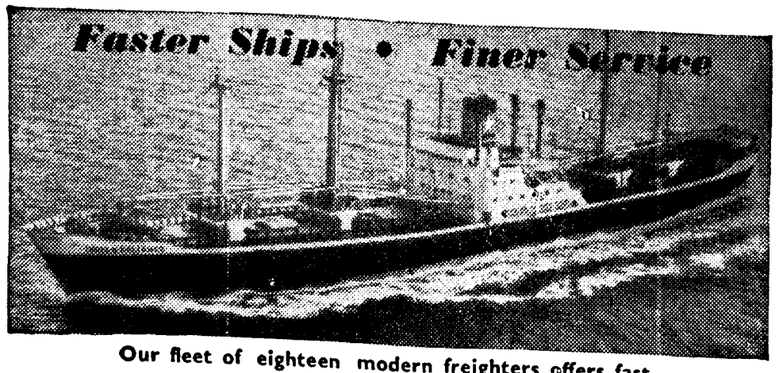
4 "Modernising Indian Agriculture", May 1969 by S R Sen, Chairman, Expert Committee on Assessment and Evaluation of IADP.

5 "All-India Review of Minor Irrigation Works", 1966, Committee on Plan Projects, Planning Commission.

6 "Water Utilisation in India", December 1966, Donald A Williams.

7 "Special Districts and Mutual Companies — Predominant Local Water Organisations in the United States", by Ivan Hanson and William Dyer Anderson, International Conference on Water for Peace, 1967.

8 "Need of and Plan for Research on Water Use and Soil Management Towards Meeting India's Food Shortages", A report by ICAR, USAID, and USDA, 1967.



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Mechanisation and Rural Employment

With Some Implications for Rural Income Distribution

Martin H Billings

Arjan Singh

This paper attempts to infer the influence of technological changes in farm production methods on employment and income distribution among cultivators and agricultural labourers from a physical projection model. Although a less-than-perfect vehicle for such analysis, the model can provide insight into the pattern of labour displacement, its possible rate and the composition of displaced farm workers.

An attempt will be made to associate the composition of rural labour force with (1) specific production activities; and (2) farm sizes, such that we can have some grounds for associating the effects of technical changes upon employment per work group. Also, an examination will be made of the implications of alternative modes of tractor ownership upon custom operations for non-owners regarding both employment and the ability of the latter to share in new income opportunities.

[The views expressed in this paper are the authors' personal views.]

THE projection model represents one path of adoption of non-conventional energy which may be followed in Punjab-Haryana* over the period 1968-1984, following from the seed-fertiliser revolution of the late 1960s, based on estimates as to trends in rural population, cropping patterns, rate of adoption of new technical innovations and imputed rates of labour-machine displacement.[1]

Background to Mechanisation in Punjab-Haryana

The rural labour force in Punjab, although very dense, is atypical of India as a whole. The proportion of farm workers, who are landless labourers is the smallest in India (12 per cent). About 60 per cent of rural households are cultivators, six per cent are landless labourers, 50 per cent of the households own land and only 12 per cent of the total own so little land as to have to supplement their farm incomes with wage employment. We estimate that at the present time about 50 per cent of the rural households in Punjab-Haryana may rely upon extra income from some members of their families to support the farm family as compared with nearly 90 per cent in Uttar Pradesh and 80 per cent in Andhra Pradesh and Tamil Nadu.[2] Such employment may be seasonal and may fluctuate between the urban and rural sector.

Inter-sectoral movement is comparatively easy in Punjab-Haryana in that north-west India is unusual in processing so many middle-size towns; few farms being more than 12-15 miles from a market town of more than 20,000 persons. These towns have become poles for the development of numerous small businesses. Their effect upon the rural working population can be measured in part by the decline in proportionate strength of the farm work force from 67 per cent in 1951 to 59 per cent in 1961. The decline appears to be in the order of five per cent annually which is bound to greatly affect the rural labour supply in another 15 years. This shift appears to have been especially marked amongst the landless, women and the young, such that the composition of the landless labour force is tending toward one of older males.

Farm labour, the demand for labour and the pattern of labour transfer are involved with land-ownership, tenancy and distribution of farm size. Here too north-west India differs. Punjab farms are on the average nearly twice the all-India size (about 12 acres) and are more typically viable family operations at smaller sizes (about 2½ acres if watered). The representative farm has some irrigated land, is consolidated, supports a team of bullocks; is likely to be near a paved road and grows an extra crop annually. Tenants play an important role; but many fall under this classification through the common practice of renting in additional land to permit expanded operations.

Since 1965 the acreages under HYV have risen sharply; exceeding planned targets in several districts. Wheat yields especially have risen, causing farm labour to be much more in demand during rabi harvest at a time

* Punjab and Punjab-Haryana will be used interchangeably.

Table 1 : Proportion of Cropped Area in Punjab-Haryana Estimated to be Affected by Selected Technical Changes, 1968-84

	Period Ending	1968-69	1973-74	1978-79	1983-84
		(percentages)			
I	HYV Wheat : Per cent of irrigated area	50	80	90	95
	Paddy : -do-	20	50	75	80
	Hybrid Maize : -do-	15	30	45	60
	Hybrid Bajra : -do-	6	30	55	60
II	Pumpsets : Per cent of area irrigated by sets to total irrigated area	24	45	59	60
	Wells : -do-	22	10	6	4
	Canals : -do-	54	45	35	36
	Total irrigated area	100	100	100	100
III	Wheat threshers : Per cent of wheat crop mechanically threshed	50	90	100	100
IV	Reaper : Per cent of area under wheat mechanically cut	—	10	30	50
V	Tractors : Per cent of area expected to be covered	3	10	15	20

TABLE 2: CUMULATIVE CHANGES IN DEMAND FOR HUMAN ENERGY FROM CONVENTIONAL TECHNOLOGY THROUGH POSTULATED INCREMENTAL CHANGES

(in millions of man days)

	July	August	September	October	November	December	January	February	March	April	May	June	Total
1968-69													
Conventional (i)	50.21	38.73	54.40	100.46	68.55	30.36	40.34	24.62	32.98	68.04	65.42	34.54	608.65
(i) with HYV (ii)	51.25	39.75	52.30	95.19	81.59	37.66	42.88	26.15	30.34	76.36	75.31	35.56	644.34
(ii) with pumpsets (iii)	51.25	37.66	50.21	93.09	79.50	34.52	40.79	23.01	27.20	74.27	73.22	33.47	618.19
(iii) with wheat threshers (iv)	51.25	37.66	50.21	93.09	79.50	34.52	40.79	23.01	27.20	74.27	41.84	33.47	586.81
(iv) with cane crusher (v)	51.25	37.66	50.21	93.09	41.84	33.47	39.75	21.96	26.15	74.27	41.84	33.47	582.62
(v) with corn sheller (vi)	51.25	37.66	50.21	92.05	78.45	33.47	39.75	21.96	26.15	74.27	41.84	33.47	580.53
(vi) with tractor (vii)	50.31	37.35	49.58	91.11	77.51	33.47	39.75	21.65	25.52	73.97	41.54	33.15	574.91
(vii) with reaper*													
(i-vii) net change	+0+10	— 1.38	— 4.82	— 9.35	+ 8.96	+ 3.11	— 0.59	— 2.97	— 7.46	+ 5.93	—23.88	— 1.39	—33.74
1983-84													
Conventional (i)	62.10	55.57	69.60	135.33	96.88	41.63	64.49	39.17	50.69	90.35	87.19	47.57	840.57
(i) with HYV (ii)	66.81	62.04	63.23	120.49	134.81	60.84	72.77	42.95	52.49	110.95	114.53	50.10	952.01
(ii) with pumpsets (iii)	64.42	56.07	56.07	113.34	126.46	53.68	63.23	34.60	42.95	106.18	108.56	41.75	867.31
(iii) with wheat threshers (iv)	64.42	56.07	56.07	113.34	126.46	53.68	63.23	34.60	42.95	100.18	52.53	41.75	805.28
(iv) with cane crusher (v)	64.42	56.07	56.07	113.34	126.46	52.49	59.65	27.44	40.56	100.18	52.53	41.75	790.9
(v) with corn sheller (vi)	64.42	56.07	56.07	100.21	120.49	52.49	59.65	27.44	40.56	100.18	52.53	41.75	771.86
(vi) with tractor (vii)	56.67	52.59	53.09	93.05	114.52	48.32	59.06	25.06	37.58	99.60	48.93	38.17	726.63
(vii) with reaper	56.67	52.59	52.09	93.05	114.52	48.32	59.06	25.06	37.58	67.38	48.93	38.17	694.41
(i-vii)	— 5.43	— 2.98	—16.51	—42.27	—17.64	+ 6.69	— 5.43	—14.11	—13.11	—22.97	—38.26	— 9.40	—146.16
Per cent change 1968-69	— 1.9	— 3.6	— 8.9	— 9.3	+13.1	+10.2	— 1.5	—12.1	—22.6	— 8.7	—36.5	— 4.0	— 5.5
Per cent change 1983-84	— 8.7	— 5.4	—23.7	—31.2	+18.2	+16.1	— 8.4	—36.0	—25.9	—25.4	—43.9	— 19.8	—17.4

Note: Effect of the introduction of new technology on energy needs : While high-yielding varieties increase labour requirements of various operating by, 20 to 50 per cent, the trade-off in labour demand for various mechanical devices has been introduced at the following rates : (i) Pumpsets : rated at 1/4th of the man-hours required with persian wheel. (ii) Wheat thresher: rated at 1/4th of the man-hours required with the indigenous method. (iii) Tractors : rated at 1/5th of man-hours required with bullock-drawn implements. (iv) Reaper : rated at 1/5th of the man-hours required with the traditional method. (v) Corn shellers : at 1/7th of the manual labour formerly required. (iv) Power cane-crusher: at 1/5th of the manual labour required with indigenous method.

* Reaper is not available on farms in this period, so no separate estimate is included.

when the rural labour force as a whole seems to be in decline. As a result average daily farm wages have nearly doubled since 1964. Farmers have responded to labour shortages and costs by substituting a more capital-intensive technology for critical activities where they are normally reliant upon non-family labour, or where the yield-increasing opportunities are dramatic—notably to mechanised pumping.

There are at present 100,000 pumpsets in use, 100,000 threshers and over 20,000 tractors in Punjab-Haryana. These figures represent a multifold increase in each case over the past decade and especially since 1965. The essential economic and technical chemistry which produced this increase remains intact and is likely to remain, although at a reduced intensity through the immediate plan periods.

Methodology

(a) SUPPLY OF HUMAN ENERGY

The main sources of conventional energy available to Punjab farmers for crop production are human beings and animals. As the population multiplies, these supplies will grow over time.

The projection for human population are based upon the parameters estimated by the Expert Committee on population set up by the Planning Commission. Of the three sets of projections based on three alternative assumptions on future trends in fertility (high, medium and low): we have selected the medium set for our study.

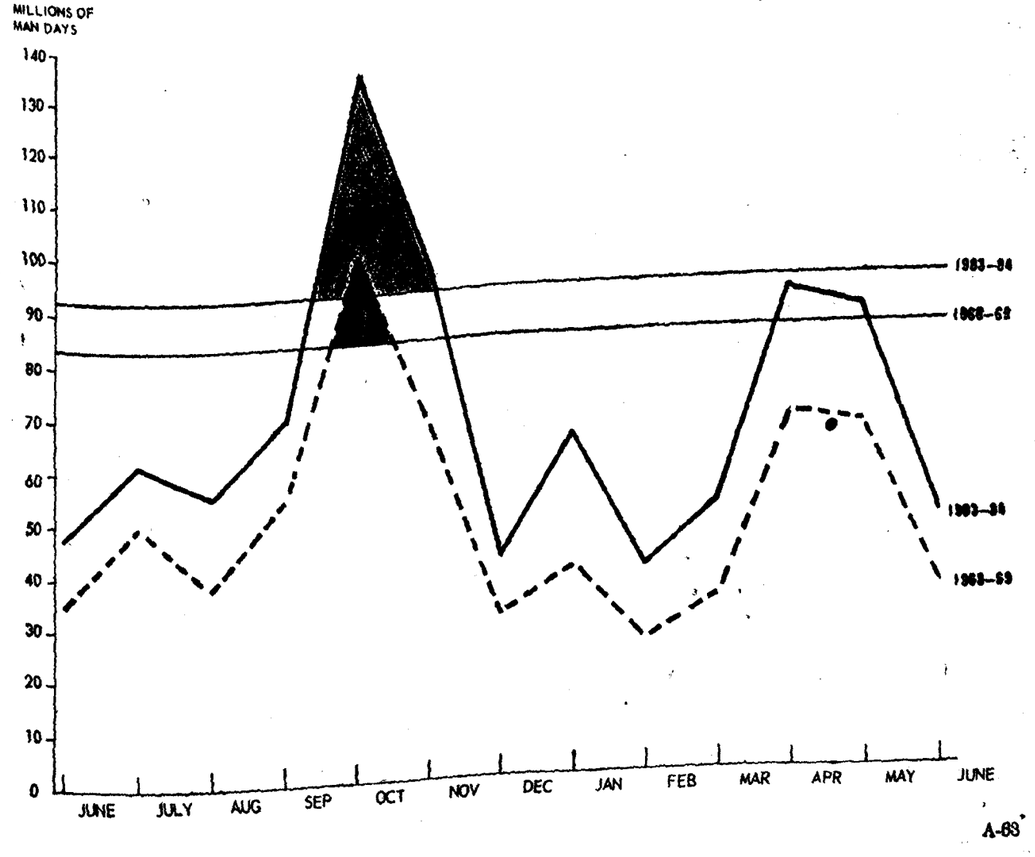
From the total population, the labour force projection has been made on the basis of participation rates in 1961 which was observed to be 34.95 per cent. In all the previous censuses since 1921, except in 1951 census, the rate was about 35 per cent. This method was adopted as it was not possible to set up a trend over time due to varying definitions of workers in the different censuses.

The farm labour force has been calculated as a residual from the total work force after estimating the rate of growth of non-farm employment. Taking into consideration the rate of growth in off-farm jobs during 1951-61 and 1961-65 and plans of the State Governments of Punjab and Haryana in respect of the development of non-farm sectors, the growth rates of non-farm employment have been assumed to be 3.5 per cent and four per cent for the periods 1961-64 and 1964-68 and five per cent from 1968 to 1983.

The farm worker classification represents two groups: cultivators and agricultural labourers. Cultivators include all persons who own or hold land and work on it, that is full-time operators, tenants, owner-cum-tenants and operators, who earn a part of their income off-farm. Agricultural labourers are those who sell labour to farm operators for wages in cash, kind or share of the produce.

The distribution between the sexes and two categories of farm workers has been made on the basis of observ-

FIGURE 1: DEMAND FOR HUMAN ENERGY—USING THE CONVENTIONAL TECHNOLOGY, 1968-1984



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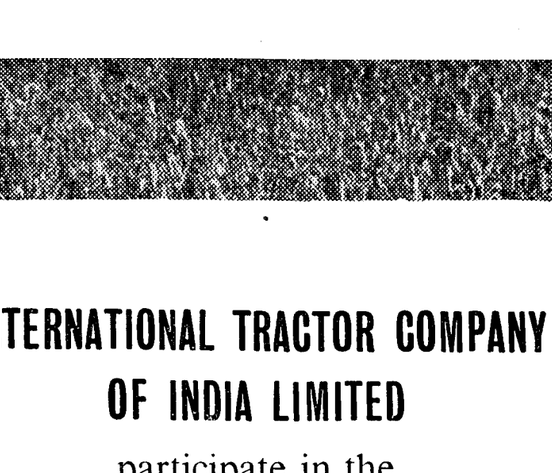
participate in the

Nation's Green Revolution

by providing

International Tractors-B-275
& Implements

manufactured at their Kandivli plant
in Maharashtra.



ed changes in the participation rates between 1951-61.

The farm labour force thus calculated is composed of workers of all age groups. By taking the working capacity of minors (0-14 years) and aged persons (60 years and above) equivalent to one-half of the workers in the age group 15-59 years, and of the female workers as 3/4th of the male workers, the effective working force in terms of male adult units was worked out. The figure thus arrived at, is roughly 86 per cent of the total numerical strength of the workers.

Given the total strength of agricultural workers on Punjab farms the share of energy supply used for farm operation has been calculated on the assumption that the average worker will be able to devote 20 days in a month to crop production. The rest of the time he will have to attend to animal husbandry, private and social activities, or he may not be able to work due to bad weather.[3]

Demand for Human Energy

The requirements of human energy for crop production have been determined on the basis of:

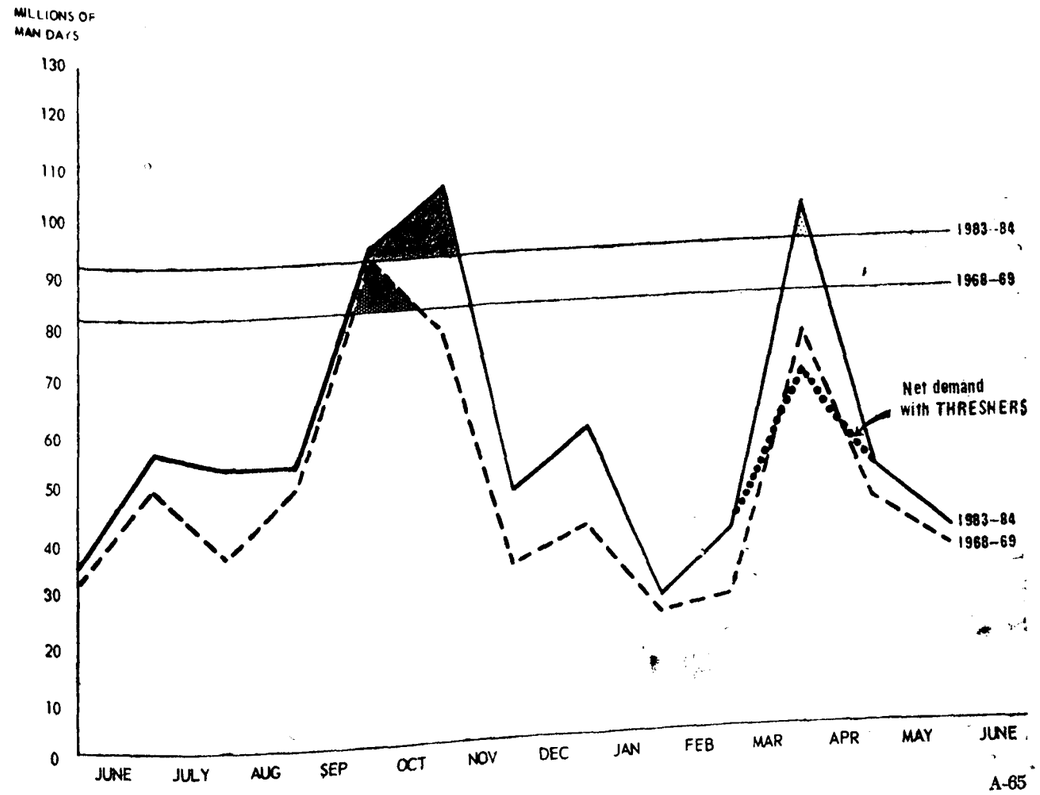
(a) expected cropping pattern over the projected years, and
(b) physical inputs of labour.

The projection of the cropping pattern involved the estimation of land use pattern by extrapolating the past trends in total arable land and uncultivated areas and taking the net sown area as residual. The net sown area was then broken up into two classifications, irrigated and unirrigated, the former having been worked out taking into consideration the projections of the Planning Commission. The gross cropped area was estimated by assuming separate crop intensities for the two parts, based on trends in crop intensities observed for the irrigated and unirrigated areas during the period, 1950-51 to 1964-65. The gross cropped area was distributed over various crops by fitting a straight line trend to the percentage of each crop to total area for the period 1953-1968, and determining the limits of variation and optimal cropping pattern by using modified linear programming approach.[4]

The farm management and cost of production studies were used to estimate the per-acre labour requirements of crops for various agricultural operations. These figures were split up amongst the months according to the timing for performing various crop operations. The energy requirements of different crops and the total monthly requirements for the State were then worked out by simple mathematical process of multiplying the man days per acre times the number of acres under various crops and then adding them up.

Finally, based upon the best estimates from experts, our own observations, recent trends and present plans, estimates were made of the impact of the studied technologies upon Punjab-Haryana agriculture as represented by

FIGURE 2: DEMAND FOR HUMAN ENERGY—USING THE CONVENTIONAL TECHNOLOGY WITH HYV, PUMPSETS, THRESHERS, CORNSHELLERS, CANE CRUSHERS AND TRACTORS, 1968-84



acres affected over the study period (Table 1). These technical changes are considered below.

Technical Change in Punjab-Haryana

We consider the effects upon the demand for human labour of seven technical changes; HYV, pumpsets, threshers, tractors, cane crushers, corn shellers, and reapers. None of these technical changes represent a sharp break from trends presently visible in Punjab-Haryana. Technically HYV are not usually thought of under this classification. Practically, however, their presence demands better irrigation facilities which means intensive mechanised irrigation; and later mechanised harvesting and threshing. The HYV demand faster seed-bed preparation to gain full benefit from their shorter duration through multiple cropping. In the context of proper economic incentives the HYV are the thin edge of the wedge which will very likely lead to the progressive mechanisation of agriculture, although their short-run effect is labour-intensive.

The HYV with fertilisers are an input which is largely neutral to scale, being highly divisible, and are a technology open to any farmer on rain-assured or irrigable acreage. In the latter regard, however, the ability to level land (about Rs 600 per acre) and then own or obtain custom water, is one constraint facing smaller farmers in switching to the new varieties. To the extent to which water is available the seed fertiliser technology is one open to farmers of all scales of activity.

The provision of intensive irrigation on the farm site, owned by the farmer, is a lumpier input and is more sharply related to scale. A tubewell and pumpset will cost a farmer from Rs 6,000-10,000 depending upon local circumstances. However, once in operation, owners have an incentive to sell water to help to recover their investment and this practice is spreading. Again, small farmers can only share in this insofar as they are able to prepare their land for irrigation water which may reduce water sales as much as crimps on the supply side. Typically farms large enough to support a team of bullocks (7-10 acres) appear equally able to support a pumpset (although not a tubewell) which may be put upon a dug well or channel. Tubewells are unusual on farms of less than 15 acres in size and usually function on farms of greater than 30 acres. Nonetheless, the number of farms which will buy such equipment will likely be very large over the study period, and we expect the proportion of the irrigated area serviced by them to increase from 24 per cent today to 60 per cent by 1984. Very considerable effect on yields, farm income, and the need for labour can be expected to follow from this transformation.

Mechanical threshers have been introduced very rapidly. These are

FIGURE 3: MAN-DAYS DISPLACED—MONTHLY—FROM SELECTED CHANGES IN FARM TECHNOLOGY IN PUNJAB-HARYANA —INCREMENTAL AND TOTAL, 1984

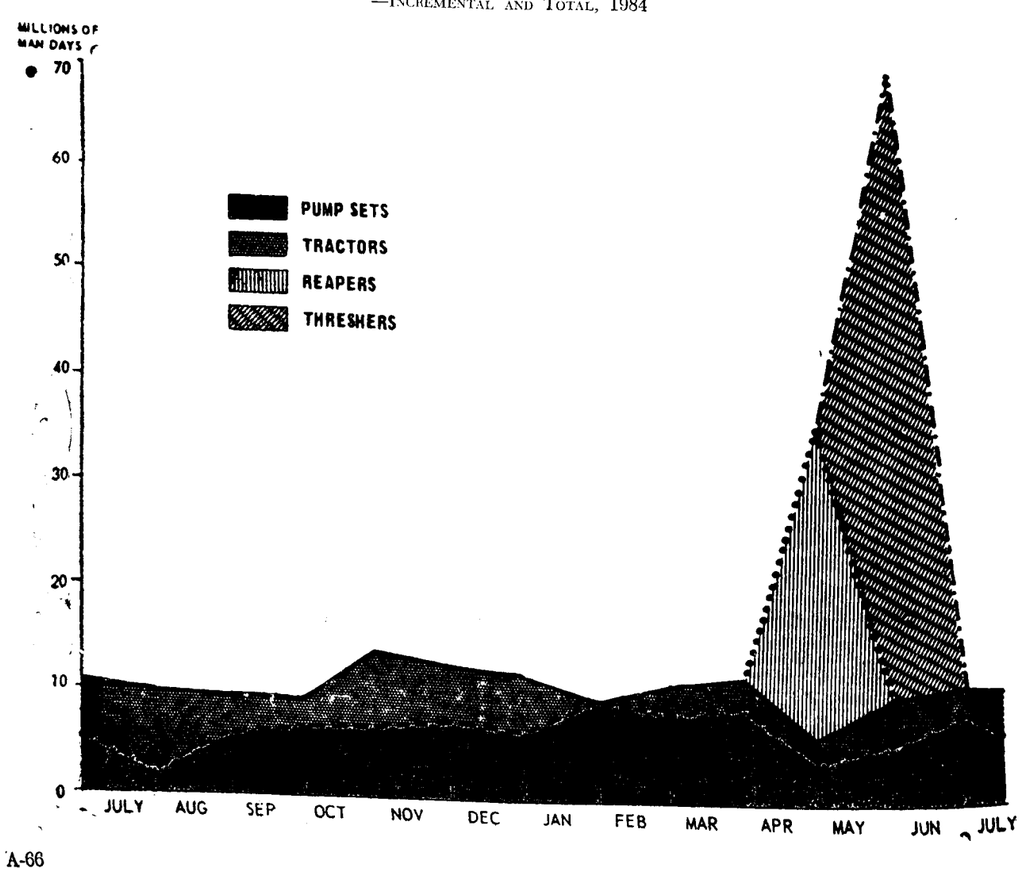


TABLE 3: POSSIBLE OWNERSHIP MODEL OF 200,000 TRACTORS IN PUNJAB-HARYANA IN 1984

	Operating Households 15-30 acres	Operating Households 30-above	Projected Per Cent of Each Group Owning Tractors		No of Tractors	Per Cent of Net Area Sown
1968-69	330,000	133,000	2	10	20,000	3
1973-74	„	„	10	40	86,000	13
1978-79	„	„	20	60	146,000	22
1983-84	„	„	30	80	205,000	31

locally produced equipment, and are easy to manufacture. In 1964 there were only 5000 such machines in operation; in 1969 100,000 which threshed an estimated 50 per cent of the total wheat crop. Owners usually set up their machines along highways or in the fields and farmers bring their crop to the site. The operation is therefore both custom and entirely neutral to scale. Its economies are so clear (about 5-6 times as fast as the traditional system) that it is only a question of time before almost all wheat is so processed. It is also very highly displacing of labour—about 42 per cent less being required by the thresher from the conventional system.

The extra yields from the HYV have caused April to be a difficult month for cutting as well. Labour wages have reflected this and in some areas demand has outstripped supply at almost any price. A market for rapid mechanical reaping has consequently come into existence rather suddenly with the change in varieties, and prototype machines are already in the field. A really suitable machine has yet to be developed but by the latter part of the decade there is no reason to believe that such equipment will not be widely available and making an impact on production costs and the demand for labour. We estimate that 10 per cent of the total wheat crop will be mechanically cut by the end of the Fourth Plan and that this share will rise to 50 per cent by 1984. These are admittedly very speculative figures, but they represent a very real technical change that will surely come. The machine will be less neutral to scale than threshing equipment as it must be moved into a field, of which many smaller ones may be awkward to cope. To what extent these machines will be purchased by larger farmers and later custom operated, or operated as a pure custom service cannot be guessed today; the pattern will, however, be important. Yet as the machine becomes more common, custom will surely spread and the effects of the machine more widely felt.

The effect of the tractor will be considered in detail below. We considered the impact of the imported combine on Punjab-Haryana agriculture but decided, given its large initial cost (Rs 70,000—120,000), that it would not likely become an important factor, over the study period. The Punjab State Agro-Industries Corporation has initiated custom service with 10 harvesting combines this year. The total impact of a few dozen or even several hundred machines is not likely to be substantial until a cheap machine can be locally manufactured.

Effect of Technological Changes upon the Demand for Energy

Having separately surveyed a small host of technical changes likely to materially affect crop production in Punjab-Haryana over the coming three Plan periods we can examine the final form taken by the demand for energy, and note its implications. These implications will be both superficial and profound. Superficial in that some minor reorganisation of work tasks will be possible, involving more efficient (and perhaps welfare-biased) use of women and children which will have little effect upon labour demand and crop yields. Profound in the sense that farms which adopt the more capital intensive inputs or make adjustments needed to buy them as divisible inputs (selling off bullocks, releasing hired labour, etc) will be involved in an irreversible process of innovation with widespread effects both on and off farm.

Hitherto, farms responded to market incentives with little technical change — moving to, or along, their production function: using land and other fixed inputs more intensively. This was in part due to lack of alternative technologies and risk aversion but also due to a lack of supply of inputs, credit and so on. The seed-fertiliser revolution has permitted market opportunities to be met with technical inputs within the reach of most farmers, while quantities of these inputs have become available in the context of adequate economic incentives.

Each of the new technical inputs has a separate and distinct effect upon the demand for human energy. For convenience, emphasis has been placed upon 1968-69 (by which time all of the innovations except reapers had appeared) and the terminal year 1983-84 (Table 2). In the base period the cane crusher and corn sheller had as yet little impact. Pumpsets still accounted for a quarter of the irrigated area and tractors were a minor factor. The HYV programme, however, which has seen a very rapid development in Punjab-Haryana, was already of sufficient magnitude to affect the demand for labour and begin to shift its pattern of energy need. But the total impact of the selected non-conventional innovations must be considered as small in the base period.

Of themselves, HYV appear to increase both the demand for human energy and animal power by six per cent over the whole year, but has the double effect of moving the peak demand from October to November, which period is already in deficit, and greatly increasing the demand in April-May. Pumpsets reduce total human demand by four per cent from this new level; threshers, a further five per cent and tractors by 3.5 per cent; such that the overall demand for labour is reduced 13 per cent from the new peak level of demand with HYV in 1968-69 as a result of these innovations.[5]

Farm machinery is expected to become a common feature in Punjab farm practices by 1983-84 when it seems possible that nearly 100 per cent of the wheat will be mechanically threshed; 100 per cent of the corn mechanically shelled; 20 per cent of the gross cropped area tilled by tractors and 50 per cent of the wheat mechanically reaped (Figures 1 and 2). Pumpsets will feed 60 per cent of the irrigated area and irrigable areas will be largely irrigated. These changes from the conventional technology are altogether feasible if no radical changes occur in public policy regarding mechanisation and if the relationship between farm costs and prices remains sufficiently favourable (which need not be as favourable as they are in 1968-69).

With the above changes in the methods of crop production, total human energy demand overall will be reduced nearly one-fourth (Figure 2). The greatest displacement will occur in April-

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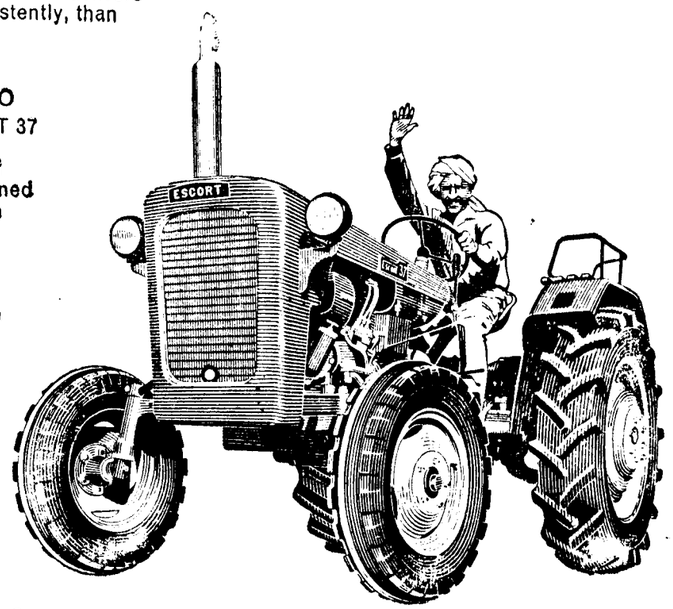
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TABLE 4: INCREMENTAL CHANGES IN DEMAND FOR HUMAN ENERGY RESULTING FROM CHANGES IN TECHNOLOGY, 1968 AND 1984.

(Millions of man days)

Technical Change	HYV	Pumpsets	Threshers	Reapers	Tractors
Labour add (+) or displ (−)					
1968	+ 36	−26	−32	*	−18
1984	+112	−85	−62	−32	−90

*None in 1968

May when demand will fall by 26 per cent and 48 per cent, respectively. April is the harvest period when labour is in greater demand than at any other time and mechanical threshing will displace nearly 42,000,000 man days. Tractors and pumpsets are seen to be equally displacing of labour (six per cent and nine per cent, respectively) but they act rather evenly over the entire year and mainly on family labour. About 55 per cent of the total labour displaced is caused by tractors and pumpsets and 37 per cent by threshers and reapers. Corn shellers will act to reduce some pressure at the peak October period.

During October-November with the conventional farm technology and the present acreage under HYV in 1968-69 the demand for human energy is 100 million man days whereas only 83 millions are actually available. By the end of the study period, with no other changes in technology, demand in October would rise to 135 million man days while supply would increase to only 92 millions. With the full group of technical changes operational, demand would decline to 91 million days in that month.

There are several important economic implications in this analysis. First, were not technical changes, other than the HYV and the necessary irrigation support, to be introduced into agriculture, farm wages would likely rise substantially — especially to casual workers. The annual work year would surely extend, which pattern could act to retard the inter-sectoral movement of the farm labour class in search of work, to non-farm employment.[6] Second, extra costs to society would occur from the failure to change technology. Extra costs of production to the family farm would be reflected in a smaller disposable income and higher cost food would be pushed forward to consumers, causing Government to either have to further subsidise fair price outlets or risk an urban outcry. Third, due to late planting and harvest following from labour shortages at critical periods, some production would have to be given up. Both supply and demand for foodgrains would, therefore, be affected, with considerable but unmeasurable effects upon both rural and urban income. Even the real wages of the supposed first benefactors, the casual labourers, would be to some degree adversely affected through an increase in the cost of living. Viewed in this light, in north-west India, mechanisation may not only be necessary from standpoint of the farmer but in the wider sense of social welfare as well.

Some Implications of Technical Changes

In this section, an attempt is made to indicate the effect of tractors and other technological innovations on labour and how they influence income distribution between the two major groups of farm workers.

(a) EFFECT OF THE TRACTOR

The effect of the tractor upon labour, and the opportunity for it to become an important factor of Punjab farm technology is problematic. It is at once a costly machine (Rs 22,000 versus say Rs 3-4,000 for a reaper), its supply is very much subject to public policy, and its effect upon farms, labour and income distribution is conditioned by a rather wide set of policy and structural variables in addition to the number of acres (or time in use) possible to the machines. In fact no other element in the mechanisation scheme attracts the attention of so many economists, agronomists, engineers, politicians and policy makers as the tractor. It is the symbol of modern farming. To judge it, in the present context, we must ask four questions: which farms are likely to make use of the machine; to what extent will non-owners benefit; to what extent will hired/casual labour be affected; to what extent will the disposable income of all benefiting farms be affected?

Essentially these questions will hinge upon the ownership model followed by farmers. If a farmer owns a tractor he will most likely make first use of its services himself and only then use it off-farm as a source of extra income. Several factors will condition the amount of time he will be willing to rent out the machine: the size of his own farm, the risk of wear from extra use in an area where service is a real problem, and his ability and readiness to make the necessary business arrangements to conduct custom operations. Scattered experiences in western Uttar Pradesh (Tarai) and Punjab suggest that tractor-owners are very aware of the down-time problem (and are consequently wary of using their machines) and are barely beginning to think through custom tractor service as a systematic business. Tractor-owners learn to cope with payment problems; arranging business with farmers who are scattered over a wide area, and obtaining access to client farms. Experience so far suggests that much has to be learned by the operators. Some service is being done (both ploughing and for transport). More will be. But the rate of extension of custom tractor service, especially from large farms, may be much slower than desirable for non-owners to be able to share in the benefits of tractor power.

No information is yet available as to the present distribution of tractors with respect to scale of operation; but it is likely as yet very skewed to the larger farmers—many of whom own several machines. Bank credit is available to buy tractors to farmers with even very modest holdings for up to half the value of a farmer's acreage. As land values rise smaller farms will become, in this manner, more creditworthy.[7]

If tractors are mainly owned by farmers operating 30 or more acres, and a 35 hp tractor (the most typical in the area) can cover efficiently and economically 30 acres annually (net sown area, or 50 acres gross) then there is no time left for custom service unless the farmer wants to use the machine beyond his break-even point (600-700 hrs of annual operation). As he exceeds this limit he begins to run the risk of greater down-time which could affect his own subsequent operations. A farmer with 20 acres of land and a tractor would have a surplus of 10 acres for custom time and the need to utilise this to break even with the machine (a linear relationship exists: a farmer with 10 acres having 20 acres to sell, etc). This operating pattern suggests that a better ownership model would be to sell the machine to farmers with smaller acreages or to pure custom

TABLE 5: AVERAGE NUMBER OF WORKERS ON SELECTED HOLDINGS AND SIZES IN PUNJAB

Farm Size	Per Cent of Each Farm Size Present in Punjab/Haryana	Labour Source			Total Required by Farm (at Peak Season)
		Family	Permanent	Casual	
0—5 acres	37	2	—	—	2
5—10	25	2	—	1	3
10—30	31	3	1	3	7
30—50	5	3	2	7	12
50+	2	3-4	3	11	18

Note: Calculated from 1964-65 Farm Accounts in Punjab: NSS, 17th Round (per cent of holdings) and Census of India, 1961, vol xiii, Punjab part 1-A (ii), general report.

operators, if our objective is to make tractors more neutral to scale by extending their custom time.

If we assume that the larger farms will likely get the largest share, present trends in tractor supply strongly suggest that tractor custom operation will not become very common over the study period. In our model we have assumed that 20 per cent of the total acreage in Punjab-Haryana will be tractor-tilled by 1984. This will require some 130,000 tractors; which nearly equates with the number of operational holdings of 30 acres or greater in the two States. If this were to become the case, little custom surplus time would be available in 1984.

Nearly a half million tractors would be needed in Punjab-Haryana (453,000) to meet the needs of all farmers in the region. But there are no grounds for optimism that such a number will either exist or could be serviced or supported by 1984. A figure of 200,000 tractors is not, however, inconceivable. Were a small but growing number of middle size farmers to become tractor owners (Table 3) a small but unknown share of the land operated by non-owners (somewhat less than 10 per cent of the net sown area) could come under custom operation. Government could alternatively push policies to promote more custom service, thereby limiting the number of tractors per operation, controlling the price of custom service to keep larger farms from bidding time to themselves, or by aggressively developing a public sector service. None of these seem too realistic to expect.

The upshot may be a gradual polar development between larger and medium against smaller size farms following from their comparative ability to command timely tractor service until very large number of the machines become available, which won't be the case for at least 20 years if present policies and programmes remain as guidelines.

(b) IMPLICATIONS FOR LABOUR DISPLACEMENT AND INCOME DISTRIBUTION

(i) *Labour Displacement*: The Introduction of the HYV will give a short-term fillip to the demand for all kinds of farm labour; family and landless. This will come in part from the extra yields, and in part from the opportunities for more intensive cultivation, and multiple cropping. However, the HYV bring with them the requirements for extra water which will cause more farmers to turn to mechanical pumping. Extra yields will, as we have seen, shortly lead the operator to require mechanical threshing as well, and mechanical reaping will be welcome when available. What do these changes imply for farm labour?

A clear unassailable answer is not possible. The best we can do is to hypothesise the representative labour organisation of different scales of farms in the region, comment on their relative frequency, note the composition of labour usually associated with given farm activities and then deduce. The Punjab Farm Accounts (an annual survey of nearly 60 farms) and Farm Management Study give us some grounds for this exercise. Roughly, the composition of the farm labour force per farm is as shown in Table 5.

The incidence of permanent labour is seen to be comparatively low; only six per cent of the operational holdings have more than one and nearly two-fifths have none at all. For these smaller operations (a single pair holding and less) almost all farm operations are done by family members except harvest, when a few casual labourers are hired (usually for less than 15 days). For operations neutral to scale on these farms, therefore, a new technology would affect the casual labour first HYV intensify their need; other changes relax their demand.

The composition of the labour force with respect to different cropping activities and scale of operation is a vital point to keep in mind. The production of a crop, broadly speaking, requires four activities: seed-bed preparation and sowing, irrigation, interculture, and harvest-threshing (Table 6).

Seed-bed preparation is such a vital task as to require the family to give it primary attention regardless of scale of operation and a great deal of manual activity is required that will not be mechanised. Ploughing is often done by owners. Owners with tractors either drive the machines themselves or closely supervise their hired men. Mechanisation of this activity would affect hired and casual labour but probably not to an extent sufficient to displace them.

Irrigation on small and middle size farms is usually a family operation, children are used but subject to close supervision. Adult males are almost always involved in some aspect of the operation while wives may supervise the children or watch an animal themselves. Mechanisation of pumping will affect the family, allowing wives and children to remain at home and producing some effect on the male cultivator. An exception will be the larger farms, but hired men will still have a role managing the bunds and flow of water.

Interculture is an activity which is so intensive as to require family and casual hands. However, it is also the activity least threatened by mechanisation.

Harvest-threshing is another matter; even the smallest farms may rely upon some off-farm assistance in cutting the crop; larger farms will require very extensive work forces especially for cutting. The broad need for extra hands across all scales of operations make this activity the one most sensitive to changes in technology.

Threshing usually involves family and hired workers, as it can be done under less pressure than cutting. Farmers are willing to cut casual labour costs and internalise these outlays to their normal work force. We estimate that 32,000,000 work days were saved in 1968 by mechanical threshers alone —some casual labourers were undoubtedly affected, and the need for hired staff somewhat diminished—to an unknown extent. Work days declined, and with it total money wages. By 1984 there should be very little need

TABLE 6: COMPOSITION OF LABOUR FORCE ACTIVITY BY FARM SCALE

Scale of Farm Area (acres)		Activity	Typical Source of Labour
Small	0-10	Seed bed preparation	family
		Irrigation	family
		Interculture	family
		Harvest	family
Middle	10-30	Seed bed preparation	family+hired
		Irrigation	family
		Interculture	family+hired
		Harvest	family+hired+casual
Large	30+	Seed bed preparation	family+hired+casual
		Irrigation	family+hired
		Interculture	hired+casual
		Harvest	family+hired+casual

for non-family—or even much family input to the threshing operation other than transport. This will of course effect all farm sizes.

Harvesting, when mechanised, will hard hit casual labour, who will probably yield the bulk of the 32,000,000 man days we expect to be displaced. The shift will reduce wages (in 1968-69 terms) towards the average rate of Rs 4-5 per day from the Rs 10 and above presently being paid.

Middle and large size farms want to have some extra labour force constantly available, and will try to keep a staff of hired men commensurate to their needs. Peak load periods (which occur twice annually, if a farm is multiple-cropped) will require some force in excess of family-hired labour. Mechanisation will first of all affect this extra peak need as illustrated in the cycle of displacement likely to follow from the mechanisation of four activities—pumping, ploughing, reaping and threshing (Figure 1).

(ii) *Income Distribution*: There is not yet much of a substantive nature to say regarding the effect on income distribution from changes in farm technology within and between the two primary groups of the rural work force. Some guidelines stand out, however, and bear consideration. Opportunities for the landless labourers will follow from the ability and propensity by farmers to change their farm production technology, but these will only be able to do so depending upon their ability to get investment, obtain credit, their willingness to assume risk, and needed inputs. All of these in turn depend in varying measure upon their scale of operation. Farms of all scales seem to be able to share in some degree in the seed, fertilisers, but absolute lack of size puts a definite ceiling upon the income opportunities for each group. For smaller farms, and certainly those less than five acres, which typically employ neither hired nor casual labour, the operators themselves will likely become casual labourers during peak periods to supplement their farm income. Thus a sizeable group will be jointly affected by the changes in both technology and its employment implications. Up to 40 per cent of Punjab farmers may fall into this category, depending upon this ability to obtain water.

Secondly, we can say with regard to income that mechanisation can act to increase farm incomes for all groups of farms but disproportionately; some of the effects will be direct, acting to reduce per unit costs of production and then increasing dispensable incomes through the reduction of employment outlays. To the extent that labour demand falls, labour prices will fall and there will be a benefit to smaller farmers who need labour but cannot easily mechanise. It will hurt the smallest units which both sell and hire labour. Technical changes will first of all benefit those operations which can buy into the post-HYV technologies. Ownership of inputs will be important; and the larger units have both the opportunity and the scale to make best use of them. A recent study (unpublished) conducted in the Terai is suggestive in this regard which showed that the average income of the progressive farmers of all size groups to be at least 40 per cent higher than for the non-progressive (defined in terms of rate of adoption of water, fertiliser, seed, etc); but with regard to distribution, the medium progressive farmer had roughly four times the income of the small, and the large, upto five times that of the medium or 20 times the income of the small.

While farmers are primarily interested in increasing their disposable income, workers want to maximise their gross money wages from farmer employers. Wages are a function of money units times days worked. There are excellent reasons for believing that both will likely fall in north-west India in part due to mechanisation—to what extent and at what rate are impossible to say; but will depend upon the rate at which machinery becomes available, especially the reaper. However, the additional availability of water from intensive irrigation activities will mute this trend as it affords multiple-cropping opportunities which will require extra labour for most activities. Days employed, therefore, may not shrink as fast as wages; and the larger number of medium and small farmers who cannot yet share *proportionately* in all of the capital intensive activities, may together reduce the decline in day labour requirement considerably.

The outlook is, therefore, mixed at least in the short-run. If the rural labour force continues to shrink at its rate much of the rural unemployment problem will vanish of its own right; many family members of the smaller farms will likely leave as well. In this context the continued vigorous growth of urban Punjab seems to be the best hope.

To attempt to dampen the development of a cheaper more productive food producing sector simply to provide employment would not appear a viable alternative. Agriculture's role must be distinguished between that of a food-producing sector and one providing relief, for it cannot do both and provide the levels of production (and the prices) India needs to continue to promote multisectoral development.

Notes

1. This model has been developed as part of a forthcoming series of studies into farm mechanisation in six States in India. The first section, Punjab-Haryana has been completed. Inquiries should be directed to USAID Mission, Office of Agricultural Development, New Delhi. See also M H Billings and Arjan Singh "Labour and the Green Revolution", *Economic and Political Weekly*, Vol IV, No 52, Review of Agriculture, December 1969.
2. Billings, M H: "Some Preliminary Indications of Changes in Rural Income Distribution, 1960-1968", USAID, New Delhi, 1969, p 3.
3. Calculations have been made also for the draft animal supply as well, but are neglected here given the emphasis of the paper.
4. Raj Krishna: "The Optimality of Land Allocation", *Indian Journal*

of Agricultural Economics, January-March 1963.

5 Following the step method, we note that the HYV alone will bring about a 13 per cent increase in demand for human labour above what it otherwise would have been using the conventional technology; the successive changes reduce this new level by 32 per cent. Pumps reduce the level by 9 per cent; threshers 7 per cent; cane crushers and corn shellers by 3 per cent; tractors 10 per cent and reapers by 3 per cent.

6 Inter-sectoral and inter-district migration by farm labourers does not seem to be of great moment, and the supply of rural labour rather inelastic; otherwise wages would not likely rise as far as they do during peak demand periods — of the order of two- and even three-fold.

7 A 35 hp tractor costs Rs 30,000 with implements. Irrigated land is valued at Rs 5,000 per acre. So a farmer with 12 or more irrigated acres can conceivably be a tractor owner, if he is prepared to use his land as collateral and is able to get the bank to advance credit to him amongst many claimants for credit.

8 The possibility of a bi-modal development among Punjab farms has been recently examined by Bruce F Johnston ("The Seed-Fertiliser Revolution and Labour Force Absorption", *American Economic Review*, September 1969, Vol LIX, pp 569-582). Johnston sees this phenomena as the result of sharply limited foodgrain markets following the completion of the import substitution process. When market opportunities become highly competitive larger farms will mechanise to cut costs; smaller farms will be much less able, leading to a polarisation of farm types based on capital intensive versus labor intensive technologies. The above tractor ownership models give some support to this conclusion. To the extent that smaller farms can diversify from foodgrain production (say into vegetables), can buy custom time in water, threshing, etc, the conclusion seems less applicable. Mellor has argued for dairy enterprises for small operations.

FROM THE CHAIR

Indo-Burma Petroleum Records Highest Sales

THE following is the text of the speech delivered by Shri Kamaljit Singh, Chairman, Indo-Burma Petroleum Company Ltd. at the 62nd Annual General meeting held in Calcutta on June 23, 1970.

GENTLEMEN,

I have great pleasure in addressing you for the first time today.

The Directors' Report, Balance Sheet and Profit and Loss Account for the year ended 31st December, 1969 have been in your hands for some time and, with your permission, I shall take them as read.

Profits before Taxation, inclusive of brought forward balance and net transfers to and from reserves, amount to Rs 33,87,376 as against Rs 38,55,041 in 1968 (and Rs 37,90,130 in 1967). However, your Company had larger operating profits during 1969 than in the previous two years; but unlike in 1967 when Rs 5 lakhs was transferred from the Dividend Equalisation Reserve and unlike in 1968 when a large amount of Unclaimed Dividends was forfeited, large transfers were not made this year, and the dividend is proposed only out of the current year's profits. It is for this reason that your Directors have recommended a reduction in the dividend for 1969 to 12½ per cent as against 15 per cent in the previous years. As the year's earnings have been higher, there is also hope of improving our results further.

I am glad to inform you that the Company registered its highest ever sales in India in 1969, thanks mainly to the additional product availability from the Indian Oil Corporation Ltd. You are already aware that the Indian Oil Corporation Ltd acquired a majority share-holding in your Company on the 12th January 1970 from Steel Brothers, who ceased to be the Company's Managing Agents from the same date. This association with Indian Oil Corporation, the leading petroleum marketing company in the country, should be of great benefit to your Company and I look forward to the future with hope and confidence.

We have already taken measures to review and revise our arrangements with our suppliers to ensure your Company's future growth. I am glad to say that your Company's sales of petroleum products in the period January/May 1970 have recorded a 30 per cent increase over the corresponding period of the previous year. Steps are under way to launch an ambitious programme to expand our retail outlet network, to renovate and remodel the existing outlets, to train our staff and dealers in the latest techniques, and thus lay the foundation for the future growth of your Company.

We also look forward to an increase in the activities of our Electronics Manufacturing Division which had doubled its turnover in 1969 over 1968. We have also initiated measures to improve its contribution towards profitability.

The return on your Company's surplus funds has been low. As an interim measure arrangements have been made to improve this return by 2½ per cent by advancing a loan at a higher rate of interest than hitherto earned, and we are exploring avenues of obtaining still better returns in the future. The income from investments however continues to be low, and there seems to be no hope in the near future of a return on our investments in the Shama Pistons and Rings Ltd, Shama Forge Co Ltd, Assam Sillimanite Ltd, Balmer Lawrie declared a dividend of 8 per cent for 1968, and Industrial Credit and Investment Corporation of India maintained its dividend at 9 per cent.

I regret that there has been no progress in regard to the realisation of your Company's assets in East Pakistan and Burma.

The Government of India have introduced a new pricing basis for petroleum products from 1st June 1970 based on the recommendations of the Shantilal Shah Committee Report. This will mean somewhat reduced margins in the marketing of petroleum products but we hope to overcome the reduction in profitability on this account by increased sales.

Your Company has entered into a new era which is full of opportunities, but it will require hard work and effort by your employees and dealers. I have no doubt that this will be forthcoming in full measure as it has been during the past year, for which I would like to place on record the Board's and, I am sure, your own sincere appreciation of one and all in your Company.

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

Tenancy in a Dynamic Setting

V S Vyas

The tenant is taken, by researchers as well as by policy-makers, to be a small, ill-equipped farmer, rack-rented and otherwise exploited by the landowner. There is much validity in this description of landowner-tenant relations in a stagnant, traditional agrarian system. But once this situation changes and some dynamism is injected into the agricultural sector, this description and the policy prescription implicit in it — abolition of tenancy — are no longer valid.

This study based on a survey of four Gujarat villages — two commercialised villages of central Gujarat and two relatively backward villages of north Gujarat — shows that though tenancy in most forms is illegal in Gujarat (as it is in most other States), it is widespread in the State and covers a significant proportion of land cultivated. The extent of tenancy is larger in the more commercialised areas and there is a marked skewness in the distribution of land.

The present irregular tenancy arrangement causes more hardship for the small farmer who wants to augment his holding by taking small bits of land on lease. The big farmer desirous of taking land on lease seems to be doing so with impunity.

There are thus two lease markets operating side by side: one characterised by leasers' hegemony (when big farmers are tenants) and the other distinguished by the hold of the lesors (on small tenant farmers). Due to the functioning of this two-market system, the terms available to the small tenant farmer have become more onerous. But in spite of these handicaps, small tenant farmers have proved to be more capable resource-users and obtain higher return from a rupee's investment.

The major policy recommendations that seems to emerge from this study are:

(i) Leasing-in of land by small farmers should be permitted while totally and effectively prohibiting leasing-in by large farmers.

(ii) The terms of tenancy should be made more realistic, taking into account the fact that not only land but other inputs are also likely to be shared between the landlord and the tenant. Merely giving such arrangements the label of "crop-sharing" and condemning them in a righteous vein will not solve the problem.

(iii) Tenancy agreements should be made through some institutional agency to safeguard against arbitrary interpretation by landlords or tenants.

(iv) On any such agency tenants should be fully represented. Much damage has been done to the poorer section in the countryside by arrangements based on the assumption that the administrators or the peoples' representatives act in a neutral, objective and fair manner.

An open and regulated tenancy can be made to serve the interests of the small farmer in a more effective way than ineffective abolition of tenancy. It can also make possible, for at least some of them, an advance on the agricultural ladder.

IN the context of over-populated agricultural economies certain notions about landlords and tenants are in vogue which are commonly shared as much by researchers as by policy-makers. The tenant, for example, is taken as a small, ill-equipped farmer, rack-rented and otherwise exploited by the landowner. One of the popular solutions to the problem that is often suggested is to eliminate tenancy altogether and give ownership of land to the tiller. There is considerable validity in this description of landowner-tenant relationship and in the implied solution, in a stagnant, traditional agrarian system, characterised by the lack of alternative avenues of employment on one hand and overall scarcity of foodgrains on the other. But once this situation changes and some dynamism is injected into the agricultural sector, many of the earlier formulations become inexact and, more importantly, the implicit policy measures become self-defeating.

On substantially large areas of land in India, a new dynamism is in evidence. This change may not yet qualify for the description of "Green Revolution" nor may its spread be taken as swift, automatic and contagious. Yet in the area covered by the HYV programme as also in certain other progressive areas, qualitative change is in evidence and much more is in the offing. Two common features of this 'new' agriculture are that first, it is capital intensive (i e, investment per acre is substantially higher compared to the traditional mode of cultivation) and, secondly, the return on a rupee invested is convincingly higher. It is, therefore, worthwhile for all those farmers who can afford to do so to enlarge their holdings and reap larger gains.

RESTRICTED LAND MARKET

At the same time, due to the recent land reform legislation, the functioning of the land market, which was never very brisk, is severely restricted. With the restrictions on sale and purchase transactions, the alternatives left with the bigger farmers desirous of enlarging their holdings are (a) to take usufructory mortgages and (b) to take land on lease. Since tenancy in most of the forms is prohibited, the latter transactions are also concealed. Apart from the demand factor there are two other factors which are also likely to prompt a larger concentration of leased land among the big land-holders. Firstly, substantial permanent migration from villages is taking place either from the landless sections or from among the reasonably well-off farmers. When the latter move out of villages they would like to leave their land with their kith and kin, who themselves are more likely to be medium or large farmers. Secondly, even the small land-holder, if he has to lease out land, would, other things remaining equal, prefer to lease out his land to a cultivator with sufficient means who would be able to take proper care of his land.

This is one class of tenants which is emerging in the countryside, especially in agriculturally progressive areas. The other class is composed of the tenants

of the traditional variety, i e, the marginal farmers who are trying to maintain their precarious economic balance by supplementing their tiny ownership holdings with small bits of leased-in land. They probably still qualify for the conventional description of tenants. Progressive enlargement of the share of the former (large-farmer) type is making the plight of the small tenants worse.

I

Extent of Tenancy

Some implications of this situation will be highlighted in this paper by relying on the results of a recent agro-economic survey in two tracts of Gujarat: One, the agriculturally prosperous and rapidly modernising central region of Gujarat and, the other, the relatively less commercialised and agriculturally less progressive region of north Gujarat. The survey was conducted in two typical villages in each of the two tracts.[1] The emphasis in this note is on the findings from the two commercialised villages of central Gujarat, which we consider to be indicative of the future development in this part of the country. The data of the two north Gujarat villages, which are relatively backward, are presented to show the contrast. It may be noted at the outset that this survey was originally planned to examine the significance of the new strategy of agricultural development for the small farmers and the sample selected was not really meant for a study of the tenancy problem. However, as the sample was broadly representative of the selected villages, its use for the present purpose is deemed appropriate. In this study, apart from the data of the census of all the village households, an intensive study of 120 farmer households, 30 from each selected village was made. The data of the census as well as the intensive survey are utilised in this paper.

The Kaira district of central Gujarat from which the two progressive villages were selected is ranked very high among agriculturally progressive districts of Gujarat. According to a recent study by the Reserve Bank of India, it was placed 4th among the 17 districts of Gujarat arranged according to the level of agricultural development.[2] Nadiad taluka of the district in which the two selected villages are located is the heart of Charotar, the most progressive agricultural region of central Gujarat. The taluka itself ranked 41st among the 185 talukas of the State arranged according to the level of agricultural development. The two typical villages of this tract were selected on the advice of knowledgeable persons of the area. On the other hand, the Ahmedabad district, from which also two villages were selected, was ranked 11th in the same Reserve Bank study; similarly, the Dehgam taluka of this district in which the two villages are located ranked 91st among the talukas of the State[3].

Legal Abolition Ineffective

A remarkable finding of this survey is the extent of tenancy prevalent in a State in which tenancy is legally abolished. From the census of the four villages, it was found that in the two Dehgam villages 235 cultivators out of 338 (or 69.5 per cent) were pure owner-operators (i e, all the land they were operating was their own land, though they might have leased out some of their land). Nearly 26 per cent of the households had entered into tenancy agreements (including usufructory mortgages) of one form or the other. About 4.4 per cent of the households in these villages were rentiers. In the two Nadiad villages 353 out of the 531 agriculturists (or 66.3 per cent) were pure owner-operators, nearly 30 per cent (i e, a larger proportion that in the less commercialised Dehgam villages) had either leased in or mortgaged in land, and 18 households (3.4 per cent) were rentiers.

Of the net operated area in these villages, nearly 9.0 per cent in the Dehgam villages and 18.0 per cent in the Nadiad villages was taken on lease. Added to that were small areas, 1.3 per cent of the operated area in Dehgam and 1.6 per cent in Nadiad, which were cultivated by the mortgagers. Thus, in terms of area also tenancy was the more important mode of cultivation in the more commercialised Nadiad villages.

TABLE 1 : PERCENTAGE SHARE IN THE OWNED AREA, LEASED-IN AREA AND OPERATIONAL AREA AND LEASED-IN AREA AS PER CENT OF OPERATIONAL AREA, IN DIFFERENT DECILES IN DEHGAM AND NADIAD VILLAGES.

Details of Owned Holding	Dehgam				Nadiad			
	Per Cent Share in Owned Area	Per Cent Share in Leased-in Area	Per Cent Share in Operational Area	Per Cent Share of Leased-in Area to Operational Area	Per Cent Share of Owned Area	Per Cent Share in Leased-in Area	Per Cent Share in Operational Area	Per Cent Share of Leased-in Area to Operational Area
1	2.2	16.2	5.5	75.6	1.0	13.4	6.1	87.3
2	4.2	11.4	5.9	49.5	1.9	7.7	4.1	73.9
3	5.2	11.2	6.9	41.9	2.8	10.1	6.5	62.2
4	7.3	8.5	7.5	29.4	3.5	7.9	5.6	56.2
5	7.5	5.7	6.9	21.1	4.9	8.6	6.3	54.1
6	9.9	7.4	9.3	20.6	6.9	10.4	8.3	49.9
7	10.3	11.0	10.9	26.0	9.0	11.8	10.1	46.2
8	14.9	11.9	14.4	21.4	11.5	6.2	8.8	27.9
9	16.1	10.1	14.6	17.8	18.1	10.5	14.9	39.9
10	22.4	6.6	18.1	9.4	40.1	13.4	29.5	18.0
Total	100.0	100.0	100.0	25.8	100.0	100.0	100.0	39.6

TABLE 2: RENT PAID PER ACRE BY TENANTS IN NADIAD SAMPLE

Size Groups of Owned Holding	Total Number of Tenants	Tenants Paying Crop Share		Number of Tenants Paying Cash Rent
		Number	Value of Per Acre Share (Rent) in Kharif 1967-68 (Rs)	
Landless	5	4	162.52	1
0.01-2.50 acres	8	5	141.51	3
2.51-7.50 acres	5	2	97.96	3
7.51 and above	2	—	—	2

A further analysis of the problem was made from the point of view of leased-in area as a proportion of total cultivated area (see Table 1) of the households in the selected villages. Only 6.8 per cent of the tenants had upto 75 per cent of their operational area as leased-in area in the Dehgam villages while 38.5 per cent of the tenants fell in this category in the Nadiad villages. Nearly half of the tenants in both the areas had between 25 per cent and 75 per cent of their holdings composed of leased-in areas. But whereas in the Dehgam villages nearly 44.3 per cent of the tenants had less than 25 per cent of their holdings as leased-in area, this proportion was very small (13.7 per cent) in the corresponding group in the Nadiad villages. Landless tenants constituted 0.9 per cent of cultivating households in the Dehgam villages and 7.4 per cent in the Nadiad villages. For the sake of simplicity we shall be referring to pure tenants as well as tenant-cum-owners as tenants throughout this text.

Tenants Have Larger Holdings

It is interesting to observe that tenants as a class had larger holdings in Dehgam as well as in Nadiad villages. In Dehgam the average holding of a tenant was 14.9 acres, as against 12 acres for a pure owner-operator. In Nadiad a tenant operated 4.6 acres as against 3.4 acres by the pure owner-operators.

This is because a large proportion of the leased-in area, especially in the Nadiad villages, were in the larger ownership holdings groups. The ownership holdings of the cultivators were arranged in the ascending order of the size of their owned holdings and ten deciles were formed. It was seen that in the Dehgam villages the last two (biggest) deciles claimed 38.5 per cent of the operated area, and 16.7 per cent of the total leased-in area. In the highly commercialised Nadiad villages, on the other hand, cultivators in the corresponding deciles claimed 58.2 per cent of the total land owned and nearly 44.4 per cent of the total leased-in area. Thus, the bulk of the leased-in area in this agriculturally progressive region was with the large farmers (see Table 1).

At the same time in the operational holding structure of the small farmers leased-in area played a more important role. Thus, the cultivators in the first two (smallest) deciles in Dehgam had nearly 75.6 per cent and 49.5 per cent, respectively, of their total operational area as leased-in area, while the corresponding proportion of leased-in area in the last two (largest) deciles was 17.8 per cent and 9.4 per cent, respectively. This distinction was also sharper in the Nadiad villages, where the first two (smallest) deciles had 87.3 per cent and 73.9 per cent, respectively, of their total operational area composed of leased-in area, while in the last two (largest) deciles, the leased-in area constituted 14.9 per cent and 29.5 per cent respectively of the operational area (see Table 1).

Greater Skewness

It would be further noticed that there was greater skewness in owned holdings as well as in the distribution of operational holdings in the Nadiad villages compared to the Dehgam villages as reflected by the Lorenzo curves. However, in the Nadiad villages the skewness in the distribution of operational holdings was slightly reduced because of the practice of leasing-in land. The co-efficient of skewness in owned holdings was 0.37 and that for the operational holdings was 0.35. There was no difference in the measures of skewness for the owned and operational holdings in Dehgam villages.

To sum up the discussion so far, it is seen that (a) even in a State where tenancy is legally abolished, a large number of cultivators lease-in land and such land constitutes a significant proportion of the total operated area; (b) the practice of leasing-in land is more pronounced in the more commercialised areas; (c) a larger proportion of leased-in land is accounted for by bigger farmers; (d) in the operational holdings of small farmers leased-in land constitutes a sizeable proportion of cultivated area; and (e) the distribution of owned area as well as leased-in area is more skewed in commercialised agriculture, although between the two, viz, owned area and leased-in area, there is lesser skewness in the leased-in land. One gets an impression that the scope for enlarging the holdings by leasing land exists, but it is not permitted its full play in the case of small farmers, as larger farmers are able to secure more of the leased land also.

II

Terms of Tenancy

Three systems of rent payment are in vogue in this area, as in other parts of the country, namely, (i) fixed cash rent, (ii) fixed rent in kind, and (iii) crop-share. Both on theoretical ground[4] as well as with a view to avoiding the inherent scope for malpractices, land legislation has favoured conversion of kind rent into cash rent. Also, wherever crop share was permitted normally one-fourth of share in non-irrigated crops and one-sixth in the irrigated crop was fixed as the maximum share payable to the landowners. In practice, at least in Gujarat, the most common system is the crop-share arrangement, and here again one-half share is the most frequent mode.

This has happened because the agreements between the landowners and the tenants are not necessarily agreements in which only the use of cultivable land is involved; in majority of cases sharing of expenditure on other inputs, e g, hired labour, bullock labour, irrigation charges, fertiliser charges, etc, in some proportion is also stipulated.

The range of agreements vary significantly. There is one type in which the landlord prepares the land, sows the crops and then hands over the land for subsequent operations till harvest-

ANDHRA PRADESH MARCHES AHEAD

Alphabetically first among the States of India, Andhra Pradesh has many "Firsts" to its credit.

It was the first State to be formed on a linguistic basis and the first to usher in Panchayati Raj.

Fifth largest State in India and fourth in population, having the mighty Godavari and Krishna rivers and rich mineral wealth, Andhra Pradesh is now 13 years old, confident of a bright future, stepping out from a predominantly agricultural State into industrial field, the industrial base in Hyderabad and its neighbourhood, in Visakhapatnam, Ramagundam and Kothagudem, attracting new industries to the State.

Even the worst critic cannot deny that Telangana with Hyderabad, as the Capital of the State, has progressed considerably in every field, as an integral part of Andhra Pradesh.

Common language, common aspirations and common destiny beckon to the 4 crores of Telugu-speaking people, whose unity was disrupted under foreign rule, to remain united in an integrated Andhra Pradesh, essential for the maximum utilisation of its resources, skilfully distributed over the State's different regions, with a rare balance and complementariness.

TABLE 3 : PROPORTION OF AREA UNDER DIFFERENT CROPS AND YIELD PER ACRE ON PURE OWNER-OPERATED FARMS AND TENANT FARMS AMONG SAMPLE FARMERS OF NADIAD TALUKA BY DIFFERENT SIZE GROUPS

	Owner Operated Farms						Tenant Farms					
	Paddy	Wheat	Hybrid Bajra	Other Bajra	Tobacco	Other Crops	Paddy	Wheat	Hybrid Bajra	Other Bajra	Tobacco	Other Crops
1	2	3	4	5	6	7	8	9	10	11	12	13
Small												
Proportion of area	9.1	11.8	20.7	45.1	3.4	9.9	18.2	3.1	13.6	36.1	9.1	19.9
Yield per acre	730	524	322	337	649	—	537	431	734	362	791	—
Medium												
Proportion of area	10.7	9.9	23.2	16.4	12.6	27.2	11.1	6.9	8.7	35.0	9.2	29.1
Yield per acre	660	517	520	384	633	—	723	478	672	477	343	—
Large												
Proportion of area	13.6	4.1	28.5	8.0	24.3	21.5	11.9	5.5	5.3	36.9	23.1	17.3
Yield per acre	705	467	736	328	691	—	1261	302	992	511	553	—
All												
Proportion of area	11.9	7.4	25.4	16.2	17.0	22.1	11.9	6.0	7.6	35.9	15.2	23.4
Yield per acre	691	505	615	354	673	—	930	406	776	485	559	—

TABLE 4 : PER ACRE EXPENDITURE ON "MODERN" INPUTS AND ON TOTAL INPUTS BY OWNER OPERATED FARMS AND TENANT FARMS AMONG SAMPLE FARMS OF NADIAD TALUKA BY DIFFERENT SIZE GROUPS

	Owner Operated Farms							Tenant Farms						
	Modern Inputs					Other Inputs	Total	Modern Inputs					Other Inputs	Total
	Fertilisers	Insecticides	Irrigation	Tractor Charges	Total			Fertilisers	Insecticides	Irrigation	Tractor Charges	Total		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Small	32.0	0.3	59.0	13.0	104.3	199.7	304.0	33.0	0.4	67.0	7.0	107.4	129.6	237.0
Medium	51.0	0.5	90.0	18.0	159.5	255.5	415.0	24.0	—	55.0	7.0	86.0	273.0	359.0
Large	59.0	1.2	67.0	17.0	144.2	289.8	434.0	48.0	—	65.0	8.0	121.0	304.0	425.0
All	53.0	0.8	75.0	17.0	145.8	263.2	409.0	35.0	(Neg)	60.0	8.0	103.0	277.0	380.0

ing to the share cropper who has to provide labour, while other inputs are provided by the landlord. Under this arrangement, normally 1/5th of the gross produce goes to the landlord. For all practical purposes this is a labour contract. More common are the agreements giving 3/4th, 2/3rd or ½ of the gross produce to the landlord. In the case of the agreement involving 3/4th of the share of the gross produce to the landlord, normally the tenant has to supply only labour. All other inputs including bullock labour are supplied by the landlord. The agreement postulating 2/3rd share to the landlord usually requires the tenant to supply family labour, bullock labour and implements, other inputs being shared in the ratio of 2:1 between the landlord and the tenant. The most common form of tenancy agreement, *viz* that involving half-share, postulates that the tenant supplies family labour, bullocks, implements, seeds, and seedlings. The landlord and the tenant share expenses on the remaining inputs in equal measure.

Better Deal for Big Tenants

Cash rent, which in our circumstances is beneficial to the tenants, is generally paid by only big tenants. Under cash rent agreements all the expenditures excepting land revenue are incurred by the tenant.[5]

There has not been any systematic studies on the incidence of various types of lease agreements, on the share accruing to landlords or tenants. One can only hypothesise that looking to the nature of the tenancy in India the small tenants are worse off in the bargain, and conversely big tenants for similar reasons are able to extract better advantages. As an indication of this phenomenon, tenancy agreement of a sub-sample of 20 tenants from the two selected villages in the commercialised tract of Nadiad was analysed. Table 2 gives the share of gross produce accruing to the landlord, or the amount of cash rent paid to the landowners. Two interesting findings may be underlined. In the sample studies, the medium and big tenants were paying only cash rent, the amount of which was reasonable and the variation from one tenant to another was narrow (which could be explained by the proximity of land near the village, or some other known advantage). Thus: all the tenants owning more than 7.5 acres paid cash rent for the leased-in land. As against this only 3 among the 13 small farmer tenants paid cash rent. In the crop share agreements a remarkable feature was that the share accruing to the landlords (after deducting the share imputed for the inputs supplied by them) generally increased with the decrease in the owned holdings of the tenants. In other words, the small tenants paid a larger share of their gross produce to the landlord than the medium and the large farmer. It must be noted that incidence of cash rent and the crop-share paid to the landlord cannot be compared. The latter involves investment by the landlords, entails some managerial responsibilities, and also makes him a party to face the risk and uncertainties of production.

Cash *vs* Food Crops

The tenancy agreement not only involves the sharing of inputs and gross produce but also raises the question of decision-making as it relates to the use of inputs and choice of crops. Wherever the landlord contributes more than half of the inputs it is invariably the landlord who suggests the cropping pattern as well as the extent of the use of each inputs. Even in other cases the landlord would like to have his say and in this he generally succeeds, at least with the small tenants. Normally, the landlord in this area wants that all land should be utilised for growing cash crop (tobacco) while the tenants, especially the small ones, are more interested in growing foodgrains. The landlord's insistence on cash crop is not only because the cash crop fetches high return for a rupee invested but also because there is less risk of pilferage of the crop grown by the tenants. The first of the two considerations is likely to be valid for sometime to come because the high-yielding varieties programme in Gujarat is concentrated on the coarse cereals. And the difference between the net returns from, say, hybrid bajra and conventional commercial crops like tobacco in central Gujarat is substantial.[6]

On the other hand the small tenants insist on food crops partly because in the general scarcity situation they do not want to rely on the market for their day to day food requirements. The second and equally important reason is that with the food crop it is possible to have by products which can be used for supporting a small dairy enterprise. A complementary dairy enterprise comprising of one or two buffaloes along with a small agricultural holding is a common feature of the economies of small farmers in this part of the country.

A few conclusions may be re-emphasised. Most of the small tenants have to enter into crop-sharing agreements; none of them, in our sample, paid less than half share. Small tenants have to accept worse terms for taking land on lease, compared to large tenants and also, there is a conflict of interest between small tenants and landlords regarding selection of crops. The conflict may be resolved if high-yielding varieties of foodgrains become more profitable compared to the existing commercial crops, in which case both the landlord and the tenant may opt, for their own reasons, for growing foodgrain crops.

TABLE 5 : GROSS INCOME, EXPENDITURE AND AVERAGE INPUT-OUTPUT RATIO ON THE TENANTS' AND PURE OWNER OPERATED HOLDING IN DIFFERENT SIZE GROUPS

	Owner Operators				Tenants					
	Gross Income	Expenditure	Net Income	Input-Output Ratio	Gross Income	Expenditure	Net Income		Input-Output Ratio	
							With Rent	Without Rent	With Rent	Without Rent
1	2	3	4	5	6	7	8	9	10	11
Small	332	304	28	1.09	381	237	144	183	1.61	1.93
Medium	501	415	86	1.21	448	359	89	182	1.25	1.68
Large	654	434	220	1.51	545	425	120	161	1.28	1.42
All	552	409	143	1.35	486	380	106	173	1.28	1.55

III

Efficiency in the Resource Use

There is some discussion in the existing literature on the resource-use efficiency of tenant-operated and owner-operated farms. A valid comparison will be among the tenant operated farms in a particular size group and pure owner-operated farms in the same size group. It is our contention that, other things remaining equal, tenant operated farms, especially those operated by small tenants, are likely to be more efficient. A small farmer generally has an option to become a casual agricultural worker or an attached labourer. It, instead, he opts to lease-in land and go through all the management chores, he is likely to be a more innovative and venturesome human being, even if part of his responsibility is shared by the landlord. These characteristics would also be reflected in his farm operations. In particular it would be reflected in intensity of land use, selection of crops and use of modern inputs, and ultimately in the return per rupee invested. These aspects of tenants' operations are examined with reference to the data collected in the Nadiad villages.

The 20 tenants selected from the sub-sample were divided into three operational holding groups. Those operating land below 2.5 acres were classified as small farmers, those operating land between 2.5 acres and 7.5 acres as medium farmers, and those cultivating holdings above 7.5 acres as big farmers. For the purpose of comparison the farm economy of the pure owner operators in the same size groups was analysed. The number of pure owner operator farmers in this sub-sample was 38.

Intensity of cropping (defined in terms of season-acres) was fairly high in these villages, mainly because irrigation facility was universally available. Normally we should expect tenant farmers to use their land more intensively. Our data reveal that small tenant farmer had an intensity index of 160.1 in contrast to the index of 155.6 for the pure owner-operators in the same size group. This, however, does not hold true for medium farmers in whose case intensity of cropping was greater on owner operated farms (186.6) while it was 147.6 in the case of tenant farmers in the same group. The difference in intensity was marginal between the two types of farms in the large size groups (155.1 in the case of owner operators and 153.1 in the case of tenant farmers).

It was mentioned earlier that for very good reasons small tenant farmers would opt for putting more area under foodgrains while landlords would prefer to grow commercial crops, in this case tobacco. Since the landlord's hold is likely to be tighter on small tenants, the latter devote more area under commercial crops than their counterpart pure owner-operators do.

Whenever small farmers have freedom to choose their crop pattern, they seem to devote a large area under low investment food crops, e.g. bajra or paddy. But high investment food crops, like hybrid bajra and wheat, also figure in their cropping pattern, although on smaller areas (compared to the area devoted by the pure owner operators in the corresponding size groups). It is noteworthy, however, that tenants' performance with respect to food crops is uniformly superior to that of the pure owner operators, as reflected in the yield per acre (see Table 3).

Emphasis on Owned Inputs

This is apparently due to their more judicious use of inputs. In the first place, purchased inputs figure less in their cost structure. More emphasis is on the owned inputs, e.g. family labour, owned bullocks and implements. These latter are more intensively utilised. Significantly, among the purchased inputs, modern inputs (i.e, fertiliser, pesticide, tractor charges and irrigation charges taken together) figure as prominently on the holdings of tenant farmers as on the pure owner holdings in the small holdings group. The per acre use of modern inputs was to the tune of Rs 107.4 on small tenant farms as against Rs 104.3 on small pure owner farms. The per acre use of modern inputs on medium and large tenant holdings was lower than that on the pure owner operated holdings (see Table 4). The higher use of modern inputs on the small tenant holdings was presumably because of the landlords' contribution to the input cost. The lesson one would like to draw is that if satisfactory credit and extension facilities are made available, the small tenant farmer will be as keen to use modern inputs as the pure owner operator in the corresponding size groups.

The high efficiency of tenants, especially the medium and small ones, in resource use is indicated by the high (average) input-output ratio on their farm. The large tenants in this respect are not particularly distinguished (see Table 5).

IV

Policy Implications

The above discussion, admittedly on slender factual basis, and relying more on personal observations, raises certain serious questions pertaining to the tenancy legislation. In spite of the fact that tenancy in most of its forms is declared illegal in Gujarat, as also in most of the other States, tenancy is widespread and encompasses significant areas of land. In the more commercialised areas the extent of tenancy is large, and there is a marked skewness in the distribution of leased-in land. The irregularity of this arrangement poses more hardships for the small farmer who wants to augment his holding by taking small bits of land on lease. The big farmer desirous of taking land on lease seems to be doing so with impunity. Thus, there are two lease markets operating side by side: one characterised by leasers' hegemony (when big farmers are tenants) and the other distinguished by the hold of lesors (on small tenants farmers). Due to functioning of the two-market economy the terms availed of by small tenant farmers have become more onerous. In spite of these handicaps, small tenant farmers have proved to be more capable resource-users and obtain higher return from a rupee's investment.

The major policy recommendations that can be made on the basis of the above analysis are, firstly, to permit leasing-in of land by small farmers while totally and effectively prohibiting any leasing-in by large farmers. Secondly, the terms of tenancy should be more realistic, taking into account the fact that not only the land but other inputs are also likely to be shared between the landlord and the tenant. Merely giving such arrangements the name of 'crop-sharing' and condemning them in a righteous vein is not going to solve the problem. Standard agreements incorporating varying share of landlords and tenants in different in-

puts, spelling out corresponding responsibilities and obligations and determining the division of gross produce in these varying circumstances should be prepared for homogeneous crop tracts. The terms of such agreements should be as realistic as possible which implies that these should be as close to the arrangement which would have obtained if there had been a fair bargaining between landlords and tenants. Thirdly, these agreements must be made through some institutional agency in order to safeguard against arbitrary interpretation by the landlords or the tenants. Lastly, on any such agency, i e, one which sanctions and regulates tenancy, tenants should be fully represented. Much damage has been done to the poorer section in the countryside by the arrangements based on the assumption that the administrators or the peoples' representatives (e g, panchayat members) act in a neutral, objective and fair manner.

An open and regulated tenancy can be made to serve the interest of small farmers in a more effective way. It can also make possible, for at least some of them, an advance on the agricultural ladder.

Notes

1 See, for the details of the survey, scope, methodology, sample design, and the results obtained, "Significance of the New Strategy of Agricultural Development for Small Farmers", by V S Vyas, D S Tyagi, V N Misra, Agro-Economic Research Centre, Vallabh Vidyanagar, 1969.

2 See, "Inter-District Comparison of Agricultural Development and Spread of Banking Facilities in Rural Areas", Reserve Bank of India *Bulletin*, October 1969.

3 See, V S Vyas, *et al, op cit.*

4 See, for a discussion of the theoretical issues involved, D Gale Johnson, "Resource Allocation Under Share Contract, *Journal of Political Economy*, April 1950.

5 Apart from these agreements between landlords and the tenants, crop-sharing arrangements are also made by tractor-owners and cultivators, and more commonly, between irrigation pump owners and cultivators. The terms of many such agreements are highly onerous, but the discussion of these agreements does not fall within the purview of the present paper.

6 See "The New Strategy of Agricultural Development in Operation", by B M Desai and M D Desai, Thacker and Co, Bombay, 1969, p 129.

7 See, for example, C H Shah: "A Note on the Problems of Agricultural Tenancy", in Seminar on Land Reform: Proceedings and Papers", New Delhi, 1966, pp 130-136.

Plant Protein Studies

THE Federal Republic of Germany intends to contribute aid worth over three quarters of a million dollars to support a joint Food and Agriculture Organization/International Atomic Energy Agency (FAO/IAEA) research programme aimed at increasing the protein content of important food crops by the use of nuclear techniques.

The announcement was made at the closing session of a one-week symposium, organised by the Joint FAO/IAEA Division of Atomic Energy in Food and Agriculture, called to discuss progress which has been achieved in such work so far and to consider possibilities for future research. The meeting was attended by about 120 participants from 38 countries.

R A Luse, of the Joint Division, told the participants that he had received a communication in which the Federal Republic of Germany expressed support for the Agencies' co-ordinated research programme. Subject to the fulfilment of domestic budgetary and legal conditions, and on the understanding that there would be negotiations between the IAEA and the Federal Government on the details, the Ministry of Education and Science was considering support of a programme directed towards:

(1) Plant breeding research to improve protein through the use of induced mutations, which would be done under research contracts by contractors in developing countries and, with regard to basic genetic and plant breeding research, by German institutes and the IAEA Laboratory at Seibersdorf, near Vienna.

(2) Developmental work to improve analytical screening techniques, performed also by institutes in the Federal Republic and by the Agency's Laboratory.

(3) Central analytical facilities to permit screening for improved plant protein, to be carried out in the Agency's Laboratory.

(4) A central analytical facility to permit screening for nutritional value to be provided through a German institute.

It was further envisaged, according to the communication, that the services of experts and advisers would be provided. Luse added: "I think the fact that the German Government has seen fit to grant us several hundreds of thousands of dollars under a five-year programme gives not only the Agencies but the scientists with whom the Agencies work a considerable new responsibility to consider the various aspects of the previous programme and the means by which we may provide improved protein resources through plants to the developing countries."

Results presented at the symposium indicate that considerable progress has already been achieved in the improvement of plant protein content by the use of nuclear techniques to change seed characteristics. Nuclear techniques may also be used to assist in the rapid screening of radiation-induced mutants to select those with higher overall protein content and the desired composition of amino acids.

In addition to other work with the object of increasing crop yields and plant resistance to disease, the work reported at the meeting is already helping to alleviate "protein malnutrition", suffered at present by millions of people especially in developing countries. A lack of sufficient, good quality protein in the diet may result in retarded physical and mental development.

Speakers at the closing session of the symposium pointed out that international and regional co-operation in this important research both helps avoid unnecessary duplication of effort and may make possible faster progress toward alleviation of the "protein crisis".

Land Policies of Rajasthan

Some Neglected Aspects

N S Jodha

Land policies have to aim at (i) better utilisation, conservation, and development needs of the land, on the one hand, and (ii) land tenure and allied problems, on the other.

In the land reform programmes undertaken in post-Independence India, tenure and related problems have been focused on. The other, equally important, aspect of land policy, relating to utilisation, conservation and development needs of the land have received scant attention.

In some regions, in fact, these latter aspects of land reform have far greater significance for raising farm productivity than the tenurial aspects have. There are large tracts of Rajasthan that are among such regions. And the purpose of this paper is to highlight the gaps in the land policies of Rajasthan with reference to the arid region which covers nearly three-fifths of the State.

[The author is grateful to M D Desai for his very valuable suggestions.]

I

LAND policies are social control measures. They represent a community's approach towards its land problems, serving as guidelines for solving them. Physical factors, including the soil-climate complex and the use-capabilities of the land, and human factors, including population pressure and the institutions embodying property rights etc, are the general framework within which land policies have to be formulated and implemented. Depending on the relative weightage to be attached to physical factors or human factors, land policies address themselves to (i) utilisation, conservation and development needs of the land on the one hand and (ii) land tenure and allied problems on the other.[1]

In India, land tenure and related problems have been the focal point of the land reform programmes undertaken after Independence. Several gaps in the programmes, and particularly in their implementation, have been highlighted by various studies. But the near complete neglect of the equally important aspects of land policy—such as those pertaining to utilisation, conservation, and development needs of the land—in our land reforms programmes has attracted scant attention.

In some regions, these aspects have far greater significance, compared to tenurial reforms, for raising farm productivity. These "problem areas" arise from impeded drainage, water logging, salinity, alkalinity, soil exhaustion, soil erosion, and several other forms of resource depletion. The continuation of the land as a productive input depends a lot on careful planning in these areas. Yet the neglect of these aspects of land policy is glaring in the land reform legislations of several States. The limited objective of this paper is to highlight such gaps in the land policies of Rajasthan with reference to the arid region which covers nearly three-fifths of the State.

II

The Arid Lands

A discussion of land policies for the arid areas is meaningful in the context of the distinct features of these areas.

The soils of the arid region are classified as desert soils. By and large these soils are mechanically disintegrated, immature, structureless, very coarse in texture, contain a high percentage of soluble salts, and have very low nutrient status. When deprived of adequate plant cover the soils are highly susceptible to wind erosion.[2] The deficiencies of these soils and the paucity of moisture (annual rainfall ranges between 5" to 20" in the region) severely restrict the alternative uses of the arid lands for agricultural purposes. Intensive cultivation on these lands is not possible without exposing them to the risk of permanent deterioration and reduced physical productivity in the long run.

In fact, because of their unregulated and indiscriminate use in the past (putting of sub-marginal lands under the plough and overgrazing of range lands), their delicate ecological equilibrium has been disturbed.[3] This has brought into operation what may be described as the law of 'increasing natural resource scarcity' (a synonym for the secular law of diminishing returns), as reflected in the reduced physical availability of usable land resources.[4] Though no comprehensive data are available on the extent of resource depletion, evidence of depletion of land resources caused by such misuse is found in several parts of the region. The reduced physical availability of agriculturally useful land resource is manifest in the increased extent of waste lands, resulting from removal of top soil or submersion of fertile lands under shifting sand dunes or conversion of fertile lands into patches of saline waste lands in the low-lying areas near the seasonal streams;[5] it is manifest in the drying up of the dug wells or increased salinity of well waters,[6] in the replacement of inferior perennials or annual grasses (including non-edibles) in the grass lands,[7] and the increasing population of 'malformed' or 'stunted' trees in different parts of the region. The final consequence of all this is low and unstable crop and animal production, increasing extent of seasonal outmigration of human and animal population, and ever-increasing dependence on famine relief. The situation is likely to deteriorate further as the pressure on land increases. Moreover, unless the maladjustments in the prevailing land-use pattern are rectified, currently cultivable land areas and pastures would be increasingly converted into waste land.

So the prime need of the arid lands is their maintenance in productive use on a sustained basis. This requires land policies and programmes which can conserve and develop the production potential of these lands and ensure their scientific and regulated use.[8] In other words, there is need for conservation-oriented land policies. In operational terms such land policies would mean the following:[9]

(a) Classification of lands according to their use-capabilities and the planning of land use accordingly.

(b) Determination and regulation of use-intensity of lands in each class at the level of operating units (e g, farm, village pasture etc).

(c) Provision for certain physical measures (e g, bunding, shelter belts, etc), which can protect the lands while they are in use and indirectly help to raise their production potential.

The World Bank studies, while suggesting development strategies for different countries in Africa and the Middle East, have made special men-

tion of such measures for agricultural development of the desert areas.[10] Some of these measures have found an important place in the land reform programmes, particularly in settlement projects of the desert areas in some of the Middle Eastern countries.[11] How far the land policies of Rajasthan are informed by the special requirements of arid lands is discussed in the rest of this paper, by looking into the legislative and other measures or programmes of Government relating to arid lands.

III

Land Classification and Land Use Planning

To meet different objectives, there are several recognised criteria for land classification. Keeping in view the special problems of arid lands and the need for their regulated use, 'use-capability' would serve as a principal criterion for land classification. Accordingly, land classification ought to be made on the basis of the physical characteristics of the land (in relation to other climatic factors), and their behaviour under different modes of utilisation. Such classification would help to plan the land use for different tracts as well as to decide on the operating units. So the more detailed the land classification, the better it would serve the purpose.

Detailed classification of lands is not available for the arid zone of Rajasthan except for some of the blocks surveyed by the Central Arid Zone Research Institute (CAZRI)—Jodhpur in Barmer, Jalore, Jodhpur and Pali districts.[12]

The State Land Utilisation Committee of Rajasthan (which also consisted of soil scientists and conservation experts) has divided the whole arid region into three zones, on the basis of broad information about soil, vegetation, water and other related aspects.[13] Zone I—which consists of the driest tracts of the region (covering 56 per cent of the total area of the region)[14]—comprises mainly lands which could be placed under the Class VI and VII (according to the FAO use capability classification of lands for soil conservation purposes) and which are suitable only for pasture development. Zone II, (covering nearly 23 per cent of the total area) includes lands which would mostly fall in Classes VI and VII, while the rest of it can be classed under Class IV, suitable for restricted cultivation. Zone III (covering about 21 per cent of total area) covers lands which under FAO's classification would fall in Classes III (lands suitable for cultivation) and IV.

The Committee not only classified the lands but also recommended broad land-use planning (including land management practices) for different tehsils in the region.[15]

Planning of land use according to the 'capability' classification would mean reserving large parts of the region (particularly those included in Zones I and II) for pasture development on one hand, and adopting adequate conservation measures for lands left for crop raising on the other. Land use planning would have several implications. The two most important implications would be: (i) demarcation of the whole region into zones or sub-zones (on the pattern of conservation districts or grazing districts in the US) for specific uses; (ii) reorientation of the land distribution policy in the arid areas so as to rectify the existing maladjustment in land use.

However, the Rajasthan Government has no separate or special land policies or programmes for the desert areas. The arid lands have been treated on par with other lands in the official measures (excepting in ceiling laws). In none of the legislative or administrative measures pertaining to lands (dry or wet) in Rajasthan does one find any mention of demarcation of zones or planning of land use according to land classification based on 'use-capability'. The only land classification to be found in the official records is 'present-use' classification.[16]

On the other hand, the land distribution in the State has aggravated the maladjustments in the land-use pattern. Guided by short-term considerations of welfare and higher food production, rather than by considerations of use-capability and productivity of land in the long-run, Government by its different laws, including the Rajasthan Land Revenue (Allotment of Land for Agricultural Purposes) Rules 1957, has distributed vast areas of sub-marginal lands (hitherto under plant cover ensuring better conservation and higher animal production) for cultivation. This is seen in part in the following changes in the region's land-use pattern during the past 15 years.[17]

In the arid region, the crop lands (including net sown area and current fallows) have increased from 6.6 million hectares in 1951-52 to 9.3 million hectares (nearly 41 per cent) during 1965-66. The proportion of crop lands in the total geographical area of the region has increased from 34.6 per cent to 47.9 per cent. On the other hand, the area in categories like culturable waste and uncultivable waste and other fallows (which were under natural plant cover) has declined from 11.3 million hectares to 8.5 million hectares during the same period. The share of these lands in total geographical area has declined from 58.7 per cent in 1951-52 to 44.1 per cent during 1965-66.[18] Even in the driest areas comprising Zone I, in which lands fall in Classes VI and VII, and are suitable only for pastures, cultivation is practised on nearly 3.6 million hectares (the average of three years ending 1965-66) which account for 32.7 per cent of total area of the driest zone. The most alarming aspect of these changes is that land transfers within the arid agriculture, from extensive type of use to intensive type of use, have occurred without any technological improvement, such as irrigation facilities or conservation measures.

Furthermore, while granting rights to use sub-marginal lands Government has not imposed any obligation on the beneficiaries to adhere to any specific land management practices that would protect the lands while they are in use. Also, the advisability of collective tenure, which could prove conducive to conservation programmes in the desert areas since to be effective most conservation works have to be undertaken on 'catchment' or 'watershed' basis rather than on individual farms, has been completely ignored in the land reforms programme in Rajasthan.

IV

Determination and Regulation of Use-Intensity

As stated earlier, the Government of Rajasthan has a land classification based on 'present use'. Here again it should be possible to determine the use-intensity under each type of land use and enforce it. But there is no Government rule pertaining to land which concerns itself with the problem of use-intensity.

Even though the Rajasthan Tenancy (Government) Rules, 1955, and the Rajasthan Land Revenue Act, 1956, contain some provisions for regulation of land use, their approach is entirely different from the one discussed above. The above legislation merely stipulates that it is the duty of the revenue officials to ensure that a given piece of land is put to the same use to which, as per the revenue records, it was put in the past.

In other words, the land policies of the State attempt to regulate the land use *vis-a-vis* the use-status of the land in the revenue records rather than the physically desirable level of use-intensity. Thus, for example, land declared as pasture has to be used as pasture. It is not even the concern of the Government (or of the Panchayat) to regulate the number of grazing animals in relation to the carrying capacity of the pasture. Thus, in a way, the land policies of the State, by enforcing the land-use patern according to actual use-status of the lands in the past, tend to perpetuate the existing maladjustments in the land-use pattern.

Indeed, the Rajasthan Agricultural Lands Utilisation Act, 1954, goes a step further. Under pressure of his subsistence requirements, the desert farmer puts the sub-marginal lands under plough, though he realises that it ought not be done on a sustained basis and that periodical fallowing (for two or three or more years depending upon the circumstances) of crop lands is necessary. The crop-fallow rotation is a compromise between the land uses of different use intensities (*viz*, higher use-intensity under crop raising and lower use-intensity under grazing when the land is fallowed). But, swayed by the immediate concern for higher food production and completely ignoring the traditional wisdom of the desert farmer, the Act (Section 4), empowers the Collector not to permit fallowing of the crop lands. If the land owner fails to cultivate the land and obstructs the alternative arrangements for cultivation made by the Collector, he is liable to penalty upto Rs 500. Though no cases of implementation of this provision have been noted, it illustrates sufficiently Government's ignorance of the true nature of the problem of arid lands.

As regards grazing lands, it is most surprising to note that, despite the economy of the desert areas being largely livestock based and the lands too being most suited for forage production, the State Government does not have any pasture policy worth the name. The most rudimentary aspects, such as regulation of stocking rates, grazing rights, rotational and deferred grazing, etc (as in Australia and many other countries with desert lands), are practically absent in the entire land legislation in Rajasthan. The State Government was content to shift this responsibility to the Panchayats. Under the Rajasthan Panchayat Act, 1953, and the Panchayat (General) Rules, 1955, the responsibility of developing and managing grazing lands is with the Panchayats. But the Panchayats are in no better position to discharge this function. Their technical incompetence apart, they are handicapped by the factional politics of the villages. Inevitably, therefore, things have gone from bad to worse with the transfer of grazing lands to the Panchayats. In one of the studies of Panchayat Raj Institutions, in 1962-63, the Evaluation Organisation of Rajasthan noted that not a single Panchayat had taken any step to develop or manage pastures and village forests.[19] Thus as in the past, the utilisation of grazing lands is governed by informal institutional arrangements under which uncontrolled and unrestricted grazing, without any obligations to grazing lands, is the rule.

It must be added that the State Land Utilisation Committee did stress the need for a sound pasture policy incorporating provisions for grazing rights, grazing fees, regulated grazing, rehabilitation of grazing lands, and a full-fledged Directorate of Land Management, to develop sub-marginal lands in the arid region. However, so far as we know, no further developments in this direction have taken place.[20]

V

Provision of Conservation Measures

Modern conservation technology offers various devices such as bunding, micro-wind breaks, shelterbelts, etc, which, if extensively adopted, can not only protect the lands from deterioration but can also increase scope for their more intensive uses.

The Rajasthan Soil and Water Conservation Act, 1964, deserves special mention. The Second Schedule of this Act enumerates a large number of conservation measures (including earth works and some regulatory measures), which should form part of the schemes to be undertaken by the Rajasthan Soil and Water Conservation Board or other agencies to be created under the Act. But Chapter II of the Act makes it clear that the approach of the legislation is very specific and narrow. In fact, the Act provides a framework for operating the departmental conservation schemes in any 'notified' area. It does not contain any provision whereby conservation measures may be (compulsorily or otherwise) made an integral part of the farming system in the arid areas. Thus, as far as widespread adoption of conservation measures for crop lands and grazing lands is concerned, this Act does not prove very helpful. Looking to the magnitude of the resource depletion problem, the "scheme approach" (as embodied in the Act) would hardly prove effective.

The legislative measures apart, even in the development programme of the State, conservation measures do not find adequate place. If the Plan expenditure is any indicator, it can be said that the Rajasthan Government is almost indifferent to these measures. During the Second and Third Five-Year Plans, expenditure on conservation measures (including forestry) in the arid region (11 districts) was Rs 92 lakhs. This constituted only 1.6 per cent of the total Plan expenditure in the arid region, and barely 0.26 per cent of total Plan expenditure in the State as a whole.[21] Similarly, out of the lakhs of rupees spent on famine relief works in the desert areas almost every year, conservation measures (which to some extent may act as defences against famines) get very meager share (less than four per cent), while road construction gets nearly 90 per cent of the total relief expenditure.[22]

Thus, in respect of conservation measures too, the problems of arid lands are not fully appreciated by the State.

To sum up, the soil-climate conditions of north-western Rajasthan call for conservation-oriented land policies for the arid areas. But the land policies of the State treat the dry areas on par with other areas and are almost indifferent to the land problems of the arid region. Whatever the basic reason, there is no doubt that the land policies of Rajasthan are not conducive to systematic conservation and regulated use of arid lands. The present policies are unable to rectify the existing maladjustments in the use-pattern of arid lands, and these, if left incorrected may accelerate the process of resource depletion with all its implications for the economy of the desert region.

Notes

1 Rainer Schickele, 'Objectives of Land Policy' in "Land Problems and Policies", edited by J F Timmons and W G Murray; The Iowa State College Press; 1950.

2 C T Abichandani, 'Genesis, Morphology and Management of Arid Zones Soils', General Symposium on Problems of Indian Arid Zone, Jodhpur 1964 (Mimeo).

3 C S Christian, Report on Organisation of Central Arid Zone Re-

search Institute, Rajasthan, India, UNESCO, South-East Asia Science Co-operation Office, New Delhi 1959.

4 N S Jodha, 'The Scarcity Oriented Growth Pattern of Arid Agriculture', *Indian Journal of Agricultural Economics*, Volume XXI (4), 1966.

5 (i) The CAZRI studies have shown that in the Central Luni Basin alone (which covers nearly 11,000 sq km of the region), more than 42 per cent of the area suffers from soil erosion caused by mismanagement of the land. The extent of top soil blown off by wind varies from 25 to 100 per cent in different parts of the tract. On the other hand blowing sand particles from the dunes have covered the fertile lands and have formed low dunes of 1.5 to 4.5 m height and sandy hummocks of 15 to 90 cm height in different parts of the tract. For details see, B Ghose, S Pandey and S Singh, 'Processes and Extent of Erosion and its Effect on Land Use in the Central Luni Basin, Western Rajasthan', *Annals of Arid Zone*, Volume 7(1), 1968.

(ii) For conversion of fertile lands into saline patches (in several villages of Balotara block in Barmer), see, CAZRI, Scientific Progress Report 1964-65 (Mimeo), p 17.

6 (i) The extent of dug wells affected by increased salinity of water or reduced rechange varies from tract to tract. In the Jodhpur-Bilara region (traditionally famous for plenty of sweet sub-soil water), nearly 22 per cent of 169 selected wells were found to be suffering from above problems. See, Rajasthan Ground-water Board, (Survey and Investigation Scheme), Quarterly Report on Preliminary Geohydrological Survey of Jodhpur-Nagaur Sector, Report Number S and I/V-2, October 1967, Appendix I.

(ii) One comes across several wells one time in use but now completely dry in villages around Jojari stream in parts of Bikaner, Nagaur and Jodhpur districts. In one of these villages the extent of irrigable land has declined from 286 hectares in 1940 to 70 hectares in 1965, because of complete drying up of 11 out of 33 wells and reduced recharge and increased salinity in the rest of the wells. For details see, CAZRI Pilot Survey of Salawas Village, 1967 (unpublished).

7 On the basis of data collected from different "Range Management and Soil Conservation Areas" spread all over the arid region, the CAZRI has described most of the grazing lands in the region as "poor" condition range lands, which in turn represent the degraded stage of range lands. In here more than 50 per cent of the plant stand consists of annual grasses and superior perennials are rarely visible. The edible species constitute 25 per cent of the plants, while the plant cover would vary between 0 and 30 per cent. For details see, M Prakash and L D Ahuja, 'Studies in Different Range Condition Class Grasslands in Western Rajasthan', *Annals of Arid Zone*, Volume 3 (1-2) 1964.

8 Provision of adequate irrigation facilities is the surest way to make arid lands permanently productive. But in the arid region (excluding some semi-arid tracts in the foothills of Aravallis) less than one per cent (0.78 per cent) of gross cropped area is presently irrigated. Moreover, in most parts of the region prospects of irrigation at least in the near future are not at all bright. For details, see, N S Jodha and V S Vyas, "Conditions of Stability and Growth in Arid Agriculture, Agro-Economic Research Centre, Vallabh Vidyanagar, 1969, Chapter 3.

9 For details see, Indian Society of Agricultural Economics, "Readings in Land Utilisation", Bombay, 1957, Chapter 6.

10 For instance, see the following reports of the World Bank Missions (published by Johns Hopkins):

(i) "The Economic Development of Jordan", 1957, pp 72-78.

(ii) "The Economic Development of Syria", 1955, pp 51-69, 79-84.

(iii) "The Economic Development of Libya", 1960, Chapter 8.

11 For instance, see, Doreen Warriner, "Land Reforms and Economic Development in the Middle East", Oxford University Press, 1962.

12 On the basis of detailed investigations of soil characteristics moisture constraint and degree of erosion and other hazards, the Basic Resources Studies Division of the CAZRI has grouped the lands in individual CD Blocks into several classes and sub-classes. Depending upon the use-capabilities of the lands, they have recommended the use-pattern along with land management practices. For details see, Land Transformation Plan Reports Ahore and Sayala blocks (Jalore district), Siwana, Chohatan (Barmer district), Sumerpur (Pali district), Luni (Jodhpur district) (Mimeo).

13 Report of the State Land Utilisation Committee, Government of Rajasthan, Jaipur, 1960.

14 For details of area, population, etc in each Zone, see, "Conditions of Stability and Growth in Arid Agriculture", *op cit.*

15 The National Council of Applied Economic Research, New Delhi, has also recommended 'pasture development' and 'restricted cultivation' as the most economic land use pattern for the arid part of the State. For details see,

(i) "Techno-Economic Survey of Rajasthan", 1963, Chapter 2.

(ii) "Land and Livestock in Rajasthan", 1965, Chapter 3.

16 The only official land classification to be found in Rajasthan is the "present-use classification". This is nothing but the inventory of the uses to which the lands are being put, and it has nothing to do with use-capability of lands. For instance (as the *Patwari* records — the ultimate source of land use statistics — show) a pasture is classified as 'pasture', not because it represents a land poorer than the lands classified as crop lands, and is therefore suitable for grass only, but because former Jagirdar or Panchayat declared it as such keeping in view the nearness of watering points or village *abadi*.

17 Source of land utilisation data — Tehsil-wise Land Records of the Board of Revenues, Rajasthan (for 1951-52, 1963-64 to 1965-66) and the *Statistical Abstract of Rajasthan*, 1967.

18 One may get misled by seeing the increase in net sown area and decline in the waste lands, and may interpret it as success in terms of land reclamation. However as the *Patwari* records show, the categorisation of land as 'crop land' or waste land has nothing to do with its use capability. Accordingly, wherever ploughing is physically possible the land is classed as culturable waste. Moreover, even when the process of soil erosion is accentuated by activising a stabilised sand dune (by breaking the soil by plough) it is termed as 'land reclamation'. It is noteworthy that having come across such situations, the NCAER study stated that actual area of barren land in the dry zone was nearly double as compared to that shown in the revenue records of the State. See, "Land and Livestock in Rajasthan", *op cit*, pp 21-22.

19 "The Pattern of Rural Development in Rajasthan", Evaluation Organisation, Government of Rajasthan, p 67.

20 It may be mentioned here that the Central Desert Development Board was established in 1966, to devote special attention to the development of desert areas. However the Board was disbanded in 1968.

21 N S Jodha, 'Draught and Scarcity in Rajasthan Desert', *Economic and Political Weekly*, April 19, 1969.

22 *Ibid.*

In Search of the Capitalist Farmer

Ashok Rudra

The first two instalments of this report on a sample survey of large farms in Punjab appeared in the Reviews of Agriculture of September 27 and December 27, 1969. Certain average characteristics of large-scale farming in Punjab were presented in these two articles.

However, the purpose of the survey was to study not just large-scale farming but capitalist farming, if such a category could be scientifically defined and identified empirically. An attempt is made here to pick out farmers having certain characteristics and to study the possible explanatory factors going with them.

[The statistical work involved in writing this article has all been done by Jayanta Banerji of the Farm Management Centre of Visva Bharati. His help is gratefully acknowledged.]

IN our preceding two reports on the survey (carried out by the Agro-Economic Research Centre of the University of Delhi) among the large farmers of Punjab, defined as farmers cultivating more than 20 acres of land, we presented certain average characteristics of large-scale farming. However, as we mentioned in the first of the two above-mentioned articles, we had set out to study not just large-scale farming but capitalist farming, if such a category could be defined scientifically and identified empirically. The reason why we took a sample of large farms rather than capitalist farms is that to draw a sample we have to have a definition of the population and we did not have at our disposal any operational definition of a capitalist farmer with the help of which we could identify capitalist farmers and draw up a list of such farmers in each village drawn in the first stage sampling. The reason why we have drawn a sample of large farmers as a surrogate for capitalist farmers is that we have assumed the intersection of the set of capitalist farms and the set of large farms to contain most of the elements of the set of capitalist farms. Which, of course, does not mean that most large-scale farms are capitalist farms; though it does mean that most capitalist farms are (assumed to be, in Punjab) large.

★

What then are the principal characteristics of capitalist farms? While there is perhaps no rigorous definition of what constitutes a capitalist farmer, the following features may be expected to be observed in him, especially in Punjab:

(a) A capitalist farmer will tend to cultivate his land himself rather than give it out on lease;

(b) he would tend to use hired labour in a much greater proportion than family labour;

(c) he would tend to use farm machinery;

(d) he would be market-oriented; i e, he would tend to market an important share of his produce; and,

(e) he would be profit-minded; i e, he would tend to so organise his production as to yield a high rate of return on his investments.

If the above expected features are the explicandum, we have used as explicata the following variables:

(1) percentage of land rented out to total land owned;

(2) wage payment in cash per acre of farm size (X_2);

(3) value of modern capital equipment per acre of farm size (X_3);

(4) percentage of produce marketed to total produce (X_4); and

(5) cash profit per acre. (X_5).

All except the first of the variables listed above are studied in a disaggregated fashion; that is, they are calculated for each individual sample farm for analytical purposes. The reason for the exception will be discussed shortly. The four variables used for analytical purposes are designated by X_2, X_3, X_4 and X_5. There is, of course, in our analysis a variable designated X_1 and that is productivity defined as value of output per acre of farm size.

We shall first present some negative results. If there were indeed a category of farmers who were capitalist farmers, and if capitalist farmers were to have (a) a higher rate of cash expenditure on wage payments; (b) a greater intensity of utilisation of modern capital goods per acre of farm land; (c) a greater market orientation; and (d) a higher rate of profit per acre of farm land than non-capitalist farmers, then one would expect to have strong positive associations as between the pairs of variables X_2 and X_3; X_2 and X_4; X_2 and X_5; X_3 and X_4; X_3 and X_5; and X_4 and X_5. Our data, however, fail to indicate any strong association between any of these pairs. That is to say, market mindedness, profit mindedness, tendency to employ hired labour, and tendency to use modern capital goods, these characteristics seem to vary independently, thus belying the assumption that these features go together, giving rise to the existence of a certain category of farmers. It is, of course, possible to pick out a number of farmers who have X_2, X_3, X_4 and X_5 all high. But if the variable values are scattered more or less evenly among all the quadrants defined by axes drawn through the means, then there is hardly any point in calling the collection of points falling in any one of the quadrants as constituting a category. In order to define meaningful categories, the points must be such as to concentrate in some of the quadrants and be sparse in the others; that is to say, the variables must reveal strong positive association.

Having reported this very important negative finding, we may proceed to give some details and clarifications about the measurements involved. The first point to pay attention to is that in all cases of valuation of inputs we have restricted ourselves strictly to the part transacted in money, foregoing any imputations of kind transactions. Thus X_2 refers to wage payments in cash and excludes wage payments in kind. Again, X_5 is defined as cash sale receipts minus cash expenses, including cash wage payments, divided by farm size in acres. X_3 refers to modern equipment as opposed to traditional equipment; as such equipment, by definition, cannot be obtained except in exchange of money, the problem of imputation has not had to be faced here. Only in the case of X_1, representing value of output per acre of farm land, have we accommodated imputations. Our reason for avoiding imputations is primarily the difficulties associated with the valuation of non-monetary transactions. It is well known that the problem of at what rate to impute family labour or at what price to value cowdung collected within the farm and used as manure defies theoretically satisfactory solution. There is no doubt that by doing this we are not even approximating to the true values of inputs or profits. Thus, a comparison of

TABLE

	A_1 (Neither pumps and tubewells nor tractors)	A_2 (Only pumps and tubewells)	A_3 (Only tractors)	A_4 (Both pumps and tubewells and tractors)
Size of farm (acres)	34	35	46	55
Output per acre (Rs)	560	810	666	733
Cash wage payment per acre (Rs)	83	115	88	123
Number of permanent farm servants	1.12	1.43	1.52	1.90
Share of marketed produce to total produce (per cent)	0.57	0.57	0.61	0.61
Cash profit per acre (Rs)	188	241	238	218
Proportion of land leased in (per cent)	7.3	9.9	8.9	16.8
Proportion of land leased out (per cent)	2.3	5.8	0.0	0.7

X_2 between two farms does not compare the intensities with which they use labour, but the intensities with which they use labour paid with cash wages. Again, a comparison of X_3 between two farms does not mean a comparison of their relative profitabilities, but of the monetised parts of their profits. This qualification of the usual accounting concepts is, however, helpful to our analysis. That is because monetisation itself may be regarded as a characteristic of capitalist farming. Thus X_2 is a compound of two variables, each of which is an indicator of the capitalist mode of farming. The same is true of X_3.

The second point to pay attention to is that valuation of capital goods, even when dealing with such capital goods as are purchased and sold in the market, is always difficult. Also, the qualification "modern" (as opposed to "traditional") has been, at least in our survey, kept somewhat ambiguous so that the coverage of items may be expected to have varied from farm to farm. As a result of all this, data pertaining to X_3 may be treated as of much inferior quality as compared to data relating to the other variables, and we need not take too seriously any failure of our analysis to reveal X_3 as a significant explanatory variable.

While X_2, X_3, X_1 and X_5 fail to reveal any strong positive associations, X_1 also does not seem to be positively associated with X_2 or X_3 or X_4. There does, however, seem to be a strong positive association between X_1 and X_5, that is between value of output per acre and cash profit per acre — between productivity and profitability (of the factor land). This is indeed interesting. The interpretation we have to think of is that there are farmers who are "efficient" and others who are "inefficient" and efficient farmers excel in yield per acre of farm land and also make a good profit per acre of farm land whereas inefficient farmers fail in both. But the efficient farmers, so defined, do not show, in comparison with the inefficient ones, any greater tendency to market their products, or employ hired labour against cash payment. Going by the revealed degree of association between X_3 and X_1 and X_3 and X_5, one would say that use of modern equipment has also nothing to do with efficiency in the above sense. But as we have said before, any results involving the variable X_3 may not be accepted without further tests.

EXPLANATORY VARIABLES

We have not talked up till now about one of the variables, namely, the proportion of land owned that is leased out. It would appear that on the average the big farmers studied satisfy this one condition of being capitalists. Only 2.7 per cent of land owned by the farmers studied by us is given out on rent. There is likely to be among these farmers some who give out a considerable part of their land on rent, but they must be very few. By the very fact of defining the population as one of large cultivators, we have from the outset eliminated those elements (often loosely called "feudal") who give out their land to others for cultivation and are, therefore, not capitalists.

We have drawn a blank in our attempt to discover any explanatory variables amongst X_1, X_2, X_3, X_4 and X_5. We now make one important change in our mode of analysis and for this we are rewarded by a whole lot of interesting positive results. Instead of trying to treat capital as a continuous variable (e g, X_3) we now treat it as an attribute. We consider a classification of the farmers going as follows:

Class A_1, farmers having neither pumps and tubewells nor tractors:

Class A_2, farmers having only pumps and tubewells;

Class A_3, farmers having only tractors; and

Class A_4, farmers having both tractors and pumps and tubewells.

Our estimates of the numbers of farmers of these four categories in Punjab in the year 1967 are:

	Estimated Number of Farmers Above 20-Acre Size
A_1	24,200
A_2	23,200
A_3	5,300
A_4	15,200

Thus, out of the nearly 68,000 farmers estimated to cultivate more than 20 acres, 24,000, or more than a third, may be described as non-mechanised; about 15,000, or more than 20 per cent, may be regarded as fully mechanised. As a matter of fact, a larger percentage of these farmers must be resorting to mechanised farming. Those having tractors only must be hiring the use of pumps and those having pumps and tubewells only must be in many cases hiring in tractors.

The accompanying Table presents the average values of the variables X_1, X_2 X_3 and X_5 for these attribute classes as also certain other relevant averages. If the Table permits us to draw any conclusion, that is that the optimum degree of mechanisation seems to consist in having pumps and tubewells but not tractors. The addition of pumps and tubewells to farms having none (compare A_1 and A_2) seems to have the result of increasing their per acre value of output as well as per acre profit realised in cash. But there is no further increase, as a matter of fact there is probably a decrease, when tractors are also added (compare A_2 and A_4); or when, while not having pumps and tubewells, a farm possesses tractors (compare A_2 and A_3). In terms of employment of labour, farms having neither pumps and tubewells nor tractors (A_1), and farms having only tractors (A_3) seem to involve the same amount of cash payment of wages; but the tractorised farms require relatively more of permanent hands and, therefore, relatively less of casual labour. Employment of (cash) wage labour goes up sharply with the addition of pumps and tubewells. The difference in the cash wage bill between farms having tractors as well as pumps and tubewells (A_4) and farms having pumps but no

tractors (A_2) is not significant, but that the number of permanent servants is. It is thus clear that addition of pumps calls for a supplement of casual labour, whereas the addition of tractors calls for a supplement of permanent servants. When it comes to market orientation, the factor making a difference is the possession of tractors; the possession or otherwise of pumps and tubewells do not seem to make any difference.

Given that tractorisation seems to lower the efficiency of a farm whether judged by the criterion of output per acre or of cash profit per acre, one has to look for an explanation for the introduction of tractors, where they do get introduced. The explanation may be expected to lie to a large degree in the size of farms. As can be seen, farms having no machines and those having only pumps and tubewells have the same average size. But farms that have tractors have a larger average size. Putting it the other way round, we may say that even though the use of tractors does not increase either the value of output per acre or cash profit per acre, larger farms tend to go in for tractors because of being unable to cope with the demands of cultivation without the use of tractors. There must be individual large farms that make use of tractors to get as much or more output per acre and profit per acre as any smaller farm not using tractors, for we have seen before that there is no pure size effect reflected in these variables. But the average picture is as given above.

Admittedly, the interesting results presented above pertain more to the economics of mechanisation than to the anatomy and physiology of the animal which has been named the capitalist farmer even before his existence has been established.

Plant Protein Resources

ABOUT 150 scientists from 38 countries met in Vienna to discuss ways in which the protein content of the world's major crops may be increased by applying nuclear techniques

Plant crops, especially cereals, are the major source of protein for a majority of the world's population especially in the developing countries. In parts of the world the daily intake of protein — an essential component of the diet — is already below the minimum necessary for health. Protein deficiency is especially serious for children and nursing mothers, as a lack of protein in the diet may result in retarded growth physically and mentally. An FAO study indicates that an increase of 50 per cent in world protein resources may be needed by 1975 and 90 per cent by 1985.

One of the most promising ways of alleviating the protein crisis is by bringing about an increase in protein content of suitable food crops through plant breeding. It has been shown that through radiation-induced mutants it has been possible to increase plant protein considerably. The experts who attended the symposium reviewed the progress made in the application of nuclear techniques to the improvement of plant protein, and considered the use of induced mutations for plant protein improvement.

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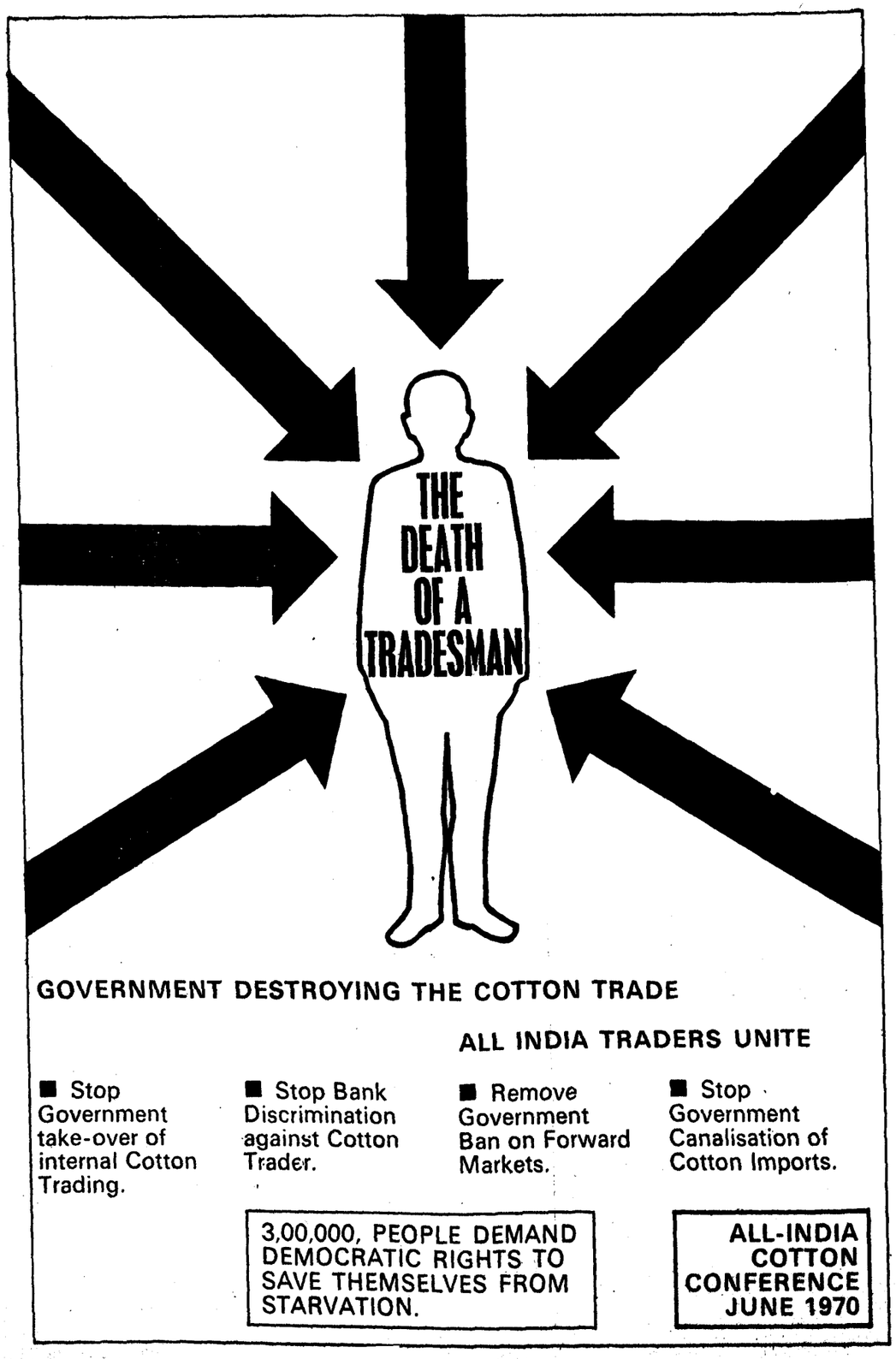
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Regional Planning for Bombay

Shirish B Patel

Bombay is the third city in India to have undertaken some form of metropolitan planning on a regional scale, earlier instances being those of Delhi and Calcutta. It is the fifth, if one includes also the quite valuable regional planning work that has centred on two other urban areas, Mysore and Kanpur. The Bombay Metropolitan Regional Planning Board thus had a great deal to go on by way of precedent.

This is what makes the Board's work, as represented by its "Report on the Draft Regional Plan of Bombay Metropolitan Region, 1970-71", particularly disappointing. The Report has only one tooth in an otherwise toothless face.

Though armed with wide powers for staffing, the Board chose to work through a collection of eight "Study Groups" which consisted of casual members, all with other full-time professional preoccupations. The reports of these Study Groups were assembled to ultimately form chapters of the Board's Final Report.

No less unfortunate than the Board's choice of working methods was its failure to take advantage of the experience and talent available from earlier city planning efforts.

At every stage, the Board glosses over major issues or dodges them altogether. The question of migration into Bombay is neatly side-stepped by making three series of population projections; the task assessing the cost of executing the Regional Plan is not even attempted; and problems of implementation are evaded.

There is only one recommendation which has any real significance and this is the proposal that a new metro-centre, or twin city, be established on the mainland across the harbour from Bombay. The significance of the recommendation has been heightened by the fact that the State Government has accepted the proposal with remarkable speed and even initiated action on it.

A new corporation has been formed and entrusted with the task of detailed planning and development of the trans-harbour area and 55,000 acres of land in the area have been already notified for acquisition. Planning work is to begin shortly and, if all goes well, we can expect vigorous activity and perhaps a flourishing settlement in that area before the next five years are out.

However, the establishment of the twin city raises some fundamental issues. It is necessary that these are thoroughly examined at the inception of the project.

WHAT should we expect of a Regional Plan? It is difficult to know, because regional planning is such a loose term, meaning different things to different people. To an economist, regional planning might mean nothing more than a recognition of the spatial dimension of economic planning; to a town planner perhaps nothing more than land-use planning over "regional" instead of municipal boundaries. In its widest sense, and this is probably the sense in which it is understood by a geographer, regional planning may mean comprehensive development planning for any region, the limits of the region being set by some overriding developmental factor. Thus we have river basins defined as regions for planning where the principal developmental resource (or constraint) is water; we have other resource-based regions; we have regions defined by administrative boundaries because of the impracticality of exercising control or of achieving implementation beyond these boundaries; and we also have metropolitan regions, which are the city and its subservient, but not necessarily contiguous, areas where the dominant influence is that of the city.

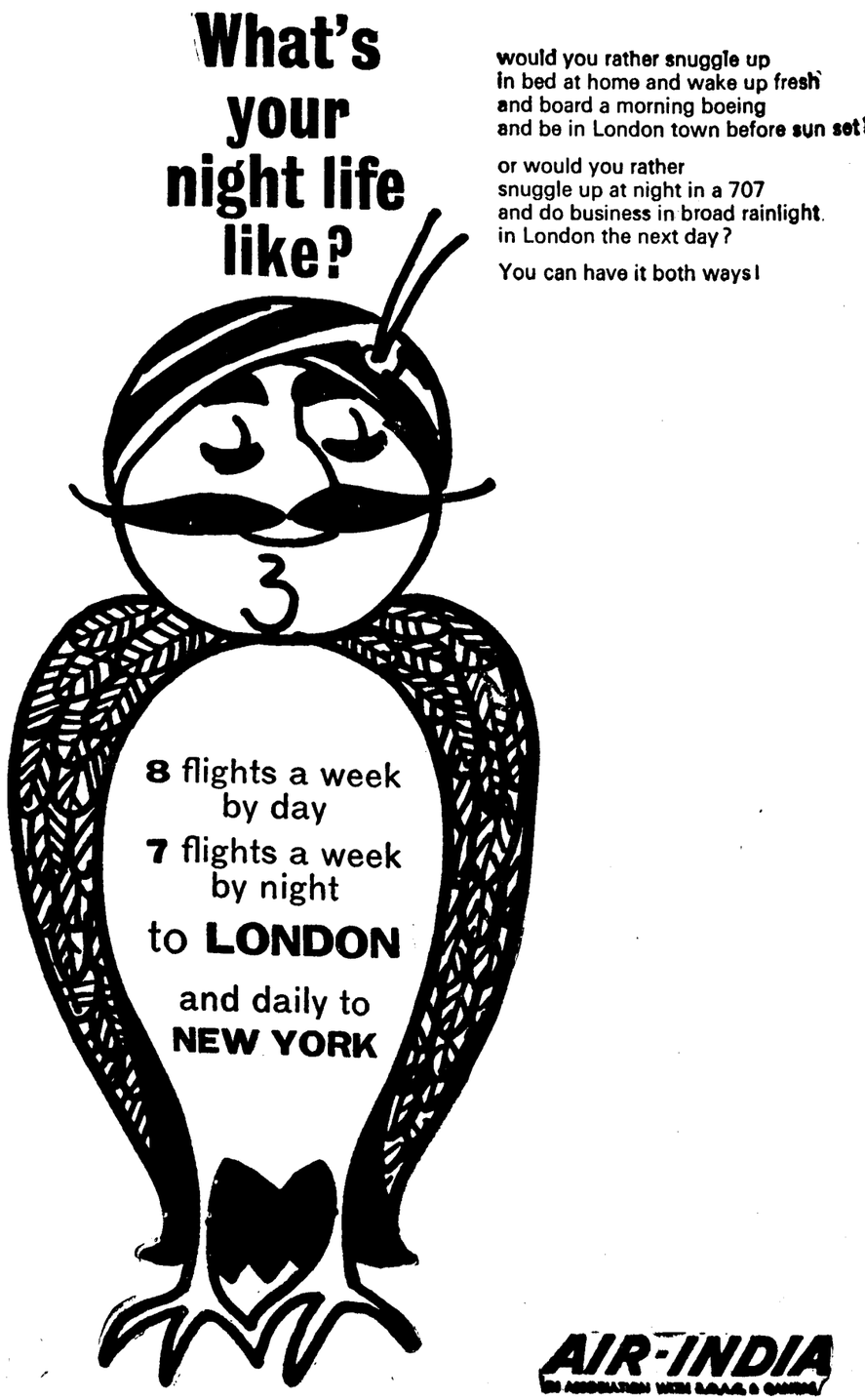
Investment Allocation

In any case, without attempting a firm definition of regional planning, if we are agreed that regional planning is to be the last significant level of planning prior to implementation then clearly it must be concerned with the following two issues at least: investment allocations and priorities, and the problems of location.

The determining of investment allocations and priorities is clearly a central feature of any planning process, unless such allocations and priorities have already been established at an earlier planning level. There is probably general agreement concerning this; so there is little point in discussing it more closely, except to suggest that the process of investment allocation and assigning priorities is a continuous process in time, which calls for modification and reassessment as development proceeds. It is also important, when discussing investment allocations, to indicate investment sources, which means that the regional planning process encompasses not only indications of where and how funds will be spent, but also the sources from which these funds will be made available.

The second element which lies at the core of regional planning is the question of location. This is very much more than the stipulating of different land uses. It implies taking specific, individual location decisions: Decisions as to whether a particular industry shall be at one point or another, where in the region a particular economic activity should be located, the positioning of infrastructure facilities — the locating of transport routes for instance, or the choice of whether one particular area shall be irrigated or another.

Location decisions are crucial because they are permanent. A facility or activity once located is very difficult to shift elsewhere. Location decisions are also self-reinforcing. They become reinforced with time either by expansion of the original facility or activity, or by the attraction of new activities and facilities towards the ones that already exist.



We are assuming, of course, that a choice between locations exists as a genuine possibility. Within a single region this should nearly always be possible, and within reason it should also be possible to choose relatively freely between locations in different regions within the same State. It is when choosing between one State and another that the location issue becomes clouded by political considerations. When the inter-State rivalry is for Government projects such as a new steel plant or a small-car factory, the winning States may still exercise some discretion as to where in the State the plant should be. When the competition is for private industrial investment the State's options concerning location may be considerably narrowed. Attracting a particular industry may be a question of the big city location or nothing, whatever the public costs. But here again the argument is easily over-stated, and the experience of the State Industrial and Investment Corporation of Maharashtra (SICOM) in particular indicates that by a combination of incentives and plain hard selling it is possible to some extent to persuade private industries to move to areas of Government's choice.

Image of the Region

The impact of location decisions will be felt in two ways. There is, first, the impact on costs, either economic or social, and this effect may vary with time. The cost element is obviously one which should influence the location decision, but costs are not always brought out, particularly public and social costs.

The second effect of location decisions is less clearly understood. This is the impact that location decisions have on the future physical pattern of development. Each location decision makes a mark on the physical face of the region. Since marks are not easily erased, and more are added as development proceeds, the picture continues to build and at a future date the face the region presents, chaotic or orderly, balanced or distorted, poised for further development or hampering it, will depend on the skill and vision with which location operations have been conducted.

Location decisions, consequently, require an image of the region as far ahead in time as one can reasonably see. The image cannot be entirely freely drawn for we have existing physical developments which form the starting point. We must also visualise not only the most distant image but a series of images moving from the present to the most remote, and the series must be practical.

There is no reason to expect that the series will necessarily develop in a specified sequence, or that as development proceeds the series will remain substantially as originally visualised. On the contrary, the images will be subject to a process of continuous modification occasioned partly by the turns that development takes — there are, after all, powerful forces at work on the development process over which the regional planner will have little or no control, such as political instability, the state of the national economy, the aid climate, natural disasters and so on. Not all of these factors are likely to seriously distort the forward images which form the planner's basis for location decisions. They will certainly affect the pace of development and possibly the sequence but the images themselves will need revision only if development occurs at locations which are contrary to those anticipated earlier. But there is a more important factor which will require image modification with time and this is the continually advancing state of technology.

Technological innovation provides new equipment, which may be for instance a new vehicle for urban transport which is noiseless, involves no air pollution and greatly increases passenger handling capacities. It provides new technological systems, for generating power or deriving fresh water, or dealing with sewage or greatly increasing agricultural yields. It uncovers totally new activities and living styles, such as would follow, for instance, the development of underwater living for prolonged periods.

Anticipating Technological Advances

To some extent it is possible to anticipate these advances and plan ahead accordingly. For instance, we can anticipate that a great deal of future intercipate that a great deal of future office activity may be conducted over closed circuit TV, without the need for as frequent face-to-face contact as we have today. It may also be possible to obtain library or reference information quickly at remote locations without the need for a personal visit to the reference source. These trends may have significant implications in the matter, say, of office locations, which could perhaps be considerably more dispersed than they are today, if dispersion is seen as offering advantages.

We can also foresee, for instance, systems which will soon be operational where a power generating plant is linked with intensified agricultural production. Apart from nuclear-agricultural complexes, there are possibilities also in building facilities around a conventional thermal power plant. For several years now an experimental system of this kind has been operating in a coastal desert area in Mexico. The waste heat from the power plant is used to provide energy for sea-water desalination. The waste sea-water from the distillation plant is used to modulate the temperature and humidity in a large, inflatable, translucent plastic greenhouse. The waste exhaust gases from the power plant are used to increase the carbon dioxide level in the greenhouse, and this considerably accelerates the photosynthetic processes of the plants. The power-water-vegetables facility provides these items of daily consumption to the local community of 5,000 at about half the cost they would incur if the power plant were used for generation alone, and water and vegetables were obtained from conventional sources.

The Desired Final Image

Such developments present a changing picture of the possible future technological content of our society. They make in effect a changing picture of the future mix of activities in which we can expect to be engaged, and of the manner in which we can expect those activities to be conducted.

The problem thus stated seems to reduce to one of fairly simple dimensions. Given an image of future activities and future methods of working there is probably some optimal way in which these activities should be spatially distributed at that time — optimality being defined, again, not only in terms of costs but also social benefits. The question then is how we can most simply and directly move from the present physical pattern to the desired future one. The problem of the transition may compel us to choose as the end pattern not the one which emerges as optimal but one of several which may be near-optimal, the chosen pattern being one which offers good possibilities of realisation.

But this is stating the problem far too simply. There is first of all the question of optimality and how one is to define it, particularly when one considers the social benefits of a particular physical pattern. What is socially beneficial? Plenty of light and air and green spaces? Congested, stimulating

urban contact? Quick access to the countryside? Good live entertainment? How much importance to each? Clearly the choice of the desired final image involves a degree of personal bias and moral as well as technical judgment.

There is also the question of social trends, of the changing structure of society, and this may considerably affect the image-building process. Let us suppose that it is demonstrated that urbanisation is not necessarily a concomitant to industrialisation but is instead a sequel to improved agricultural production so that labour is freed from the land. These alternatives would set very different urban trends, not only in terms of the time and pace of urbanisation but also in the choice of points of growth. Urbanisation accompanying industrialisation may mean population attraction to the new industrial employment centres. Urbanisation consequent on the agricultural boom may mean the extensive release and supporting of youth for further education. And education, as we know, stimulates migration and very often the more the education the greater the distance over which a person will willingly migrate. This movement may not always be to those locations which promise real employment. It may even more strongly be towards those extensive urban concentrations which contain vast employment pools. The pools might admit very few new entrants, but their size alone would raise hopes and attract migrants to the area in search of employment which is largely imaginary, not real.

The image-building process as envisaged here is obviously hazardous, tentative, complex. But without some sort of forward images, however hazily or clearly seen, whether consciously or unconsciously evolved, it is difficult to see how a location planner can make sound and consistent decisions. Without this logical thread the location aspect at least of regional planning would become more or less arbitrary and haphazard.

II

Bombay is the third city in India to have undertaken some form of metropolitan planning on a regional scale, earlier instances being those of Delhi[3] and Calcutta [4, 5]. It is the fifth if one includes the quite valuable regional planning work that has centred on two other urban areas, around Mysore [1, 2] and Kanpur [6]. The Mysore studies were carried out in the late fifties and early sixties. The Delhi work was begun in 1956 and the Draft Master Plan released to the public for eliciting objections in mid-1960. The Calcutta Metropolitan Planning Organisation was set up in 1961 and published the Calcutta Basic Development Plan in 1966, with some important work [4] published earlier. The Kanpur work, conceived in 1965, was brought to a head in a Seminar in early 1967. The Bombay Metropolitan Regional Planning Board was constituted in July 1967, and published a Draft Plan[7] for public comments in January 1970. The Bombay Board had a great deal to go on by way of precedent. This is what makes its work particularly disappointing, drab and apologetic, with only one tooth in an otherwise toothless face.

The Mysore work, a geographers' approach to regional planning, set out some very useful concepts and techniques, particularly in the matter of data collection and analysis and the kind of regional mapping that would help focus the region's problems and capabilities. It stressed the importance of taking a bird's-eye view of the problem, called in more sophisticated terminology the "holistic" approach, which is the notion that the whole is more than the sum of its parts. It is obviously inadequate to imagine that regional planning work can be divided into more or less independent compartments, labelled "Industries", "Housing", "New Towns", "Demography", "Social Planning" and so on.

Delhi Master Plan

The Delhi Master Plan is an example of skilful town planning over extended town boundaries. It does not have a truly regional perspective, but that does not detract from the quality of town planning work that has gone into it. The quality is most clearly seen in the Work Studies accompanying the Plan. The fact of a growing population for Delhi is accepted, and it is sought to deflect some part of this to six Ring Towns — Loni, Ghaziabad, Faridabad, Bahadurgarh, Gurgaon and Narela — which are hopefully to be self-contained in matters of work and residential places. This is seen as a means of preventing urban sprawl and the growth of a single giant urban mass.

Perhaps the best preceptor for Bombay's planners would be the work done for Calcutta by the Calcutta Metropolitan Planning Organisation. The CMPO sees Calcutta as one element, *albeit* an important one, in the process of regional development. The future of the city is seen as depending, directly and fundamentally, on the pattern of urbanisation and industrialisation that will take place throughout the rest of the State and in neighbouring States. The Basic Development Plan for Calcutta was in fact preceded by a report on Regional Planning for West Bengal[4], and a report was simultaneously under preparation on "A Plan for Urbanisation in West Bengal".

Kanpur Plan

The Kanpur work[6] is in many ways the most remarkable achievement so far in regional planning in India. This is partly because it deals with a city of the second rank and still manages to contribute a great deal which would be of value to a city of the first; partly because it seems to have been achieved at remarkably low cost when compared with other city planning efforts; and partly because it is the work of bodies not charged exclusively with planning responsibilities: the Directorate of Industries, UP; USAID, New Delhi; and Indian Institute of Technology, Kanpur.

Kanpur is seen in relation to its hinterland. The report says (p xiv) in a statement which is startling in its applicability to Bombay:

> "For a number of reasons, the Kanpur city has had little interaction with the surrounding predominantly rural areas. The results have been a lack of development of the rural areas and a distinct tendency for migrants to stream into Kanpur city from the surrounding rural areas. This migration, attributable in large part to a failure of Kanpur's hinterland to provide employment opportunities, has in turn brought on the kinds of urban problems — wasteful uses of land, overcrowding, insanitation, unemployment — that all too frequently characterise urban areas the world over.
>
> "Fortunately, there have been attempts to deal with these urban problems. Town planners were put to work, and we are pleased to note that a comprehensive master plan for Kanpur City has already been prepared by the State Government. But it is clear to us that town planning, although desirable in itself, is not sufficient to deal with Kanpur's urban problems. Only if the surrounding regions can be developed to the point where substantial employment opportunities exist will the migration into Kanpur, and the attendant urban problems, be limited to manageable proportions."

Perhaps the most charitable comment one can make about the Bombay work is that it was carried out by well-intentioned people who grossly underestimated their task. Given the Board's self-imposed limitations on time and personnel, the outcome was probably inevitable. The Delhi Plan involved about 13 planners, a team of about 8 consultants provided by the Ford Foundation, and over 100 other personnel. The CMPO document lists 63 Indian staff and it is known that there was a massive injection of foreign staff and experts in the work, far more than in the Delhi Plan. The Bombay Regional Plan, prepared in about half the time taken for the Delhi and Calcutta work, relied for its permanent staff on the local office of the Deputy Director of Town Planning. The number of officers involved did not exceed 9 at any time. The Board, which had wide powers for staffing, chose instead to work through a series of eight "Study Groups". The Study Groups consisted, as the Foreword to the Report says, of "groups of interested and intelligent men". These men "extended the benefit of their experience" to the respective Study Groups (Preamble, p iv). They met for two or three hours at a time on an average perhaps once a month or less often. The size of the groups varied from 7 to 18 members, plus "experts" and others sometimes invited to attend. The Study Group subjects were New Towns, Restructuring Bombay, Industries, Housing, Demography, Water Supply, Drainage and Water Pollution, Social Planning and Rural Planning. None of the Study Group members were expected to do any work on their subject between meetings, or prepare material. They were casual members and naturally had other full-time professional preoccupations. Work consisted of a process of collective brain-picking which resulted eventually in a series of Study Group reports, assembled finally to form the chapters of the final Report.

No Substitute

There is a notion, which unfortunately seems to be losing no ground, that creative work is possible in occasional Committee meetings. The notion came to us no doubt from the advertising world where we hear of brainstorming sessions which produced the latest advertisement (not always a good one). But even here we must remember that the participants spend the rest of their time doing related work. No casual Study Group, however sparkling its members, can substitute for full-time, competent professional work.

As unfortunate as the Board's choice of working methods is the fact that it ignored the experience and talent available from the earlier city planning efforts. Except for one person, who attended half a dozen meetings, there was no attempt to secure the participation of any of those who had worked on the Mysore, Delhi, Calcutta or Kanpur problems.

List of Woes

Volume I of the Report is composed largely of a presentation of data concerning various aspects of life in Bombay. This is followed by a list of woes, under the heading "Identification of the Planning Problems in the Region". Some of these are: over-concentration of population in the limited area of the metropolis; imbalanced distribution of land uses and population; a very heavy concentration of industries; inadequate housing; inadequate berth capacities in the harbour; inadequate capacity of the airport; congestion of roads, breaking point saturation in suburban transportation; lack of connection between the Central and Western Railways; inadequate water supply; lack of sewage facilities; lack of sufficient open spaces; social problems arising out of metropolitan congestion; problems of spiralling land values; haphazard and sprawling development; inadequate infrastructure facilities; air and water pollution; and so on. No mention is made of the quite significant problem of how to lower migration rates; of the impossibility of reconciling urban housing demands with the volume of funds available for housing; of the problem of financing new development; and of the considerable problems of implementation.

Volume II begins with a statement of broad policy objectives which are (a) to raise the standard of living and (b) to decentralise economic activities and achieve interregional parities of development. Embedded in the rest of the report and difficult to find are a few recommendations. For most of these, it is not clear how they further either of the two policy objectives, or how they remedy any of the ills listed earlier.

There is only one recommendation which has any real significance and this is the proposal that a new metro-centre, or twin city, be established on the mainland across the harbour from Bombay. The Report examines alternative forms of urban development to see which would most suit the further growth of Bombay. One form is "internal restructuring" which means establishing a second commercial complex in the Bandra-Kurla area to relieve the pressure on Fort. About this the Report says (Vol II, p 27):

> "An internal restructuring without any efforts for decentralisation and dispersal away from Salsette would, however, end up in a closed situation after some more years and would not be a lasting solution. The area potential of the Bandra-Kurla Area as an alternative centre is after all limited. Besides, this would continue to concentrate all activities in the strategically vulnerable island of Salsette."

The next form examined is "multi-town structure" consisting of a series of new towns and expanded present towns in the region around Bombay. This possibility too is rejected (p 29):

> "But the planned expansion of the existing towns and the development of a series of new towns as above would not by itself be sufficient to relieve congestion in Bombay. The population absorption capacity of a series of small or medium sized new towns would be necessarily limited. Besides, the analysis of the problem areas in the development of Bombay has highlighted that dispersal and decentralisation of secondary sector employment alone will not be sufficient and that it would also be necessary to divert the employment intensive offices sector outside Bombay. A series of medium-sized new towns will not be capable of attracting the tertiary sector activities away from Bombay. The types of activities in the tertiary sector which will have to be induced to locate themselves outside Bombay could only flourish properly in a metropolitan setting and not in several small new towns dispersed in the region."

All Given Equal Weightage!

The third form studied is the "linear urban corridor", a corridor development along one or more of the transport routes into Bombay. Concerning this (p 30):

> "Multiple urban corridors emanating from the existing metropolis really depend for their effectiveness on the existence of trully (*sic*) expressways and rapid transit routes linking the communities which would not be readily available around Bombay. This solution would only have a limited application in the context of Bombay and that is to regularise the established corridor communities and industries. The corridors would also not be able to absorb population sizes of the order predicted for Bombay nor will induce the tertiary sector to stay."

Finally, the metro-centre which is seen (p 30) as "the development of a twin metropolis on the mainland which would provide the urban fabric necessary to attract away from Bombay employment-intensive tertiary activities and would provide social, cultural and other amenities for the surrounding area". This is advocated as the best pat-

tern, no disadvantages are put forward, but the next paragraph begins:

> "It will be seen from a discussion in the preceding paragraphs that no single solution by itself would be adequate to take care of the development problems of the Metropolitan Region.
>
> "The future pattern for the regional urban development will therefore have to be a combination of..."

and there follows a listing of all four development patterns, discussed earlier, given equal weightage!

It is all too clear at various points in the Report that Study Group members did not always agree and the Report is an attempt not to reconcile, but to equitably present all views. No feelings must be hurt.

Major Issues Glossed Over

At every turn, major issues are either glossed over, or dodged altogether. The Board neatly sidesteps the entire issue of migration by projecting three series of population estimates, low, medium and high on the basis that (a) rates of natural increase and migration will reduce by 10 per cent every 5 years (low projection) (b) they will reduce by 5 per cent every 5 years (medium projection) and (c) there will be a 5 per cent reduction in natural increase below the 1951-61 level and no reduction in migration (high projection). Planning is based on the medium projection. There is no indication as to how reductions in migration rates will be achieved and indeed no reason to suppose that migration will not *increase*.

The section on Finance is perhaps the most abject of the entire Report. It begins:

> "The total cost of implementing all the projects suggested in the Regional Plan has not been worked out mainly because the Regional Plan is essentially a broad framework for co-ordinating the activities of various agencies which would be responsible for allocating funds for their own projects. It is also not possible at this stage to give even rough estimates of costs of all these projects before the projects are investigated in detail. The provisions of the Regional Planning Act do not make a mention about giving cost estimates of the projects suggested in the plan. It is possible at this stage only to give broad figures of the expenses involved in securing land, developing the infrastructure and constructing public buildings for part of the additional population by 1991 which will be residing outside Bombay and which will be housed either in the existing towns or new towns. Where population is housed in expansions of existing towns the cost of acquiring land is not worked out as the land required will be developed by preparing town planning schemes."

The problems of implementation are also carefully evaded. Here is an instance:

> "A single transportation authority owning and operating the mass transportation services as in the case of London is not possible in Greater Bombay. The main difficulty is that the suburban railways are not only owned by the Western and Central Railways but also have common facilities, like stations, inter-linking of tracks, etc. Owning and operation of the suburban transportation system by a single unified agency is, therefore, not possible. Even underground railways for mass transportation will also perhaps have to be run by the Railways unless the Indian Railway Act is suitably amended permitting operation of Railways for mass transportation by other agencies also.
>
> "What is possible would only be a co-ordinated planning and operation of the various mass transportation systems. For this purpose, what is really needed is a Transportation Planning Authority. It is suggested that an Advisory Body be set up comprising of the representatives of the various operating agencies and other transportation experts. If any of the operating bodies have difficulties in accepting the decision of the Advisory Body then the matter should be taken to the High Level Co-ordination Committee suggested in paragraph..."

It is perhaps too much to hope that the Bombay Metropolitan Regional Plan will be rejected and a fresh plan prepared. However Section 15(1) of the Maharashtra Regional and Town Planning Act, 1966 reads as follows:

> "The State Government may, within the prescribed period, by notification in the *official gazette*, either approve the Regional Plan without modification for the whole Region, or any part thereof, or with such modifications as it may consider necessary or reject the plan with a direction to the Regional Board to prepare a fresh plan according to such direction."

Any Plan Better Than No Plan?

Is any so-called Regional Plan better than no Regional Plan? One wonders. The existence of a Regional Plan of the kind we have before us would effectively block further Regional Planning, for it does not see planning as a continuous process in time, linked with implementation. The Act in fact provides that once the Regional Plan is accepted, it cannot be reopened or reviewed for 10 years. But this is not the only block. There is another, which is that for the next decade or more one cannot even ask for adequate regional planning. The answer will be that a regional plan up to 1991 already exists.

We must also remember that a bad piece of work finally brings disillusion, and discredit not only to itself but to the science in whose name it has been conducted. Regional planning will have a great deal of respectability to recover, if the present Report is accepted, and if its content is assumed to be a fair indication of what regional planning is about.

III

Nevertheless, the Board's proposal that a second city be established across the harbour is a major one. Its significance is redoubled by the fact that the State Government has with remarkable speed accepted the proposal and initiated action on it. A new Corporation, the City and Industrial Corporation of Maharashtra (CIDCO) has been entrusted with the task of detailed planning and development of the trans-harbour area, and 55,000 acres of land in the area have already been notified for acquisition. Planning work is to begin shortly and if all goes well we can expect vigorous activity and perhaps a flourishing settlement in that area before the next five years are out.

The establishing of a twin city raises some fundamental issues. It would be as well to examine these at the inception of the project.

Distortions Grow Worse

Many of the difficulties which the present city of Bombay faces stem from its peculiar geography and from the fact that development has been extremely off-balance with a tendency to concentrate wealth and business activity towards the southern tip of the island. The island is linked at its northern end to a 30° wedge-shaped peninsula which with the island forms what is called Greater Bombay. The island concentrates on its limited area most of the industrial activity, nearly all the business activity and all the port activity of Bombay except the Oil Terminal. It also houses the greater part of Bombay's population.[8] This distorted development has led to overcrowding, steeply rising land prices as one moves southward, and a serious problem of transportation, especially mass transportation, in funnelling people down the crowded narrow island towards the tip in the morning and out again in the evening.

This tendency to distorted development shows no signs of diminishing, despite planners' warnings over the years that something must be done to reverse the process of southward concentration. Indeed the State Government is, if anything, encouraging the distortion by reclaiming land from the sea at the southern extremity to provide room for more development, and most recently by its decision to build its new Legislative Assembly Hall at the Southern end of the island.

Simple, Cheap Remedy

The twin city seems to offer a simple, cheap remedy to a host of Bombay's troubles. It provides a new growth pole, a "counter-magnet" to the southern tip of Bombay island. If properly undertaken as a high-quality development, it offers the promise of being a rival to the present city. As a rival, it would reduce the pressures for growth on the present city, pressures which today compel unwise planning decisions.

The presence of the twin city would also result in a drastic rearrangement of future travel desire lines. Travel to and fro across the harbour, by boat or by road or railway bridge, might become a common daily experience. It is unreasonable to expect, as the Board seems to do, that because the new city will be "self-contained" in the matter of residences and work places there will be little trans-harbour commuting. The experience of New York is that even when jobs and homes in a particular large sector are well-balanced, most jobs are filled by workers outside the sector, and most residents find jobs outside the area in which they live. A city provides a wide choice of jobs and given reasonable transport facilities, workers will as readily accept work located outside their sector as inside it. In Bombay this would be even more so, because of the system of old rents and the difficulty of finding a house at all. People do not easily shift their place of residence. Even if they do, they often have joint families with several workers per family, and one can expect that the jobs of different family members will be scattered over different areas. We should anticipate, therefore, a fair amount of trans-harbour commuting, as well as, of course, trans-harbour business visits. But the direction of travel will not then be invariably north-south as it is now, and a stage of the journey will be over the water.

The twin city is also in many ways a natural development for Bombay. Given a clean map and the problem of locating a city of five million in this area, no one in his right mind would place it on the island and peninsula. The mainland trans-harbour area, as we call it, offers equally good harbour facilities, as well as more direct transport links with the interior and shorter distances to sources of water supply. It also offers much easier avenues for growth, without the geographic constrictions that exist on the present island.

There are other factors also which make the twin city proposal attractive. There is no more room on the island for dock expansion, so the development of new docks near the twin city is inevitable. Many industries have already chosen to locate themselves in this area. A road bridge connecting the old city to the new area is nearly complete and is expected to be opened before the end of the year. All these elements combine to make some form of substantial trans-harbour development inevitable. But what is most important is that the land in the trans-harbour area is virtually undeveloped, making possible large-scale acquisition at relatively low cost. This opens the possibility not only of a relatively free hand in planning the area but also the possibility of making profits from land development which can be used towards building up the new city.

However, there are important caveats.

Nature of Growth

The first concerns the nature of growth. It is said that the growth of Bombay city is inevitable. Demographers predict this, with varying degrees of pessimism, and there is certainly no evidence to support the belief that Bombay can be made to stop growing. Growth is inevitable, the argument runs, and it is, therefore, better to plan for growth, and have a planned rather than haphazard development. This appears incontestable, but there is an underlying assumption, which is that all areas are receiving equal planning attention. If they are not, and if we single out a particular area for a special planning effort, the effect is to propel more growth towards this area than would occur in a *laissez-faire* situation. The fact of catering to growth encourages growth. We must, therefore, decide whether we desire this stimulated growth, at this particular place, and at this time.

This is not an easy question to answer. The place seems right, a natural and almost inevitable growth pole across the water from Bombay. To the cries of "megalopolis" one can answer that the water forms a great natural barrier between the cities, one which happily cannot be encroached upon, so the vision of one gigantic urban sprawl is modified to that of two cities facing each other across the harbour.

But there is the problem of the growth of a major metropolitan area, probably at the expense of smaller town areas. John Lewis, writing in 1960[9] said:

> "In those economies whose locational paths India seems presently to be following there is accumulating evidence that the long phase of superurbanisation, during which metropolitan agglomerates grow in relative as well as absolute size as the economy approaches, then enters, its era of mature industrialisation, is eventually succeeded by a phase of 'de-superurbanisation'. During the latter period the metropolitan population moves from suburbs to 'exurbs', manufacturing industries increasingly flee the mounting congestion of the metropolitan centres, and new plants, especially the branch factories of major private enterprises, seek decentralised location in smaller hinterland towns. But this process of undoing what, in the first place, has been overdone is slow, costly, and painful. It must be triggered by, then itself aggravate, the peculiarly intractable problem of 'centre city blight', must overcome deep accretions of vested interests, ordinarily struggle to break loose from obsolescent public administrative structures, waste a great deal of capital and subject millions of people to distressing dislocations.
>
> "Thus if the Government of India allows the economy's presently emerging locational contours to form and jell as much as they will during this decade under the passive locational policies now in force, India not only will be committed to the emergence of metropolitan agglomerates far more enormous than anything the world has yet seen; it will have missed its opportunity to short-circuit the 'superurbanisation - de - superurbanisation cycle'. The country will have passed up its chance to head directly for the centring pattern that it may, in any case, eventually approximate by the far more circuitous and costly least-resistance route."

Careful Selection of Activities

If we are planning carefully, therefore, the growth of the twin city must clearly be centred on those activities which we expect will operate efficiently in a metropolitan environment far into the future. We may want to actively discourage the location of certain industries in this area, however desirable their presence may appear to be from the point of view of building up the twin city, if we are convinced that in the long run it would be best for them to be elsewhere. Infrastructure costs are definitely higher in a metropolitan setting, social costs are also often high, and housing costs are higher for every

job that is located in a city rather than in a small-town setting, where the worker can commute from his village and virtually no special housing is required. The growth of the twin-city should ideally be around selected activities only.

The metropolis exerts another influence whose importance cannot be exaggerated. It is parasitic, drawing to itself not only capital but the best talent from the interior. We have a sort of local brain drain towards the big city which denudes the countryside of badly needed skills, and contributes to a growing disparity between metropolitan and rural standards. The development of the twin-city will probably aggravate this phenomenon, and a particularly determined effort will be needed to reverse the trend.

Chance to Try New Systems

In the matter of attracting talent, however, the twin city project may fulfil an altogether different and useful function. Urban problems and problems of urbanisation are difficult to solve. They require the assembling of a diversity of skills, not easily brought together unless the project is sufficiently challenging and important. The twin city work promises sufficient excitement to attract the best talent in India and perhaps some from the rest of the world. Since we start with a clean slate it promises the opportunity to try totally new urban systems, designed to meet the urban activities of the next century. Whether any of this is eventually achieved or not, the fact of putting together a high quality team of urban specialists is certain to be valuable for the resolution of urban problems elsewhere in the State.

We revert again to the question of whether the twin city development is desirable at this point in time. In a way it is now or never, because the land will not remain undeveloped for long, and once it is built up, planning complications multiply.

Perhaps we can look ahead to an idealised forward image of sorts, and see whether the twin city finds a place in that image. It is easy to imagine the twin city functioning in the context of an urbanised, prosperous Maharashtra. It is difficult to see it working properly, or working at all, if urban development over the rest of the State has not matched the twin city's in pace and quality. It is not a question of now we will have the twin city, later the other urban areas. This may just not happen. Growth may unleash forces which make the process impossible to control. The twin city must find a place not only in the final forward image, but in a sequence of development images which appear practical. This probably means that the vigour of implementation of the new city project must be matched by an equal, if not greater vigour in encouraging the emergence and growth of other urban nuclei all over the State.

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[8] The island area of 26.17 sq miles is 15.6 per cent of the total Greater Bombay area of 167.41 sq miles. In 1961 the island housed 66.8 per cent of Greater Bombay population of 4.15 million, and contained about 84 per cent of the jobs.

[9] John P Lewis, "Quiet Crisis in India", Asia Publishing House, 1964, p 184.

'The Weaker Sections'

Deliberations at the Tenali Seminar

H S Verma

J V Raghavendra Rao

Oft-repeated resolves of those in authority to improve the lot of the weaker sections, in general, and of Harijans among them, in particular, have now acquired an air of unreality. Indeed, the will to act upon these 'resolves' has been so weak that one begins to doubt their sincerity. This tendency was once again in evidence at the Tenali Seminar on 'The Directive Principles of State Policy vis-a-vis State Action with reference to Weaker Sections' organised by V S R College from January 7 through January 10, 1970.

The main object of the Seminar was to highlight the problems of the weaker sections — women, Scheduled Castes and Tribes, other Backward Classes and the suppressed sections of the religious minorities — and to evolve action-oriented programmes to improve their living conditions and to bring them at par with the advanced sections. The Seminar was to examine the extent to which state action is informed by the directive principles and to suggest measures for their active involvement in the democratic process at all levels.

Further the Seminar was also expected to examine to what extent the graded inequality of the Hindu social organisation was coming in the way of enforcing social justice and to suggest programmes for the emergence of a casteless society.

THE gap between the ideal state of society envisaged in the Preamble of the Indian Constitution and the realities of the prevailing situation is immense and crowded with problems. A Aiyappan, who inaugurated the Tenali Seminar on 'The Directive Principles of State Policy *vis-a-vis* State Action with reference to Weaker Sections', hit the nail on the head when he stated that the Preamble of the Indian Constitution contained very noble but surely impossible ideals and principles. It was futile to expect that justice would be meted out to the weaker sections through constitutional means. Justice, as it is administered by the legal institutions in India today, was not within the reach of the weaker sections. In spite of the reservation of posts for Scheduled Castes and Tribes, they were deprived of attendant benefits by subtle devices. Even Government statistics and details were minted to present a very misleading picture of their lot. He wondered what the Harijan members of the State Public Service Commissions were doing. His own advice to the weaker sections was that they must learn to distinguish between friends and foes, and, what was more important, must learn to stand on their own feet.

There were six subject sessions: (1) the concept of 'weaker sections'; (2) socio-economic structure and the weaker sections; (3) social legislation and the weaker sections; (4) women and their emancipation; (5) Panchayati Raj and the weaker sections; and (6) modernisation and political identity. A summarised description of what transpired at these subject sessions follows.

I

Concept of 'Weaker Section'

This session, according to the printed programme, was to deal with (1) criteria for determining the weaker sections; (2) re-examination of the existing list of weaker sections with reference to the criteria laid down, i e, additions or deletions from the list; (3) adequacy or otherwise of the Constitutional provisions for attaining equality for the weaker sections as against the advanced sections of society; (4) decennial Census operations and enumerations of weaker sections. The session was chaired by M V Moorthy, and 10 papers presented.

Five main trends emerged from the papers that were presented and the discussion that followed, regarding the criteria to be used to determine the status of the communities.

One view was that only 'social' criteria should be considered in deciding the backwardness of the communities. This view was propounded by Enniah, Prasadarao and Bhimanna. But is was not spelled out by any of its exponents to clarify what they meant by 'social'. Nor did the Seminar subsequently attempt to define 'social'.

A second — and rather far-fetched — viewpoint was presented by S A R Sastry who wondered whether an accumulated sense of grievance held by one section of society against another on the basis of a historical past could be the criterion. If this was unacceptable, he suggested the alternative of 'humanism'. Societies, he said, are composed of human beings with diverse faculties, tangible and intangible. He worked out a classification on the basis of physical and mental capacities but conceded that the quality of one's mental and material possessions is decided mainly by the purchasing power one has. So economic status alone, he conceded, may be the key to the backwardness of the communities.

The third view was presented by Sriramachandra, Narayan Rao and Venkatrangaiah who thought that only the 'economic' criterion mattered. To them, social backwardness in society was entirely the result of economic backwardness. Once again, it was not clear from what the participants said, how economic status was to be measured.

The fourth view was purely constitutional. Its main exponent was K P Krishna Chetty, who received support from Ramaswamy and Gopal Rao. They pointed out that the Constitution was clear as to who are the weaker sections. But even among the three exponents of the legalistic view, there were two schools: one which felt that we have to infer the meaning of the term 'weaker sections' only from Article 46 because it is the only Article which specifically mentions 'weaker sections'; the other which takes into consideration other Articles in addition to Article 46. The legalists thought, on the basis of judgments of the Mysore High Court and the Supreme Court, that caste should not be the sole criterion; social and educational backwardness had also to be considered in determining the status of the communities. None of the participants suggested additions to or deletions from the list of weaker sections, although the incompatability of these lists for the various States, given their different social realities, was emphasised by more than one speaker.

The fifth — and perhaps the most cogent and comprehensive — viewpoint was put forward in a very forthright manner by J V Raghavendra Rao and H S Verma, and by C Lakshmanna. Criticising the J P Narain Committee and other Commission reports, which have dealt with the subject, they pointed out that no single criterion is adequate to decide the backwardness of any community. Accordingly, both the Rao-Verma team and C Lakshmanna suggested construction of a composite scale, comprising the social, economic and political aspects, which would help Government to decide the backwardness of communities, and the degree of backwardness of the weaker sections in particular. Rao and Verma took pains to specify the variables they thought should be included under the heads 'social', 'economic' and 'political'. The economic rubric, according to them, could be measured by land-holdings and/or income. The political rubric, they said, could include political participation — both attitudinal and behavioural — and leadership. Under the social rubric they included variables such as ritual caste status, literacy, education, occupation, development-orientation, religiosity, fatalism and amoral familism.

It was a pity, M V Moorthy pointed out, while summing up the discussion, that the Seminar could not decide whether one single criterion — social, or economic or political — or all the criteria — social, economic and political — should be used to determine the degree of backwardness of communities. From the practical viewpoint, this was an important question on which a consensus ought to have been reached.

Only one participant — Sriramachandra — touched on the question of utilisation of Census data for locating weaker sections for various purposes. He felt that the Census, as of today, is not of much help as it does not, for example, provide data on income levels, levels of education, social mobility, and housing, for the Scheduled Castes and Tribes and the Backward Classes. Although the Census Commissioner recently announced that data on housing and on levels of education would be collected in the 1971 Census enumerations, it is unlikely that it would be done communitywise.

II

Socio-Economic Structure and Weaker Sections

N Srinivasan outlines three paramount objectives of the Constitution: (1) national unity; (2) democratic government; and (3) social reform. Social reform was concerned mainly with the welfare of the weaker sections of society. He said that safeguards are good as short-term policy but not adequate for a long-term goal. Srinivasan did not present any long-term policy of his own, however. Especially in the light of parliamentary extension of safeguards for another 10 years, the Seminar might have greatly benefited had he spelled out an alternative long-term approach or policy.

M V Moorthy dealing mainly with

the problem of the Scheduled Tribes distinct from the Scheduled Castes, enlightened the Seminar with his knowledge of the sociology of literature of quoting from Telugu and Sanskrit Kavyas and Prabandhas. In the end, he pleaded that opportunities be provided to the weaker sections to improve their conditions, but he did not suggest any specific measures for doing so.

Parvathamma, in her paper, said that caste culture is unique to Hindus and that they carried this even to the lands to which they migrated. She called upon intellectuals and political leaders to work on a war footing to remove the disabilities and to improve the social condition of the weaker sections to near-equality.

Bankey Bihari Das gave a stimulating talk dealing mainly with the psychological dimension of assimilation of the weaker sections into the mainstream of national life. He said that fundamental rights could be amended to promote the welfare of the weaker sections. It is not devising of programmes but their speedy implementation that can save India's democracy from exposure to unrest.

K G Krishna Murthy in his paper emphasised that education is one of the most important media in the development of the weaker sections. Marshalling a lot of empirical data, he explained the low levels of educational attainment among the Scheduled Castes. He also suggested several measures to improve the educational and occupational opportunities for the weaker sections. Mudiraj thought that the problem of weaker sections was essentially a human problem requiring human understanding. He emphasised that a human solution has to be found by tackling the inequality inherent in the social structure.

H L Harit said that the Scheduled Castes and Tribes are themselves not a homogeneous group. He pleaded for a reclassification of these groups to enable the formulation of a more fitting policy or programme.

Veerabrahman dealt with the Varna and Caste system. He suggested measures such as free and compulsory education and free medical facilities to improve the conditions of the Scheduled Castes.

Lively discussions followed the papers. Ennaiah thought that fundamental rights do not help to promote equality for the weaker sections especially in rural India. K G Krishna Murthy said the villages of India have ultimately got to recede and that the urban sector alone can change the rural facade of the country. H S Verma criticised M V Moorthy because there was contradiction in his concept of hierarchical value-fixation and his talk of equal value of job-situations. Sriramchandra pleaded that technology is instrumental in bringing about social change and that we should adopt a strategy of social change through the use of technology. Pavan Moorthy said that there should be a vertical and horizontal attack on caste to enable the weaker sections to develop. Work, not birth, should be the measure of man. Parvathamma very rightly questioned the usefulness of Ambedkar's solution of conversion of Scheduled Castes into Buddhism in removing the structural inequalities and handicaps. Veerabhadra said that caste differences will have to be removed to bring about national integration. C Lakshmanna, while summing up the discussion, spoke of prescriptions and proscriptions in vogue in Indian society which prevent any real cultural integration of people from the various castes.

III

Women and Their Emancipation

The discussion here centred around the steps taken for the uplift of women and the adequacy of these to promote women's economic, social, educational, and political status to attain equality with men, and the need for additional measures. Four papers were presented.

In his excellent paper on emancipation of Hindu widows, G S Bidarkoppa discussed the problems that Hindu widows faced and the measures that should be taken to ameliorate their conditions. He listed, in some detail, economic, social, financial, health and emotional problems of widows and gave an outline of the legislative measures taken on the subject. He was convinced that various legislative measures taken have not brought about much change in the status of women, particularly that of widows. Since the provisions of most of the Acts were not generally known among women, rural or urban, he suggested programmes to create such social awareness. He suggested creation of widows' homes and encouragement of widow-remarriages. He also underscored the need for systematic research studies on widows.

Lakshmi Raghuramaiah felt that women everywhere faced the same problems of discrimination and prejudice, legal and economic barriers to their development, and lack of opportunity for advancement. The reason for all this in India, according to her, was the family system which immobilised women and restricted their movement in all spheres. She also touched on problems faced by married working women. She suggested creches for their children, easy availability of cooked foods, and holiday homes to ease their position. She even broached on the subject which is radical for such conferences, *viz*, the sexual independence of women. She felt that no woman can be free unless she can 'own' and 'control' her own body. The organisers of the Seminar seemed relieved that the topic was not taken up for discussion by the Seminar.

K Krishna Kumari and A Solomon Raju suggested that the different Acts must be amended in such a way that women of all communities can have similar rights. They were convinced that the only way to achieve a casteless society was through inter-caste and inter-religious marriages. Indira Devi discussed the efforts of social reformers to emancipate women and even ventured that the best way to assess the position of a nation on the scale of civilisation was to discover the status enjoyed by its women. Phul Renu Guha, who chaired the session observed that a genuine equality of sexes should be achieved not through constitutional provisions but in the day-to-day life of the community. Educating women and creating social awareness among them was the only way to achieve that aim. It was her conviction that the dowry system would be eliminated when women acquired economic independence.

IV

Social Legislation and Weaker Sections

This session was conducted under the chairmanship of N Srinivasan. Among the subjects was the impact of administrative and legislative measures in spheres like land reforms, co-operation, minimum wages, education, employment and housing facilities. As many as 18 papers were presented.

B R K Raju emphasised the importance of voluntary agencies in social reform. Legislation is necessary but not sufficient. It should be realised that if social reform is not effected there is a great danger of social disintegration. He suggested that professional social workers should work for the uplift of the weaker sections.

It was stressed by B V S Pathrudu that untouchability is practised among the Scheduled Castes themselves. He was not convinced that the lot of Scheduled Castes has improved considerably. He felt that the benefits have usually gone to the advanced sections among the Scheduled Castes. He urged educated youth among the Scheduled Castes to work more vigorously to educate their communities. In his paper, M R Maurya demanded that the loopholes in the Untouchability (Offences) Act, 1955, should be plugged. In problems concerning the Scheduled Tribes, he wanted Government to aim at all-round development of the tribes without disturbing the uniqueness of their life. He regretted that the universities did not have any policy of encouraging and protecting the interests of the weaker sections. Observing that power and authority are still vested in the stronger sections, he urged a clear-cut social policy to be implemented by the Central Government itself. M V N Prasada Rao pleaded for the setting up of more Ashram type schools and wanted that the education should be work-oriented.

C Ramulu briefly described the background against which the special treatment policy was evolved. Nagabhushanacharlu found that the programmes taken up for rehabilitation and welfare of nomadic tribes had a limited impact and recommended special efforts to study their problems at the micro level.

Krishna Chetty explained in detail the decisions of the courts involving the constitutional provisions concerning the education and employment of the backward classes. He disagreed with the view of the Supreme Court that Clause (4) of Article 16 was only an exception to clauses (1) and (2) of the same article.

In the field of education, Ennaiah pleaded special coaching for the children of weaker sections to enable them to compete with the children of the advanced sections. He also suggested the use of school buildings as hostels for weaker sections. On the basis of his research, K G Krishna Murthy observed that the enrolment of pupils of Scheduled Castes and Tribes, even at Grade I of the primary stage of education, was inadequate. G Hanumantha Rao referred to the field study made by him in West Godavari District in which he found a correlation between a higher literacy rate and availability of work opportunity. He recommended massive employment-oriented economic programmes by way of agro-industries. L Subbaiah stated that the problem of Harijans was essentially a problem of attitudes. Noting that the amount of Central scholarships for Scheduled Caste students has remained constant for two decades, he pleaded raising of the maintenance allowances to cover the entire expenditure of the student in the hostel.

The discussion then led to the subject of employment. Subbaiah suggested a committee of the legislature in the State to keep watch over the implementation of the schemes devised for the welfare of Scheduled Castes and Scheduled Tribes and the appointment a high power Cabinet Committee at the State level to review the performance of Government in recruiting candidates of Scheduled Castes and Tribes. Sankaranand, an Ambedkarite who believed that efficiency is a relative term, questioned the validity of the oft-repeated argument about the inefficiency of Scheduled Caste candidates and their unavailability in adequate numbers. He suggested that a cell should be set up to inspect the records of the various departments to ensure that they do not evade the rules framed by Government for recruitment of Scheduled Castes and Tribes.

In the discussion on minimum wages that followed, there was a general feeling that the implementation of the Minimum Wages Act has been ineffective. Mruthyunjaya Rao, therefore, demanded setting up of a well-organised inspectorate and urged that the labour should be educated about their rights under the Act. P Satyanarayana referred to agricultural labour and urged that illegal evictions should be stopped. He suggested that the land tax should be substituted by a graded agricultural income tax. J Satyanarayana raised the question whether there should be a uniform national need-based wage for different regions. N S R Krishna Moorthy suggested that productivity should not be taken into consideration in fixing the minimum wage.

Discussions on land reforms followed. Parthasaradhi felt that the legislation in Andhra for prevention of subdivision and fragmentation has not yet been properly implemented and that co-operative farming has failed. He pleaded priority for Scheduled Castes and Scheduled Tribes in land reforms. He argued that the land-holdings of the Scheduled Castes and Tribes should be economical. V V Reddy noted that States like Andhra Pradesh have not adopted any comprehensive measures for converting the tenants and sharecroppers into owners and that the tenants are exposed to partial or complete loss of rights over the lands hitherto under their cultivating possession. The transfers of land have tended to defeat the aims of the legislation for ceilings and reduce its impact on the rural economy. He suggested measures for implementation by the Government within a time limit.

Co-operatives and housing facilities were then considered. Bapaiah Gupta suggested the formation of a separate cell in the Directorate of Social Welfare for promotion of co-operatives among the Scheduled Castes and Tribes and other backward sections and the establishment of a Ministry by Central and State Government for the development of co-operatives among the Scheduled Castes. Pitchaiah found that the schemes for providing house sites/houses to Backward Classes have not been properly executed by the Zilla Parishads. He would like the State Governments to construct houses and allot them to Scheduled Castes. Boyi Bhimanna suggested the merger of Harijan quarters with the main villages.

V

Panchayati Raj and Weaker Sections

The Seminar, in this session, aimed to discuss: (a) Acts relating to Gram Panchayats, Samithis, Zilla Parishads, Municipalities and provision for involvement and participation of weaker sections; (2) Panchayati Raj powers and finances and their utility for the weaker sections; (3) Gram Sabha as an effective institution for creating a sense of participation among the weaker sections. Actually, however, the first two points escaped the attention of the Seminar participants. Four papers were presented.

K Seshadri sought to raise what he preferred to call 'fundamental questions' in regard to the Panchayati Raj and rural politics. He contended that the noble ideas of Panchayati Raj have been completely lost in practice because of, among other things, the caste system. In our country, governments adopt recommendations made by various Commissions/Committees after so mangling them that the spirit in which they are made is lost. That is why Panchayati Raj followed, like Hindu festivals, different procedures in different States under the subterfuge of local needs. He was not convinced that, involvement of rural communities in too many elections would necessarily lead to their politicisation. It could instead lead to greater bickering and

factionalism. He opined that elected leaders would tend to be power-oriented. To see that the loans and subsidies really reach the weaker sections, he felt that some residuary powers should be given to the bureaucracy since, in his opinion, it would be 'more sympathetic' to the downtrodden than to popular leaders.

All the 'fundamental questions' raised by K Seshadri were questioned by H S Verma and N Venkat Rao who thought that there was no other alternative but involvement of the weaker sections in the democratic fuction. The easiest way to do so was through electoral participation. Elections do lead to factionalism, but perhaps the negative role of factions has been exaggerated. Their positive contribution needs appreciation. And it could not be maintained that factions did not exist when there were no direct elections. Indirect elections were more likely to lead to the entrenchment of vested interests in the Panchayati Raj institution and to thus by-passing the interests of the weaker sections. There is no valid ground to believe that the power-orientation of elected persons would not be found also among those who are nominated to executive positions. Nor was it considered logical to think that bureaucracy would be more sympathetic to the needs of the weaker sections since it is as, if not more, corrupt as the popular leaders.

K Ankineedu and K Anjaneyulu in their papers advocated intensification of the activities of the Gram Sabhas to ensure active participation of the weaker sections. They suggested that 50 per cent of the elected seats in the Panchayati Raj institutions should be reserved for the weaker sections including women.

J Ramalingaiah also referred to the role of political parties in championing the cause of the weaker sections. All the political parties, he was convinced, including the Communists failed in tackling the problems of weaker sections. Only the Samyukta Socialist Party maintained an uncompromising attitude on the issue. N Ennaiah suggested that political and economic power has to be decentralised to enable the common man to exercise what he called 'sovereign power'.

VI

Modernisation and Political Identity

This session focused on (1) the emerging patterns of leadership in the democratic process and the role of weaker sections; (2) political parties and their role in building up leadership among weaker sections; (3) leadership requirements and the process of leadership identification at all levels; (4) the present leadership among the weaker sections and their effectiveness for the achievement of social equality. Three papers were presented.

K L Nadir and A K Chatterjee presented a psychological point of view. The weaker sections, Nadir and Chatterjee said, faced problems because of two opposing alternative sets of images, ideal systems and ideologies: one emanating from a closed traditional static social pattern; and the other from a comparatively recent, open and modernising dynamic social pattern. Both of these are co-existent, overlapping and inclusive in contemporary Indian society confronting the weaker sections. This has created in them an apprehension about their own image of themselves and of others. It has also affected their ideational system and behavioural responses. It has created inner chaos and a crisis of confidence in themselves. A basic change in the belief and idea systems of both the weaker and advanced sections of society was necessary. Also necessary was the realisation by the political parties that it is necessary to operate on the basis of ideology. The mass media have also to play their part in inculcating equality and fraternity among the citizenry.

Ranga Rao discussed social action and leadership among the weaker sections. Social change, he said, was of two types: directed and undirected. Sympathetic attitude of upper classes towards the weaker sections, he felt, would not help the latter; the change must come from the weaker sections themselves. This was by no means helped by the fact that educated Harijans continued to migrate from the villages and then did not care to improve the lot of their unfortunate brethren.

Chandrasekhar Rao was highly critical of the leadership among the weaker sections and felt that the extent of service rendered by this leadership needs to be studied and exposed. He also suggested a change in the institutional structure of the legislatures whereby the interests of the weaker sections should receive greater attention. Speaking on the same theme, V B Raju felt that mere selection of some people from backward classes as ministers could not bring about change. Ministers are not necessarily 'leaders'. And it is political leaders, not the bureaucracy, who can bring about social change to settle the problems faced by the weaker sections.

Conclusion

In retrospect, the Tenali Seminar highlighted the typical Indian habit of treating serious problems with amazing casualness until they threaten to envelope the whole socio-politico-economic set-up. Weaker sections have not sprung up just today; they were very much there when India gained Independence in 1947. Thanks mainly to our casual approach, their lists are longer now. Recently, however, because of the changed political situation, people, especially politicians, have started to exhibit ardent awareness of the plight of the weaker sections.

The sorry plight of the weaker sections was emphasised by one speaker after another. It was pointed out that the constitutional and other legal safeguards have not benefited the weaker sections substantially. Some specific suggestions, especially to improve the lot of weaker sections in the field of education and to develop a responsive leadership among them, were made. Assuming that these are likely to be accepted by Government for consideration in right earnest, the danger remains that they may meet the same fate as have several other good suggestions in the past.

It was sad to note at the Seminar that, although a mass of papers were presented and a large number of suggestions both good and bad were made, no recommendations emerged. Considering the importance of the topic, it would have been of great help had the Seminar at least defined the concept of 'weaker sections'; for, all other suggestions come to nought when there is no agreement on who are the weaker sections. Assuming that Government would give earnest consideration to the suggestions made by the Seminar participants, the danger still remains that they may not be implemented because of dilatory tactics. The onus of improving the lot of the weaker sections therefore lies on, as Aiyappan very aptly put it, the weaker sections themselves. The task before them is by no means easy; the path they have to tread is definitely not smooth. Hard work, tenacity of purpose, grit and determination alone could bring them the joys of 'equality' and 'fraternity'.

Finally, the University Grants Commission must be congratulated on having sanctioned a grant to a degree college located in a rural area to host the Seminar. Surely, this is one way to develop talent—organisational and otherwise—in sectors hitherto untried.

In Battle Array

Nishtar

NEVER before had cotton men got together in such large numbers as they did at the two-day conference in New Delhi, on June 22 and 23, to protest against proposals for state take-over of internal trade and import of cotton, the ban on hedge trading, and discrimination in the matter of credit dispensation. Over 2,500 traders, including some representatives of growers and millowners, attended the conference to present a united front in the battle for survival. In his presidential address, the ECA chief, Madanmohan R Ruia, stated that the proposed measures were based mainly on political considerations and had no economic justification. He set the tone for the conference by declaring that "we are not willing to give way to a hungry group of politicians and bureaucrats wanting to take away our all "on the false pretext of saving the farmer and consumer from the so-called exploitation of the trade or middlemen. The delegates who spoke on the occasion let it be known in no mistakable terms that they would not succumb to Government threats and would "fight and fight" against the nationalisation of the cotton trade.

Of all the issues involved, the suggested take-over of the internal trade is of crucial importance as it threatens the very existence of nearly three lakh people engaged in the marketing of cotton. Apart from the general declaration of intention to take over internal trade in major agricultural commodities, Government has not formulated any concrete scheme so far. But the cotton trade's fears in this regard cannot be dismissed as baseless. Government has already taken the first step in that it is now firmly committed to canalisation of imports from the next season. Repeated representations by the trade stating that since the existing system of quotas to mills was in itself a sophisticated form of canalisation, no useful purpose would be served by the take-over of imports by a public sector agency have proved to be of no avail.

The suggested take-over of internal trade is intended to assure economic and remunerative price to the grower and prevent exploitation of the producer and consumer by the middleman. The objective is laudable, but how the proposed take-over by the state will help achieve the objective is not clear. Government has not bothered to explain how the grower is being deprived of economic and remunerative price when cotton has always been a sellers' market and how he is being exploited by the trade.

The cotton trade contends that, under the present marketing system, growers get 90 per cent of the price paid by the consumer (mills), that it works on a net margin of only 1/2 to 1 per cent and that the proportion of profit earned by the trade in cotton is the lowest in the world. Not many would be inclined to accept these tall claims which seem to be based entirely on the findings of a study made by the Bombay University. Apart from being extremely limited in its scope, the study itself has drawn attention to the imperfections of the available data. The study, it might be noted, is confined to four major assembling markets in Khandesh; the variety chosen is Virnar 197-3 and the period covers only two years. How can one draw any worthwhile conclusions from such a study?

But the fact remains that the cotton trade performs a very important function. With its accumulated experience and expertise, the trade serves as a vital link between the cotton grower and the consuming mills. Leaving aside the question of financial outlay involved, Government has neither the expertise nor the administrative machinery for the take-over of the internal trade. And if one were to go by the experience of public sector trading in other agricultural commodities, monopoly procurement of cotton in the public sector is likely to result in much higher marketing costs. Cotton buying and selling involve heavy price and quality risks and even a few errors in judgment regarding ginning outturn, grade, and staple of cotton, can entail serious losses. Government will be well-advised to keep its hands off this very tricky and risky business. If Government cannot handle imports efficiently to the full satisfaction of the consuming mills, it should have the courage to hand over this business to the private trade. Imports involve expenditure of scarce foreign exchange.

Opinion on the utility of futures trading, especially in an economy characterised by chronic shortages, will always remain sharply divided. But that is no reason why New Delhi should not be able to evolve a reasonably consistent policy in regard to hedge trading. To allow forward trading in some commodities and to impose ban on others hardly makes any sense. The absurdity of allowing hedge trading in 'kapas' (unginned cotton) and cottonseed, and denying the same facility in cotton, should not have escaped the attention of the authorities. If there is any commodity which is most suited for hedge trading, it is cotton. Unless Government is totally opposed to futures trading — which it is not — there is no reason why hedge trading in cotton should not be allowed to be resumed. The cotton trade's plea for lifting the ban on hedge trading needs sympathetic consideration, if only because the ban lasting for three years has not done anybody any good.

One does not expect the cotton trade to take kindly to discrimination against it in the matter of credit dispensation. But it is not an issue which should have been taken up in a resolution. By its very nature, selective credit control implies discrimination in one form or another. Surely, cotton growers, traders and mills cannot be treated at par in the matter of credit facilities. Undue hardships created by tight credit supply need to be removed but this cannot be done by an agitational approach; it can be done only through frank and friendly discussions with the Reserve Bank authorities.

The conference has done well to resolve to set up a federation of all cotton trade organisations in India. While the federation is being set up mainly to agitate against nationalisation of the trade, it is to be hoped that it will also help organise information particularly about the progress of the crop in different States. How nice it would be if there could be an all-India body actively interested in increasing cotton production through higher yields! It is the chronic shortage of cotton which is at the root of most of the ills afflicting the cotton economy.

Vanaspati Prices

NATURE proposes and Government disposes. Vanaspati prices have been raised right when the rains had come to the rescue of the poor consumer and the unofficial premium on vanaspati had disappeared. And rarely have

prices been stepped up by 50 paise a kilogram (Rs 500 per tonne) in one instalment. It is, however, necessary to bear in mind that there had been no increase in vanaspati prices since March 18 even though the prices of indigenous edible oils, especially groundnut oil and cottonseed oil, had registered a steep rise. Despite increased supplies of cheaper soyabean oil — the usage percentage had been progressively increased to between 31.7 and 35.2, depending on the zone — arrears of price increase due to the vanaspati industry were said to have piled up to Rs 420 to Rs 520 per tonne. The latest price increase could have cleared these arrears if Government had not simultaneously reduced the usage of soyabean oil to 25 per cent in all the zones.

One's first reaction to the sharp increase in vanaspati prices would be that it is ill-timed in that it might rekindle the bullish flames which widespread heavy rains had brought under control with considerable difficulty. But on second thoughts one would perhaps be inclined to take the view that since Government had committed itself — let no one ask why — to clear price arrears, it could not have chosen a better time as the bullish impact of higher vanaspati prices on the general level of vegetable oil prices can be expected to be softened by the bearish psychology created by ideal weather conditions in all the major oilseeds producing areas. The market's initial reaction to the official announcement on vanaspati prices would seem to bear out this view. After rallying from Rs 5,000 to Rs 5,100, groundnut oil ready has receded to Rs 5,050 per tonne. Linseed futures (July) which had been quoted nominally around Rs 169 on June 22 were bid up to Rs 173.50 the next day but only to react to Rs 171 (per quintal) the same evening. Castor futures (September) declined from Rs 137.25 to Rs 133.75 on June 23.

That Government should have found it necessary to effect a cut, ranging from 6.7 to 10.2 per cent, in the supply of soyabean oil to the vanaspati industry is not without significance. Apparently, Government is not hopeful of being able to maintain the supply of soyabean oil at the recent high level in order to counteract the disability arising from high prices of indigenous edible oils. Inquiries with informed sources indicate that prospects of getting large additional supplies of soyabean oil under PL 480 even in the new US fiscal year are no longer rated high; the outlook, in fact, is considered to be very uncertain. Because of the marked decline in total availability — existing stocks plus committed potential supply — the usage of soyabean oil is expected to be reduced in stages in the months ahead which will be a lean period for groundnut oil and cottonseed oil. Besides, New Delhi is likely to step up the price of soyabean oil supplied to the vanaspati industry by about Rs 600 to Rs 800 (per tonne) in the very near future. The position in respect of mutton tallow also is not very promising. Negotiations for the supply of an additional 40,000 tonnes under USAID seem to have run into difficulties. Washington is not very favourably disposed towards New Delhi because of its political postures.

Should India be unable to obtain normal annual supplies of soyabean oil and mutton tallow under PL 480 it can have a far-reaching impact on the overall supply-demand equation, unless the gap can be filled through commercial imports. In the absence of a technological breakthrough oilseeds production, even under ideal weather conditions, is likely to remain far short of the country's requirements.

For the time being, however, the market has come under the spell of monsoon. Satisfactory beginning of sowing operations in all the important oilseeds producing areas has had a profound impact on market psychology. Spot houses have emerged as sellers and hoarded goods have started coming to the market. This has led to a marked decline in prices of castor and linseed. The market's behaviour in coming weeks is likely to be guided mainly by the progress of monsoon.

The week's review will be incomplete without mention of export activity in groundnut extractions and kardi extractions. Business put through in groundnut extractions is placed around 40,000 tonnes — deliveries ranging from August to December. Japan and the UK have been mentioned as the main buyers. Prices realised are stated to be an all-time record. Japan paid about $ 107 per tonne c and f for groundnut extractions, October-December shipment and UK buyers paid £ 47-15 for Aug/Sept/Oct shipments. Kardiseed extractions fetched $ 70 per tonne; Japan figured as the major buyer.

Beyond 1969 Peak

THE stock market continues to be a picture of confidence. Good corporate news, paucity of floating stocks, flexible official attitude towards bonus issues, hopes of early resumption of forward trading and encouraging progress of monsoon have helped to sustain bullish sentiment and the mood of optimism has carried the all-India index for equities to beyond its 1969 peak. With bears prohibited from entering the fray, bulls did not have to encounter any difficulty in pushing their way further up. There was nothing particularly exciting in the week's news but that did not seem to matter as the market had acquired sufficient momentum to keep moving on its own. The market did, however, take comfort from the amendment to the Drug Prices Control Order enabling Government to permit higher mark-up prices on formulations "if circumstances of a case warrant it". This has been rightly interpreted as further evidence of Government's helpful attitude towards the private sector. The upward revision of making-up prices of several shares in Bombay served as an additional stimulant for Dalal Street which continues to be a pacesetter for other markets.

Near the weekend, however, the market staged a modest retreat under pressure of corrective profit-taking. The rise had been sufficiently steep to tempt bargain hunters to cash profits. Technical considerations apart, the market had also to take into account a few other factors which induced a sense of caution. These included the unexpected victory of the Conservative Party in the British elections, Indira Gandhi's hints about the possibility of interim elections and uncertainty about the impending changes in the Cabinet.

While the price pattern over the weekend makes a mixed showing, the market continues to be in good shape. With most economic indicators pointing upward and the corporate sector doing reasonably well, the stock market has taken no serious notice of the criticism made by some of the leading spokesmen of big business that Government's economic and fiscal policies left little incentive for saving and investment in the private sector. Since the supply of shares has failed to keep pace with the flow of savings seeking investment in equities, the stock market bulls have reason to look to the future with confidence. It is of course arguable that the real strength of the market cannot be tested (or trusted) unless both bulls and bears are allowed to have a free hand which is possible only when the ban on forward trading is lifted. New Delhi's decision on this issue is awaited with keen interest. On June 27, the stock market will have completed one year of having gone without forward trading; an overwhelming majority of the stockbroking community lives entirely on forward trading.

Activity at a Loss

Hansavivek

SHREE RAM MILLS suffered a sharp setback in 1969 when its gross profit fell from Rs 79 lakhs to Rs 38 lakhs in spite of rise in sales from Rs 7.43 crores to Rs 8.11 crores and rise in miscellaneous income from Rs 6 lakhs to Rs 16 lakhs. At the net level, there was a deficit of Rs 8 lakhs (against a surplus of Rs 33 lakhs) which increased to Rs 17 lakhs after making provision for two non-recurring items—share and debenture issue expenses and taxation in respect of previous years. This dismal performance notwithstanding, the directors have not only paid four per cent by way of interim dividend but have also recommended six per cent as final distribution on the plea that "for one unsatisfactory year of working, the shareholders should not be deprived of a reasonable return". But reserves will be considerably reduced.

These results are blamed on the cumulative effect of a number of adverse factors, such as increase in costs, unsatisfactory level of production as well as realisation, and considerable volume of exports effected at lower prices to meet commitments relating to import of machinery. Moreover, the engineering division's working, though improved, still showed a loss, and production of Reishauer chucks could not be brought on a commercial scale owing to "teething troubles" connected with production of right quality of chucks. These troubles have now been overcome and commercial production has started. But "serious thought" is being given to the problems of the foundry which has yet not reached the desired level of production and is being run at a loss. During the year, the company issued to the public 7.75 per cent debentures (1979-81) of the face value of Rs 1.5 crores at par, which were fully subscribed.

Hindustan Polymers, promoted by SRM, experienced "considerable delay" in disbursement of loans because of various problems relating to loan documentation. It has commenced erection of styrene monomer plant which is expected to be ready for commissioning during the first half of 1971. Its distillery plant started operating regularly from August 1969 and is selling alcohol to allottees of the State Government. The polystyrene plant has been working satisfactorily by using imported styrene monomer. Both general purpose polystyrene and high impact polystyrene, have been well received in the market.

MODELLA WOOLLENS earned a lower gross profit of Rs 23 lakhs during 1969, compared to Rs 27 lakhs in the previous year, although total income was up from Rs 1.15 crores to Rs 1.29 crores. Net profit was Rs 11 lakhs (Rs 12 lakhs) which covered dividend stepped up from 5 to 7.5 per cent (whole of which is expected to be exempt from tax) a little over twofold and gave a return of 9.6 per cent on total funds employed. The yarns manufactured out of indigenous raw material have been well received in the market, and forward sales have been effected for the current year. The Thana unit is, therefore, expected to work three shifts throughout this year. The wool-top unit yielded profits for the second year in succession, although the dyeing department faced "stiff competition" from small-scale units. Steep increase in excise duty, from 10 Paise to Rs 2.45 per kg, resulted in the falling off of the demand for tops made from Indian wool and affected sales. The company now has enough commission combing orders for several months ahead for three-shift working, but it cannot take full advantage of this favourable position because of the recurring labour trouble at this unit. There was a strike at the Chandigarh unit for about five months till May 19 last. It is stated that one worker was arrested for having wilfully damaged a boiler which has affected production and the plant is working with only one boiler.

JAYA SHREE TEXTILES added a fresh net loss of Rs 23 lakhs in 1969 to the one amounting to Rs 26 lakhs in the previous year, after depreciation of Rs 29 lakhs (Rs 26 lakhs). Total income was slightly lower at Rs 5.83 crores (Rs 6.10 crores). Accumulated deficit carried to the balance sheet amounted to Rs 49 lakhs. Both preference and equity dividends were skipped; arrears on the former account rose to Rs four lakhs. These disappointing results were attributed to "serious labour and staff trouble and strikes during the second half of the year" coupled with rise in costs. The strike was called off towards the end of January last following a tripartite settlement valid for three years, according to which the company "yielded" to an *ad hoc* increase of Rs 55 for staff members of the textile units and Rs 50 for the porcelain insulator factory payable in three settlements.

MAHARASHTRA STATE FINANCIAL CORPORATION witnessed substantial expansion in business during its eighth year ended March 1970, when both the number of new applications received and sanctioned showed more than threefold increase (the former rising from 312 to 1,455 and the latter from 284 to 1,020). Loans sanctioned aggregated Rs 8.21 crores (against Rs 4.31 crores previously) and disbursements were up by 46 per cent to Rs 4.39 crores. Applications pending at the year-end stood at 586 (against 171 at the beginning of the year) and their proportion to the total applications for consideration was up from 29 to 33 per cent. But this was due partly to the large receipt of new applications in the latter part of the year following campaigns in Vidarbha during November-January last. The time lag between application and sanction also showed improvement. Of the 1,020 applications sanctioned, 118 or just over 10 per cent took longer than six months (while in the previous year 91 or 32 per cent had taken that much time in being sanctioned) and 628 or over 60 per cent of the applications were sanctioned within three months whereas their proportion was only 32 per cent last year. The defaulted amount rose from Rs 104 lakhs to Rs 114 lakhs, but a sizeable amount of overdues was attributed to defaults in respect of loans advanced during the recession of 1966-68. A special recovery section has been set up to expedite recoveries.

As part of the expansion programme, full fledged branch offices were opened at Bombay and Kolhapur and suboffices at Akola, Nanded, Nasik, Sholapur, Ahmednagar and Ratnagiri. It is intended to open offices in all the districts of the State by the end of March next. It has also been decided to open regional offices at Bombay, Kolhapur, Poona, Aurangabad and Nagpur, which would be entrusted with the bulk of the pre-sanction work presently done at the head office in respect of cases in-

volving loans up to Rs two lakhs.

Among the new developmental and promotional schemes introduced during the year was a specially tailored scheme for the fishing industry in the coastal areas of the State and Goa, whereby assistance is given for the acquisition of hull, marine engine and accessories on a margin of 25 per cent with a maximum repayment period of 10 years. In collaboration with Maharashtra State Co-operative Bank, a long range financing scheme has been started for co-operative estates under which one industrial estate was financed during the year. The Corporation undertook sponsoring small industrial concerns for grant of foreign currency loans (generally from Rs 1 lakh to Rs 5 lakhs) by ICICI for import of capital equipment. Also, a new scheme has been introduced whereby assistance is given to clients in securing their working capital requirements from banks.

During 1969-70, MSFC's income edged up from Rs 111 lakhs to Rs 114 lakhs, but, with increase in expenses, gross profit declined from Rs 31 lakhs to Rs 23 lakhs. Net profit was Rs 13 lakhs (Rs 17 lakhs). Out of this, Rs 6 lakhs will go for payment of dividend at 3.5 per cent on original share capital of Rs 1 crore and 5 per cent on additional capital of Rs 50 lakhs. The paid-up capital is proposed to be increased to Rs 1.75 crores this year.

POLSON's board has been reconstituted following change in the company's controlling interest. All the old directors, except R C Cooper, have resigned and five new directors (Jagdish J Kapadia, Vipin J Kapadia, Suresh J Kapadia, Manubhai M Amarsey and M R Shantidas) have stepped in. During 1969, the Digha Ghat (Patna) dairy was closed down as its operations were "uneconomical". The arrangement entered into with a party for the supply of canned fruits and vegetables under the "Polson" brand name was terminated, as the supplies "were not of the acceptable standards". In its place, sole selling agency of a manufacturer of jams, squashes, syrups and juices has been acquired. The manufacture and sale of *mawa* at the Anand factory has been discontinued from April last on account of "operational and other difficulties". A 'letter of intent' has been secured for the manufacture of high protein beverage in collaboration with a US firm. The 1969 results show turnover unchanged at Rs 2.37 crores but decline in gross profit from Rs 18 lakhs to Rs 15 lakhs due to increased cost of production and "severe" competition. Net profit is Rs 5 lakhs (Rs 8 lakhs) which does not fully cover the equity distribution of 12.5 per cent and shows a return of 6.5 per cent on the total funds employed in business.

FROM THE CHAIR

Mahindra Ugine Steel Company Limited

Statement of the Chairman, Mr Harish Mahindra

THE following is the statement of the Chairman, Mr Harish Mahindra to the Members on the occasion of the 7th Annual General Meeting of the Company held in Bombay on 22nd June 1970 :

The Directors' Report and the Accounts for the year ended 31st December 1969 have been with you for some time. I am now pleased to present herewith my Statement briefly outlining the political, economic and overall industrial situation prevailing in the country during the year under review, with a view to provide the background to the Company's operations. This Statement is being circulated also to keep you posted with the more recent developments in the working of your Company.

The Economy

The past year was relatively easy for the Indian economy. There were substantial improvements in the country's agricultural production and its external account. Inflation had more or less been contained with the average level of prices at the end of December 1969 being higher by only 2.1 per cent compared to 1968. Though prices in the current year have been rising significantly than during the previous year, it is hoped that on account of good crops relative price stability may be achieved. The past year has also witnessed further recovery and rehabilitation in industry.

For the last three years in succession foodgrain production has been maintained at high levels. In the crop year 1969-70 it is hoped that a record 100 million tonnes may be harvested and a good deal more in 1970-71. This is the biggest and the most crucial plus factor of the Indian economy. Last year with regard to the recession I had occasion to say that the turn of the year (1968) marked an amazing recovery of the Indian economy and industry from the clutches of recession. During 1969 there has been a further improvement and the rate of growth of industrial production during 1969 is likely to be of the order of about 7.5 per cent. Though this is short of the target of an annual growth rate of 8 to 12 per cent for the Fourth Five Year Plan period, it may be recorded that industrial growth gathered further momentum and on account of buoyant demand there has been a significant improvement in the production of consumer goods and in transport industries, excluding railway equipment. Output in intermediate industries such as iron and steel, non-ferrous metals, cement and chemicals was also at a higher level.

The developments during the past year have brought into sharp focus the problems the country is facing in improving the quality of life of our people. It is now unmistakably clear that the economy is poised for moderately rapid growth as it moves into the decade of the seventies. I am positive that the present decade will witness the growth of the Indian economy at a rate faster than either during the sixties or fifties, provided there is a pick up in fresh industrial investment, which depends on a bright political outlook.

The Political Scene

In sharp contrast to the relatively heartening progress of several sectors of the Indian economy, the country witnessed serious unsettled condition in the political sphere. The convulsions within the ruling party completely changed the political ethos of the country, perceptibly affecting economic thinking. Consequently, radicalism in all facets of our economic policy is being ardently advocated. For instance, the nationalisation of the 14 largest commercial banks in July 1969, was followed by the takeover of the import trade in a number of items. Government has continued to put its faith in state trading, canalising imports of more

and more items through Government organisations. Mention may also be made of the conclusions and recommendations of the Dutt Committee which have been more or less faithfully incorporated in the Revised Industrial Policy. The exercise of the right to convert loans and debentures into equity at the option of the lending financial institutions tantamounts to back-door nationalisation. The logic of the new Industrial Policy may be likened, in a way, to a Procrustean bed, with the Government stretching or lopping off business houses to suit its objectives.

Many more radical measures taken or contemplated may be listed. But it is a debatable point whether such measures are necessary to eradicate poverty. It is, of course, agreed that economic opportunities open for all must increase. A welfare system embracing all sections of our society is essential. They should be assured of minimum incomes, better houses, health and education facilities. But I am afraid slogans, takeovers, nationalisations, abolitions, bans, etc, do not make the country prosperous; nor can they ease the intensity of the poverty.

For turning our pious hopes into reality, a climate for faster economic growth has to be created. Economic growth is the prime need of the hour. It should, therefore, be stressed that a rational economic policy has got to be evolved keeping in mind the fact that the economic development of the country should not under any circumstances suffer for want of a certain measure of vision or on account of any ideological dogmatism. Such a policy, on the other hand, must spur growth. I may also add that there is an inherent conflict between the economic objective of faster economic growth and the social objective of reduction in disparities for establishing an egalitarian society. Extra care and cauton is, therefore, essential for ensuring that while taking measures to reduce disparities, the other objective of rapid growth is not forsaken. There are no shortcuts to prosperity or egalitarian society. It should be said that a totalitarian rule is not essential for bringing about a social change for removing economic disparities. The constitutional process permits changes and as such there is no justification for regimentation in thought or for resorting to violence.

Import of Knowhow

Another relatively minor issue I want to touch upon is the question of import of know-how. The policy of the Government in this respect appears to be to restrict as much as possible import of repetitive know-how. It is also anxious to ensure that any such import should be only for bridging gaps in indigenous technology in certain critical sectors. While I appreciate the stand of the Government, I am afraid there is a danger of the Government overdoing it, and thereby retarding rather than stimulating the industrial progress in this country. We must note that in recent times the technological developments in certain sophisticated fields *viz*, electronics, space research, micro-macro biology have been astonishingly fast. Take the example of the progress registered in the recent past in the field of electronics. Just about a couple of decades ago the concept of transistors revolutionised the world of telecommunications. But this was soon supplanted by the development of the integrated circuits. Even this will soon be outmoded by the development of larger integrated circuits and by miniaturisation. We should, therefore, bear in mind that any insular approach in these days of fast and startling technological discoveries is bound to create technological gaps which will be hard to bridge.

We cannot afford not to take a leaf out of the experience of Japan. Japan has been importing knowhow in sophisticated fields without any inhibitions. She has not only been able to adapt modern technology to meet her local requirements but has also been able to perfect the technology so much that she has even succeeded in exporting the knowhow back to the countries it came from.

Demand for Alloy Steel

For some time now there has been some difficulties in assessing accurately the demand for Alloy Steel. You are quite aware of the earlier projections of the demand for Tool, Alloy and Special Steels and how wide off the mark they were.

If I may remind you, sometime ago your Company has had the benefit of a comprehensive market survey for assessing the existing and potential demand in the country for all types and grades and categories of Alloy Steel. This survey helped us to a certain extent in formulating our production programmes for two or three years, but beyond that such a survey could not be of much use. We were, therefore, interested in the exercise conducted by the NCAER in November 1968. The Council went about this task by tracing in detail the different end-uses and by the application of technical norms to the final industrial and other targets. Accordingly it was estimated that the demand for Alloy and Special Steels for all economic sectors for the years 1970-71 and 1975-76 would be 380,290 and 517,520 tonnes respectively (or about 460,000 tonnes for 1973-74. This figure for 1973-74 has been arrived at by interpolation). Though these estimates were based, as they were, on realistic estimates of consumption by user industries such as Automobiles, Tractors, Machine Tools etc, the final estimates of the Council have now proved to be gross over-estimates. These figures stand no comparison with the estimates of the Planning Commission which places the demand for Alloy and Special Steels at 294,000 tonnes by 1973-74. In this connection I am pleased to say that your Company has just initiated a market survey to assess the existing and potential demand for Tool and Alloy Steels in terms of categories, grades, etc. This would prove to be of much help in planning our expansion scheme and ensure that the expanded capacity of the Plant reflects adequately the needs of the market.

Working of Your Company

I would now like to review the operations of your Company during 1969 and the first five months of 1970. As you would be aware, 1969 marked the first complete year of integrated operation of your Plant as compared with the seven months of 1968. That 20,000 tonnes of finished steel could be produced in the Plant during the first complete year of integrated operation coupled with the fact that the operation during the year of your Plant had resulted in a modest profit after provision for depreciation indicates that given a medium of favourable circumstances your Company will be able to get into the profitability stride shortly.

Sales during the first five months of the current year are higher by 42 per cent over the corresponding period of the previous year. The gross sales of your Company during these five months have amounted to Rs 287.87 lakhs averaging a monthly gross sales of Rs 57.02 lakhs. It should be a matter of satisfaction to you that the turnover of the first five months of the current year has exceeded by about Rs 60 lakhs the sales recorded in the whole of 1968. Proportion of Alloy Steel in the product-mix continues to increase progressively and the

rate of inflow of orders for the product-mix of the Company is about 50 per cent higher than that of 1969.

Although the operations of the Company in terms of production and in marketing have not so far given rise to any intractable problem, shortage of certain raw materials and consumable stores may cause dislocations in our manufacturing plans unless remedial measures are taken immediately.

Export of Melting Scrap

Melting scrap, as you are aware, is the basic raw material for the operation of your Plant. There are certain categories of melting scrap which continue to be exported despite our numerous representations to the Government urging that scrap being an industrial raw material which is being transformed into valuable finished products, it should not be allowed to be exported to the detriment of the interests of the indigenous industries like Alloy Steel and Steel Casting industries. The allurements of a high price in the foreign market have created positive disincentives for the local scrap dealers and scrap exporters to service the requirements of the indigenous industry. The only solution lies in the imposition of a total ban on export of usable category of scrap such as mild steel turnings and borings, No 1 and No 2 bundles, skull scrap, etc. so that Arc Furnaces are assured of a continuous flow of materials which is an essential pre-condition for them to attain progressively higher levels of output.

The ban on export of melting scrap is, therefore, an immediate and imperative necessity and although this may result in a marginal loss in foreign exchange earnings, I feel, that with the increased output from the Arc Furnaces the country, as a whole, will be benefited by larger import displacements arising out of higher output of such vital products as Tool, Alloy and Special Steels, Steel Castings, Steel Wire Ropes, Medium and High Carbon Wire Rods, etc.

We have heard of several new schemes for establishment of Arc Furnaces coupled with Continuous Casting Plants which have received the imprimatur of essentiality from the Government. All these products will generate fresh demands for Melting Scrap and I visualise that the day is not far off when despite the ban on the export of scrap the availability in relation to demand will deteriorate to such an extent as to cause serious concern to the entire Steel Industry. From a long term point of view the problem does not end with the banning of exports or maximisation of collection of scrap. If the percentage of Electric Steel making to the total production of Steel in the country is to be raised to a significant level, the possibilities of producing substitutes of scrap should also be initiated for equipping scrap yards throughout the country with scrap processing equipment so that scrap generated within the country can be fully harnessed for production of steel in Electric Furnaces.

Nickel Mining

In passing I would like to make a brief reference to the strategic metal Nickel. It is one of our basic raw materials and it is likely to assume a great deal of importance in the near future. We were not able till recently to locate nickel deposits in the country and develop nickel mining. As a result we had to rely exclusively on imports at the cost of considerable expenditure in foreign exchange. In this context the recent reports about nickel finds in several parts of the country is very heartening. I urge the Government to take immediate steps for the commercial exploitation of such nickel deposits, if feasible technically.

Power Tariff

The necessity of increasing production of steel by Electric Steel Furnace Industry has been discussed over the last few years in various forums. It has been repeatedly pointed out by the Industry that one of the major impediments to its rapid growth is the high cost of power in this country in general and particularly in certain States. As anticipated in my previous Statements, power rates have been increased with effect from 1st November 1969. As a result, the effective power cost in your Plant has sharply risen to 11 paise per unit on an average. In view of the pronouncedly power intensive character of our operations, this increase has produced an appreciable impact on our cost of production. For any Electro-Metallurgical operation the cost of power is highly important all over the world. Electro-Metallurgical Industries are as a rule allowed concessional tariff rates. Our expectations in regard to cheaper power in Maharashtra have not so far materialised but the decision of the Government to appoint a Committee to probe into the entire structure of the power tariff *vis-a-vis* the power intensive industries is a step in the right direction. I sincerely hope that in order to ensure the competitiveness of the products of Electro-Metallurgical units located in this State, the Maharashtra Government will announce tangible concessions in the power rates.

Procedural Delays

Finally, I would like to mention that your Company has had to endure a number of hardships and difficulties in regard to obtaining clearances from various Government departments in the matter of imports of certain raw materials and stores particularly those under tied credit arrangements. Unfortunately, rule-bound departments happen to take their own time in issuing clearances. It is very necessary that procedures are streamlined and clearances are speeded up. Otherwise production and expansion in such a strategic Industry as Alloy Steel would suffer.

Future Outlook

As mentioned earlier during the current year the rate of order intake particularly for Alloy Constructional Steel is very satisfactory and the order load is substantially higher than the corresponding figure a year ago. With the increase in the share of Alloy Constructional Steel in the total product-mix the current year should prove more profitable than last year. On a long term basis I am confident that your Company has a bright future; but its growth and expansion will have to be planned with imagination and vision. The blueprint for expansion and diversification will be taken up for implementation by middle of next year when I shall be able to outline all developments in this respect.

Before I close, I am sure you would like to join the Board and myself for expressing our appreciation and sincere thanks to the Officers and Members of the Staff and all the employees of the Company both at the Head Office and Plant for their hard work and unstinted devotion to duty. I would also like to conclude my Statement with a word of appreciation and gratitude to the Members of the Board for their valuable counsel in our deliberations, the consumers of Alloy Steel in the country for their confidence in our products and patronage, the Collaborators for their unremitting cooperation and assistance and the Lending Institutions for their continued support and interest in our operations.



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தவணைந்நாள்.

சே எண் : ப. எண் :

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